

**Indicator/Action
Economics Survey:**
**Last
Actual:**
Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the September 15-16 FOMC meeting):</i> 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%	The good news is that initial claims for Unemployment Insurance have fallen back below the 1.0 million mark. The bad news is that initial claims remain more than four times higher than the pre-pandemic run rate. That layoffs remain this elevated is a stark reminder that, though improving, the U.S. economy is far from being out of the woods.
July Building Permits Tuesday, 8/18 Range: 1.260 to 1.380 million units Median: 1.329 million units SAAR	Jun = 1.258 million units SAAR	<u>Up</u> to an annualized rate of 1.363 million units. On a not seasonally adjusted basis, we look for total housing permits of 119,100 units, down from 124,000 in June. While our forecast anticipates an increase in single family permits, a decline in multi-family permits will drag total permits down. Granted, our forecast of 84,600 single family permits may be on the ambitious side, as this would be the highest monthly total since August 2007. But, extraordinarily low mortgage interest rates and notably lean inventories of existing homes for sale are driving prospective buyers to the market for new homes. Industry reports and commentary from builders suggest builders are struggling to keep pace with demand, and many builders are flexing their pricing muscles with those low mortgage interest rates acting as an offset for affordability. Still, we know all too well that the Census data on housing permits, starts, and sales do not always align with industry level data, which suggests the risks to our forecast for single family permits and starts (see below) are to the downside. In the multi-family segment, demand has clearly softened, particularly in the urban cores of the larger metro areas in which so much construction has been concentrated. This, along with what remains the most swollen pipeline of under construction multi-family units since the early 1970s, would suggest a pullback in multi-family construction, hence our forecast of a decline in multi-family permits. Admittedly, we've been looking for a pullback in multi-family construction for some time now, but permits and starts have surprised us with their resiliency. Or, perhaps we should say, their stubbornness, as the sustained high level of multi-family starts has only served to increase the number of units under construction as multi-family completions have yet to respond in kind.
July Housing Starts Tuesday, 8/18 Range: 1.172 to 1.320 million units Median: 1.240 million units SAAR	Jun = 1.186 million units SAAR	<u>Up</u> to an annualized rate of 1.281 million units. As with building permits, our above-consensus starts forecast is predicated on a strong month for single family starts, with multi-family starts little changed from June's rate. On a not seasonally adjusted basis, we look for total housing starts of 118,800 units, up from 112,200 total starts in June. Our forecast of 85,900 single family starts would take a back seat to only May 2018 as the highest monthly total since September 2007. As noted above, builders are struggling to keep pace with demand given ongoing labor supply constraints, while supply pipelines for materials are becoming stressed, contributing to higher input costs, though at present builders have latitude to raise prices to preserve margins. As we discussed in the August edition of our <i>Monthly Economic Outlook</i> , we do wonder how long demand can hold up barring a more meaningful improvement in labor market conditions than has been seen to date, and while low mortgage interest rates are acting as a buffer against higher house prices, that does make affordability more sensitive to a given increase in mortgage interest rates. Thus far, however, the weekly data on applications for purchase mortgage loans show demand is holding up smartly, and while one can never say never, a meaningful and sustained increase in longer-term interest rates, including mortgage rates, seems a good way off.
July Leading Economic Index Thursday, 8/20 Range: 1.0 to 1.8 percent Median: 1.0 percent	Jun = +2.0%	<u>Up</u> by 1.1 percent.
July Existing Home Sales Friday, 8/21 Range: 4.600 to 5.910 million units Median: 5.400 million units SAAR	Jun = 4.720 million units SAAR	<u>Up</u> to an annualized sales rate of 5.910 million units. Sure, that's a big number, maybe even a crazy-big number, as is our forecast for 589,000 sales on a not seasonally adjusted basis. Neither should be taken to imply we think the inventory drought we've been talking about for, literally, years now has suddenly ended. After unadjusted pending home sales, a gauge of signed sales contracts, increased by 37.4 percent in May, they increased a further 23.9 percent in June, not typically a seasonally strong month for pending home sales but nonetheless pointing to July as another strong month for closings – existing home sales are booked at closings, and signed sales contracts typically lead closings by 30-45 days. To some extent, strong pending home sales in May and June reflect payback for activity having fallen off so sharply in March and April. So, even if our above-consensus forecast for July sales is on or close to the mark, by no means would we see that as a sustainable sales pace. Inventories remain a meaningful drag on sales, and while our forecast anticipates a modest increase in listings in July, that would still leave them down almost 20 percent year-on-year.

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