ECONOMIC PREVIEW

REGIONS

Week of February 17, 2020

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 17-18 FOMC meeting):* Target Range Mid-point: 1.625 to 1.625 percent Median Target Range Mid-point: 1.625 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	Though there was no change in the Fed funds rate and no updated economic projections were released, the minutes of the January FOMC meeting, set for release on Wednesday at 2:00 EST, will still be worth a look. The minutes may provide some clarity on how FOMC members are assessing the potential risks from the coronavirus, and may shed some light on plans to wind down the Fed's "not QE" T-bill purchases.
January PPI: Final Demand Wednesday, 2/19 Range: -0.3 to 0.3 percent Median: 0.1 percent	Dec = +0.1%	Up by 0.1 percent, which would yield a year-on-year increase of 1.7 percent.
January PPI: Core Wednesday, 2/19 Range: 0.0 to 0.3 percent Median: 0.1 percent	Dec = +0.1%	Up by 0.1 percent, for a year-on-year increase of 1.3 percent.
January Building Permits Wednesday, 2/19 Range: 1.400 to 1.486 million units Median: 1.450 million units SAAR	Dec = 1.420 million units SAAR	Up to an annualized rate of 1.486 million units. While atypically warm weather will likely have pulled housing starts forward in January, permit issuance is unlikely to have been impacted to any meaningful degree. Still, our forecast would mark the highest monthly rate of permit issuance since May 2007, but this comes with a what we anticipate will be a big assist from the seasonal adjustment factors which, for the month of January in any given year, tend to be on the generous side. As such, it will be the unadjusted data that will be a better indicator of how permit issuance started off the year. Our forecast calls for not seasonally adjusted permits of 105,600 units, with a strong showing from single family permits. We look for single family permits to push higher over the course of 2020 while multi-family permits give back some of 2019's hefty increase, though, admittedly, we have more confidence in our single family forecast than in our multi-family forecast.
January Housing Starts Wednesday, 2/19 Range: 1.340 to 1.523 million units Median: 1.420 million units SAAR	Dec = 1.608 million units SAAR	Down to an annualized rate of 1.523 million units. Given how laid back residential construction has been over the course of the current expansion, it feels a bit odd to be typing "down to an annualized rate of 1.523 million units" – after all, our forecast would mark the second highest monthly rate of starts since December 2006, second only to December 2019. We see the January data playing out much like the December data played out – unseasonably warm "winter" weather lifted not seasonally adjusted housing starts, and this was compounded by seasonal adjustment factors geared for a much weaker number, with the net result being a misleadingly high seasonally adjusted annualized number. One caveat is that, while atypically warm weather pulled starts forward in December, there was not a corresponding spike in housing permits, which may limit the extent to which January's unseasonably warm weather boosted starts. So, as always, we'll look to the not seasonally adjusted data to get a better sense of this. But, to the extent we are correct, there will be payback over coming months in the absence of stronger permit issuance. On a not seasonally adjusted basis, we look for total housing starts of 105,400 units.
January Leading Economic Index Thursday, 2/20 Range: 0.1 to 0.6 percent Median: 0.4 percent	Dec = -0.3%	Up by 0.5 percent.
January Existing Home Sales Friday, 2/21 Range: 5.250 to 5.600 million units Median: 5.445 million units SAAR	Dec = 5.540 million units SAAR	Down to an annualized rate of 5.290 million units. Our below-consensus forecast is all about supply, or the lack thereof. Recall that in December listings of existing homes for sale fell to the lowest level in the life of the NAR's data, and we expect this to have weighed on January sales. On a not seasonally adjusted basis, we look for sales of 308,000 units. While this would reflect a year-on-year increase of 8.1 percent even though the number of business days was the same this January as last, keep in mind that January 2019 sales reflected the affordability shock that rocked the housing market in late-2018. As existing home sales are booked at closing, notably weak closings in January 2019 reflected the sharp decline in sales contracts signed over the final weeks of 2018. Barring a meaningful increase in listings, we don't hold out much hope for existing home sales in 2020. Historically, listings tend to be little changed in the month of January, and while we look for a modest bounce off of December's record low, our forecast would still leave inventories down by more than nine percent year-on-year. We will note that the release of the January data will incorporate revisions to the recent historical data. We'll be most interested to see if inventories look as bad after the revisions as they did before, though it's hard to imagine the revisions being material enough to change our view of the market for existing homes.

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