



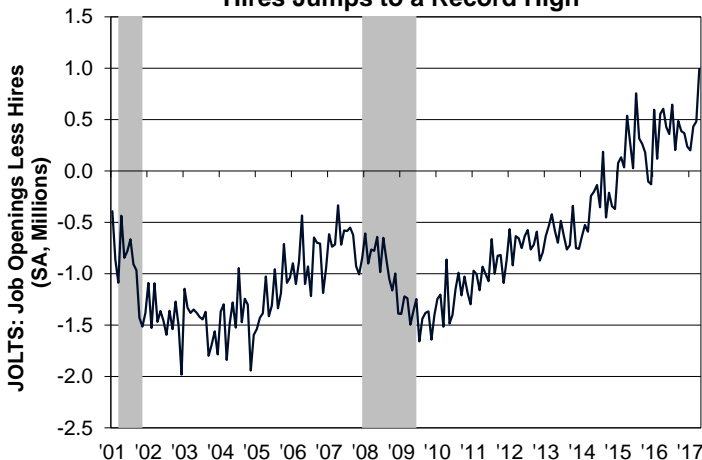
Weekly Note – June 9, 2017

Economics: Now Hiring – Qualified Workers Please Apply

Economic data released this week showed an increasing lack of qualified workers in the labor market and signs of weakness in consumer credit. The Job Openings and Labor Turnover Survey reported job openings reached a record high in April, while hires fell to the lowest level in a year. Consequently, the gap between job openings and hires hit one million, the largest difference since the survey's inception in December 2000. The growing gap between job openings and hires suggests firms are unable to find qualified workers to fill open positions. In addition, the historically low level of initial unemployment insurance claims, which fell last week, underscored a tight labor market. Consumers' willingness to take on debt could be faltering, as total consumer credit outstanding posted the smallest monthly gain since December 2015 and annual growth also decelerated during the past two months. Year-over-year growth in revolving credit (largely credit cards) slipped to the slowest pace in a year, and year-over-year growth for nonrevolving credit (largely auto and student loans) hit the slowest pace since February 2012. The near-term outlook for the manufacturing sector worsened in April, as factory orders declined for the first time in five months on the heels of downward revisions in durable goods orders. However, a bright spot was core capital goods orders, a leading indicator for business fixed investment in equipment, which were revised higher to show a small gain from a flat reading in the advance report. Finally, the pace of expansion in the service sector slowed slightly in May, according to the ISM nonmanufacturing survey, as a strong rise in the employment component was drowned out by drops in other components.

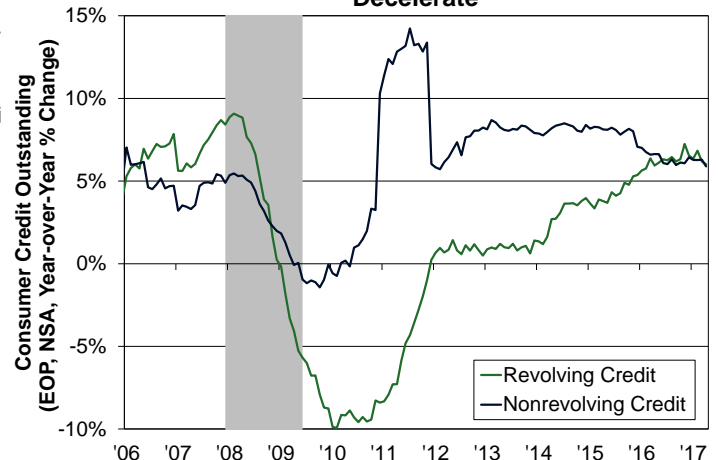
- **The Job Openings and Labor Turnover Survey (JOLTS)** showed that job openings rose 4.5 percent to 6.04 million in April, according to the Bureau of Labor Statistics. As a share of total employment, the job openings rate rose two-tenths to 4.0 percent, tying an all-time high, while the hires rate fell one-tenth to 3.5 percent, marking a 12-month low. The quits rate fell one-tenth from the prior month's expansion high to 2.1 percent.
- **Consumer (non-mortgage) credit outstanding** expanded by \$8.2 billion in April, according to the Federal Reserve Board. Nonrevolving credit rose \$6.7 billion, while revolving credit was up \$1.5 billion. From a year ago, nonrevolving and revolving credit increased 5.9 percent and 6.0 percent, respectively. The pace of annual growth in both types of credit slowed from the prior month.
- **Factory orders** declined 0.2 percent in April, according to the Census Bureau. Nondurable goods orders, the new piece of data in the report, improved 0.4 percent, marking the eighth rise in the past nine months. Factory shipments were flat during the month, following a decline the prior month. Both durable goods orders and shipments were revised lower from the advance report, while core capital goods orders and shipments were revised higher.
- **The ISM Nonmanufacturing Index**, a gauge of service sector activity, slipped 0.6 points to 56.9 in May (any reading above 50 indicates expansion). Declines in the business activity, new orders, and supplier deliveries components outweighed the largest jump in the employment component since January 2012.
- **Initial claims for unemployment insurance** decreased by 10,000 to 245,000 in the week ending June 3, according to the Department of Labor. The four-week moving average increased by 2,250 to 242,000.

Gap Between the Level of Job Openings and Hires Jumps to a Record High



Source: Bureau of Labor Statistics

Revolving and Nonrevolving Credit Growth Decelerate



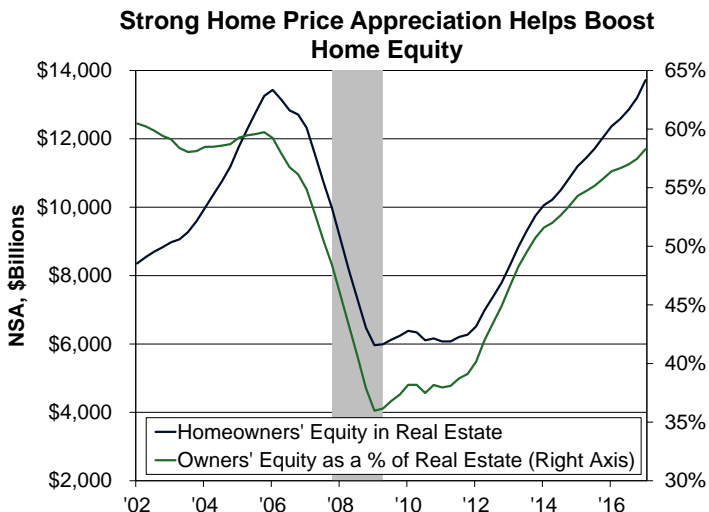
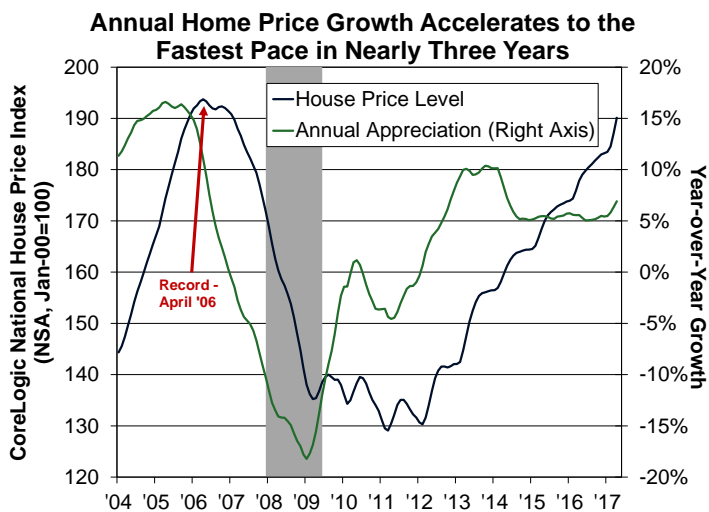
Source: Federal Reserve Board



Housing: Robust Home Price Gains Boost Wealth

This week's housing news was upbeat. The CoreLogic Home Price Index, the measure used by the Federal Reserve Board to estimate the value of real estate assets, posted the strongest annual gain in April since May 2014. Strong home price appreciation during the first quarter helped increase homeowners' equity, which has now surpassed its previous nominal peak recorded 11 years ago. While robust home price gains have bolstered household wealth, they have restrained home purchase affordability. Supported by tight for-sale inventories, home price gains have shown no sign of slowing. Results from the Job Openings and Labor Turnover Survey support home builders' view that a labor shortage is a main impediment to new construction. The job openings rate for construction workers rose to the third highest level of the expansion, while the quits rate, a measure of workers' confidence in the job market, remained at an expansion best for the third consecutive month. Lastly, mortgage demand increased last week as mortgage rates continued to fall. Freddie Mac's survey showed that the average yield on 30-year fixed rate mortgages declined further this week, dropping five basis points to 3.89 percent.

- **The CoreLogic National Home Price Index** (not seasonally adjusted) rose 1.6 percent in April. From a year ago, prices rose 6.9 percent. According to the Index, nominal home prices have risen 47 percent since bottoming in March 2011, but are still 1.9 percent below the April 2006 peak.
- **U.S. household and nonprofit organization net worth** — the value of assets minus liabilities — rose \$2.3 trillion in Q1 2017 to \$94.8 trillion, boosted by both stock market and home price gains, according to the Federal Reserve. **Owners' equity in real estate** increased \$517.3 billion to \$13.7 trillion, surpassing the previous nominal peak in Q1 2006. **Owners' real estate equity as a percentage of the value of household real estate** rose 0.8 percentage points to 58.3 percent, the highest reading since Q1 2006. **Single-family mortgage debt outstanding** increased 1.9 percent annualized, the weakest quarterly gain since Q1 2016.
- **The Job Openings and Labor Turnover Survey (JOLTS)** showed that construction job openings rose 42,000 to 203,000 in April, according to the Bureau of Labor Statistics. The openings rate rose 0.6 percentage points to 2.9 percent. The hires rate edged up one-tenth to 5.5 percent. The quits rate was unchanged at 2.4 percent.
- **Mortgage applications** rose 7.1 percent for the week ending June 2 as the average interest rate for 30-year fixed-rate mortgages fell three basis points to 4.14 percent, the lowest level since November 2016, according to the Mortgage Bankers Association. Purchase mortgage applications rose for the first time in four weeks, jumping 10.0 percent to the highest level since May 2010. Refinance applications rose 3.4 percent.



Frank Shaw and Orawin T. Velz
Economic and Strategic Research Group
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