ECONOMIC PREVIEW

REGIONS

Week of April 19, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the April 27-28 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%	With FOMC members in the blackout period ahead of next week's meeting and a sparse docket of data releases, corporate earnings releases will dominate the week. We'll be most interested in any commentary pertaining to pricing, particularly the extent to which rising input costs might translate into higher output prices.
March Leading Economic Index Thursday, 4/22 Range: 0.5 to 1.4 percent Median: 0.9 percent	Feb = +0.2%	Up by 1.2 percent.
March Existing Home Sales Thursday, 4/22 Range: 5.650 to 6.600 million units Median: 6.170 million units SAAR	Feb = 6.220 million units SAAR	Down to an annualized rate of 5.970 million units. Existing home sales declined in February, only the third February decline in the life of the (not seasonally adjusted) data. In part, this reflects pending home sales, a gauge of signed sales contracts which tend to lead closings by 30-45 days, being weaker than normal in January. Additionally, it is likely that the unusually harsh winter weather that hit much of the nation in February led to delays in closings. To the extent this caused some closings to be pushed back into March, it would give an extra boost to sales in a month that typically needs little help. In any given year, March is the month with the largest increase in unadjusted sales, with an average increase (month-to-month) of 32.7 percent over the 2000-2020 period and an even larger increase (33.5 percent) over the past five years. Our forecast of not seasonally adjusted sales of 463,000 units in March falls short of this mark, as it would reflect an increase of "only" 27.2 percent from February, and this smaller than normal March increase will be made to look smaller in the "headline" (i.e., seasonally adjusted and annualized) sales number. Our forecast of a smaller than normal March increase is consistent with the weakness in pending home sales in February. While this could reflect weather effects, the more fundamental issue remains extraordinarily lean inventories. In a typical year, listings start to rise in February ahead of the spring sales season, with an average February increase of 4.9 percent. This year, however, listings were flat in February, which could also reflect weather effects, or which could simply be a bad omen for this spring's sales season. We think it was some of both, and while we look for some payback in listings in March, our forecast would nonetheless leave them down 26.2 percent year-on-year. Median days on market fell to an all-time low of 20 days in February while the median sales price was up 15.8 percent year-on-year, both signs of how frenzied the market has become. Further robust price appreciation will erode affordability, particularly should mortgage interest rates push higher. While we expect some relief on the supply side of the market over coming months, we think it likely that the market will remain undersupplied for the balance of this year, acting as a persistent drag on sales.
March New Home Sales Friday, 4/23 Range: 0.700 to 0.962 million units Median: 0.885 million units SAAR	Feb = 0.775 million units SAAR	Up to an annualized rate of 0.962 million units. New home sales were notably weak in February, having been held down by unusually harsh winter weather. Indeed, not seasonally adjusted new home sales fell in February, only the fifth February decline in the life of the data, which go back to 1963. It follows that the March data will bring payback, as was the case in the March data on housing permits and starts, which enter into the estimates of new home sales. Admittedly, we were surprised by the extent of the March increases in single family permits and starts, to the point we revisited our preliminary forecast of March new home sales and revised it higher. To be sure, the data on permits, starts, and sales don't always align in any given month, but we nonetheless look for a big bounce in new home sales. On a not seasonally adjusted basis, our forecast anticipates 91,000 new home sales, which would be the highest monthly total since June 2006. Aside from not seasonally adjusted sales, the two data points we'll be watching most closely are spec inventories and the share of sales accounted for by units on which construction had not yet started. Spec inventories are well below normal levels while units not yet started have been accounting for an elevated share of total new home sales. Each is a sign of builders pressed to keep pace with demand and neither likely changed meaningfully in March. This does, however, pose some downside risk to our forecast of March sales, as many builders are intentionally slow-walking sales as a means of contending with growing backlogs of unfilled orders. Still, even if our March forecast proves to be a bit ambitious, we see further upside room for new home sales in the months ahead despite headwinds in the form of rising input costs and affordability pressures.

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