

How a three-bureau environment benefits consumers and provides greater access to homeownership

Announcing the 2024 HousingWire Insiders!

Virtual AI Demo Day

Brooklee Han on what's happened since the NAR settlement deadline

Housing Market

Inflation rate inches closer to the Fed's target of 2%

With inflation cooling and the job market weakening, an interest rate cut is appearing more likely

August 14, 2024, 11:23 am *By Jeff Andrews*

The Consumer Price Index (CPI) continues to point toward an interest rate cut in September.

In the monthly [inflation](#) report released Wednesday, the inflation metric met expectations

HW Media 

Housing costs, which rose 0.4%, accounted for 90% of the monthly inflation gain in July. This indicates that steadily increasing consumer pains at the grocery store and with other necessities has largely halted. When excluding housing costs from the CPI, annual inflation has averaged only 1.7% since May 2023.

It makes sense for the Federal Open Market Committee to cut interest rates in September, given that inflation is mainly tied to housing costs and housing costs are being driven by high mortgage rates. In addition, the labor market is weakening, as evidenced by a lackluster jobs report in which 114,000 new jobs were added in July, 35% fewer than expected.

Bright MLS chief economist Lisa Sturtevant raised the question of whether the Fed has waited too long to cut rates given how much housing costs are driving the metric. Fed Chair Jerome Powell acknowledged this as a risk in testimony to Congress last month.

"Until this month, the Fed seems to have been laser focused on inflation and progress toward the 2% target," Sturtevant said in a statement. "But shelter has been an outsized contributor to the Consumer Price Index. As the Fed has kept rates high, those higher rates have exacerbated housing costs by dampening new housing construction and increasing borrowing costs."

When including seasonal adjustments, inflation rose 0.2% year over year in July. The CPI rose 0.2% month over month after falling by 0.1% in June.

A drop in benchmark interest rates would end a brutal period of rate hikes between March 2022 and July 2023 while providing desperately needed relief for the housing industry. Although inventory is recovering, many buyers are either priced out or are waiting for rates to drop.

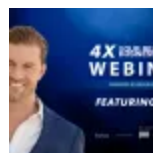
"In the medium-run, we expect the economy to land softly and housing inventory to continue to

Featured Events



Hosted By Truv

Staying ahead of the curve and anticipating the future in the mortgage industry



Hosted By Jason Mitchell Group

4X Your Real Estate Business

Hosted By HousingWire

AI Demo Day

recover,” **Realtor.com** senior economist Ralph McLaughlin said in a statement. “This should put downward pressure on mortgage rates this fall and winter and will set the stage for a much better season for homebuyers in 2025. ... In our mid-year housing forecast update released today, we have downwardly revised our mortgage rate expectations at year’s end to 6.3%.”

More:

[Federal Reserve](#)[Inflation](#)[Interest Rates](#)[Jobs Report](#)

Leave a Reply

Your email address will not be published.
Required fields are marked *

Comment *

Name *

GTR Communications

Email *

news@tamparealtors.org

Website

Save my name, email, and website in this browser for the next time I comment.

Featured White Papers

By AIS

Elevating mortgage servicing through strategic outsourcing: A path to efficiency and growth

By Mike Simonsen

HousingWire Research: The Mortgage Rate Lock-In Effect is Shaping Today's Market

By Basecap

Increase revenue and mitigate risks by updating your data strategy

Featured Sponsored Video



Change Wholesale's future focused non-QM strategies