Consumer Confidence Improves, Construction Costs Stay High, Mortgage Rates Decline

By Lou Hirsh

Consumer Confidence Improves

Consumer sentiment is up slightly this month from November at a time of continued uncertainty about the economy, according to a closely watched survey by the University of Michigan.

Preliminary December numbers showed the university's nationwide consumer sentiment index at 59.1, which was up from 56.8 but well below the 70.6 reading of December 2021. The index generally reflects the percentage of survey respondents viewing the U.S. economy favorably, based on factors including confidence in their own finances and overall business conditions.

"Gains in the sentiment index were seen across multiple demographic groups, with particularly large increases for higher-income families and those with larger stock holdings, supported by recent rises in financial markets," Joanne Hsu, the university's consumer surveys director, said in a statement.

A separate index showed 60.2% of respondents viewing overall current economic conditions favorably this month, better than November's 58.8% but below the 74.2% for December 2021. Another index gauging consumer expectations for coming years registered at 58.4%, up from 55.6% in November but below last December's 68.3%.

Consumer sentiment ultimately has a big effect on hiring, real estate demand and strategies for navigating volatile economic periods. Outplacement firm Challenger, Gray & Christmas reported that U.S. retailers' holiday seasonal hiring fell below 2021 levels in November, with the 256,700 jobs added during the month representing the lowest November level since 2008 in the early days of the Great Recession.

"It's clear that retailers that hire seasonal workers are taking a cautious approach to adding positions this holiday season," Senior Vice President Andrew Challenger said in a Dec. 7 statement, noting uncertainty over whether workers will be needed in-store or in online fulfillment roles. "Many are still unsure if consumer spending will justify new hires, particularly as layoffs begin to ripple around the economy."

Construction Costs Stay High

The latest Labor Department numbers showed construction material costs for nonresidential projects rose 10.1% in November from a year earlier, a trend that continues to pinch developers and contractors as supply chains are yet to return to pre-pandemic normalcy.

"Although inflation pressures are cooling in some areas, overall costs for construction are still rising at painfully high rates," Ken Simonson, chief economist at the Associated General Contractors of America trade group, said in a Friday statement commenting on newly released government data on producer prices. "In addition, subcontractors are reacting to higher materials and labor costs by raising their prices."

The trade group noted producer prices, which also include transportation and other distribution-related costs, actually declined 0.4% from the prior month for nonresidential construction. But the annual increase was still larger than the overall 7.4% rise in U.S. producer prices for all finished goods.

Government data showed double-digit annual price increases for several items affecting construction costs, with diesel fuel rising 59.6%, paint and architectural coatings up 26.3% and gypsum products such as wallboard increasing 18%. The trade group also noted annual cost hikes of 14.3% for insulation products, 12.5% for asphalt and tar roofing materials, 12.3% for flat glass, 11.3% for plastic products and 11.1% for truck transportation of freight.

Mortgage Rates Decline

Mortgage rates went down for a fourth consecutive week for the period ended Dec. 8 in the midst of a slowing housing market, according to the latest weekly national survey of lenders by government loan-backing agency Freddie Mac.

"Over the last four weeks, mortgage rates have declined three quarters of a point, the largest decline since 2008," Freddie Mac Chief Economist Sam Khater said in a statement. "While the decline in rates has been large, homebuyer sentiment remains low with no major positive reaction in purchase demand to these lower rates."

Freddie Mac found 30-year, fixed-rate mortgages averaging 6.33%, down from 6.49% in the prior week but still well above 3.1% in the comparable week of 2021. Fifteen-year, fixed-rate mortgages averaged 5.67%, down from 5.76% a week earlier but higher than 2.38% a year earlier.

There are also signs that credit availability is rising slightly as lenders respond to slowing home sales. Based on an analysis of data from service provider ICE Mortgage Technology, the Mortgage Bankers Association trade group said November's index of credit availability rose by 1.4% from the prior month to 103.4 in November, with March 2012 used as a benchmark of 100.

A rise in the index signals loosening of credit standards, and November's was the first increase in nine months. Joel Kan, the trade group's deputy chief economist, said lenders "continued to navigate a challenging environment brought on by higher rates and a much slower housing market."