# ECONOMIC PREVIEW

REGIONS

Week of November 20, 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% | A holiday-shortened week includes the release of the minutes of the November 1 FOMC meeting (Tuesday). One thing that will be of interest is where Committee members stand on the question of whether or not policy is sufficiently restrictive to bring inflation down to the 2.0 percent target rate. Another thing to watch this week will be the Wednesday release of the weekly numbers on jobless claims. Many are pointing to the sustained and significant increase in continuing claims as evidence of a rapidly cooling labor market. Going largely overlooked, however, is that there is no such trend in the not seasonally adjusted data, with the gap between the unadjusted and adjusted series getting larger and larger, which to us is a clear sign of seasonal adjustment issues. To be sure, there are signs of cooling labor market conditions, but the increase in seasonally adjusted continuing claims is not one of them. |
| **October Leading Economic Index** Monday, 11/20 Range: -0.9 to -0.3 percent Median: -0.7 percent | Sep = -0.7% | Down by 0.7 percent. |
| **October Existing Home Sales** Tuesday, 11/21 Range: 3.780 to 4.000 million units Median: 3.900 million units SAAR | Sep = 3.960 million units SAAR | Down to an annualized rate of 3.860 million units. On a not seasonally adjusted basis, we look for sales of 332,000 units, down 4.3 percent from September and down 10.5 percent year-on-year. While this would be the smallest year-on-year decline since May 2022, we must account for there having been one more sales day this October than last, and after adjusting for the number of sales days our forecast would yield a year-on-year decline of 14.8 percent. Either way, October will have been the 23rd straight month with unadjusted sales down year-on-year. Recall that existing home sales are booked at closing, so October closings would mostly reflect sales contracts signed from mid-August through September. Mortgage rates rose over this period, with the most severe increases coming over the latter half of September. But, while higher mortgage rates will have been somewhat of a drag, lack of inventory endures as a powerful drag on sales. Note that in a typical year inventories of existing homes for sale typically decline over the September-December period, with the declines getting progressively larger (the NAR inventory data are not seasonally adjusted). It could be that inventories have been so low for so long that these typical seasonal patterns are broken, and that inventories rose in September – the first September increase since 2016 – fits this premise. That said, even should listings have declined in October, as we anticipate, the decline could be smaller than typically seen for the month. We look for the median sales price to be up by between three and four percent year-on-year. We'll also be watching the data on time on market and cash-sales; that time on market remains significantly lower than pre-pandemic norms is an indication that there are still willing buyers out there, while cash sales are a way around higher mortgage rates for those able to pull it off, with the all-cash share of total sales still running far above pre-pandemic norms. In short, October was another month in which nothing was normal about the housing market, a condition which dates back to well before the pandemic and which is unlikely to reverse for quite some time. |
| **October Durable Goods Orders** Wednesday, 11/22 Range: -4.7 to 0.2 percent Median: -3.2 percent | Sep = +4.6% | Down by 3.8 percent. While the 117 net orders booked by Boeing would be a big number in most months, it is nonetheless considerably smaller than the 214 net orders booked in September, meaning nondefense aircraft will weigh down top-line orders. With the UAW strike not settled until the very end of October, we expect a decline in motor vehicle orders to also act as a drag on top-line orders. Beneath the headline number, our forecast anticipates modest gains in ex-transportation orders and in core capital goods orders, but in each case the trend is softening, and we expect this to persist in the months ahead. The ISM Manufacturing Index offers no hope of a meaningful and broadly based pickup in new orders any time soon, what had been slowing growth in corporate profits (as measured in the GDP data) has given way to over-the-year declines, and financing costs remain high, all of which point to further weakness in business investment in equipment and machinery. Though the monthly data tend to be somewhat volatile, we expect the trends in core capital goods orders to align with these indicators. |
| **Oct. Durable Goods Orders: Ex-Trnsp.** Wednesday, 11/22 Range: -0.7 to 0.5 percent Median: 0.1 percent | Sep = +0.4% | We look for ex-transportation orders to be up by 0.3 percent. We look for core capital goods orders (nondefense capital goods excluding aircraft & parts) to be up by 0.2 percent. |

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