

Press Release

Economic Indicators Continue to Point to Likely Recession in 2023

September 21, 2022

Housing Expected to Cool Even Further as Mortgage Rates Move Higher

WASHINGTON, DC – Economic growth is projected to resume in the second half of 2022, but the combination of high inflation, monetary policy tightening, and a slowing housing market is likely to tip the economy into a modest recession in the new year, according to the [September 2022 commentary](#) from the Fannie Mae (FNMA/OTCQB) [Economic and Strategic Research \(ESR\) Group](#). The ESR Group continues to forecast 0.0 percent real GDP growth on a full-year basis through 2022, but it revised downward its expectations for full-year 2023 growth by one-tenth of a percentage point to negative 0.5 percent. Core inflation remains considerably higher than the Federal Reserve’s stated target; as such, the ESR Group maintained its expectation that the Federal Open Market Committee will raise the federal funds rate by 75 basis points at its September meeting. The ESR Group’s baseline forecast anticipates the federal funds rate topping out at a range of 3.50 to 3.75 percent in early 2023, though it sees significant upside risk to the eventual terminal rate.

Due largely to the higher mortgage rate environment, the ESR Group lowered its forecast for single-family total home sales in 2022 and 2023 to 5.71 million and 4.98 million, which would represent declines of 17.2 percent and 12.8 percent, respectively. While multifamily construction remains strong, the ESR Group also revised downward its multifamily starts forecast for 2022 to 542,000 units but continues to expect demand for rental units to remain strong because of the single-family market’s relative unaffordability.

“In our view, the recent interest rate surge is due to the market’s recognition of two critical factors: that inflation is indeed not transitory, and that, to tame it, the Federal Reserve will need to be resolute, even at the risk of possible recession,” said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist. “Inflation’s entrenchment – and the policy action likely required of the Fed – confirms the expectation in our forecast of a moderate recession beginning in the first quarter of 2023. That said, the rise in rates is having the Fed’s desired effect on housing, as house price growth began to slow in June. We expect the slowdown in housing to continue through 2023 as affordability constraints mount for potential homebuyers, and considering, too, that refinance activity has been significantly curtailed by the rise in mortgage rates.”

Visit the [Economic & Strategic Research](#) site at fanniemae.com to read the full September 2022 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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About the ESR Group

Fannie Mae’s Economic and Strategic Research Group, led by Chief Economist Doug Duncan, studies current data, analyzes historical and emerging trends, and conducts surveys of consumer and mortgage lender groups to provide forecasts and analyses on the economy, housing, and mortgage markets. The ESR Group was recently awarded the prestigious 2022 [Lawrence R. Klein Award](#) for Blue Chip Forecast Accuracy based on the accuracy of its macroeconomic forecasts published over the 4-year period from 2018 to 2021.

About Fannie Mae

Fannie Mae advances equitable and sustainable access to homeownership and quality, affordable rental housing for millions of people across America. We enable the 30-year fixed-rate mortgage and drive responsible innovation to make homebuying and renting easier, fairer, and more accessible. To learn more, visit:

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