



Fannie Mae™

Macroeconomic and Housing Outlook

Michael Neal

Director of Economics

Economic & Strategic Research

March 19, 2019

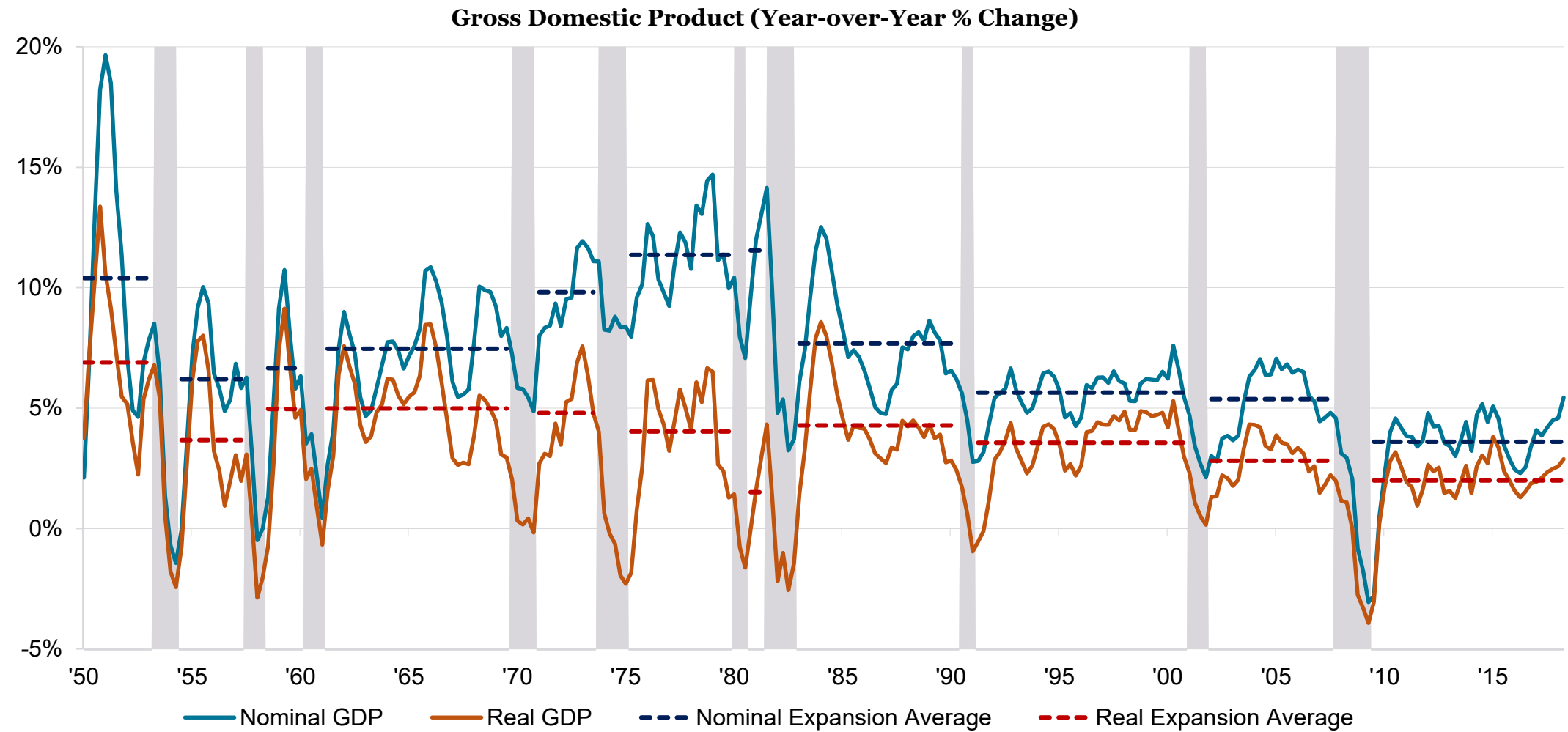




Macroeconomics

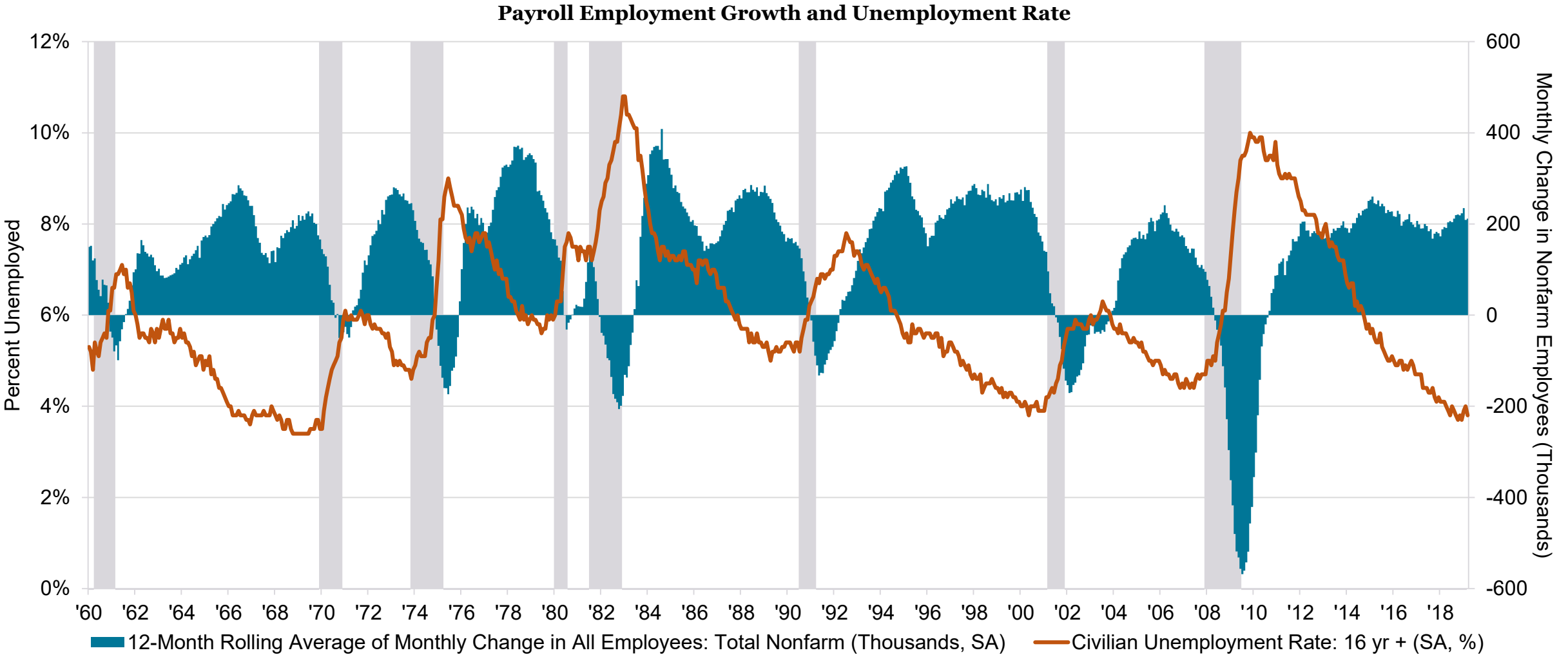


Current Expansion Is Aging and Relatively Weak So Far





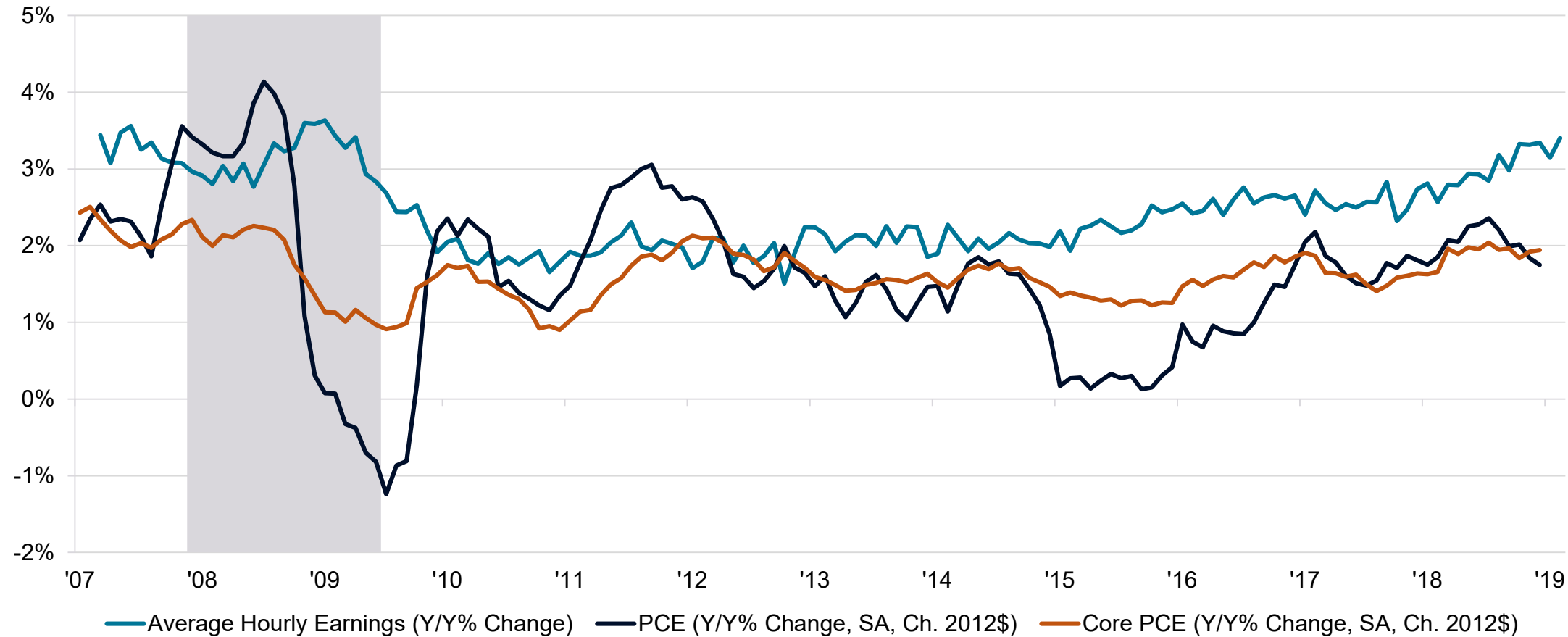
Job Growth Is Contributing to a Lower Unemployment Rate





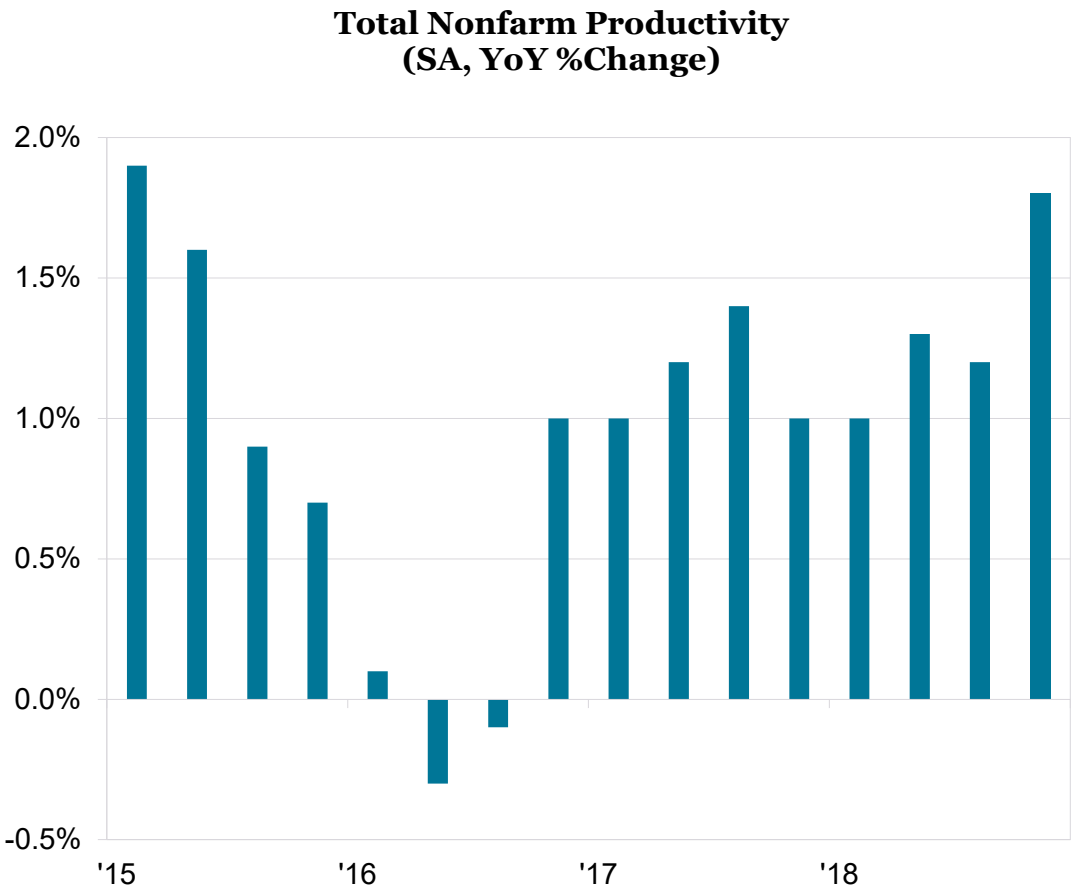
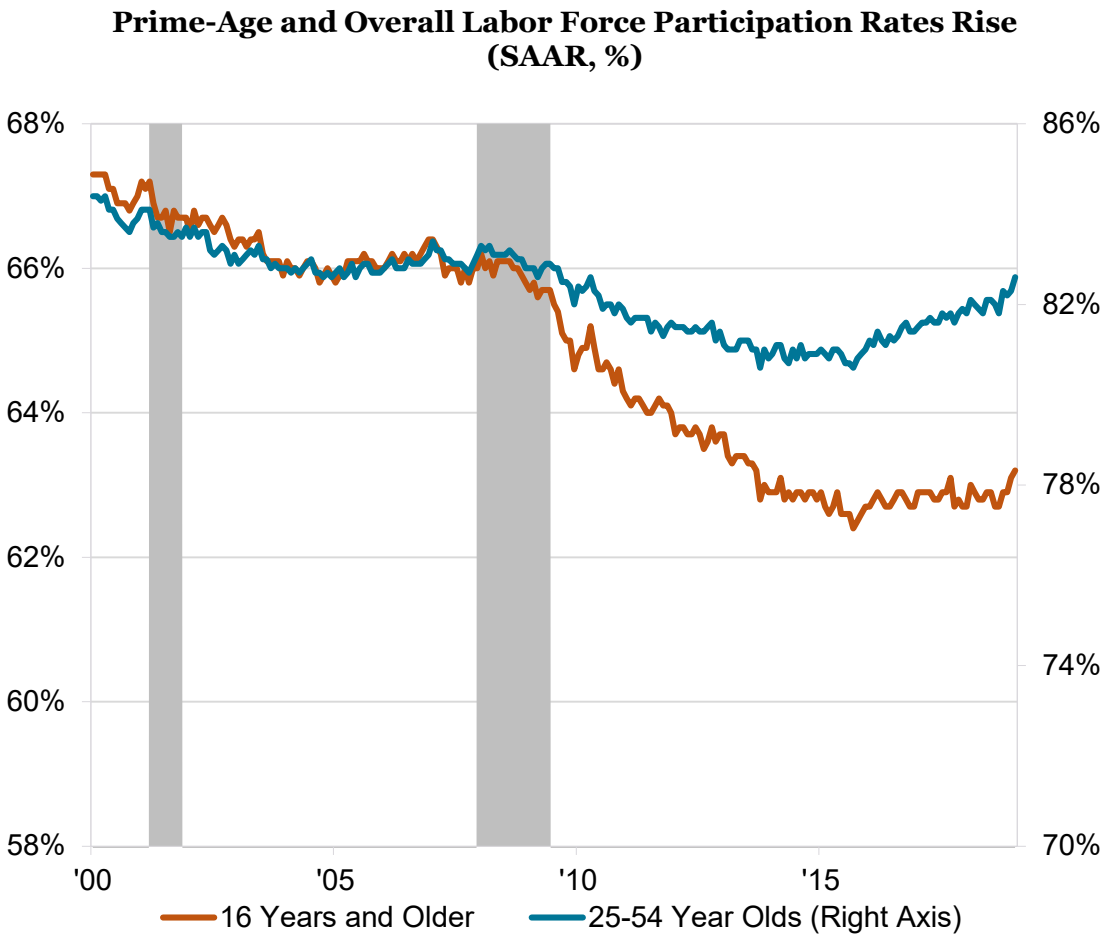
Earnings Continue to Rise Without Corresponding Rise in Inflation

Average Hourly Earnings and PCE Percent Change (Y/Y%)





Labor Force Participation and Productivity Continue to Rise





Slowdown in Global Growth



Source: Census Bureau, International Monetary Fund

IMF January 2019 Global Economic Forecast

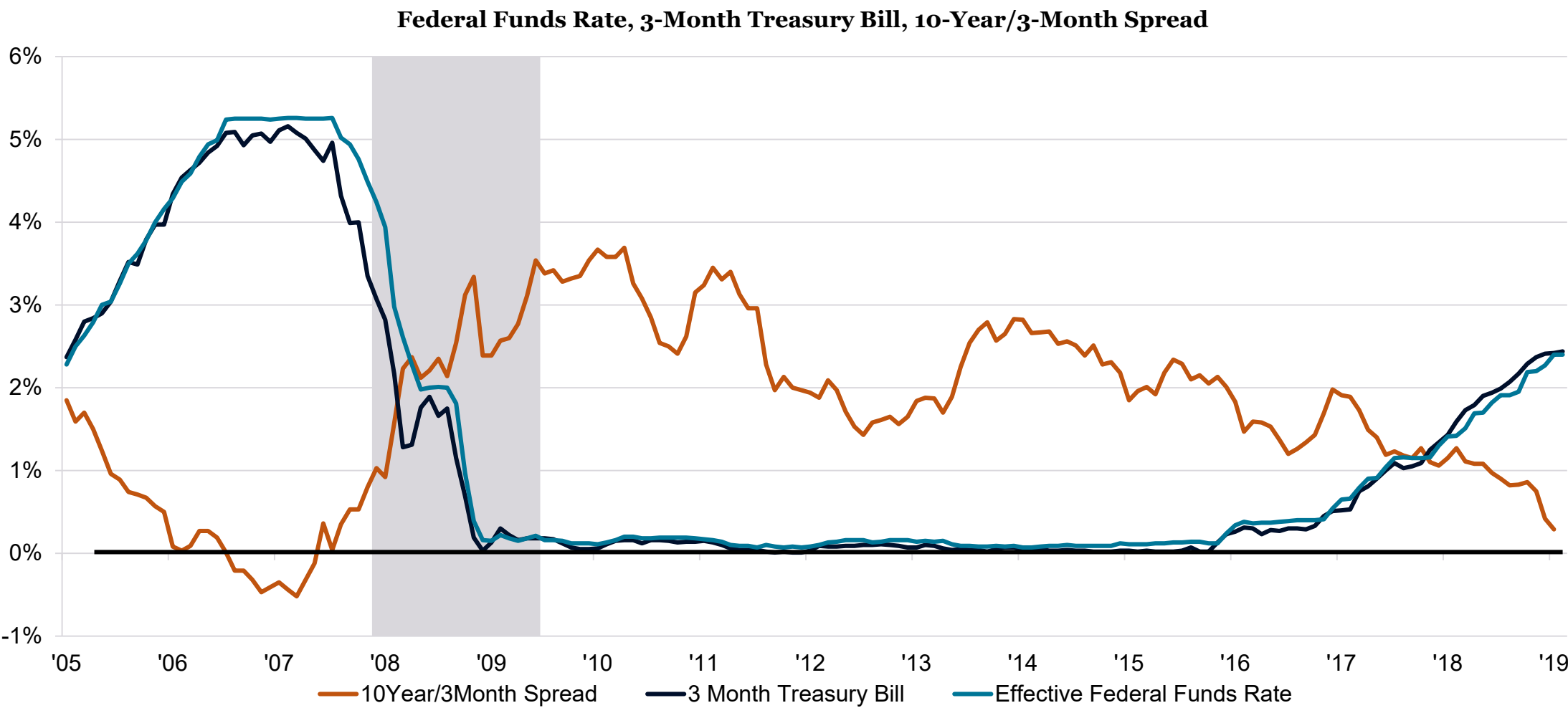
	Estimates		Projections		Difference from Oct 2018 WEO Projections	
	2017	2018	2019	2020	2019	2020
World Output	3.8	3.7	3.5	3.6	-0.2	-0.1
Advanced Economies	2.4	2.3	2.0	1.7	-0.1	0
United States	2.2	2.9	2.5	1.8	0	0
Euro Area	2.4	1.8	1.6	1.7	-0.3	0
Germany	2.5	1.5	1.3	1.6	-0.6	0
France	2.3	1.5	1.5	1.6	-0.1	0
Italy	1.6	1.0	0.6	0.9	-0.4	0
Spain	3.0	2.5	2.2	1.9	0	0
Japan	1.9	0.9	1.1	0.5	0.2	0.2
United Kingdom	1.8	1.4	1.5	1.6	0	0.1
Canada	3.0	2.1	1.9	1.9	-0.1	0.1
Emerging Market and Developing Economies	4.7	4.6	4.5	4.9	-0.2	0
Russia	1.5	1.7	1.6	1.7	-0.2	-0.1
China	6.9	6.6	6.2	6.2	0	0
India	6.7	7.3	7.5	7.7	0.1	0
Brazil	1.1	1.3	2.5	2.2	0.1	-0.1
Mexico	2.1	2.1	2.1	2.2	-0.4	-0.5
Saudi Arabia	-0.9	2.3	1.8	2.1	-0.6	0.2
Nigeria	0.8	1.9	2.0	2.2	-0.3	-0.3
South Africa	1.3	0.8	1.4	1.7	0	0



Interest Rates and Fed Policy

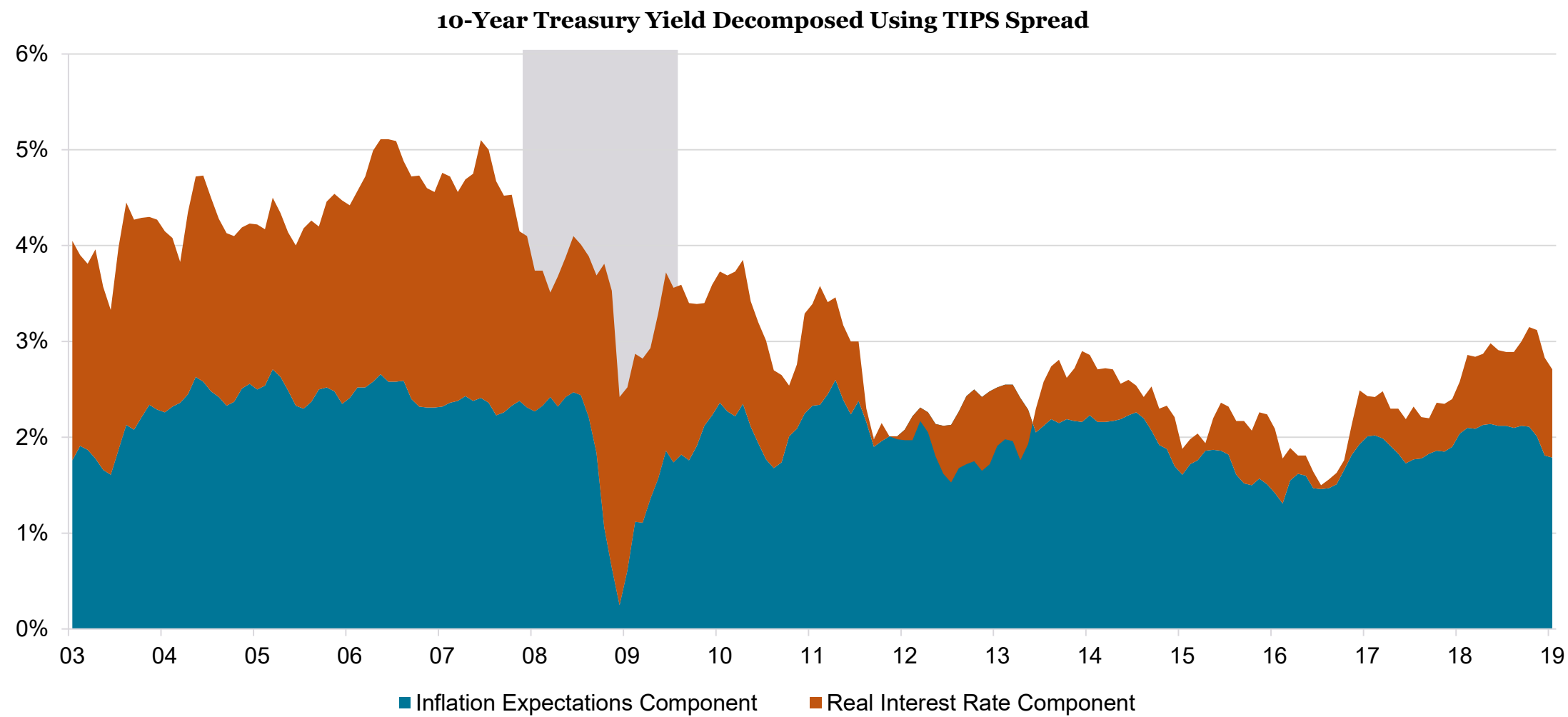


The Yield Curve Has Flattened as the Fed Tightens



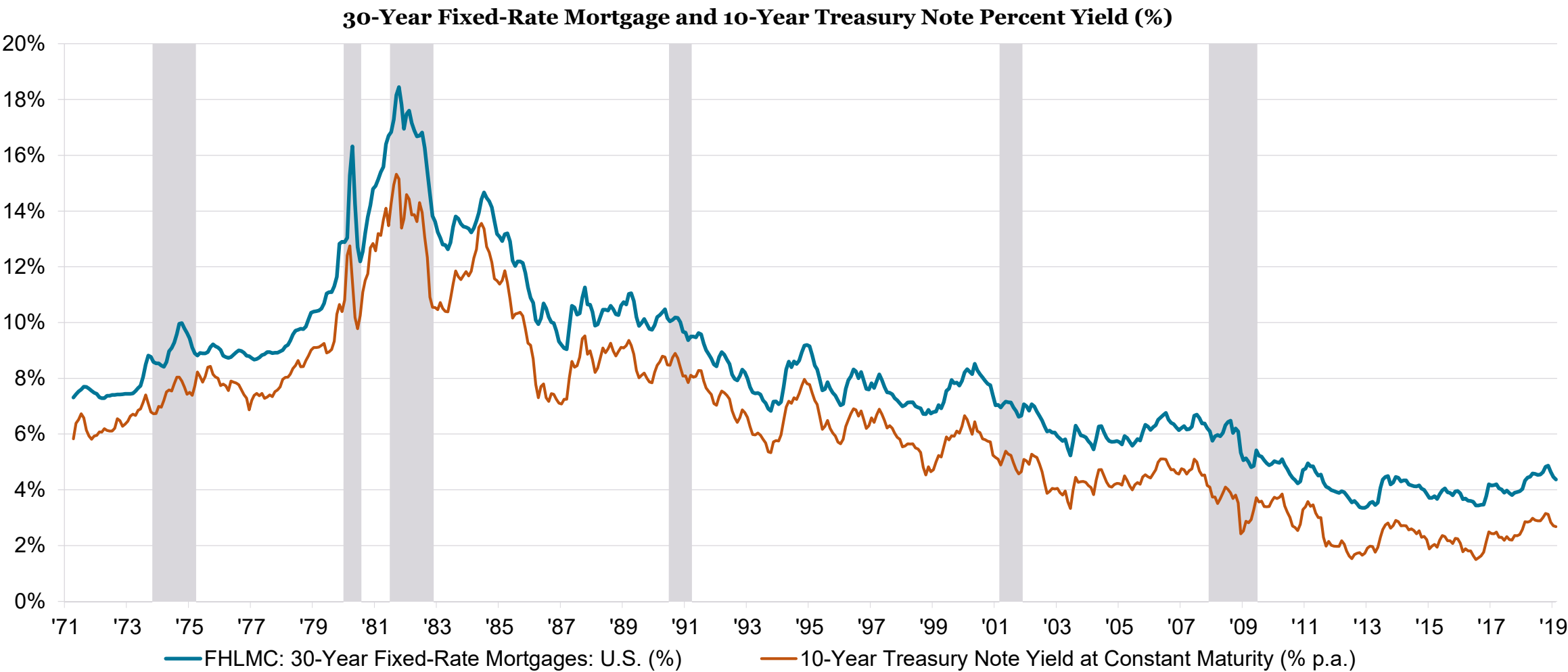


Real Interest Rates Dip





30-Year Fixed Mortgage Rate & 10-Year Treasury Both Dip in 2019



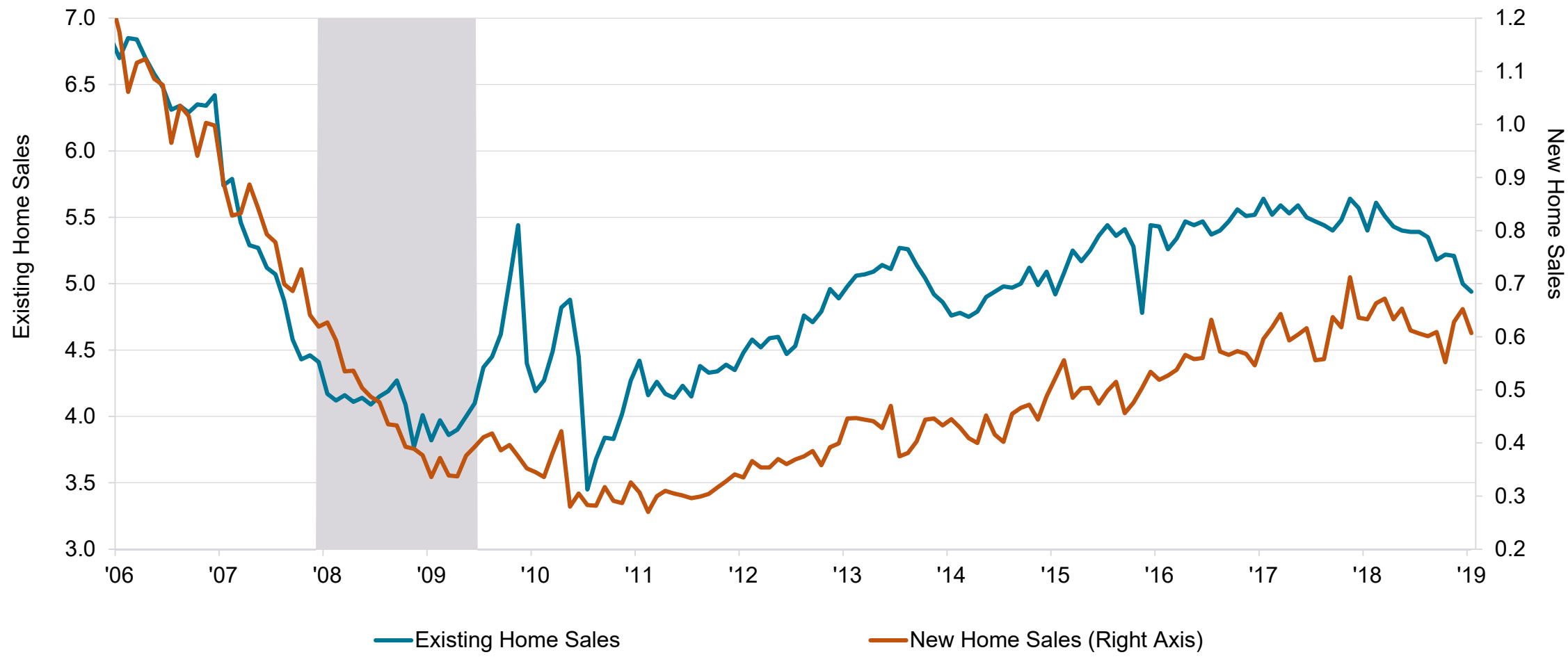


US Housing Market Trends



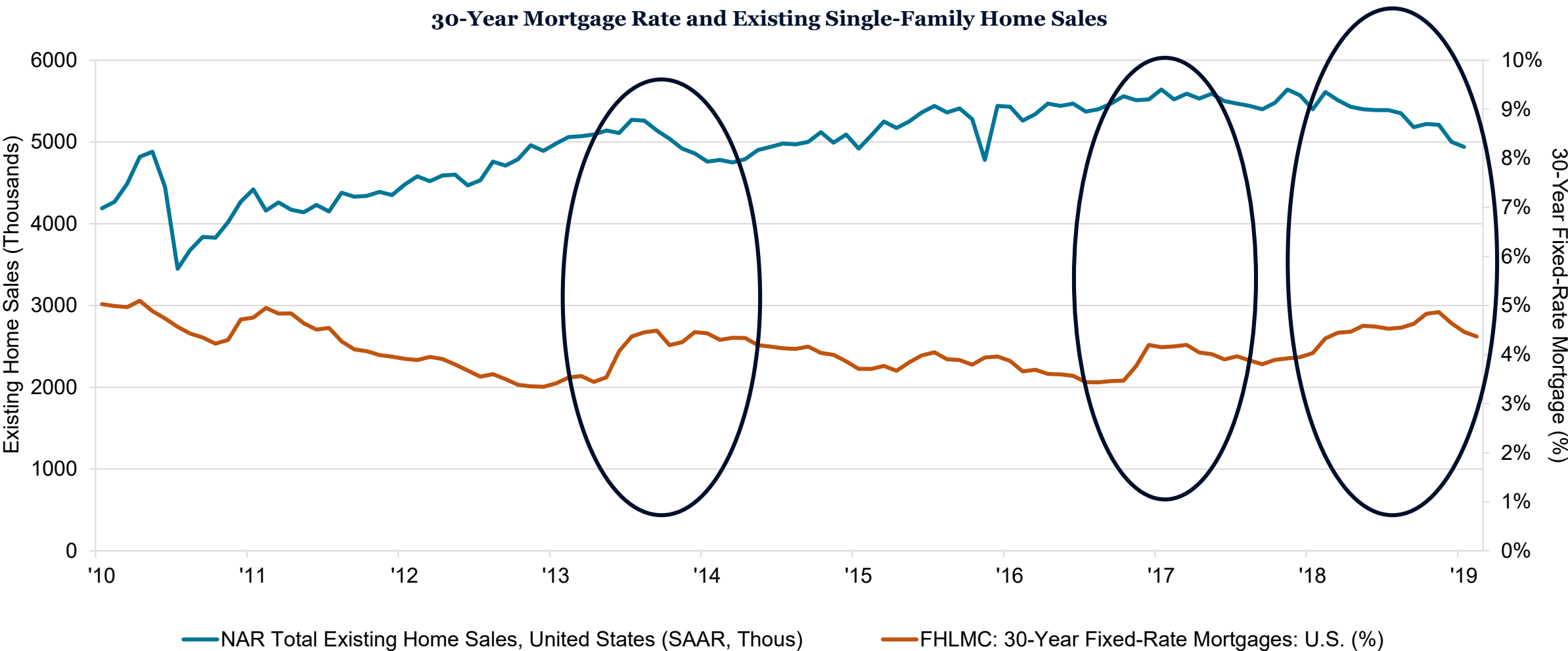
New Home Sales See Decrease in 2019 While Existing Sales Continue Downward Trend

New and Existing Home Sales (Millions of Units, SAAR)



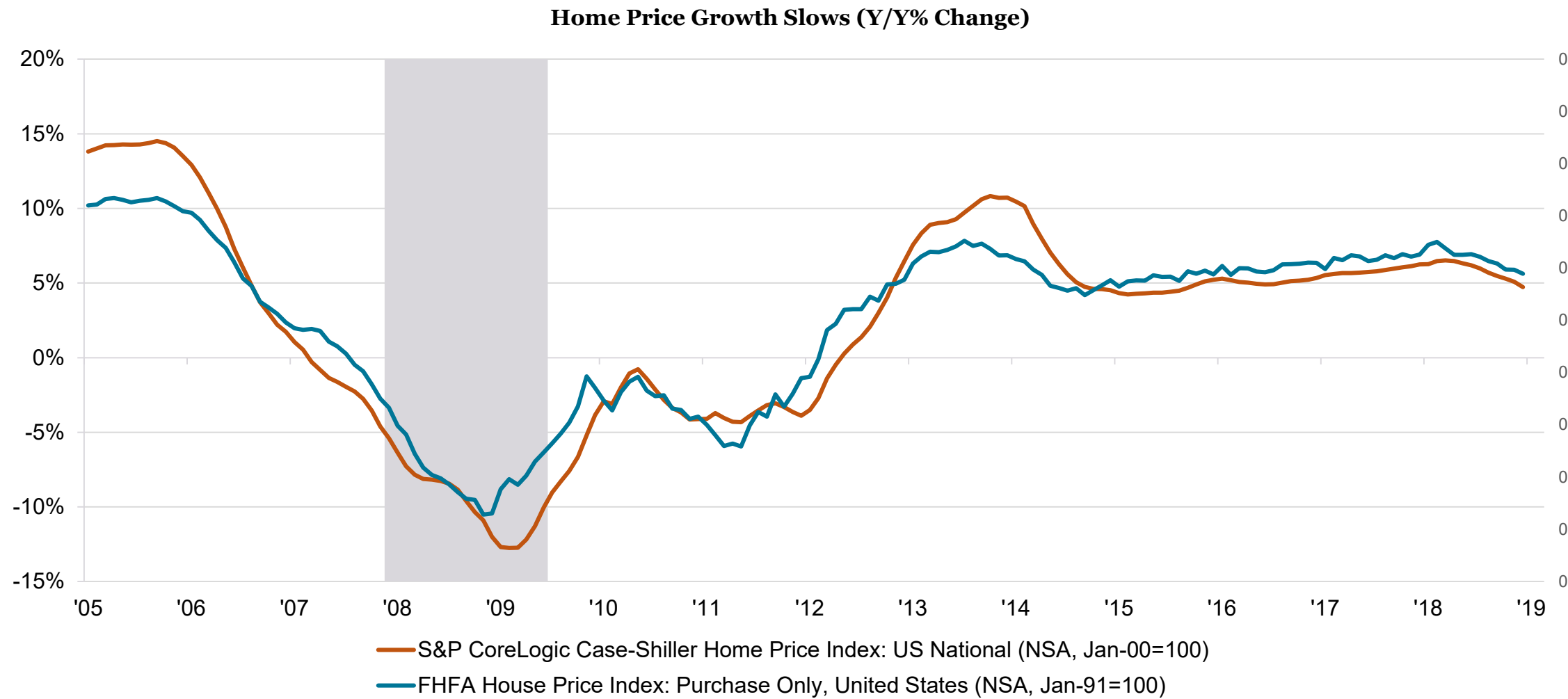


Sales Pace Often Slows Temporarily When Interest Rates Rise



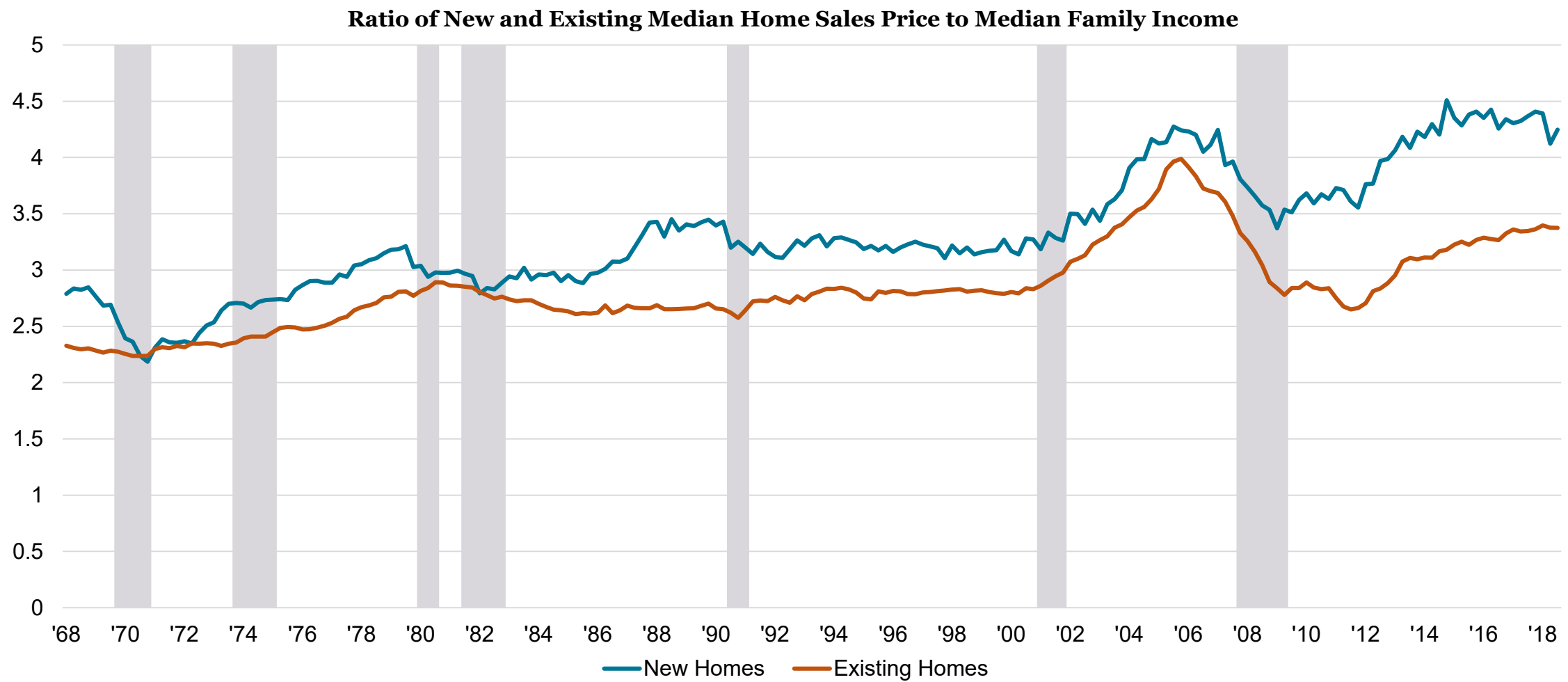


Measures of Home Price Show Slower Price Growth





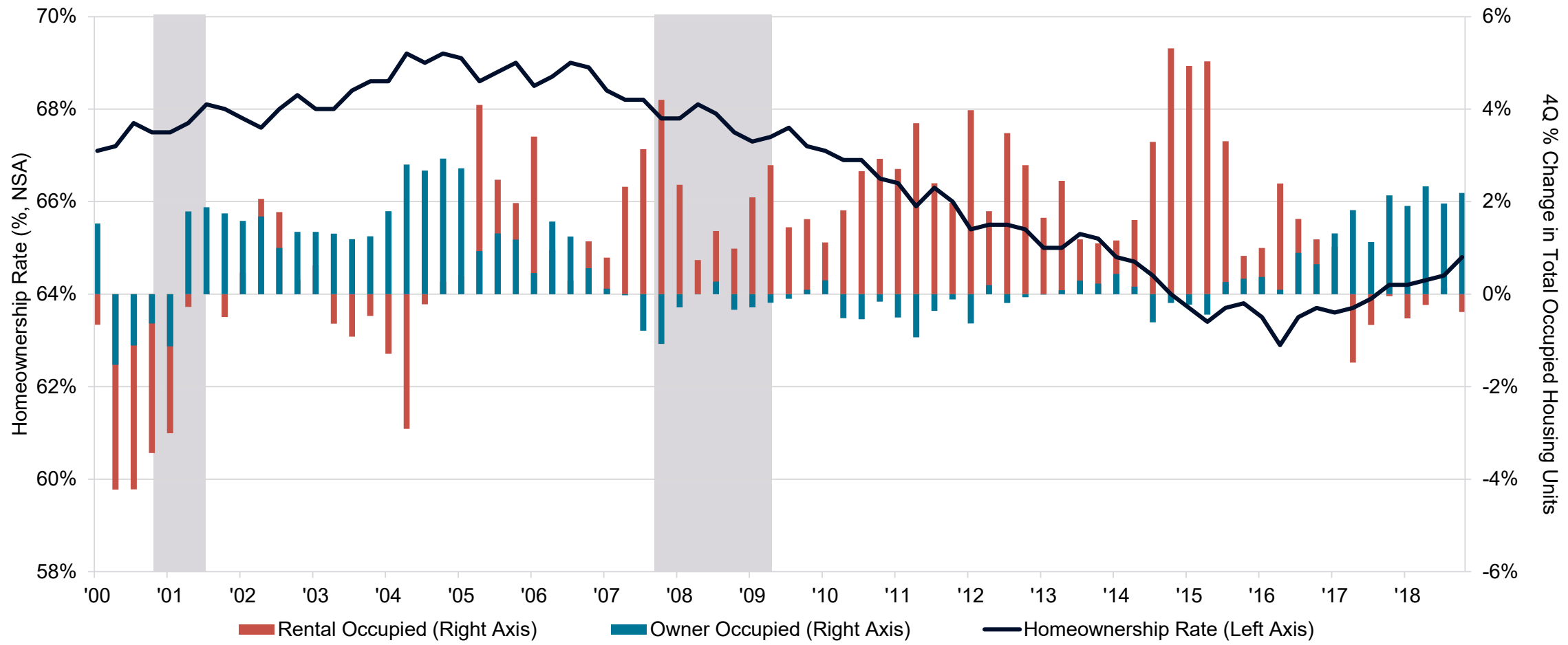
Home Prices Relative to Incomes Are Elevated by Historical Standards





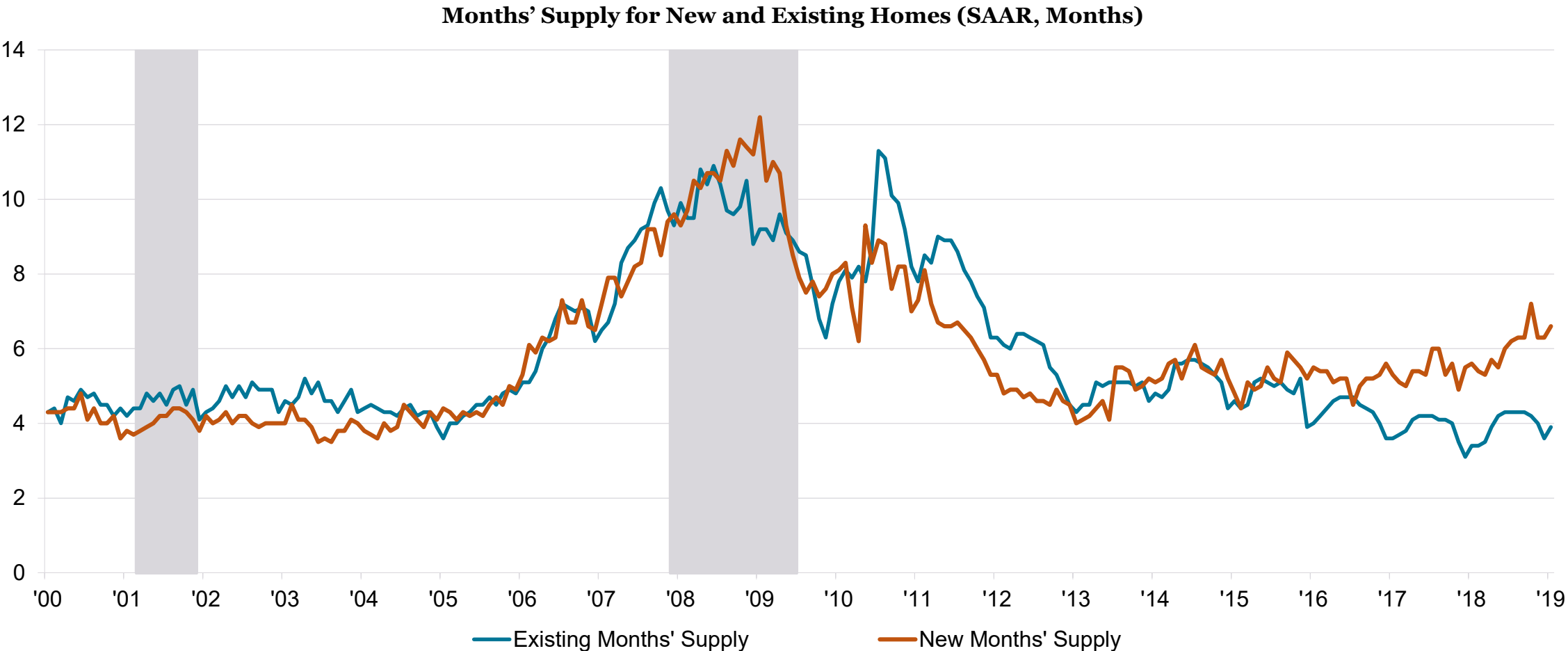
Homeownership Rebounds as Renters Decline in Favor of Owner Households

Homeownership Rate and Change in Households by Type



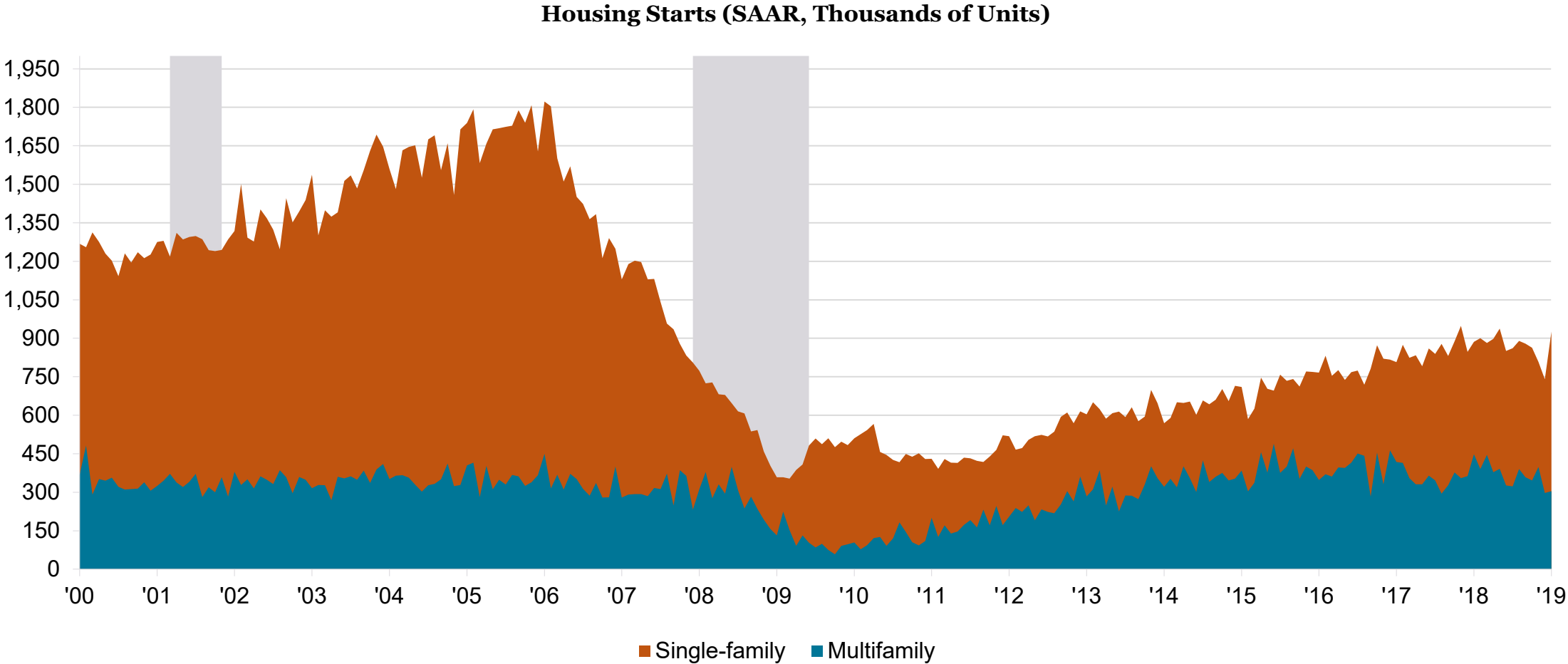


Month's Supply Increases for both New and Existing Homes



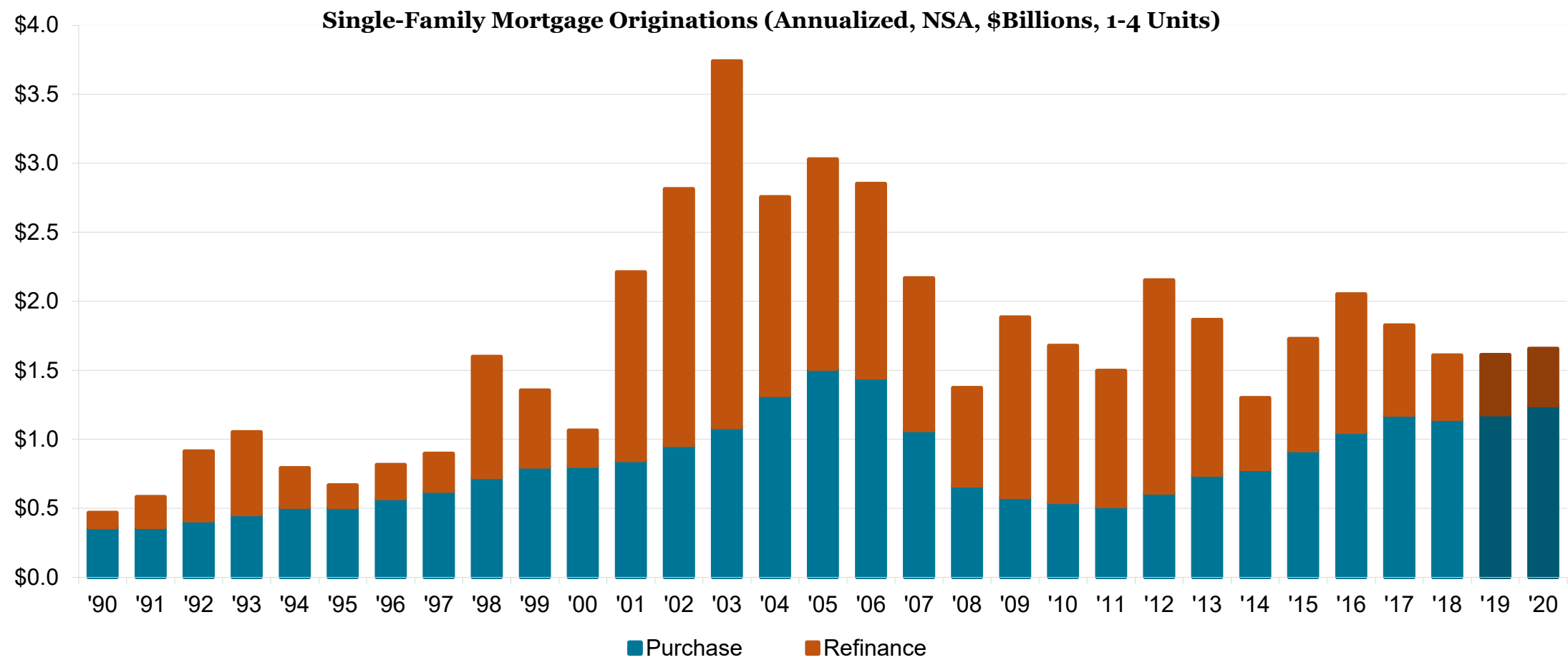


Single Family Starts See Large Increase in 2019





Mortgage Production Expected to Shift Further Toward Purchase Market

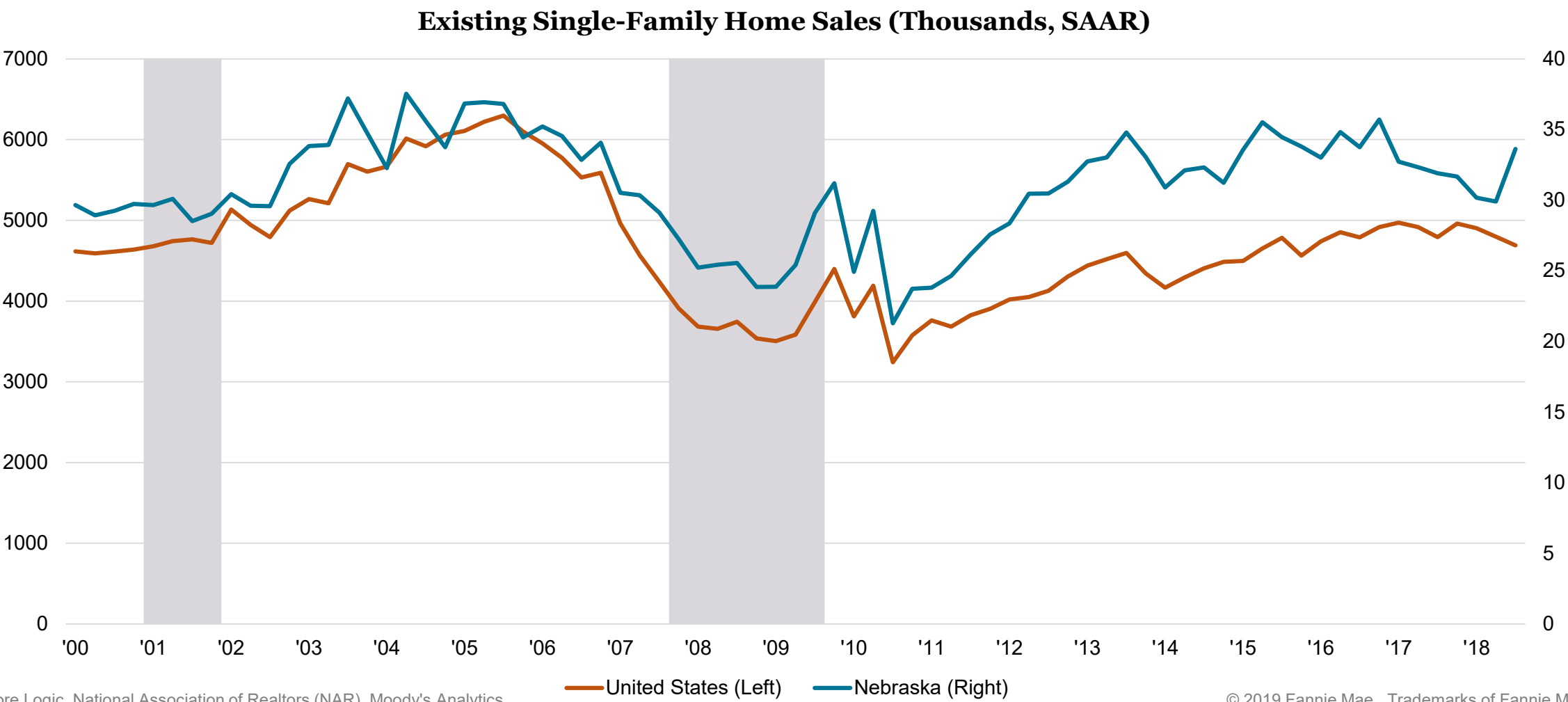




Comparative Local Housing Market Trends

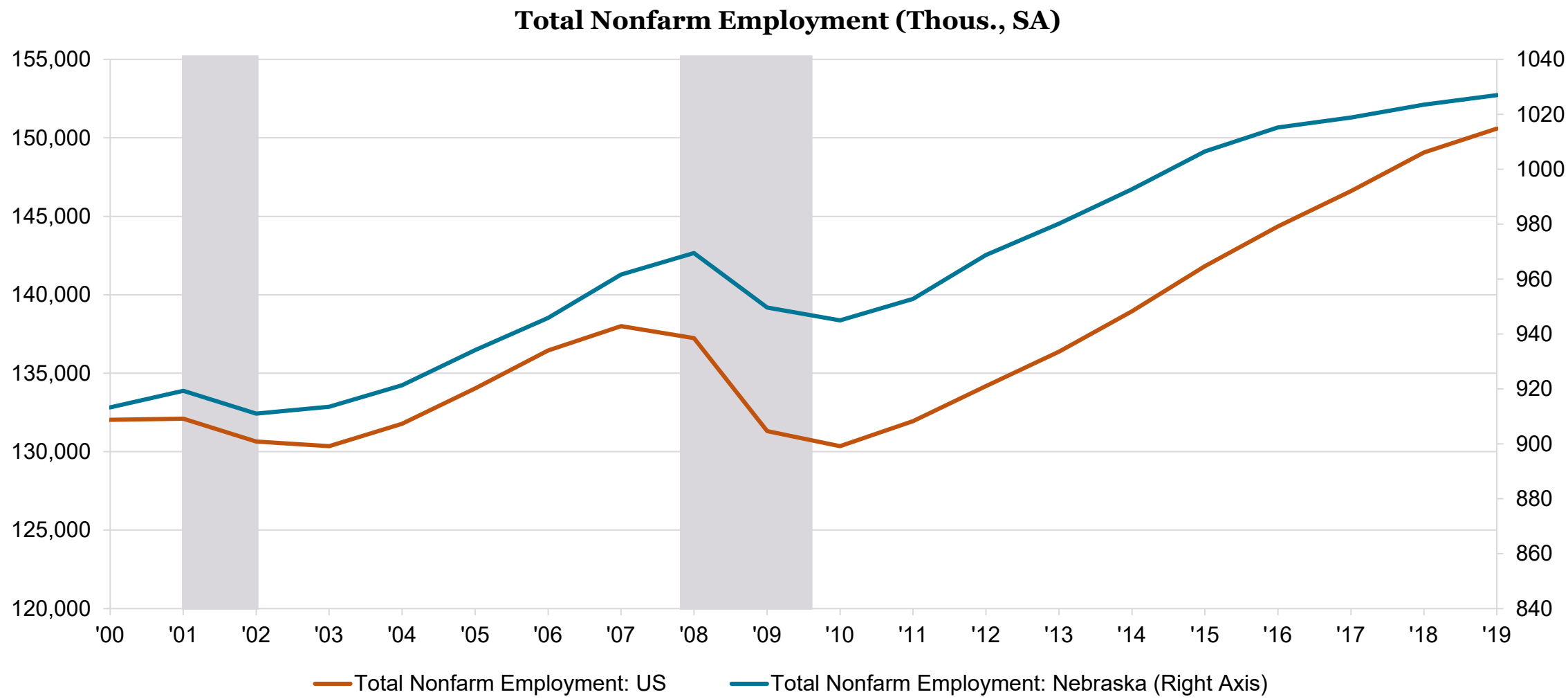


Nebraska Existing Single-Family Homes Sales Compared to US



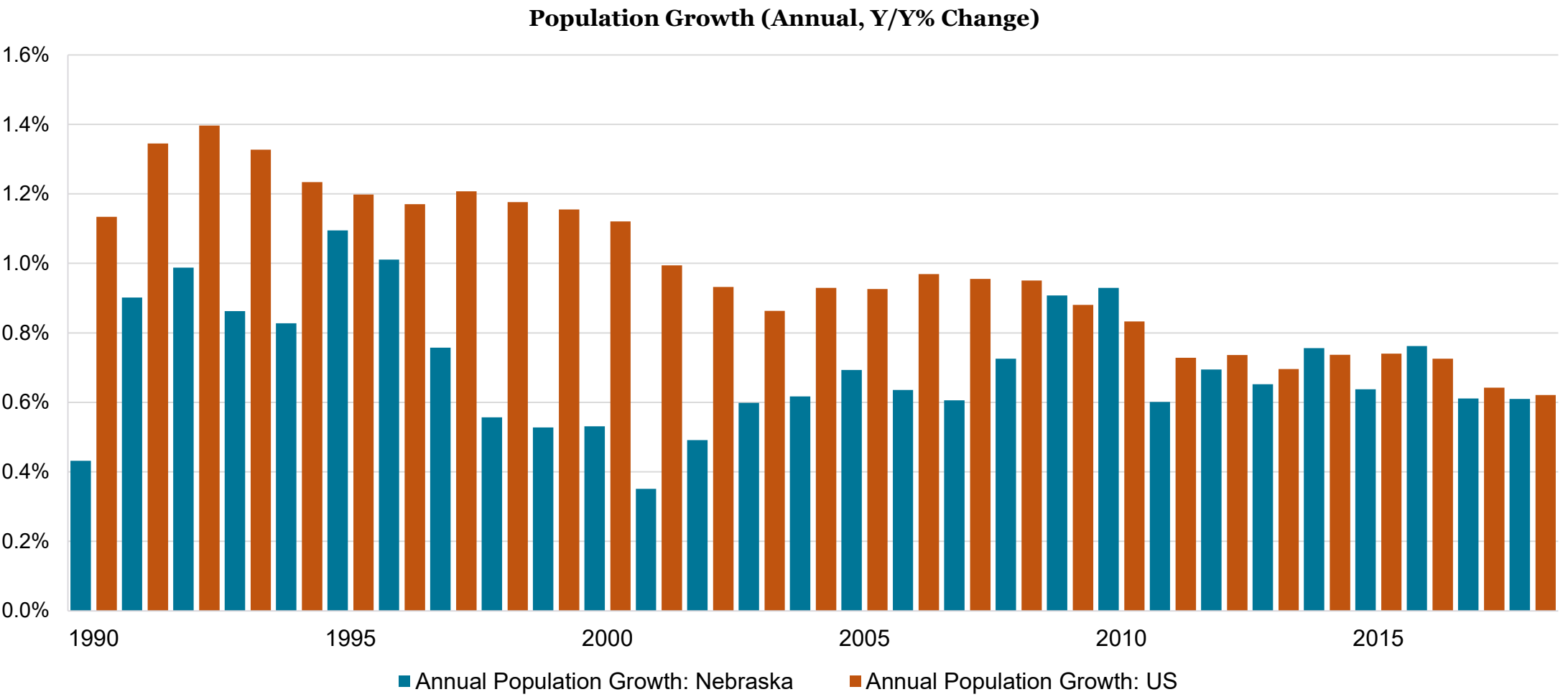


Nonfarm Employment Growth in Nebraska Slows



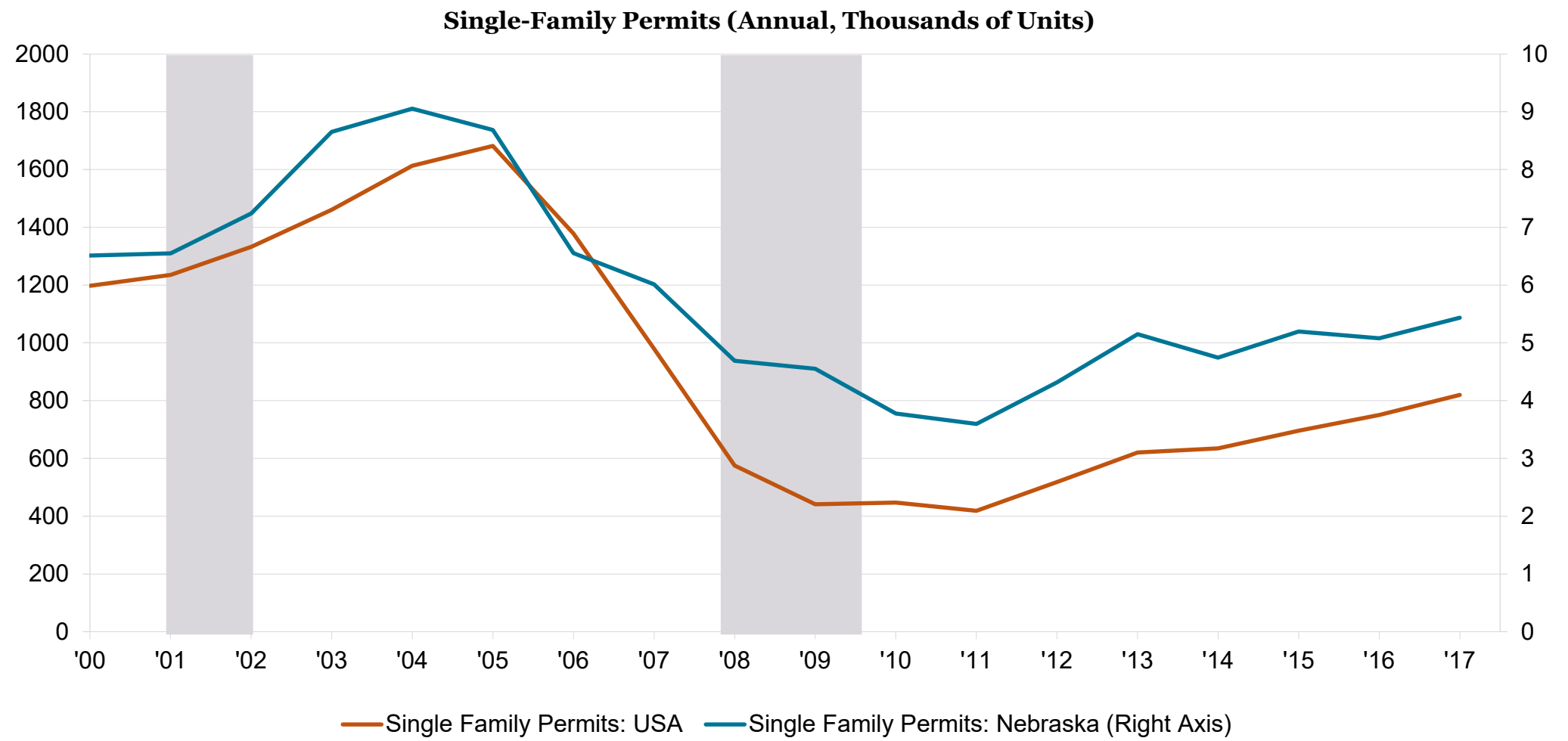


Statewide Population Near National Average



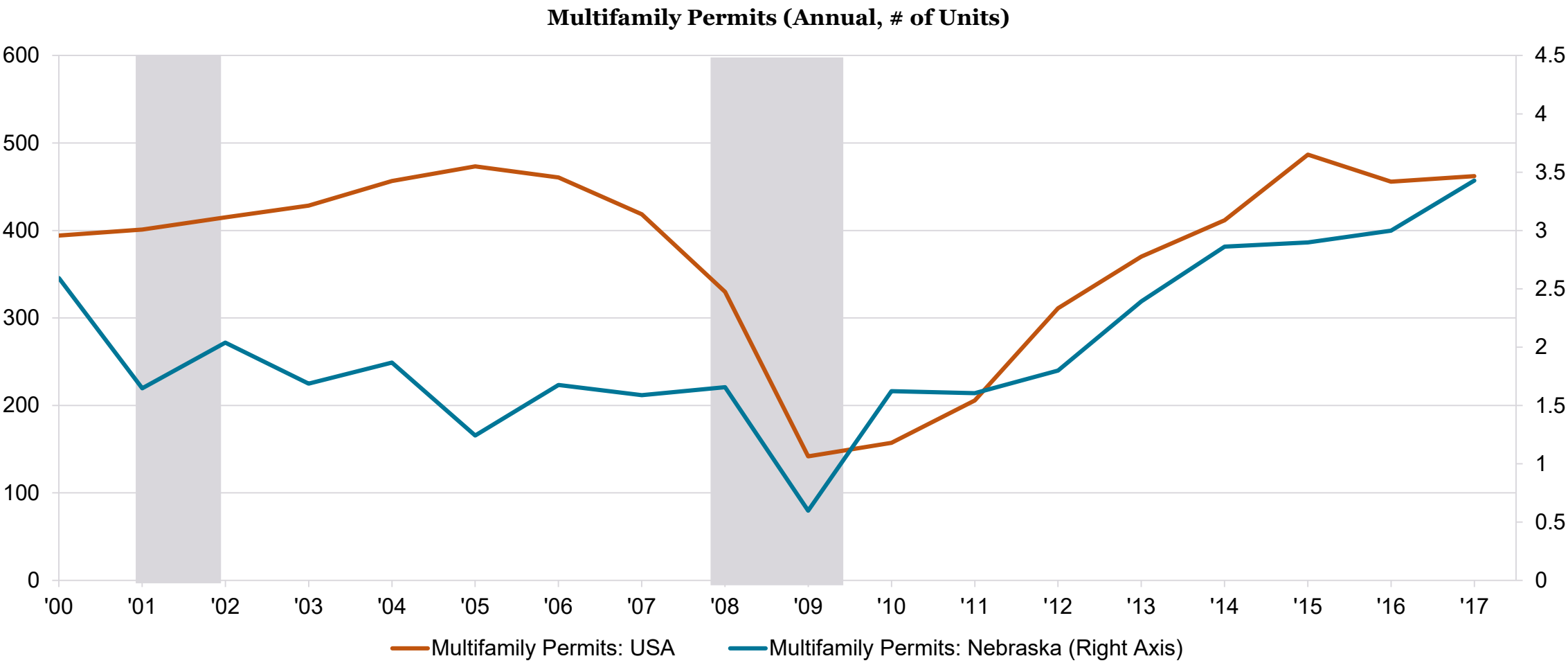


Single-Family Permits in Nebraska Track the US Trend





Multifamily Construction Elevated





Forecast



Macroeconomic Forecast

	2017	2018	2019	2020
Real GDP Annual Growth (Q4-over-Q4)	2.5%	3.1%	2.2%	1.6%
Unemployment Rate (Year-end)	4.4%	3.9%	3.7%	3.6%
Core CPI (Year-end, % Year-over-Year)	1.7%	2.2%	2.1%	2.0%
10-Year Treasury Bond Yield (Annual Average)	2.3%	2.9%	2.7%	2.8%



Housing and Mortgage Market Outlook

	2017	2018	2019	2020
Housing Starts (Percent Change Year-Over-Year)	1.203 million 2.7%	1.242 million 3.2%	1.256 million 1.1%	1.288 million 2.5%
New Single-Family Home Sales (Percent Change Year-Over-Year)	613 thousand 9.3%	622 thousand 1.5%	632 thousand 1.6%	660 thousand 4.4%
Total Existing Home Sales (Percent Change Year-Over-Year)	5.510 million 1.1%	5.340 million -3.1%	5.338 million -0.4%	5.454 million 2.2%
FHFA Purchase-Only Index (Annual Percent Change Q4/Q4)	6.9%	5.7%	4.2%	2.8%
Purchase Mortgage Originations (Percent Change Year-Over-Year)	\$1,177 billion 11.9%	\$1,145 billion -2.7%	\$1,176 billion 2.7%	\$1,238 billion 5.3%
Refinance Mortgage Originations (Percent Change Year-Over-Year)	\$650 billion -35.0%	\$456 billion -29.8%	\$417 billion -8.6%	\$399 billion -4.3%
30-Year Fixed-Rate Mortgage (Annual Average)	4.0%	4.5%	4.4%	4.4%
10-Year Treasury (Annual Average)	2.3%	2.9%	2.7%	2.8%



Speaker Biography

Michael Neal— Director, Economic & Strategic Research

Michael Neal is Director of Economics at Fannie Mae. He is responsible for executing the Economic and Strategic Research Group's macroeconomic and housing forecast. Mr. Neal is a frequent speaker at banking and housing industry events.

Prior to working at Fannie Mae, Mr. Neal was Assistant Vice President at the National Association of Home Builders (NAHB). His portfolio included developing the macroeconomic and housing forecast as well as assessing key trends and issues in housing finance.

Mr. Neal has nearly two decades of experience in economics and finance. In addition to the NAHB, Mr. Neal also worked at the Joint Economic Committee of the U.S. Congress, the Federal Reserve, and Goldman Sachs.

Mr. Neal earned his Master's in Public Administration degree from the University of Pennsylvania and a B.A. in economics from Morehouse College. His undergraduate experience was complemented by study at the University of Oxford.

Mr. Neal resides in Alexandria, Virginia with his wife and two children.





Fannie Mae™

Contact Information

Michael Neal– Director, Economic & Strategic Research

Fannie Mae

1100 15th Street, NW

Washington, DC 20005

(o) 202-752-7985

michael_neal@fanniemae.com

Economic & Strategic Research

<http://fanniemae.com/portal/research-and-analysis/>

