ECONOMIC PREVIEW

REGIONS

Week of November 18, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 17-18 FOMC meeting):* Target Range Mid-point: 4.375 to 4.625 percent Median Target Range Mid-point: 4.375 percent	Range: 4.50% to 4.75% Midpoint: 4.625%	After the frenzied pace of data releases over the past two weeks, this week brings welcome relief in that it is a somewhat quiet week for economic data. At least quiet in terms of the flow of data, as the data may be quite noisy. We expect the lingering effects of Hurricane Helene and the full effects of Hurricane Milton will have had a pronounced effect on the data on new residential construction and existing home sales (see Page 2) in the South region. The unadjusted data for the other three broad regions will offer a clearer read on the state of the housing market.
October Building Permits Tuesday, 11/19 Range: 1.388 to 1.515 million units Median: 1.440 million units SAAR	Sep = 1.425 million units SAAR	Down to an annual rate of 1.388 million units. On a not seasonally adjusted basis, we look for total housing permits of 117,600 units, up 3.6 percent from September with both single family and multi-family permits higher. That our forecast of the headline permits number is down from September despite our looking for unadjusted permits to have increased simply reflects our expectation that seasonal adjustment for the October data will be modestly punitive rather than somewhat generous, as was the case with the September data. As always, it's the unadjusted data that will matter. We expect Hurricane Milton will have impacted activity in the South region, though the effects on housing starts will be more pronounced than the effects on housing permits, as is typically the case after adverse weather events. That said, recall that the September data show the fewest single family permits in the South region (not seasonally adjusted) than in any month since February 2023, with a much more pronounced decline than seen in the other three Census regions reflecting the effects of Hurricane Helene. In our analysis of the September data, we noted that the effects of Helene and Milton would make interpreting the residential construction data for the South region more difficult in the months ahead and, as such, we'd key on the data for the three remaining Census regions for any signs of changes in underlying patterns of activity. We expect few such signs in the October data. Though the trend in multi-family permits remains downward, the inherent volatility in this series does not preclude month-to-month increases such as we expect in the October data. At the same time, the sharp increase in mortgage interest rates seen over October combined with elevated spec inventories makes the single family landscape more challenging, which is even more the case now that the increase in mortgage interest rates has been sustained thus far in November.
October Housing Starts Tuesday, 11/19 Range: 1.277 to 1.400 million units Median: 1.337 million units SAAR	Sep = 1.354 million units SAAR	Down to an annual rate of 1.277 million units. On a not seasonally adjusted basis, we look for total starts of 107,300 units, down 7.7 percent from September with a double-digit decline in single family starts easily negating a mild increase in multi-family starts. We'll reiterate the points made above: we expect Hurricane Milton to have held down activity in the South region; we expect seasonal adjustment for the October data to be much less accommodative than was the case with the September data; and the data for the remaining three broad Census regions are unlikely to reveal any meaningful breaks from prevailing patterns of activity. Recall that single family starts in the South region fell by 25.3 percent in July in the wake of Hurricane Beryl, a decline more severe than at any point since the depths of the 2007-09 recession. Though not looking for that large of a decline in the October data, we nonetheless expect a significant decline in single family starts in the South region. Additionally, September saw single family starts in the Northeast region rise, somewhat oddly, to the highest level since October 2007 and, barring a downward revision to that initial estimate, we look for payback in the October data. While builders noted that activity this October was in line with typical seasonal patterns, they further noted that it took aggressive use of incentives, including mortgage rate buydowns, to make that so, meaning growing margin pressures. To the extent mortgage interest rates remain elevated, let alone continue to push higher, we'd expect elevated spec inventories to weigh on new single family starts over coming months. As with multi-family permits, the trend in multi-family starts is firmly downward despite our expectation of a modest increase in October; our forecast would leave the running twelve-month total of unadjusted multi-family starts at 359,200 units, the lowest such total since March 2019, when that count was heading higher, not lower.
October Leading Economic Index Thursday, 11/21 Range: -0.4 to -0.1 percent Median: -0.3 percent	Sep = -0.5%	Down by 0.4 percent.

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October Existing Home Sales Thursday, 11/21 Range: 3.80 to 4.10 million units Median: 3.94 million units SAAR	Sep = 3.84 million units SAAR	Up to an annual rate of 3.98 million units. On a not seasonally adjusted basis, we look for total sales of 345,000 units, up 4.2 percent from September and up 3.9 percent year-on-year. Keep in mind, however that there was one more sales day this October than last and adjusting for that yields a year-on-year decline of 0.8 percent. The extra sales day this October could yield a more punitive seasonal factor than we anticipate, posing some downside risk to our forecast of the headline sales number. As it is, however, our forecast would yield the first year-on-year increase in the headline sales number since July 2021. Keep in mind that existing home sales are booked at closing, with October closings mostly reflecting sales contracts signed from late-July through September. With mortgage rates falling through September, hitting their lowest point in a year, the September decline in not seasonally adjusted pending home sales was much smaller than is typical for the month, which yielded the first over-the-year increase in unadjusted pending home sales since November 2021. While we look for the October data to show a year-on-year increase in the median sales price of right around four percent, that inventories of existing homes for sale have been rising over recent months has helped rein in upward pressure on home prices, an effect which could be amplified in the months ahead given the stark reversal in mortgage interest rates since early-October. In a similar vein, while we look for inventories to have risen further in October, bucking typical seasonal patterns, whether – or to what extent – inventories continue to rise in the face of sharply higher mortgage interest rates remains to be seen.

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