ECONOMIC PREVIEW

REGIONS

Week of March 25 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on April 30-May 1)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The latest – but surely not last – Euro Zone crisis saw policy makers propose the Willie Sutton approach to a cure – let's hit the banks because that's where the money is. The depositors' money, that is. No surprise that this proposal did not go over so well, accomplishing little save for giving a new meaning to the term "deposit insurance," so it was then back to the drawing board, with "Plan B" yet to be unleashed. Though its small size has led some to conclude Cyprus isn't such a big issue even were it to exit the euro, we're not quite so sure. First, Cyprus serves as an unpleasant albeit useful reminder that the problems within the Euro Zone did not magically end with the "whatever it takes" pledge. Second, consider the precedent set here, regardless of what Plan B actually turns out to be. The next time there is even a hint of crisis in the air, with bank deposits, insured bank deposits no less, apparently up for grabs, individuals are now incentivized to grab their money before the state does, which of course will have the perverse effect of accelerating both the crisis and the policy responses to that crisis, thereby upping the odds of an inappropriate policy response. Seriously, is this any way to run a currency union?
February Durable Goods Orders Range: 0.3 to 6.0 percent Median: 3.7 percent	Tuesday, 3/26	Jan = -4.9%	<u>Up</u> by 4.1 percent mainly on the strength of transportation orders. Excluding transportation equipment, we look for a 1.1 percent gain in new orders led by metals and business machinery.
March Consumer Confidence Range: 63.9 to 74.0 Median: 68.7	Tuesday, 3/26	Feb = 69.6	<u>Down</u> slightly to 69.1. Of greater interest to us than the headline number will be consumers' assessment of labor market conditions – the spread between those reporting jobs to be harder to get and those reporting jobs to be more plentiful has been trending lower. As this has been a reliable indicator of the direction of the unemployment rate, we will look to see whether the gap managed to narrow further in March despite overall confidence remaining somewhat shaky.
February New Home Sales Range: 400,000 to 454,000 units Median: 424,000 units SAAR	Tuesday, 3/26	Jan = 437,000	<u>Down</u> to an annualized rate of 412,000 units. We think January's sizeable jump in sales was a bit of an outlier, and our anticipated February sales figure would fit better with the trend of steadily rising sales. Should sales back off a bit and inventories of new homes for sale rise slightly as we anticipate, the months supply metric could rise to 4.4 months. Again, though, this would be more consistent with the recent trend than January's 4.1 months reading.
Q4 Real GDP (third estimate) Range: 0.1 to 0.8 percent Median: 0.5 percent SAAR	Thursday, 3/28	2nd est = +0.1%	<u>Up</u> at an annualized rate of 0.6 percent. We do not, however, expect the broader theme to have been impacted by the revisions, i.e., private domestic demand will still be shown to have advanced at an annualized rate of better than 3 percent. This has provided the economy a firmer base from which to deal with the drags from fiscal policy and elevated gasoline prices in play during Q1 2013. Also, note that with this estimate we will get the BEA's first take on Q4 2012 corporate profits as well as real Gross Domestic Income.
February Personal Income Range: 0.4 to 1.5 percent Median: 0.7 percent	Friday, 3/29	Jan = -3.6%	<u>Up</u> by 1.1 percent. February's personal income data will to some degree be influenced by the same forces behind the wild swings in the December and January data, with two factors largely shaping top-line income. First, after having fallen further in January than it rose in December, we look for dividend income to be more closely aligned with the trend in place through November, i.e., prior to the noise from the special payouts. Second, with bonus payments normalizing after the gyrations in December and January, a solid increase in aggregate wages will propel overall wage and salary earnings higher following January's large decline. Identifying these factors is one thing, accurately accounting for them is another, so how close to (or far from) the mark we are will be largely driven by the magnitude of these "swing factors."
February Personal Spending Range: 0.3 to 0.7 percent Median: 0.6 percent	Friday, 3/29	Jan = +0.2%	<u>Up</u> by 0.6 percent. Sharply higher gasoline prices will account for at least some of the gain in nominal spending, but higher vehicle sales and higher spending on household services (partly due to spending on utilities) also contributed. We look for the PCE deflator to have risen by 0.5 percent, which would leave us with a small gain in real consumer spending for the month and real Q1 consumer spending on course to outpace our original forecast of 1.2 percent growth.

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