

ECONOMIC PREVIEW



Week of May 17, 2021

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint (After the June 15-16 FOMC meeting): Target Range Mid-point: 0.000 to 0.125 percent Median Target Range Mid-point: 0.125 percent</p>	<p>Range: 0.00% to 0.25% Midpoint: 0.125%</p>	<p>Housing market data are front and center in a fairly light week for economic data releases. The market has been chronically undersupplied for years, and while we do look for some supply relief as 2021 wears on, there is no quick fix for the supply-demand imbalance. As such, house price appreciation is likely to remain robust, though the over-the-year comparisons will get more challenging over 2H 2021.</p>
<p>April Building Permits Tuesday, 5/18 Range: 1.644 to 1.820 million units Median: 1.770 million units SAAR</p>	<p>Mar = 1.759 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 1.644 million units. Though our forecasts of April housing permits and starts are substantially below the consensus forecasts, those gaps are somewhat exaggerated by seasonal adjustment. April is typically a strong month for residential construction and, as such, the April seasonal adjustment factors tend to be quite unforgiving, in that if the unadjusted data are not as strong as is typically the case for the month, any such shortfall will be magnified in the seasonally adjusted data. We look for that to be the case with this year's April data.</p> <p>Residential construction activity was notably strong in March, which in part reflected payback for the extent to which activity was held down by harsh winter weather in February, particularly in the South region. It would have been hard to sustain March's of activity in April, especially given that builders were already stretching to keep pace with robust demand, as evidenced by growing backlogs of unfilled orders, including units which have been permitted but not yet started. Labor supply constraints and materials shortages are weighing on builders, to the point that many are actively holding back sales despite still-solid demand. As such, it is likely that the pace of residential construction activity slowed in April, and it is worth noting that aggregate hours worked for non-supervisory construction workers fell sharply in April. On a not seasonally adjusted basis, our forecast anticipates total housing permits of 145,600 units, down from 157,600 units in March but which nonetheless would be the second highest monthly total – after March – since May 2007. The decline in unadjusted permits, however, will be significantly exaggerated in the seasonally adjusted, annualized data. If unadjusted permits come in higher than our forecast anticipates or the April seasonal adjustment factor is more generous than we anticipate, our forecast of seasonally adjusted annualized permits will be too low, and obviously the number that matters is unadjusted permits.</p>
<p>April Housing Starts Tuesday, 5/18 Range: 1.523 to 1.850 million units Median: 1.704 million units SAAR</p>	<p>Mar = 1.739 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 1.523 million units. The same points made in our discussion of housing permits apply to housing starts as well. Our forecast anticipates a modest pullback in starts after a notably robust March, with this pullback being significantly exaggerated by unforgiving seasonal adjustment factors. On a not seasonally adjusted basis, we look for total starts of 137,700 units which, while down from 144,400 starts in March, would nonetheless still be a strong number. Again, our forecast of unadjusted April starts could be too low, but it is hard to see how builders already pressing to keep pace with demand and facing supply-side constraints could have held March's pace of starts, let alone topped it.</p>
<p>April Leading Economic Index Thursday, 5/20 Range: 0.8 to 1.7 percent Median: 1.3 percent</p>	<p>Mar = +1.3%</p>	<p><u>Up</u> by 1.5 percent.</p>
<p>April Existing Home Sales Friday, 5/21 Range: 5.700 to 6.350 million units Median: 6.080 million units SAAR</p>	<p>Mar = 6.010 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 5.940 million units. On a not seasonally adjusted basis, we look for total sales of 512,000 units, up 5.8 percent from March. As this is smaller than the typical April increase, the headline (i.e., seasonally adjusted and annualized) sales number could look weaker than is actually the case. Either way, the most relevant data point in the report on April existing home sales will be the inventory number. In a typical year, listings begin to rise in February ahead of the spring sales season then build further in March and April, with April tending to see a larger increase in listings than any other month of the year (the NAR inventory data are not seasonally adjusted). This year, however, inventories did not exactly spring forward, having been flat in February and increasing only modestly in March. While we look for a larger increase in listings in April, the market remains badly undersupplied, which we think will have weighed on sales while supporting another double-digit increase (year-on-year) in the median sales price. Our housing market forecast has been predicated on at least some supply side relief over 2H 2021, but if the April data bring another listless inventory print, we may have to question that assumption.</p>

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.