



See the week's scary housing and jobs data

By Ruth Mantell

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Some of this week's data was scarier than even the mini-witches and vampires prowling neighborhoods, looking for free candy.

A gauge of upcoming home sales recently hit its lowest level in nine months, signaling that actual home sales will decline in the fourth quarter, according to a report from the National Association of Realtors. September is the first period in more than two years that pending sales weren't greater than year-earlier levels, as higher home prices and mortgage rates took a bite out of the housing market's rebound.

Faced with a variety of data showing that the housing sector's recovery has slowed in recent months, the Federal Reserve decided this week to maintain its massive asset-purchase plan that has been exerting downward pressure on long-term rates.

Even as annual home-price growth in August hit the fastest pace in more than seven years, data this week showed that monthly gains are slowing down. Home prices rose 1.3% in August, the smallest monthly gain since March, as 16 of the 20 cities saw slower growth, according to S&P/Case-Shiller's gauge. After seasonal adjustments, home prices in August rose 0.9%, below a recent peak of 1.9% in March.

"Recent increases in mortgage rates and fewer mortgage applications are two factors in these shifts," said David Blitzer, index committee chairman at S&P Dow Jones Indices.

While rising home prices have helped troubled home owners regain equity, appreciation that's too fast has also kept would-be purchasers from entering the market. Buyers will welcome a breather from racing price growth.

Private-sector employers in October added the fewest jobs in six months, the latest data in a worrisome trend that was furthered, in part, by the partial government shutdown, economists say. Private employers added 130,000 jobs this month -- the fewest since April, payrolls processing firm Automatic Data Processing reported. Over the three months through October, the economy gained an average of 142,000 jobs per month, down from an average of 220,000 at the start of the year.

"Any further weakening would signal rising unemployment. The weaker job growth is evident across most industries and company sizes," said Mark Zandi, chief economist of Moody's Analytics, which prepares the report using ADP's data.

Although nonfarm employment, which includes private and government workers, has been rising for three years, the economy has almost 1.8 million fewer of these jobs than when the recession started at the end of 2007, according to the U.S. Department of Labor.

The bottom fell out of consumers' economic expectations this month, plunging a gauge of their confidence to the lowest level in half a year, as Washington's partisan bickering shut down the government and worried global investors, according to Conference Board data. The consumer-confidence gauge fell to 71.2 in October from 80.2 in September.

Economists are concerned that continuing and heated fiscal battles in Washington could hurt consumer spending, which is the backbone of the economy, just as retailers head into the holiday season. Separate data this week showed that U.S. retail sales fell in September for the first time in six months.

"Given that the latest fiscal policy deal only kicks the can down the road until January, we expect consumer confidence to take another hit to start the new year...The ongoing political disagreement continues to pose downside risks to consumer spending activity over the next couple of quarters," Wells Fargo Securities economists wrote in a research note.

However, as has happened in the past, U.S. consumers may turn out to be surprisingly resilient this holiday season. **Bernard Baumohl**, chief global economist at the The Economic Outlook Group, pointed out this week that households' financial burdens have been dropping, a trend that could support spending.

"It is one of the reasons we expect this holiday shopping season to be one of the best in years, and that should foreshadow stronger outlays in 2014," **Baumohl** said.

According to the Federal Reserve, households' financial obligations ratio -- measuring the share of disposable personal income made up by mortgage and consumer-debt payments, as well as items like auto lease payments, rent, and property tax -- has been trending down since 2007 and recently hit 15.34%.

Elsewhere in the global economy, annual inflation in the euro area dropped in October to 0.7%, the slowest pace in almost four years, from 1.1% in September, according to Eurostat, the statistical office of the European Union. The economy has been struggling, and the tepid inflation rate reflects weak demand.

Inflation that is too low can put a country in danger of falling into a vicious cycle of deflation with consumers delaying purchases, further weakening an already struggling economy. In the U.S., Federal Reserve officials target an annual inflation rate of about 2%. The U.S. reported this week that annual inflation in September reached 1.2%, according to the Labor Department.

Among consumers spending on Halloween this year, they laid out an average of more than \$42 for costumes and \$23 for candy, according to CreditCards.com, an online marketplace.

Even scarier: Some people bought greeting cards for the holiday, spending an average of almost \$11.

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