ECONOMIC PREVIEW

REGIONS

Week of May 20, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the June 11-12 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%	In a fairly light week for economic data releases, Wednesday's release of the minutes of the April 30-May 1 FOMC meeting will capture considerable attention. Of primary interest will be whether the minutes shed any light on how confident FOMC members are that rates are sufficiently restrictive to push inflation down further, and why they feel that way. Many analysts and market participants seem to have doubts.
April Existing Home Sales Wednesday, 5/22 Range: 4.08 to 4.30 million units Median: 4.21 million units SAAR	Mar = 4.19 million units SAAR	Up to an annual rate of 4.27 million units. On a not seasonally adjusted basis, we look for sales of 361,000 units, up 19.6 percent from March and up 7.1 percent year-on-year. That year-on-year increase, however, must be put into context, as there were two more business days this April than last, and when adjusting for that our forecast would yield a year-on-year decline of 2.6 percent. As for the month/month jump, recall that March sales were weaker than normal for the month, which we attributed to calendar effects – fewer business days and Good Friday falling into March this year. We noted at the time that if our assessment was correct, some closings that would have taken place in March were instead pushed back into April, and that is incorporated into our forecast. If we were wrong in our assessment, then our forecasts of April sales, not seasonally adjusted and seasonally adjusted, will be too high. Aside from calendar effects, April sales should have been supported by what has been a favorable trend in inventories thus far in 2024. To be sure, inventories are still far too low for the market for existing homes to be considered anywhere near balanced, but they are nonetheless increasing. Our forecast anticipates a second straight double-digit year-on-year increase in inventories. We also look for the median existing home sales price to be up around six percent year-on-year.
April New Home Sales Thursday, 5/23 Range: 625,000 to 734,000 units Median: 678,000 units SAAR	Mar = 693,000 units SAAR	Up to an annual rate of 734,000 units. On a not seasonally adjusted basis, we look for sales of 65,000 units, down three percent from March, though this is smaller than the typical April decline. Our above-consensus forecast may seem at odds with mortgage interest rates having been above seven percent during April but given that many builders have the latitude to offer rate buydowns and other concessions in order to facilitate sales, our forecast may not be so out of line. Also, keep in mind that April was a very strong month in terms of single family housing permits and starts, though one has to look at the not seasonally adjusted data to see this. April saw the most single family permits since May 2022 and the most single family starts since June 2022. Granted, though we use the unadjusted data on single family permits and starts to help shape our forecast of not seasonally adjusted new home sales, the two data series don't always track in any given month, but we nonetheless think the April data on single family construction augur well for April new home sales. That permits and starts were so strong in April suggests our concerns about rising spec inventories of new homes may be misplaced, but we will nonetheless watch the inventory detail in the report on April new home sales. It is worth noting that completed units have come to account for a significantly larger share of new home sales over recent months, a share typically seen when construction has gotten ahead of demand. It could be, however, that builders are willing to start more spec units on the premise that at some point relief on mortgage rates will lead to a meaningful increase in demand, particularly with rising but still-lean inventories of existing homes for sale. Should that relief not come, however, spec inventory levels may become problematic.
April Durable Goods Orders Friday, 5/24 Range: -5.4 to 1.8 percent Median: -0.8 percent	Mar = +0.9%	Down by 3.3 percent. A sharp decline in civilian aircraft orders will act as a material drag on headline orders, and we also anticipated a drop in motor vehicle orders given the build in inventories over recent months. The detail on core capital goods orders (see below) will be of far more interest. As we've noted, core capital goods orders have been more or less in a holding pattern for some time now, having ended 2023 almost exactly where they began and gyrating within a fairly narrow range in between. That pattern hasn't really changed thus far in 2024, and if it doesn't change soon, we'll have to rethink our premise of a period of steady growth in business investment in equipment and machinery fueled by firms looking to sustain faster labor productivity growth, though we're not ready to throw in the towel just yet.
April Durable Goods Orders: Ex-Trnsp. Friday, 5/24 Range: -0.4 to 1.0 percent Median: 0.1 percent	Mar = 0.0%	We look for ex-transportation orders to be up by 0.4 percent and we look for core capital goods orders (nondefense capital goods excluding aircraft & parts) to also be up by 0.4 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17h Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com