# ECONOMIC PREVIEW

**REGIONS**

Week of September 16, 2019

| Indicator/Action Economics Survey: | Last Actual: | Regions' View: |
|---|---|---|
| **Fed Funds Rate: Target Range Midpoint**<br>*(After the September 17-18 FOMC meeting):*<br>Target Range Mid-point: 1.875 to 1.875 percent<br>Median Target Range Mid-point: 1.875 percent | Range:<br>2.00% to 2.25%<br>Midpoint:<br>2.125% | A 25-basis point cut in the Fed funds rate target range at this week's FOMC meeting is all but in the bag. What is up in the air, however, is the signal the Committee will send with their updated "dot plot." There does not seem to be a firm consensus within the Committee as to how much, if any, additional easing is warranted, and the dispersion of the dots will be as telling as where the year-end 2019 and 2020 median dots settle. Keep in mind that the FOMC settling on a message is only the first of two steps, with the second step being Chairman Powell communicating that message in his post-meeting press conference. These press conferences have proven to be, well, somewhat challenging for Mr. Powell. This matters given that the FOMC is sensitive to how financial conditions respond to changes, real or perceived, in the FOMC's policy stance. So, while the outcome of the FOMC meeting is pretty much a given, the outcome of Chairman Powell's press conference is anything but. |
| **August Industrial Production** Tuesday, 9/17<br>Range: 0.0 to 0.6 percent<br>Median: 0.2 percent | Jul = -0.2% | Up by 0.4 percent. Our forecast anticipates higher manufacturing output despite no help from motor vehicle production, with utilities output building on July's increase. Lower output in the mining sector, however, will weigh on the headline number. Our forecast would leave total industrial production flat on an over-the-year basis. |
| **August Capacity Utilization Rate** Tuesday, 9/17<br>Range: 77.4 to 77.8 percent<br>Median: 77.6 percent | Jul 77.5% | Up to 77.7 percent. |
| **August Building Permits** Wednesday, 9/18<br>Range: 1.240 to 1.340 million units<br>Median: 1.300 million units SAAR | Jul = 1.317 million units SAAR | Down to an annualized rate of 1.284 million units. While we look for an increase in single family permits, multi-family permits will likely be well off from July's rate, thus dragging total permits lower. On a not seasonally adjusted basis, we look for total permit issuance of 116,700 units, which would leave the running 12-month total of not seasonally adjusted permits at 1.293 million units. |
| **August Housing Starts** Wednesday, 9/18<br>Range: 1.215 to 1.296 million units<br>Median: 1.250 million units SAAR | Jul = 1.191 million units SAAR | Up to an annualized rate of 1.282 million units. In the July data, multi-family permits vaulted higher while multi-family starts flopped, and we look for a reversal in the August data. In contrast to the decline we expect in multi-family permits (as noted above), we expect a sizable increase in multi-family starts. As with single family permits, we look for single family starts to continue grinding higher. That said, neither single family permits nor single family starts have come close to fully recovering from the routs seen in late-2018/early-2019 in the wake of the affordability shock, the severity of which will impact the trending data into 2020. On a not seasonally adjusted basis, we look for total starts of 115,300 units in August, which would put the running 12-month total of unadjusted starts at 1.228 million units. |
| **Q2 Current Account Balance** Thursday, 9/19<br>Range: -$135.0 to -$123.0 billion<br>Median: -$127.4 billion | Q1 = -$130.4 billion | Widening to -$134.8 billion on a wider trade deficit. |
| **August Leading Economic Index** Thursday, 9/19<br>Range: -0.2 to 0.2 percent<br>Median: 0.1 percent | Jul = +0.5% | Down by 0.3 percent. |
| **August Existing Home Sales** Thursday, 9/19<br>Range: 5.300 to 5.410 million units<br>Median: 5.380 million units SAAR | Jul = 5.420 million units SAAR | Down slightly to an annualized sales rate of 5.410 million units. On a not seasonally adjusted basis, our forecast anticipates sales of 526,000 units, down 2.4 percent from last August, but there was less sales day this year than last. Allowing for that will show August to have been a decent month for home sales. This may seem at odds with the July data on pending home sales, which were surprisingly weak – pending home sales reflect signed sales contracts and tend to lead existing home sales, which are booked at closing, by 30-45 days. While the July pending home sales were weak on a seasonally basis, the not seasonally adjusted data were better than is typically the case for the month of July. This has been a common pattern in the NAR data on existing home sales this year, i.e., strong raw data made to look meek by punitive seasonal adjustment factors. Our forecast would leave the running 12-month total of not seasonally adjusted sales at 5.238 million units. We'll be most interested in the inventory data for August– after several months of slow but steady improvement, listings went the wrong way in June and July. Signs of further weakness in the August data would be a bad omen for sales over coming months. Though some interpret the lack of a pronounced spike in sales in response to lower mortgage rates as a demand side issue, we continue to argue that it is a supply side issue, as persistently lean inventories of existing homes for sale are blunting the effects of lower mortgage rates. |

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