

# ECONOMIC PREVIEW



Week of April 17, 2023

## Indicator/Action

### Economics Survey:

## Last

### Actual:

### Regions' View:

<p><b>Fed Funds Rate: Target Range Midpoint</b>  <i>(After the May 2-3 FOMC meeting):</i>                  Target Range Mid-point: 4.875 to 5.125 percent                  Median Target Range Mid-point: 5.125 percent</p>	<p>Range: 4.75% to 5.00%                  Midpoint: 4.875%</p>	<p>Just as favorable seasonal adjustment flattered the January data, unforgiving seasonal adjustment will make much of the data for March and April look weaker than is actually the case. That was apparent in last week's report on March retail sales, and we think will also be apparent in this week's slate of housing market data.</p>
<p><b>March Building Permits</b>                      Tuesday, 4/18                  Range: 1.356 to 1.560 million units                  Median: 1.450 million units SAAR</p>	<p>Feb = 1.550 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 1.333 million units. If our way below consensus forecast is on or near the mark, the headline permits number will look much worse than is actually the case. Well, at least if the headline number is that low for the reasons we think it will be. Recall that atypically mild winter weather contributed to permit issuance being much stronger in February than is typical for the month. Some of that permit issuance came at the expense of March, a month in which you typically see a spike in housing permits, such that any "weakness" in March, whatever the cause, will be treated most unkindly by seasonal adjustment. Which is how we get to such a low forecast for the headline permits number. As far as the data that actually matter, on a not seasonally adjusted basis our forecast anticipates total permits of 118,800 units, up 7.1 percent from February which, as noted, would be far smaller than the typical March increase. We do look for a sizable, albeit smaller than typical, increase in single family permit issuance on top of the increase seen in February, but expect a smaller increase in multi-family permit issuance than in February. Many builders saw a jump in orders in March as mortgage interest rates were drifting lower, so it could be that we're underestimating the strength in unadjusted single family permits. At the same time, counting on the ever-volatile multi-family segment to follow rational patterns has never really worked out, posting further upside risk to our forecast. Regardless of how close our forecast for the headline permits number comes to the mark, the not seasonally adjusted data will tell the story that matters.</p>
<p><b>March Housing Starts</b>                      Tuesday, 4/18                  Range: 1.325 to 1.534 million units                  Median: 1.400 million units SAAR</p>	<p>Feb = 1.450 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 1.431 million units. On a not seasonally adjusted basis, we look for total starts of 117,400 units, up 11.9 percent from February, with both single family and multi-family starts higher. As with permits, however, the increases in starts we expect in the March data are smaller than typical for the month and, as such, will be treated rudely by seasonal adjusted. While many builders saw healthy increases in orders in March, starts were unable to keep pace, so watch for an increase in the number of single family units permitted but not yet started. Also watch the completions data; while the backlog of single family units under construction has been slimming down, the multi-family backlog has continued to grow.</p>
<p><b>March Leading Economic Index</b>                      Thursday, 4/20                  Range: -1.2 to -0.2 percent                  Median: -0.7 percent</p>	<p>Feb = -0.3%</p>	<p><u>Down</u> by 0.9 percent.</p>
<p><b>March Existing Home Sales</b>                      Thursday, 4/20                  Range: 4.100 to 4.840 million units                  Median: 4.500 million units SAAR</p>	<p>Feb = 4.580 million units SAAR</p>	<p><u>Down</u> to an annualized rate of 4.490 million units. On a not seasonally adjusted basis, we look for total sales of 360,000 units, which would be an increase of 32.8 percent from February, or, about the typical increase for the month of March which would nonetheless leave sales down 21.1 percent year-on-year. Existing home sales are booked at closing, and March closings will mainly reflect sales contracts signed from late-January through February. The unadjusted data show pending home sales, an index of signed sales contracts, posted a solid increase in February despite mortgage interest rates rising sharply during the month. While this gives us some comfort in our forecast of unadjusted sales, it could be that limited inventories weighed more heavily on sales than our forecast anticipates. The NAR's initial estimate showed inventories of existing homes for sale were flat in February, in contrast to the bounce typically seen ahead of the spring selling season, so the March inventory data will certainly bear watching. While the February data showed the first year-on-year decline in the median existing home sales price since February 2012, one thing that stood out to us was the oddly large March decline reported for the Northeast region. If this was, as we suspect, mostly noise, then the March data could show the national median price up slightly year-on-year. Another metric we like to track is days on market before going under contract, which in February was up to 34 days, the most since February 2020 but still well shy of pre-pandemic norms. Lengthening times on market and sellers making price concessions and submitting to inspection are all signs of the market becoming more normal even as inventories remain anything but.</p>

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