



Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate

(after the FOMC meeting on January 29-30)

Range: 0.00 to 0.25 percent

Median: 0.125 percent (mid-point of target range)

0.00% to 0.25%

With housing starts having set the stage with the strongest monthly pace since June 2008, home sales are front and center of an otherwise slow week for top-tier economic data. December saw housing starts at an annual rate of 954,000 units, far ahead of expectations, with both single family starts and multi-family starts posting sizeable gains. Starts did run far ahead of permits in December and, while this was simply a reversal of what we saw in November, the pace of permit issuance over recent months suggests starts will back off a bit in early 2013. Either way, after a 27.5 percent increase (preliminary) in 2012, starts will post another significant increase in 2013 which will nonetheless leave the level of starts well below the 1.5 million units that would look more like a "normal" year.

We look for existing home sales to have risen further in December. The pending home sales index, which tends to lead existing home sales by one to two months, posted another increase in November (recall existing home sales are booked at closing). One concern, however, is that investor activity and cash buyers have been prime drivers of existing home sales over the past several months. In order for the upward momentum in existing home sales to be sustained, there will have to be an increase in purchases on the part of buyers reliant on mortgage financing. While mortgage lending standards have yet to be meaningfully relaxed, we are hopeful that the issuance of the regulations on qualified mortgages will help to that effect over coming months.

While new home sales will have posted a solid gain in 2012, the monthly sales pace has yet to accelerate to the extent one might expect given the growth in housing starts. We will simply point out that new home inventories have been bumping along historical lows for some time now, and it was not until September that we really saw single family starts make a significant – and thus far sustained – move higher. Factoring in the six to seven month time frame from start to completion, we have yet to really see an appreciable increase in single family completions, but that should occur by the end of 2013's first quarter. It is at this point that we should see new home sales consistently clear the 400,000 annualized sales pace.

Sure, as with almost every other facet of this bumbling and stumbling but still ongoing recovery in the broader economy, the recovery in housing activity comes from a low base and is still subject to downside risks. Nonetheless, assuming the fiscal follies don't throw the economy off track, the housing market is poised for a solid year in 2013 with further to run in 2014.

December Existing Home Sales
Range: 5.000 to 5.200 million units
Median: 5.100 million units SAAR

Tuesday, 1/22 Nov = 5.040 mil

Up to an annualized sales rate of 5.180 million units.

December Leading Economic Index
Range: 0.2 to 0.6 percent
Median: 0.3 percent

Thursday, 1/24 Nov = -0.2%

Up by 0.5 percent.

December New Home Sales
Range: 375,000 to 398,000 units
Median: 383,000 units SAAR

Friday, 1/25 Nov = 377,000

Up to an annualized sales rate of 392,000 units.

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