ECONOMIC PREVIEW

REGIONS

Week of December 24, 2012

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%	Okay, this being December 21 we admit to having been a tad anxious as 6:08 a.m. EST approached – according to Bloomberg television that was the precise time the world would have ended had the Mayans been correct. We even, as good measure, had our favorite live version of "Boom Boom Out Go The Lights" by the Pat Travers Band blaring from the CD player. So far, though, it seems we're good, but we're not ready to proclaim the world is out of the woods. After all, it could be that their calendar is correct but their clock was wrong . . . So for now we'll keep the CD player going but concentrate on the more mundane matters ahead of us, such as the prospect of the economy taking a tumble over the fiscal cliff which, given the recent shenanigans in Washington, seems more likely than it did a few days ago. Having our hands full with our primary task – trying to make sense of the twists and turns of the economy – we try to avoid doing double duty as political analysts, but it does seem that Speaker Boehner has made a not so minor political miscalculation. That does not, however, rule out a deal, it just means that any such deal won't come until we've been treated to even more of the dysfunctional drama that seems to be a necessary precondition to actual legislation, the higher the stakes, the greater the drama. What we've seen of late may be what we get for the next several weeks. After all, January 1 is not a "drop dead" date for the U.S. economy even though changes in tax rates and government spending take effect, on paper, on that date. The true drop dead date for the economy won't arrive until sometime in February, when the federal government's debt ceiling becomes a binding constraint. While the prospect of agreeing to the federal government spending less money may not have much motivational power for those in DC, we would suggest the prospect of the federal government not being able to spend any money most assuredly does. So, though the timing remains up in the air, we continue to expect a deal to be struck that will result in, among other things, higher tax rates on higher income households (note that we do not confuse "higher income" with "rich" as some in Washington are in the habit of doing) and Social Security withholding rates going back to their normal 6.2 percent. So, even without the full impact of the fiscal cliff, we nonetheless expect fiscal tightening to act as a significant drag on real GDP growth in Q1 2013.
December Consumer Confidence Range: 64.0 to 75.0 Median: 71.0	Thursday, 12/27	Nov = 73.7	Down to 70.4. We expect a decline in the present situation component to push the headline index down, but also look for the expectations component (which carries a bigger weight in the overall index) to have held up reasonably well, which will limit the extent of the decline in December's confidence reading.
November New Home Sales Range: 365,000 to 400,000 units Median: 380,000 units (SAAR)	Thursday, 12/27	Oct = 368,000	Up to an annualized rate of 392,000 units.

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