ECONOMIC PREVIEW

REGIONS

Week of August 19, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 17-18 FOMC meeting):* Target Range Mid-point: 4.875 to 5.125 percent Median Target Range Mid-point: 5.125 percent	Range: 5.25% to 5.50% Midpoint: 5.375%	While almost all eyes, and ears, will be on Wednesday's release of the minutes to the July FOMC meeting and Chair Powell's Friday speech at Jackson Hole, we think this week's most significant happening will come on Wednesday, when the BLS releases the preliminary results of the annual benchmark revisions to the data on nonfarm employment. This is the process through which the monthly establishment survey estimates are benchmarked to the universe of payroll tax returns as reported in the Quarterly Census of Employment and Wages. We expect the benchmark revisions to yield a significant downward revision to the level of nonfarm payrolls as of March 2024 but, even if that proves to be the case, that would not necessarily mean there will be meaningful changes to estimates of monthly job growth between then and now. It will be the more recent paths of monthly job growth, weekly jobless claims, and growth in labor comp costs that the FOMC will attach greater weight to as they deliberate the appropriate path of monetary policy. Along those lines, other than acknowledging the time for the FOMC to begin dialing back the degree of monetary policy rate is fast approaching, Chair Powell is not about to offer any specifics on the magnitude or the cadence of Fed funds rate cuts, no matter how hard market participants try to listen or read between the lines.
July Leading Economic Index Monday, 8/19 Range: -0.7 to 0.2 percent Median: -0.4 percent	Jun = -0.2%	Down by 0.6 percent.
July Existing Home Sales Thursday, 8/22 Range: 3.85 to 4.04 million units Median: 3.93 million units SAAR	Jun = 3.89 million units SAAR	Up to an annual rate of 3.97 million units. On a not seasonally adjusted basis, we look for sales of 391,000 units, up 4.3 percent from June and up 5.1 percent year-on-year, Keep in mind, however, that there were two more sales days this July than last, and adjusting for that differential our forecast would leave sales down 4.5 percent year-on-year. Existing home sales are booked at closing, and July closings would mostly reflect sales contracts signed from late-May through June, or, amid the three-month run of mortgage interest rates being stuck right around seven percent. As this run of seven percent mortgage rates endured, it an increasing toll on sales, though the extent to which this was the case was likely masked by the additional sales days this July. We do look for the recent run of rising inventories to have been extended in July, and our forecast would leave inventories of existing homes for sale up by over twenty percent year-on-year. Even with rising inventories, however, a rising share of sellers have had to cut asking prices to facilitate sales, but it is worth noting that cutting their asking price does not in most cases equate with a seller taking a loss on the sale of their home but instead reduces the magnitude of their gain.
July New Home Sales Friday, 8/23 Range: 592,000 to 650,000 units Median: 625,000 units SAAR	Jun = 1.353 million units SAAR	Down to an annual rate of 592,000 units. On a not seasonally adjusted basis, we look for sales of 50,000 units, down 5.7 percent from June. Our forecast would leave unadjusted sales down 16.7 percent year-on-year and, even more striking, down 23.1 percent since April. As the three-month stretch of mortgage interest rates being stuck right around seven percent endured, it took an increasing toll on new home sales and buyer traffic, which in turn led to a slide in builder confidence that persisted through July. Even though mortgage interest rates began to drift lower over the second half of the month, builders noted little, if any, boost to sales. Though many had for some time been using mortgage rate buydowns to facilitate sales, that didn't necessarily alleviate affordability constraints for many prospective buyers, leading to a rising share of builders lowering prices, with elevated spec inventories acting as an added incentive to do so. It could also be that many prospective buyers seeing mortgage rates begin to drift lower over the second half of July decided to wait to sign on the dotted line in anticipation of even more pronounced declines in rates. That sales and buyer traffic were slipping as inventories of homes for sale – new and existing – were rising made this a less risky strategy, not to mention one that has, at least thus far, proved prescient given the further decline in mortgage rates over recent weeks. We'll also note that Hurricane Beryl likely weighed on new home sales in the South region in July; recall that single family housing starts in the South region plummeted by 26.1 percent in July, the largest monthly decline since the 2007-09 recession. While this isn't to say that we should expect a similarly large decline in new home sales, we think it wholly implausible to argue Hurricane Beryl would have had no discernible effect on July new home sales in the South region.

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