ECONOMIC PREVIEW

REGIONS

Week of September 17, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 25-26 FOMC meeting):* Target Range Midpoint: 2.125 to 2.125 percent Median Target Range Midpoint: 2.125 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	Last week's report on August retail sales report was the latest illustration of our rule that one should never judge an economic data release on the basis of the headline number. That rule was widely ignored, however, as many spun a new, downbeat narrative of U.S. consumers around the meager 0.1 percent increase in retail sales, overlooking the upward revisions to July sales, which actually put Q3 growth in consumer spending on a firmer track, and what were obvious price effects that held down nominal sales. Oh well, this week's reports on residential construction and existing home sales will be prime opportunities for our rule to again be ignored.
August Housing Permits Wednesday, 9/19 Range: 1.200 to 1.345 million units Median: 1.310 million units SAAR	Jul = 1.303 million units SAAR	<u>Down</u> trivially, to an annualized rate of 1.302 million units. On a not seasonally adjusted basis we look for total permits of 117,100 units, up from 113,000 units in July. Our forecast anticipates 80,900 single family permits – again, not seasonally adjusted – which would put the running 12-month total at 859,800 units, the highest such total since March 2008. As we discussed in our September *Monthly Economic Outlook*, the steady, but, sure, frustratingly slow, growth in single family permits, starts, completions, and sales is at odds with the tenor of much of the recent reporting on the housing market, but the only way one sees this is by skipping over the headline numbers and digging into the details of the not seasonally adjusted data.
August Housing Starts Wednesday, 9/19 Range: 1.176 to 1.258 million units Median: 1.240 million units SAAR	Jul = 1.168 million units SAAR	<u>Up</u> to an annualized rate of 1.248 million units. On a not seasonally adjusted basis, we look for total starts of 110,100 units, and our forecast for 81,300 single family starts would put the running 12-month total at 888,000 units. This would be the highest such total for single family starts since April 2008, but the steady growth in single family activity tends to get lost in the shuffle of the headline numbers on the monthly housing reports. Another element of the data that stands out to us is that over recent months the gap between multi-family permits and multi-family starts has gotten steadily wider. For a variety of reasons, mostly tied to measurement and reporting issues, there is at any given time a sizeable gap between the two, but over recent months that gap has widened. Our forecast anticipates this pattern continued in August, lending support to our forecast for total housing permits but weighing on our forecast for total housing starts. Multi-family starts have been drifting lower, helping neutralize the slow but steady growth in single family starts. This matters, as on a per-unit basis each single family unit constructed and occupied has a much larger economic impact than does each multi-family unit; those only focusing on the total starts number will miss this distinction.
Q2 Current Account Balance Wednesday, 9/19 Range: -$112.0 to -$103.0 billion Median: -$103.5 billion	Q1 = -$124.1 billion	<u>Narrowing</u> to -$103.4 billion, equivalent to 2.0 percent of GDP, the smallest share since mid-2014. The narrower current account deficit in Q2 is mainly attributable to a significantly narrower trade deficit. That said, with the trade deficit set to widen considerably in Q3, so too will the current account deficit.
August Leading Economic Index Thursday, 9/20 Range: 0.3 to 0.6 percent Median: 0.5 percent	Jul = +0.6%	<u>Up</u> by 0.5 percent.
August Existing Home Sales Thursday, 9/20 Range: 5.300 to 5.500 million units Median: 5.370 million units SAAR	Jul = 5.340 million units SAAR	<u>Up</u> to an annualized rate of 5.410 million units. As usual, the headline sales number will be the one single number in the entire report that will mean the least but about which the most will be said. As always, the two most meaningful numbers in the August report will be inventories and not seasonally adjusted sales. We look for not seasonally adjusted sales of 541,000 units, up slightly compared to last August despite an equal number of selling days. Our forecast would put the running 12-month total of existing home sales at 5.466 million units, up from July but well below what thus far has been the cycle high of 5.529 million units (June and July of 2017). We'll be more interested in the inventory data. Historically, the month of August has been a toss-up as far as listings go, sometimes rising, sometimes falling, but not typically by a large amount either way. There is more uncertainty this August given the behavior of listings over the past two months. June saw a spike in listings, and while listings fell in July they were nonetheless unchanged on a year-on-year basis, which may not sound like much but it did at least end a run of 37 consecutive months in which listings were down year-on-year. While our forecast anticipates a modest increase in listings in August, we don't have a lot of conviction around that forecast. To us, however, this remains the single most important metric in the data on existing home sales given that for some time now our view has been that the issues in the housing market are on the supply side, not the demand side, of the market.

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