



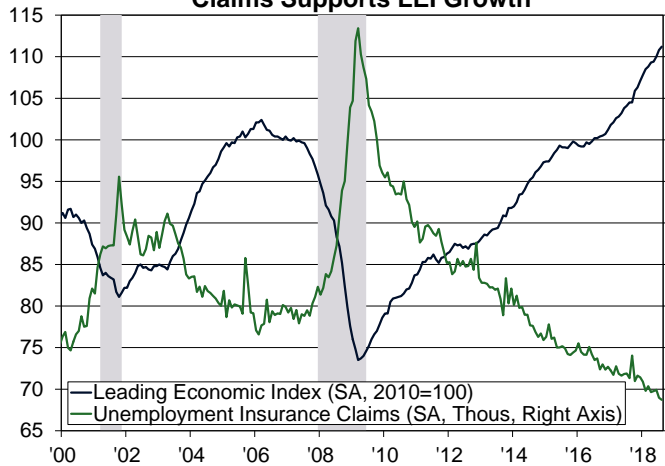
Weekly Note – September 21, 2018

Economics: Forward-Looking Indicators Point to Continued Near-Term Growth

In a lighter week for economic news, released data suggest that economic growth should continue through the rest of 2018. The Conference Board's Leading Economic Index (LEI), a composite average of individual leading indicators and itself a three- to six-month forward-looking indicator of the economy, rose again in August. The gain in the LEI is the eleventh consecutive monthly increase and the 27th consecutive month without a decline, putting the Index at a new all-time high and almost 9 percent above its last peak reached in March 2006. However, the pace of growth was modestly slower in August relative to the monthly increases in both June and July. The August increase in the LEI partly reflected the decline in average weekly initial claims for unemployment insurance, a component of the LEI, over the same month. More recently, initial claims for unemployment insurance declined for the third consecutive week last week, falling to a new 48-year low. The declines in initial claims for unemployment insurance indicate a strong labor market, further solidifying our expectation that the Fed will raise its key policy rate following next week's meeting. However, in the coming weeks, initial claims for unemployment insurance may rise in response to Hurricane Florence, which made landfall on September 14. Historically, hurricanes tend to coincide with short-term volatility in initial claims for unemployment insurance, but they do not seem to alter the already established trend.

- **The Conference Board Leading Economic Index**, a gauge of the economic outlook over the next three to six months, rose 0.4 percent in August to 111.2. Its last peak was 102.4, reached in March 2006. The LEI increased by 0.5 percent in June and an additional 0.7 percent in July.
- **Initial claims for unemployment insurance** decreased by 3,000 to 201,000 in the week ending September 15, according to the Department of Labor. The four-week moving average decreased by 2,250 to 205,750.

Trend In Initial Unemployment Insurance Claims Supports LEI Growth



Source: Conference Board, Department of Labor

Hurricanes Tend To Have Short-term Impact on Initial Unemployment Claims



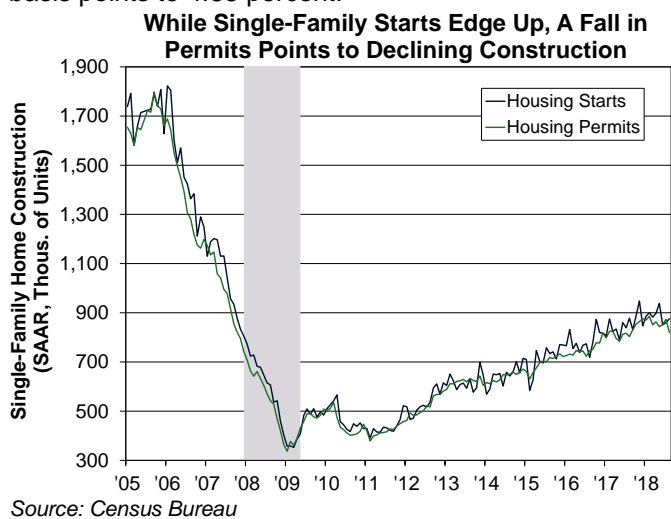
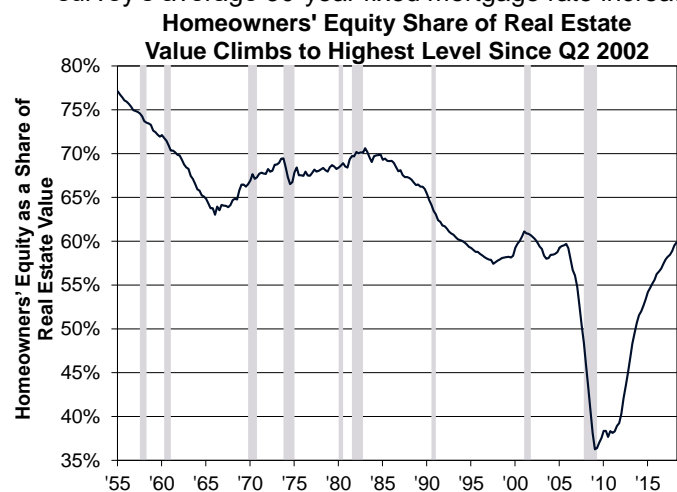
Source: Department of Labor, FEMA



Housing: Real Estate and Stocks Lift Household Wealth

In a busy week for housing, the Federal Reserve reported household net worth rose in the second quarter for the eleventh straight quarter, boosted by gains in real estate wealth and stocks. Homeowners' equity as a share of real estate value reached the highest level in 16 years, and single-family mortgage debt outstanding climbed to the highest level since the third quarter of 2010. Total housing starts rose in August for the first time in three months, posting the largest monthly gain since January. Single-family starts increased for the past two months but still have not recovered from June's significant drop. Multifamily starts also rose, surging to the highest level in five months. Unfortunately, the positive news for building may be temporary as single-family permits fell sharply to the lowest level in a year and multifamily permits declined for the fifth consecutive month to the lowest level since March 2016. Sluggish permit numbers and rising input costs due to tariffs weighed on builders' confidence in September, as the National Association of Home Builders Housing Market Index was flat at the lowest level in a year. After declining for four straight months, existing home sales were unchanged in August, remaining at the lowest level since February 2016. Year-to-date sales were 1.2 percent lower than during the same period in 2017, and we continue to expect existing home sales to decline in 2018, the first annual decline in four years. On a more positive note, the number of homes available for sale rose 2.7 percent from a year ago, the first annual increase since May 2015, though the months' supply remained at 4.3 months. Mortgage demand rose for the first time in a month last week as both purchase and refinance applications picked up. Finally, the average 30-year fixed mortgage rate increased for the fourth consecutive week this week, rising 5 basis points to 4.65 percent, according to Freddie Mac.

- **U.S. household and nonprofit organization net worth**—the value of assets minus liabilities—rose \$2.2 trillion in the second quarter to \$107 trillion, according to the Federal Reserve. **Owners' equity in real estate** increased \$320 billion to \$15.2 trillion. **Owners' equity in real estate as a percentage of household real estate value** improved 0.4 percentage points to 59.9 percent. **Single-family mortgage debt outstanding** rose 2.7 percent annualized.
- **Housing starts** rose 9.2 percent in August to 1.28 million annualized units, according to the Census Bureau. Multifamily starts spiked 29.3 percent to 406,000 units, and single-family starts increased 1.9 percent to 876,000 units. Year-to-date single-family starts were 5.7 percent greater than the level during the same period last year, while multifamily starts were 8.5 percent higher. Multifamily permits fell 4.9 percent to 409,000, and single-family permits dropped 6.1 percent to 820,000.
- **Existing home sales** were flat in August at 5.34 million units (seasonally-adjusted annualized rate, or SAAR), according to the National Association of REALTORS®. Single-family and condo/coop sales were unchanged at 4.75 million units and 590,000 units, respectively. The median sales price rose 4.6 percent annually.
- **The National Association of Home Builders/Wells Fargo Housing Market Index** was unchanged at 67 in September (a reading greater than 50 indicates more builders view conditions as good than poor). Both the component measuring current sales conditions and the component gauging expectations ticked up to 74, while the component assessing buyer traffic was flat at 49.
- **Mortgage applications** rose 1.6 percent for the week ending September 14, according to the Mortgage Bankers Association. Purchase applications edged up 0.3 percent and refinance applications rose 3.7 percent. The MBA survey's average 30-year fixed mortgage rate increased 4 basis points to 4.88 percent.



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