ECONOMIC PREVIEW

REGIONS

Week of October 18, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 2-3 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%	It's the "we need more of everything" economy. Whether it's raw materials, workers, freight containers, consumer goods, or widgets, we need more of it. Okay, fine, we don't actually know what a widget is, but odds are we need more of them. The one thing we don't need more of is inflation, but until we get more of everything else, we'll continue to have more inflation than any of us care to have.
September Industrial Production Monday, 10/18 Range: -1.4 to 0.5 percent Median: 0.2 percent	Aug = +0.4%	Down by 0.6 percent. With rigs in the Gulf of Mexico still idled for much of the month, oil and gas extraction will likely remain a drag on mining output, with motor vehicles and chemicals likely weighing on manufacturing output. Along with a steep decline in utilities output, the result should be a decline in total industrial production.
September Capacity Utilization Rate Monday, 10/18 Range: 75.5 to 76.7 percent Median: 76.5 percent	Aug = 76.4%	Down to 75.9 percent.
September Building Permits Tuesday, 10/19 Range: 1.645 to 1.736 million units Median: 1.680 million units SAAR	Aug = 1.721 million units SAAR	Up to an annualized rate of 1.736 million units. On a not seasonally adjusted basis, we look for total housing permits of 146,000 units, down from 154,600 in August. Recall that multi-family permits jumped in August, hitting their highest monthly total since June 2015 as the South region saw the most multi-family permits in any month since December 1985. We look for some payback in the September data, and look for another modest increase in single family permits. That our forecast anticipates a decline in unadjusted permits but an increase on a seasonally adjusted annualized basis simply reflects what should be a friendly September seasonal adjustment factor. Of more relevance, we look for the unadjusted data to show single family permits lagging single family starts for a fifth consecutive month. Builders remain focused on clearing backlogs of unfilled orders as the number of single family units which have been permitted but not started continues to hover at levels last seen in 2006.
September Housing Starts Tuesday, 10/19 Range: 1.545 to 1.671 million units Median: 1.615 million units SAAR	Aug = 1.615 million units SAAR	Up to an annualized rate of 1.634 million units. On a not seasonally adjusted basis, we look for total housing starts of 142,700 units. As with permits, multi-family starts jumped in August and we look for some payback in the September data, coupled with a modest increase in single family starts. Builders continue to ease self-imposed sales caps, and there are signs that the uptick in mortgage rates over the back half of September may have pulled some prospective buyers off the fence. At the same time, however, materials and labor supply constraints continue to weigh on the pace of single family starts and completions. Higher mortgage rates only intensify worries about affordability given that materials costs continue to rise at a rapid clip, even with the decline in lumber prices. Still, even if more binding affordability constraints weigh on sales, single family starts will be sustained until builders make more of a dent in order backlogs, which may take a while.
September Leading Economic Index Thursday, 10/21 Range: 0.2 to 0.5 percent Median: 0.4 percent	Aug = +0.9%	Up by 0.3 percent.
September Existing Home Sales Thursday, 10/21 Range: 5.750 to 6.380 million units Median: 6.050 million units SAAR	Aug = 5.880 million units SAAR	Up to an annualized rate of 6.380 million units, though our forecast of the headline sales number looks better than it actually is. On a not seasonally adjusted basis, we look for sales of 544,000 units, down 5.6 percent from August, which would be much smaller the average September decline of 14.5 percent. This raises the likelihood that seasonal adjustment significantly enhances the headline sales number. Of more relevance, lean inventories remain a drag on sales, and we are in the time of the year in which listings typically fall. After a run of four straight monthly increases, listings fell in August and our forecast anticipates a further decline in September. While it is too soon for any impacts of higher mortgage interest rates to be visible in the data on existing home sales, which are booked at closing, there are signs that the market has begun to cool, such as sellers now receiving only 19 all-cash above-asking price offers in the first five minutes after their listing goes live, rather than 20 such offers. Okay, that part's a joke, kind of, but one metric we'll be watching in the September data is median days on market. The median time on market of 17 days seen in each of the past five months is the all-time low – that number was 34 days in 2019 – and we'd look for that number to begin rising and for the number of above-asking price offers to begin falling if indeed the market is cooling off.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com