ECONOMIC PREVIEW

REGIONS

Week of June 19, 2023

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 25-26 FOMC meeting):* Target Range Mid-point: 5.125 to 5.375 percent Median Target Range Mid-point: 5.375 percent	Range: 5.00% to 5.25% Midpoint: 5.125%	This week brings Fed Chair Powell's semi-annual testimony before the House Financial Services Committee (Wednesday) and the Senate Banking Committee (Thursday). He will likely reiterate that inflation remains much too high and that, despite having held pat at their June meeting, the FOMC remains willing to push the Fed funds rate higher should they deem that as being needed to push inflation lower.
May Building Permits Tuesday, 6/20 Range: 1.350 to 1.500 million units Median: 1.425 million units SAAR	Apr = 1.417 million units SAAR	Down to an annualized rate of 1.381 million units. On a not seasonally adjusted basis, we look for total permits of 125,20 units, which would reflect a 6.5 percent increase from April, but we expect unflattering seasonal factors to push permits down on a seasonally adjusted basis. Either way, our focus will, as always, be on the unadjusted data. Recall that single family permits jumped in March but gave back some of that increase in April, and we look for another reversal in May, with unadjusted single family permits rising. Mortgage interest rates aside, lack of inventory of existing homes for sale continues to funnel prospective buyers to the market for new homes. While our May forecast would reflect the highest monthly total since last August, it would still leave single family permits 26.6 percent below the level of March 2022, when mortgage interest rates began to push higher. Though we expect May to have seen a modest increase in multi-family permits, beneath what is always a high degree of volatility from one month to the next multi-family permit issuance is trending downward, which is at least in part a response to an increasingly unwieldy backlog of multi-family units under construction and a sizable in its own right backlog of multi-family units permitted but not yet started.
May Housing Starts Tuesday, 6/20 Range: 1.308 to 1.460 million units Median: 1.400 million units SAAR	Apr = 1.401 million units SAAR	Up to an annualized rate of 1.407 million units. On a not seasonally adjusted basis, we look for total housing starts of 127,900 units, up slightly from 127,100 units in April with an increase in single family starts more than offsetting a mild decline in multi-family starts. We'll also be interested in the metrics on completions and units under construction. Though the pace of single family completions has picked up, leading to a slimmer backlog of units under construction, that backlog nonetheless remains substantial and the past two months have seen a significant increase in the number of single family units permitted but not yet started. Though not as severe as had been the case at their peak, supply chain constraints continue to hamper builders, so it is unclear how much, if any, capacity builders have to increase the rate of single family starts and completions. Hardly sounds like relief for buyers fleeing the supply-starved market for existing homes, but in many cases the question in the new homes market is when, not whether, a home will be available.
Q1 Current Account Balance Thursday, 6/22 Range: -\$230.0 to -\$192.5 billion Median: -\$218 billion	Q4 2022 = -\$206.8 billion	Narrowing to -\$202.3 billion.
May Leading Economic Index Thursday, 6/22 Range: -1.0 to -0.4 percent Median: -0.8 percent	Apr = -0.6%	Down by 0.8 percent.
May Existing Home Sales Thursday, 6/22 Range: 4.150 to 4.350 million units Median: 4.250 million units SAAR	Apr = 4.280 million units SAAR	Down to an annualized rate of 4.240 million units. On a not seasonally adjusted basis, we look for sales of 383,000 units, up 14.0 percent from April. While that may seem a bit ambitious, as it is larger than the typical May increase, note that it comes off an oddly weak April. With the obvious exception of 2020, this April was only the second instance in the life of the data in which not seasonally adjusted sales fell in the month of April, so our forecast would reflect no more than some evening out amid a sharp downward trend. Our forecast would leave unadjusted sales down 23.3 percent year-on-year, but there was one more sales day this May than last, and upon adjusting for that our forecast would reflect a year-on-year decline of 26.7 percent. Regardless of how our forecast of unadjusted sales fares, we'll be more interested in the inventory number. While inventories of existing homes for sale rose in April, the increase was much smaller than the typical April increase, and while our forecast anticipates a modest increase in May, that would nonetheless leave inventories down over seven percent year-on-year. Lack of inventory remains a drag on sales, and that median days on market have fallen in each of the past two months points to the extent to which underlying demand has survived higher mortgage interest rates. Lack of inventory, however, is pushing more of that demand to the market for new homes.

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