ECONOMIC PREVIEW

REGIONS

Week of December 17, 2012

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on December 11-12)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	From "shock and awe" to "what, again with the QE . . .?" That pretty much sums up the evolution of the reaction in the financial markets to the successive rounds of "quantitative easing." Sure, if the Fed's only goal was to shock the markets, they could have come out and announced the manager had gone crazy and everything on the balance sheet had to go, no matter how low the price. Okay, maybe we've seen too many ads aimed at drawing holiday shoppers to the stores. In any event, the seeming indifference of the markets to the Fed's announcement of the latest round of QE simply reflects the degree to which the Fed has become transparent, in both their concerns and their policy moves. The change from calendar based forward guidance on the Fed funds rate to specific economic thresholds is a move towards even greater transparency. Whether that degree of transparency is desirable or not is open for debate, as is the effectiveness of another round of asset purchases, and it could be that the increasingly muted reactions from the markets are a verdict on the latter
Q3 Current Account Balance Range: -$121.0 to -$99.0 billion Median: -$103.6 billion	Tuesday, 12/18	Q2 = -$117.4 bil	Narrowing to -$99.4 billion due to a much smaller trade gap. This would leave the current account deficit equivalent to around 2.5 percent of GDP (pending revision to the Q3 GDP data), which save for Q2 2009 – the depth of the Great Recession – would be the lowest since 1998's second quarter.
November Housing Starts Range: 830,000 to 940,000 units Median:870,000 units (SAAR)	Wednesday, 12/19	Oct = 894,000	Down to an annualized rate of 873,000 units. Of course, it could be "up" to 873,000 pending revisions to the October data. We think that either the jump in multi-family starts in October will be revised lower or, if not, there will be a slight drop-off in the November number. That point aside, total starts are on course for a gain of better than 25 percent for 2012 as a whole, and we are looking for a similarly hefty increase in 2013, which would still leave further to run before starts return to a "normal" level. In terms of November housing permits, we are looking for an annualized rate of 890,000 units.
Q3 Real GDP – 3rd estimate Range: 2.6 to 3.0 percent Median: 2.8 percent (SAAR)	Thursday, 12/20	2nd est = 2.7%	We look for a slight upward revision to the second estimate, showing real GDP advanced at an annualized rate of 2.9 percent during Q3, mostly due to a narrower trade gap than had previously been estimated.
Q3 GDP Price Index – 3rd estimate Range: 2.7 to 2.8 percent Median: 2.7 percent (SAAR)	Thursday, 12/20	2nd est = 2.7%	Up at an annualized rate of 2.7 percent, matching the previous two estimates.
November Leading Economic Index Range: -1.0 to 0.2 percent Median: -0.2 percent	Thursday, 12/20	Oct = +0.2%	Down by 0.3 percent, in part due to the spike in initial jobless claims brought about by Hurricane Sandy.
November Existing Home Sales Range: 4.700 to 4.950 units Median: 4.860 units (SAAR)	Thursday, 12/20	Oct = 4.790 mil	Up to an annualized rate of 4.92 million units.
November Personal Income Range: 0.1 to 0.6 percent Median: 0.3 percent	Friday, 12/21	Oct = 0.0%	Up by 0.5 percent. There is some element of payback built in to this number – recall the BEA stated that private wage and salary earnings were held down by $18.2 billion (at an annual rate) due to Hurricane Sandy, so we've assumed most of that will turn up in the November data and add to the modest gain implied by the November employment report. Rental income should log another solid gain, and we look for special dividend payments to boost dividend income, though at a more modest rate than will be seen in the December data.
November Personal Spending Range: 0.2 to 0.7 percent Median: 0.4 percent	Friday, 12/21	Oct = -0.2%	Up by 0.5 percent with the jump in vehicle sales driving the headline number higher. We also look for a decent gain in spending on nondurable goods and continued weakness in spending on household services.
November Durable Goods Orders Range: -2.6 to 2.2 percent Median: 0.5 percent	Friday, 12/21	Oct = +0.5%	Up by 0.6 percent. Lower civilian aircraft orders will act as a modest drag on transportation orders, but ongoing strength in orders for machinery and primary metals should be enough to push the headline number higher. As always, the key number here will be new orders for core capital goods, which posted a surprising but nonetheless welcome gain in October. Whether that was a one-off occurrence or the beginning of a lasting upturn will tell us a lot about what kind of growth in capital spending we can look for in early 2013.

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