ECONOMIC PREVIEW

REGIONS

Week of July 19, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 27-28 FOMC meeting):* Target Range Mid-point: 0.000 to 0.125 percent Median Target Range Mid-point: 0.125 percent	Range: 0.00% to 0.25% Midpoint: 0.125%	Imbalances between supply and demand that are pushing prices higher than they would otherwise be are the story of the day across the U.S. economy. In the housing market, however, this has been the story for the past several years. The housing market data on tap for this week are unlikely to show much, if any, progress. Indeed, our expectation is that builders took a step back in June, and while existing home inventories likely increased, the market remains chronically undersupplied.
June Building Permits Tuesday, 7/20 Range: 1.491 to 1.740 million units Median: 1.700 million units SAAR	May = 1.683 million units SAAR	Down to an annualized rate of 1.491 million units, though our way below consensus forecast looks much worse than it actually is. On a not seasonally adjusted basis, we look for total housing permits of 141,300 units, down only slightly from the 142,300 permits issued in May but up 11.1 percent year-on-year. Though our forecast of the not seasonally adjusted data anticipates a modest increase in multi-family permits, we look for single family permits to be down by 3.0 percent from May, which would make June the third straight monthly decline in unadjusted single family permits. This simply reflects the extent to which builders have actively been holding down sales in the face of elevated and uncertain materials costs and sizable backlogs of unfilled orders. Limiting sales is allowing builders to whittle down these backlogs, but it also means permit issuance will lag, as was the case in April and May. We think this restraint is more transitory (there's that word again . . .) than it is lasting, and industry surveys indicate builders expect to start lifting sales caps either later in Q3 or in Q4, at which time permit issuance will pick up. As for our June forecast, however, the decline we expect in unadjusted single family permits is in contrast to the increase typically seen in the month of June, while the increase we expect in unadjusted multi-family permits is smaller than typical for the month of June. As such, these "misses" in the not seasonally adjusted data will be amplified in the seasonally adjusted data, which is how we end up with a forecast so far below consensus. Clearly, we could be wrong on unadjusted permit issuance, the penalty imposed by seasonal adjustment, or both. Either way, we remain more constructive on the single family segment of the housing market than our forecasts of June housing permits and starts may imply.
June Housing Starts Tuesday, 7/20 Range: 1.500 to 1.693 million units Median: 1.590 million units SAAR	May = 1.572 million units SAAR	Down to an annualized rate of 1.513 million units. On a not seasonally adjusted basis, we look for total housing starts of 139,600 units, down from 143,100 total starts in May but nonetheless up 17.5 percent year-on-year, with single family starts up 12.7 percent. But, as with housing permits, the modest decline in unadjusted starts our forecast anticipates will be significantly amplified in the seasonally adjusted data. Of more relevance, our forecast of the unadjusted data anticipates single family starts coming in higher than single family permits, which is consistent with the premise of builders holding down sales to work on clearing backlogs of unfilled orders. To that point, in May, the number of single family units permitted but not yet started rose to a level last seen in August 2006, and we anticipate unadjusted starts running ahead of unadjusted permits for at least a few more months.
June Leading Economic Index Thursday, 7/22 Range: 0.5 to 1.1 percent Median: 0.8 percent	May = +1.3%	Up by 0.7 percent.
June Existing Home Sales Thursday, 7/22 Range: 5.720 to 6.500 million units Median: 5.920 million units SAAR	May = 5.800 million units SAAR	Down to an annualized rate of 5.720 million units. On a not seasonally adjusted basis, we look for total sales of 573,000 units, up 8.5 percent from May and up 13.0 percent year-on-year. But, June is typically a seasonally strong month for existing home sales and our expected increase in not seasonally adjusted sales is smaller than is typical for the month of June, which could bias the headline, i.e., seasonally adjusted and annualized, sales number lower. That is nothing more than meaningless noise, which is why we always focus on the not seasonally adjusted data. We look for further relief on the inventory front from what in February was almost surely the cyclical low for listings. Still, our forecast would leave listings down 14.9 percent year-on-year, and it will take a more meaningful advance in listings for there to be genuine relief on pricing – recall that in May the median sales price was up 23.6 percent year-on-year. Our forecast would put the running 12-month total of not seasonally adjusted sales at 6.152 million units, the highest such total since April 2007, but further advances will be hard to come by in the months ahead.

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