

ECONOMIC PREVIEW



Week of April 18, 2022

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the May 3-4 FOMC meeting):</i> Target Range Mid-point: 0.625 to 0.875 percent Median Target Range Mid-point: 0.875 percent</p>	<p>Range: 0.25% to 0.50% Midpoint: 0.375%</p>	<p>Beware the seasonal adjustment of the March data. We think this is a useful warning when interpreting this week's slate of housing-related data. March typically sees the largest percentage increases in housing permits, starts, and sales of any month of the year in the not seasonally adjusted data. With the seasonal adjustment factors geared up for sizable increases, any shortfall in the raw data is treated harshly in the seasonally adjusted data. If our forecasts of the raw data are on or near the mark, the headline numbers will look much worse than is actually the case. This is yet another example of why we focus solely on the not seasonally adjusted housing market data and pay virtually no attention to the seasonally adjusted annualized data.</p>
<p>March Building Permits Tuesday, 4/19 Range: 1.593 to 1.899 million units Median: 1.827 million units SAAR</p>	<p>Feb = 1.865 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 1.593 million units. If it is on or even close to the mark, our forecast would feel like a serious downer after three straight months of annualized permit issuance of over 1.850 million units. Some might even take such a number as the beginning of the end of the housing market. Our forecast, however, reflects no more than the fickle nature of seasonal adjustment. March, after all, is in most years the strongest month for permit issuance as builders thaw out from winter and gear up for the spring pick-up in construction. To that point, over the 2000-2020 period, the unadjusted data show average March increases of 27.4 percent in single family permits and 17.3 percent in multi-family permits, with even larger increases last March. The seasonal adjustment process is geared toward such large increases, and the price of falling short is a steep one, especially with inflation where it is these days, but that's what we expect with this March's data. On a not seasonally adjusted basis, we look for total housing permits of 141,100 units, which would actually reflect a 7.7 percent increase from February, with increases in both single family and multi-family permits. The increases we anticipate, however, are much smaller than those seen in a typical March. As such, with unforgiving seasonal factors, the seasonally adjusted permit data will look notably weak compared with the past few months when lofty permit totals had much more to do with friendly seasonal adjustment than with actual housing market conditions. We think that, with builders facing sizable order backlogs and limiting sales, single family permit issuance is running at a much lower rate than would otherwise be the case. To be sure, our forecast is so far below the consensus that that the risks to our forecast must be to be to the upside. That's fine, but we'll still take the under on the consensus forecast.</p>
<p>March Housing Starts Tuesday, 4/19 Range: 1.630 to 1.800 million units Median: 1.740 million units SAAR</p>	<p>Feb = 1.769 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 1.631 million units. As with housing permits, March is typically the strongest month of the year for housing starts, both single family and multi-family, and our far below consensus forecast simply reflects our expecting this March to not have lived up to those lofty standards. On a not seasonally adjusted basis, we look for total housing starts of 133,600 units, up 7.2 percent from March, with increases in both single family and multi-family starts. Again, though, the increases our forecast anticipates are much smaller than the typical March increases, which would make the seasonally adjusted annualized data look much weaker than is actually the case. While higher mortgage rates will lead to some softening in demand, it will take some time for that to show up in the starts data given the magnitude of order backlogs builders are contending with. In any event, to our point about order backlogs, we've for some time been paying close attention to the data on units permitted but not yet started and units under construction, both of which are significantly elevated and are likely to remain so for some time given that builders have yet to see relief from supply chain and labor constraints.</p>
<p>March Existing Home Sales Wednesday, 4/20 Range: 5.500 to 6.100 million units Median: 5.780 million units SAAR</p>	<p>Feb = 6.020 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 5.720 million units. We look for not seasonally adjusted sales of 458,000 units, up 28.3 percent from February, but this is smaller than the typical March increase. As such, the seasonally adjusted data will look weaker than is actually the case. Lean inventories remain the main drag on sales, and even with the sizable increase our forecast anticipates in the March data, this will remain the case. Recall that existing home sales are booked at closing, so the March data will not reflect the impact of the recent increases in mortgage interest rates.</p>
<p>March Leading Economic Index Thursday, 4/21 Range: -0.1 to 0.5 percent Median: 0.3 percent</p>	<p>Feb = +0.3%</p>	<p><u>Up</u> by 0.2 percent.</p>

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