Fannie Mae: Economy thriving as 2017 comes to a close

Consumers are spending, investors are investing, employers are hiring, households are as rich as they've been in a long time and everybody is pretty much smiling about it. Cheers to that, says Fannie Mae in its 2017 Economic and Housing Outlook, offering a rosy year-end forecast as 2018 quickly approaches.

"The economy appears poised to finish 2017 on a cheerful note as fundamentals increasingly align with strong business and consumer sentiment. Domestic demand is building momentum, job growth is solid and broad-based, and consumer spending looks likely to strengthen," said Fannie Mae Chief Economist Doug Duncan in the release.

The economic stars are currently aligning, so to speak, with surging stock prices and a strong labor market pushing up consumer demand and household net worth to a 70-year high. Consumers and businesses are optimistic. Real estate meanwhile still faces some equilibrium challenges.

"The housing market continues its upward grind, as it struggles to balance strong demand and house price appreciation with inventory shortages and affordability concerns," said Duncan.

In response to the government's upgraded third-quarter GDP (gross domestic product) estimate and an anticipated solid finish to Q4, Fannie Mae increased its economic growth forecast for 2017 by one-tenth from 2.5 percent. If the tax bill is signed, that should also mean a boost to GDP growth next year, which is currently expected to drop to 2.1 percent absent tax reform.

A standout for Q3 2017 was a surge in companies buying business equipment, with this type of investment growing at its fastest pace in three years. Fannie Mae attributed the increased activity to a cheaper U.S. dollar, a number of deregulation moves made by the government and stronger economic growth abroad.

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Duncan predicted that interest rates might “tighten” two more times in 2018, although this will be affected by the impact of tax reform on the labor market and inflation.

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