ECONOMIC PREVIEW

REGIONS

Week of April 22, 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%	Housing is front and center this week and it will be interesting to see whether or not home sales show the same softness in March as was the case with much of the other high frequency economic data. We suspect this will not be the case and look for both existing home sales and new home sales to post modest increases. Of more interest will be the data on inventories, particularly existing home inventories. We have noted our belief that there is some measure of "pent up supply" in the existing home market, and should this be the case the rapid pace of price appreciation being seen in many markets will start to draw this supply on to the market. In the new home segment of the market, the stepped-up pace of single family starts seen since Q3 2012 is now translating into more completed units coming on the market, but on the whole new home inventories remain tight. The week's other headliner will be the BEA's initial estimate of Q1 2013 real GDP growth, which we expect to come in at over 3 percent, annualized (see below). Still, even before its release, the Q1 GDP report seems like old news, given the softness of the data seen during March and the tone it sets for Q2. Mainly due to a slower pace of growth of consumer spending, we expect current quarter real GDP growth to fall back below 2 percent. Either way, we suggest you not get too attached to any of the GDP data, as July will bring the comprehensive benchmark revisions of the national income accounts. These revisions will go all the way back to the beginning of time, well, okay, back to 1947 which for the national income accounts is the beginning of time. These comprehensive revisions embody more complete source data, changes in the categorization of certain types of expenditures, and changes in the methodology used in the BEA's estimation processes. For the most part, the historical profile of GDP growth will not look materially different, but recent quarters may be revised a bit, though not much, higher based on the patterns seen in benchmark revisions of other data series.
March Existing Home Sales Range: 4.900 to 5.051 million units Median: 5.010 million units SAAR	Monday, 4/22	Feb = 4.980 mil	Up to an annualized rate of 5.02 million units.
March New Home Sales Range: 400,000 to 448,000 units Median: 420,000 units SAAR	Tuesday, 4/23	Feb = 411,000	Up to an annualized rate of 416,000 units. March saw a faster pace of single family completions, consistent with the timing we laid out when single family starts began trending higher late in Q3 2012. This will lead to a modest increase in the number of completed homes for sale and we look for the months supply metric to edge up to 4.5 months.
March Durable Goods Orders Range: -4.3 to 0.0 percent Median: -3.0 percent	Wednesday, 4/24	Feb = +5.6%	Down by 3.1 percent, mainly due to a steep decline in orders for transportation goods. We expect durable goods orders excluding transportation goods to have risen by 0.6 percent
Q1 Real GDP – First Estimate Range: 2.4 to 3.7 percent Median: 3.1 percent SAAR	Friday, 4/26	Q4 = +0.4%	Up at an annualized rate of 3.5 percent. Think back to Q4 2012, when a steep decline in defense spending and a slower pace of inventory accumulation combined to take 2.8 points off of headline growth. There will be some payback in the Q1 data, and we look for an increase in defense spending, though certainly not completely negating Q4's decline, and a faster pace of inventory accumulation to add to Q1 growth. Headline growth will also be bolstered by better than 3 percent growth in real consumer spending despite households having to contend with higher taxes and elevated gasoline prices. Trade should be a neutral to slightly positive factor in headline growth.
Q1 GDP Price Index – First Estimate Range: 0.9 to 1.9 percent Median: 1.3 percent SAAR	Friday, 4/26	Q4 = +1.0%	Up at an annualized rate of 1.3 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the "Contents") based on currently available information which is believed to be reliable and on past, current and projected economic, political and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, <u>and the information and opinions herein are for general information use only</u>. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial or other plan or decision.