

July 23, 2015

Economy Building Momentum into Second Half of the Year

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WASHINGTON, DC – Incoming data suggest that domestic economic activity was stronger than expected in the second quarter, paving the way for accelerated growth in the second half of the year, according to Fannie Mae’s (FNMA/OTC) Economic & Strategic Research (ESR) Group. Bolstered by improved consumer spending and residential and nonresidential investment, and coupled with a waning drag from net exports, economic growth is expected to have picked up to 2.8 percent annualized in the second quarter—0.4 percentage points stronger than in the June forecast. Although volatile economic conditions abroad pose potential headwinds to 2015 growth expectations, the ESR Group has adjusted its full-year 2015 economic growth projection to 2.1 percent, up from 1.9 percent in the prior forecast.

“Our second-half outlook is little changed overall, but we have upgraded our full-year outlook due to the upward revision to first-quarter GDP and our more optimistic view for the second quarter,” said Fannie Mae Chief Economist Doug Duncan. “We believe consumer spending will be the largest contributor to growth for the remainder of the year, particularly as consumers’ confidence, household net worth, and income growth prospects have continued to strengthen amid an improving jobs market. On the downside, the drop in oil prices will likely continue to weigh on nonresidential investment in structures, and on balance we expect net exports to be a drag on growth this year, due in large part to the debt crisis in Greece and deteriorating economic conditions in China.”

“Our housing forecast also remains largely unchanged, with leading housing indicators pointing to continued improvement heading into summer,” said Duncan. “We expect to see strong sales, lean inventories, and rising confidence through the rest of the year, which should support increased home building activity and give an added boost to economic growth. Although a lack of skilled labor may hurt construction activity, our forecast calls for housing starts to average 1.12 million units. We expect existing and new home sales to climb by approximately 5 and 25 percent, respectively, and total mortgage originations to rise approximately 24 percent to \$1.46 trillion, with a refinance share of 47 percent.”

Visit the [Economic & Strategic Research](http://www.fanniemae.com) site at www.fanniemae.com to read the full July 2015 Economic Outlook, including the Economic Developments Commentary, Economic Forecast, Housing Forecast, and Multifamily Market Commentary. To receive e-mail updates with other housing market research from Fannie Mae's Economic & Strategic Research Group, please [click here](#).

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