



The Awakening

The labor market has continued its energetic pick-up of the last few months. Net job creation remained above 200,000 for the third consecutive month, bringing the cumulative net payroll growth to 734,000 jobs from December through February. Over this three-month span, the unemployment rate has shifted down to 8.3 percent, the lowest in three years. Labor-force participation picked up in February, a sign that some discouraged workers saw enough improvement in conditions to return to active job seeking. A broader measure of labor underutilization that includes discouraged workers and those who work part-time but have been unable to locate full-time work declined to 14.9 percent, also the lowest in three years. Most recently, in March the share of people feeling that jobs were more plentiful rose to its highest since September 2008, according to The Conference Board's Consumer Confidence Survey.

Even the housing market is showing some signs of shaking off the depression-like conditions that have plagued it for much of the past few years. As if awakening from hibernation, housing starts and home sales moved to higher (albeit still very low) levels of activity. Housing starts averaged nearly 700,000 on a seasonally adjusted annual rate (SAAR) over the November through February period, up 19 percent from the pace over the prior 12 months. The rise is reflected in the National Association of Home Builders (NAHB)/Wells Fargo builders' overall confidence index which inched up for the fifth straight month in February and held steady in March at the highest level since June 2007 (although still a low evaluation by builders of current market conditions). Roughly one-half of the increase in housing starts has been for construction of rental apartments in multi-unit buildings (two or more dwellings) and, if the current pace is maintained new rental construction in 2012 is likely to be the highest since 2005. Even at this rate, housing starts continue to run below net household formations [and will allow for absorption of existing vacant homes.]

Likewise, the latest home sales data have been promising, with new and existing sales averaging 4.93 million in the first two months of 2012 (SAAR). Even with a 1 percent dip in February, there was some positive news: median sales prices moved up 0.3 percent on a year-over-year basis, a hint that home values may be stabilizing in more markets around the nation. The improvement in housing demand over the past few months correlates with the exceptionally low mortgage rates that have largely been in place since last September and the high affordability for potential home buyers who have the financial means to purchase.

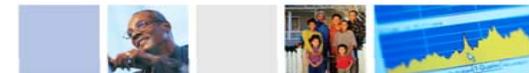
Other signs that housing demand may be waxing are embedded in expectations of housing professionals: The National Association of Realtors' February Realtors® Confidence Index for the six-month outlook stands at the highest level since the monthly



survey began in 2008, and the March NAHB/Wells Fargo homebuilder gauge of sales expectations over the next six months rose to its highest reading in nearly five years, although still at a relatively low level. Nonetheless, a variety of encouraging indicators suggest that the housing market may be feeling a nascent awakening--much like the garden flora reemerging from their winter dormancy--and more neighborhoods may see stabilization in overall demand and housing values this spring.

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March 2012 Economic and Housing Market Outlook



Office of the Chief Economist

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Major Economic Indicators

Indicator	2011				2012				2013				Annual Totals						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2007	2008	2009	2010	2011	2012	2013
Real GDP (%)	0.4	1.3	1.8	3.0	2.3	2.5	2.7	2.9	3.0	3.3	3.6	4.0	2.2	-3.3	-0.5	3.1	1.6	2.6	3.5
Consumer Prices (%) a.	4.5	4.4	3.1	1.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0	1.6	1.5	1.2	3.3	2.0	2.0
Unemployment Rate (%) b.	9.0	9.0	9.1	8.7	8.3	8.3	8.2	8.2	8.1	8.0	7.9	7.8	4.6	5.8	9.3	9.6	9.0	8.3	8.0
30-Year Fixed Mtg. Rate (%) b.	4.9	4.7	4.3	4.0	4.0	4.2	4.4	4.5	4.6	4.7	4.8	5.0	6.3	6.0	5.0	4.7	4.5	4.3	4.8
1-Year Treas. Indexed ARM Rate (%) b.	3.3	3.1	2.9	2.9	2.8	2.9	2.9	3.0	3.0	3.1	3.1	3.2	5.6	5.2	4.7	3.8	3.0	2.9	3.1
10-Year Const. Mat. Treas. Rate (%) b.	3.5	3.2	2.4	2.1	2.0	2.3	2.4	2.5	2.6	2.7	2.8	3.0	4.6	3.7	3.3	3.2	2.8	2.3	2.8
1-Year Const. Mat. Treas. Rate (%) b.	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5	4.5	1.8	0.5	0.3	0.2	0.2	0.4

Housing and Mortgage Markets

Indicator	2011				2012				2013				Annual Totals						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2007	2008	2009	2010	2011	2012	2013
Housing Starts c.	0.58	0.57	0.62	0.67	0.70	0.70	0.74	0.78	0.83	0.88	0.93	0.98	1.36	0.91	0.55	0.59	0.61	0.73	0.91
Total Home Sales d.	4.11	4.01	4.07	4.22	4.40	4.40	4.40	4.40	4.60	4.75	4.90	5.05	5.19	4.14	4.24	4.03	4.09	4.40	4.83
FMHPI House Price Appreciation (%) e.	-1.7	1.6	-1.6	-1.2	-1.0	1.0	-1.0	0.0	0.0	1.0	0.5	0.0	-4.9	-11.7	-2.3	-5.9	-3.0	-1.0	1.5
S&P/Case-Shiller® Home Price Index (%) f.	-4.0	4.0	-0.1	-3.8	-2.0	2.0	-1.0	0.0	0.0	1.0	0.5	0.0	-8.4	-18.4	-2.5	-3.7	-4.0	-1.0	1.5
1-4 Family Mortgage Originations g.																			
Conventional	\$263	\$220	\$277	\$338	\$264	\$270	\$225	\$191	\$170	\$240	\$236	\$164	\$2,312	\$1,310	\$1,549	\$1,300	\$1,098	\$950	\$810
FHA & VA	\$77	\$70	\$73	\$72	\$76	\$85	\$75	\$64	\$60	\$80	\$74	\$46	\$120	\$290	\$451	\$377	\$292	\$300	\$260
Total	\$340	\$290	\$350	\$410	\$340	\$355	\$300	\$255	\$230	\$320	\$310	\$210	\$2,432	\$1,600	\$2,000	\$1,677	\$1,390	\$1,250	\$1,070
ARM Share (%) h.	8	11	12	14	15	15	15	15	15	15	15	15	10	7	3	5	11	15	15
Refinancing Share - Applications (%) i.	69	70	78	81	80	75	70	60	60	60	60	60	42	48	70	76	75	71	60
Refinancing Share - Originations (%) j.	71	56	68	80	75	70	60	60	60	60	59	59	49	50	68	67	69	66	60
Residential Mortgage Debt (%) k.	-2.6	-1.9	-2.1	-1.6	-1.5	-1.0	-1.0	-0.5	1.0	2.0	2.0	3.0	7.1	-0.4	-1.6	-3.0	-2.0	-1.0	2.0

Note: Quarterly and annual forecasts (or estimates) are shown in shaded areas; totals may not add due to rounding; quarterly data expressed as annual rates.

Annual forecast data are averages of quarterly values; annual historical data are reported as Q4 over Q4.

a. Calculations based on quarterly average of monthly index levels; index levels based on the seasonally-adjusted, all-urban consumer price index.

b. Quarterly average of monthly unemployment rates (seasonally-adjusted); Quarterly average of monthly interest rates (not seasonally-adjusted).

c. Millions of housing units; quarterly averages of monthly, seasonally-adjusted levels (reported at an annual rate).

d. Millions of housing units; total sales are the sum of new and existing detached single-family homes; quarterly averages of monthly, seasonally-adjusted levels (reported at an annual rate).

e. Quarterly growth rate of Freddie Mac's House Price Index (FMHPI); not seasonally-adjusted; annual rates for yearly data.

f. National composite index (quarterly growth rate); not seasonally-adjusted; annual rates for yearly data.

g. Billions of dollars (not seasonally-adjusted).

h. Federal Housing Finance Agency (FHFA); quarterly averages of monthly shares of number of loans of conventional, home-purchase mortgage closings (not seasonally-adjusted).

i. Primary Mortgage Market Survey®; quarterly averages of monthly shares of all single-family mortgage applications (not seasonally-adjusted).

j. Home Mortgage Disclosure Act for all single-family mortgages (not seasonally-adjusted); Annual share is dollar-weighted average of quarterly shares.

k. Federal Reserve Board; growth rate of residential mortgage debt, the sum of single-family and multifamily mortgages (not seasonally-adjusted, annual rate)

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