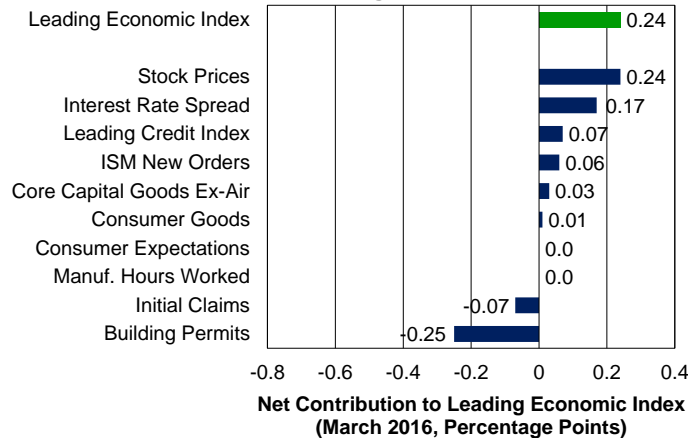


Economics: Activity Poised for a Modest Pickup

This week's sparse economic reports confirmed conditions witnessed over the past month. The Leading Economic Index edged up in March after three consecutive monthly declines — the first time that occurred during the current expansion — suggesting near-term growth will likely remain modest following what appears to be another lackluster first quarter of the year. A bright spot in the economy remains the labor market, with the latest initial jobless claims declining to the lowest level of the expansion. Recent trends in claims point to another solid employment report in April, which bodes well for our expectations of a pickup in consumer spending growth at the start of the current quarter.

- **The Conference Board Leading Economic Index (LEI)**, a gauge of the economic outlook over the next three to six months, rose 0.2 percent in March. The February reading was revised lower from a gain of 0.1 percent to a decline of 0.1 percent. The biggest positive contributor was stock prices, while the largest drag came from building permits.
- **Initial claims for unemployment insurance** decreased by 6,000 to 247,000 in the week ending April 16, according to the Department of Labor. The four-week moving average decreased by 4,500 to 260,500.

Rising Stock Prices Help Offset Downbeat Housing Permits



Source: Conference Board

Initial Jobless Claims Dip to Expansion's Low

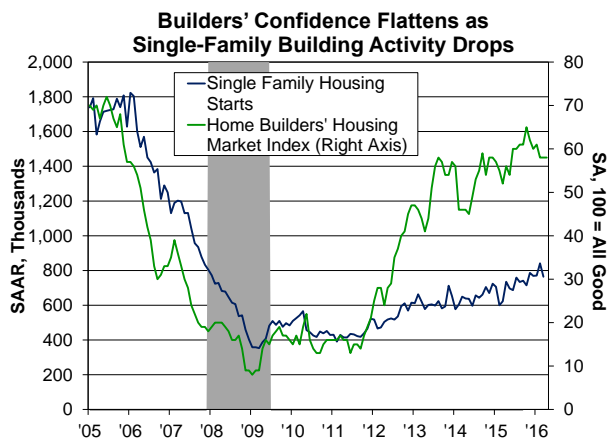


Source: Department of Labor

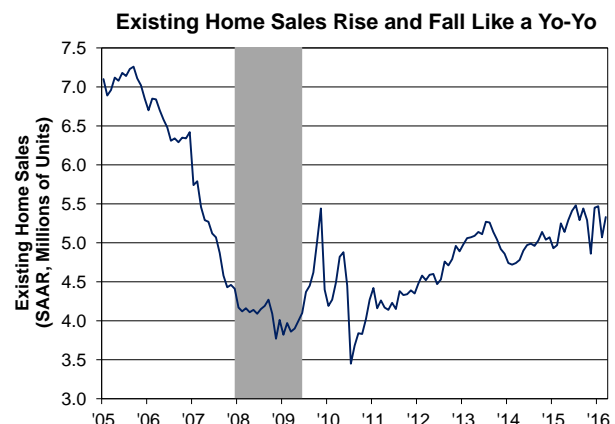
Housing: Oh Supply, Wherefore Art Thou?

This week's data offered little evidence of relief for a supply-constrained housing market. Home construction faltered in March and has trended sideways for almost a year. Single-family starts posted the largest monthly drop in over a year after reaching an expansion high in February. Multifamily starts continued their recent downward trend from a 27-year high reached in June 2015, falling to the lowest level in 13 months. The pipeline for future building is discouraging as well, with single-family permits plateauing and multifamily permits falling to the lowest level in more than three and half years. Home builders appear to be relatively unmoved, as a survey of their confidence remained unchanged for a third consecutive month. Builders have an eye on the approaching selling season, as their expectations for future sales ticked up for the first time since October, and traffic of potential buyers posted the first back-to-back increases since September. The other significant news this week was the release of March existing home sales, which bounced back partially from a plunge in February, extending the recent yo-yo trend. The disappointing news in the report was the tenth consecutive year-over-year decline in homes for sale, suggesting the market will remain starved of supply. The low inventory continues to put upward pressure on home prices, as the FHFA Purchase-Only House Price Index posted the twelfth consecutive month of annual appreciation above 5.5 percent. Mortgage applications continued the streak of gains last week, as refinancing applications responded to low mortgage rates. The 30-year fixed mortgage rate edged up one basis point this week from a near three-year low to reach 3.59 percent, according to the survey by Freddie Mac.


- **Housing starts** fell 8.8 percent to 1.09 million annualized units in March, according to the Census Bureau. Single-family starts reversed the gain of the prior month, falling 9.2 percent to 764,000 units, the lowest level since last October. Multifamily starts declined 7.9 percent to 325,000 units. Through the first three months of the year, single-family starts are 22.2 percent higher from a year ago, while multifamily starts are flat. New residential permits fell for a second month in a row, decreasing 7.7 percent to 1.09 million annualized units. An 18.3 percent drop in multifamily permits drove the decline, although single-family permits also fell, dipping 1.2 percent.
- **Existing home sales** increased 5.1 percent in March to 5.33 million annualized units, according to the National Association of REALTORS®. On a year-to-date basis, sales are up 5.6 percent from one year ago. The number of homes for sale (not seasonally adjusted) fell 1.5 percent from one year ago. The months' supply (inventory-to-sales ratio) improved for the third month running, rising one-tenth to 4.5 months, compared with 4.6 months a year ago.
- **The National Association of Home Builders / Wells Fargo Housing Market Index** remained flat at 58 points in April. A reading above 50 indicates more builders view the single-family market as "good" rather than "poor". The present sales component, which has not risen since January, fell two points during the month to 63, while both the futures sales component and the traffic of prospective buyers ticked up one point to 62 and 44, respectively.
- **The FHFA Purchase-Only House Price Index**, reported on a seasonally adjusted basis, increased 0.4 percent in February. Annual price appreciation slowed slightly from 6.0 percent in January to 5.6 percent in February.
- **Mortgage applications** rose for a third consecutive week, increasing 1.3 percent in the week ending April 15, according to the Mortgage Bankers Association. Refinance applications continue to drive the improvement, increasing 2.6 percent. Purchase applications, on the other hand, cooled by 0.5 percent after spiking 8.4 percent last week. The average 30-year fixed mortgage rate edged up one basis point from a 14-month low the prior week to reach 3.83 percent.



Source: National Association of Home Builders, Census Bureau



Source: National Association of REALTORS®



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