



News From the FAMP Government Affairs Committee

Housing Outlook Remains Iffy, Economy on Right Path: Fannie Mae

by Evan Nemeroff

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Fannie Mae cut its forecast of industrywide home purchase lending for 2014 to \$710 billion from \$732 billion, underscoring the housing industry's struggles despite overall positive signs for the economy.

Existing home sales, new home sales, housing starts, and multifamily data all suffered first-quarter year-over-year declines despite improving consumer attitudes, noted Fannie Mae's chief economist, Doug Duncan, in the government-sponsored enterprise's May forecast. Furthermore, concerns over the Federal Reserve's tapering of monetary stimulus could affect home sales and loan originations.

"We believe this year will likely be a bump in the long-term road back toward normal levels, which we continue to expect sometime in late 2016," Duncan said. "However, we anticipate a modest uptick in housing activity as the spring and summer selling and building seasons get underway."

Broader economic data rebounded in March and April following a flat first quarter, Fannie's economics team noted. Because of this latest surge, the GSE expects economic growth to accelerate just over 3% on an annual basis in the second quarter.

Furthermore, for all of 2014, Fannie is predicting economic gains of 2.4%.

"Reduced drag both from government spending and fiscal policy uncertainty as well as improving financial and labor market conditions should contribute to a rebound, but the sizable down draft from the first quarter likely will keep full-year growth subdued," Duncan said.

Consumer spending in goods and services was on the rise during March after overall growth of only 0.4% during the first quarter - the weakest in three years. Additionally, April auto sales totaled 16 million annualized units, marking the first time since 2007 it has surpassed this figure for two consecutive months.

Orders for core capital goods, a leading indicator of business investment in equipment, jumped 3.5% in March to its highest nominal reading on record, Fannie Mae said.

There was also strong news in the April jobs report, as employees are being hired at the fastest pace in more than two years.