ECONOMIC PREVIEW

REGIONS

Week of November 6, 2023

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 12-13 FOMC meeting):* Target Range Mid-point: 5.375 to 5.375 percent Median Target Range Mid-point: 5.375 percent	Range: 5.25% to 5.50% Midpoint: 5.375%	Pity the monthly report on the U.S. balance of trade, a summary of net flows of goods and services between the U.S. and the rest of the world. The monthly data, however, come with a lengthy lag, and while the trade balance does enter into the calculation of GDP, any month's change is seldom large enough to move the needle on real GDP growth. As such, each month's report is usually lost in the shuffle of higher profile data releases, not accorded the dramatic "breaking economic news" treatment on financial talk TV but instead given, at best, a passing mention. Sometimes, however, the stars align exactly right, and for the monthly trade report, this week seems one of those times. In a week bereft of high profile, top-tier data releases, the September trade report has the calendar all to itself. Except, of course, it doesn't. Monday brings the release (2:00 EST) of the latest quarterly installment of the Federal Reserve's *Senior Loan Officer Opinion Survey on Bank Lending Practices* (SLOOS). Talk about toiling in obscurity; though the SLOOS has been around for decades, many seem to not have discovered it until a few high profile bank failures in March raised concerns about the state of the banking system. We, however, have long considered the SLOOS to be a useful lens into lending conditions, on both the supply and demand sides, which in turn can help inform views on household and business spending and the impact on the broader economy. The October edition of the SLOOS will have been conducted over the final weeks of Q3, and the FOMC will have had the results in hand at their September meeting. That could help account for the FOMC appearing relatively sanguine in the face of recent upside surprises in the data on economic growth and inflation, and could also help account for, as Chair Powell noted in his post-meeting press conference, a majority of Committee members believing the full impact of past rate hikes has yet to hit the economy. The October SLOOS will likely show further tightening in bank lending standards for consumer, commercial, and commercial real estate loans, along with further declines in loan demand. To our earlier point, these trends actually began to form in mid-2022 but went largely unnoticed until the April 2023 edition, which garnered more attention than the SLOOS has collected over its entire history. To be sure, the format in which the SLOOS results are presented is somewhat clunky, but here are few things to consider in assessing the October edition. One is that starting points matter, which in this case means that any further tightening in lending standards/weakening in loan demand picked up in the October release will be on top of that which has already occurred. As such, it makes sense to think the latest survey will show smaller percentages of banks reporting additional tightening in standards and/or softening in demand. Second, the reasons given for banks tightening standards merit attention, particularly the share of banks expressing changes in risk tolerance, concerns over liquidity positions, or concerns over the general economic outlook. The same will also be true of the explanations for any further weakening in loan demand. Also, the specific manner through which banks tighten lending standards is also worth considering, with changes in loan maturities, larger risk premiums and wider spreads having been the general MO for recent tightening in C&I standards. More generally, it will be interesting to reconsider last week's FOMC meeting in the context of the latest SLOOS survey, as in whether or not further slowing in bank lending, be it due to supply-side or demand-side factors, may lessen any sense of urgency amongst FOMC members in pushing the Fed funds rate higher. As it is, the Fed's H8 data show year-on-year loan growth having fallen below four percent in October, which historically is a very weak number. The SLOOS survey may help account for so many FOMC members contending that the full effects of those rate hikes already in place have yet to hit the economy. And, by the way, the sound you may or may not hear at 8:30 EST on Tuesday morning will be that of the report on September trade, which is kind of the economic data release equivalent of a tree falling in a forest.
September Trade Balance Tuesday, 11/7 Range: -$62.3 to -$58.4 billion Median: -$60.0 billion	Aug = -$58.3 billion	Widening slightly to -$58.9 billion.

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