

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the July 31-August 1 FOMC meeting):</i> Target Range Midpoint: 1.875 to 1.875 percent Median Target Range Midpoint: 1.875 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	Now that's how to do a press conference. From standing at a podium to speaking in "plain English" to being willing to say "we don't know," Fed Chairman Powell's press conference following last week's FOMC meeting was an impressive breath of fresh air. Style points aside, one thing that has come across clearly from Chairman Powell in his short time at the helm is that he recognizes the inherent uncertainty attached to any forecast and will be guided by data, not driven by theory. While "data dependent" has in the past been little more than a central bank catchphrase, Chairman Powell seems quite comfortable in that being an actual guide to policy.
<b>May Housing Permits</b> Tuesday, 6/19 Range: 1.325 to 1.385 million units Median: 1.350 million units SAAR	Apr = 1.364 million units SAAR	<p><u>Down</u> to an annualized rate of 1.343 million units. In any given month, producing a reasonably accurate forecast of the residential construction data is a tricky endeavor that calls for equal measures of science and art (a/k/a blind luck). We're banking on a healthy dose of the latter in our forecast of the May data. We build our forecasts from the ground up, i.e., forecasting the not seasonally adjusted data for each of the broad Census regions and working our way up to the headline number. What makes this trickier this month is that the April data in the South region, which includes both Florida and Texas, were notably strong. One thing that has struck us as odd over the past several months is that the data on housing permits and starts in the South region have shown no hints of a post-hurricane spike in construction. Until April, that is.</p> <p>Factors such as delayed insurance settlements and delays in clearing/prepping land for rebuilding may have slowed the rebuilding process, but permit issuance jumped in Florida and Texas in April, pushing totals for the South region sharply higher. For instance, April saw the highest number of multi-family permits in the South region since March 2006, and the second highest number of single family permits since August 2007. While we don't look for similarly strong permit issuance in the South region in the May data, that doesn't rule out at least some additional support from rebuilding and, at the same time, May historically has been a seasonally strong month for permit issuance. Clearly, then, this is where the healthy dose of blind luck comes into play – we look for not seasonally adjusted permits of 122,600 units, with single family permits higher and a decline in multi-family permits. Our forecast would put the running 12-month total of unadjusted permits at 1.318 million units.</p>
<b>May Housing Starts</b> Tuesday, 6/19 Range: 1.270 to 1.350 million units Median: 1.305 million units SAAR	Apr = 1.287 million units SAAR	<p><u>Up</u> to an annualized rate of 1.306 million units. As with the permit data, the starts data (unadjusted) show a spike in activity in the South region in April, at least in the single family segment. Nationally, there were 84,300 single family starts in April, of which 48,300 were in the South, the most for that region since July 2007. Given the strength of single family permits in the South in April, we look for May to have been another strong month for single family starts in the region, which props up our forecast for the U.S. At the same time, we look for unadjusted multi-family starts to have risen modestly in May. This leaves us with a forecast of 119,600 total housing starts (not seasonally adjusted), which would put the running 12-month total at 1.251 million units, the highest since March 2008. Any post-hurricane rebuilding effects notwithstanding, we see nothing that alters our outlook for residential construction going forward – further gradual increases in single family activity as multi-family permits and starts fade under the weight of a massive under-construction backlog.</p>
<b>Q1 Current Account Balance</b> Wednesday, 6/20 Range: -\$135.0 to -\$125.3 billion Median: -\$129.0 billion	Q4 2017 = -\$128.2 billion	<p><u>Widening</u> to -\$131.6 billion on a wider deficit in the trade account and a smaller balance in the income account. Our forecast would put the current account deficit at 2.6 percent of (nominal) GDP, unchanged from Q4 2017.</p>
<b>May Existing Home Sales</b> Wednesday, 6/20 Range: 5.450 to 5.950 million units Median: 5.540 million units SAAR	Apr = 5.460 million units SAAR	<p><u>Up</u> to an annualized sales rate of 5.620 million units. As has been the case for some time, inventory, or the lack thereof, is the most significant element of the existing home sales data. May is historically a seasonally strong month for sales but our forecast of 553,000 not seasonally adjusted sales would nonetheless leave sales down year-on-year. We look for listings to have risen in May, in keeping with normal seasonal patterns, but at 1.870 million units our forecast would still leave inventory down year-on-year for a 36<sup>th</sup> consecutive month. We see little to suggest any meaningful relief on the inventory front in the months ahead, particularly as mortgage interest rates rise further and lock more current owners in place. As such, we may have already seen the peak in existing home sales for this cycle.</p>
<b>May Leading Economic Index</b> Thursday, 6/21 Range: 0.2 to 0.6 percent Median: 0.4 percent	Apr = +0.4%	<p><u>Up</u> by 0.4 percent.</p>

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