Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**

April 2022 • Vol. 12 • Issue 4 • ***Jobs still lagging, savings rates fall***

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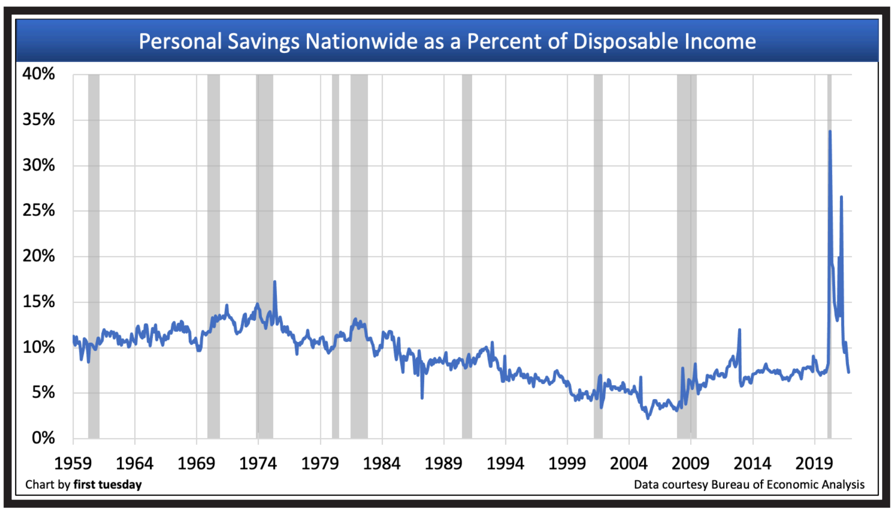
Jobs are still climbing out of the recessionary pit

This chart shows the number of jobs held by Californians. The gray bars represent periods of **economic recession**.

California jobs are now 1.2 million jobs above a year earlier following the **historic job losses** that took place in Spring 2020. However, jobs are still 690,000 or 3.9% below the pre-recession December 2019 peak.

While lost income normally results in reduced sales volume and prices, the opposite occurred in 2020-2021. Recessionary conditions never took hold in the housing market due to the combination of historically low home inventory, record-low **mortgage interest rates**, stimulus payments, and foreclosure and eviction moratoriums. As Federal support for lost incomes is now fully lifted and interest rates rise, expect to see **downward pressure** on home sales — and eventually prices — through 2023-2024.

Personal savings — back to normal and falling



This chart shows the **personal savings rate** nationwide. The gray bars represent economic recessions.

The national personal savings rate is starting to look more normal in Q4 2021, at 7.3% as of October 2021. Today's savings rate follows two years of volatility, having jumped to a record 34% of disposable personal income in April 2020, coinciding with the first round of **stimulus payments**, which many put directly into savings. For perspective, savings bottomed near 2% in 2005 when consumer confidence was high. Here in California, the room for saving is even narrower due to the pace of incomes lagging far behind housing costs.

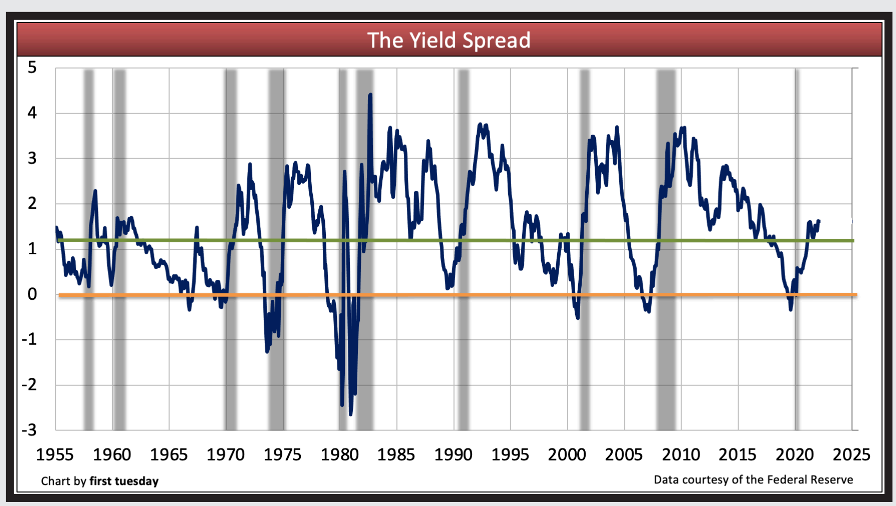
Looking ahead to 2022, many residents will continue to draw on savings to survive as they face high levels of **inflation** alongside joblessness. The high savings rates of 2020-2021 were fleeting and will have no long-term bearing on the housing market. Instead, look to the jobs recovery for a clearer picture of Californians' access to incomes and savings.

Yield spread forecasts no double dip recession — for now

This chart shows the **yield spread**, which indicates the likelihood of a recession or recovery one year forward. The gray columns indicate economic recessions. The green line shows the warning point for the spread and the orange line is the point of no return in terms of a forthcoming recession.

After over a decade of positive activity, the yield spread went negative in mid-2019 for an extended time. This four-month inversion was the result of higher short-term interest rates stimulated by the Fed and lower long-term rates as the economy slowed and bond market investors saw fewer investment opportunities.

In February 2022, the yield spread was back in positive territory, averaging +1.61. This yield spread figure is slightly above the 1.21% mark which signifies the probability of a future recession. But the Federal Funds rate is rising this year as the Federal Reserve bumps up their **benchmark interest rate**. When this occurs, the yield spread's cushion against a future recession will narrow heading into 2023.



Click on any chart for more information!

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