Freddie Mac October 2016 Outlook

October 20, 2016

MCLEAN, VA--(Marketwired - Oct 20, 2016) - Freddie Mac (OTCQB: FMCC) released today its monthly Outlookfor October showing that housing remains a bright spot in the face of a marginally improving U.S. economy and tight inventories of for-sale homes. However, mortgage activity, which has benefited greatly from low mortgage rates post-Brexit, is starting to see a slowdown in refinance activity that will persist into next year as the mortgage market transitions to a purchase-dominated mix.

Outlook Highlights

- Continued strength in consumer spending and a reduction in the drag from inventory spending should boost second half growth, resulting in full-year 2016 GDP growth of 1.6 percent. The economy should do modestly better in 2017, posting 1.9 percent year-over-year growth.
- A mature expansion operating near full employment only needs to generate enough jobs to keep the unemployment rate steady. Expect the unemployment rate to decline slightly over the next year-and-a-half, ending 2017 at 4.7 percent.
- Even if worldwide bond yields recover to the pre-Brexit status quo, mortgage interest rates are likely to remain low for an extended period. Expect a gradual rise in rates throughout the remainder of 2016 and into 2017, with the 30-year fixed-rate mortgage averaging 3.9 percent in the fourth quarter of 2017.
- Don't expect much increase in total home sales going forward with a slight decline in seasonally-adjusted sales in the fourth quarter. Next year, rising new home sales driven by increases in new single-family housing construction will push total home sales slightly higher, to 6.16 million in 2017 compared to 6.04 million in 2016.
- Forecasting house prices will grow at a 5.6 percent annual rate in 2016, moderating to 4.7 percent in 2017.

Quote: Attributed to Sean Becketti, Chief Economist, Freddie Mac.

"The economy and labor markets are looking better. We're even seeing modest wage gains. And Fed watchers are increasingly predicting a December rate hike as things improve. However, worldwide economic growth is weak and its prospects have gotten worse. This may all sound familiar because we've been here before... last year.

"As the economy sputters along a little bit faster than stall speed, the U.S. housing market continues to be a bright spot, though there's less room to run than in the prior few years. Unlike new home sales, existing home sales have nearly recovered back to pre-recession norms. Regardless, we see new home sales improving some next year driven by increases in new single-family housing construction which will push total home sales slightly higher."

Freddie Mac was established by Congress in 1970 to provide liquidity, stability and affordability to the nation's residential mortgage markets. Freddie Mac supports communities across the nation by providing mortgage capital to lenders. Today Freddie Mac is making home possible for one in four home borrowers and is the largest source of financing for multifamily housing. Additional information is available at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.