ECONOMIC PREVIEW

REGIONS

Week of August 25, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on September 16-17)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Fed Chair Yellen's speech at Jackson Hole was more in the spirit of her status as a preeminent labor economist than her role as head of the Federal Reserve. Still, what was a very balanced academic type discussion of key labor market issues also illustrates the vigorous debate taking place within the FOMC and, as such, has significant real world consequences. While the debate is vigorous the FOMC seems nowhere near a consensus on when to begin raising the Fed funds rate, let alone the pace at which it should do so.
July New Home Sales Range: 415,000 to 455,000 units Median: 426,000 units SAAR	Monday, 8/25	Jun = 406,000	Up to an annual sales rate of 428,000 units. Aside from being disappointingly slow, new home sales thus far in 2014 have been jumpier than a jelly doughnut trapped on the set of *The Biggest Lose*r. While this is an inherently volatile series prone to large revision, those traits seem more pronounced this year. Better readings on homebuilder sentiment of late make it reasonable to expect sales to be up in July, and our call would leave them in line with their six-month moving average. That said, the level of new home sales is underperforming expectations, ours and many others, and nothing in the data on single family permits and starts suggests a meaningful pick-up in sales in the months ahead.
July Durable Goods Orders Range: 0.0 to 38.1 percent Median: 7.0 percent	Tuesday, 8/26	Jun = +1.7%	Up by 5.6 percent. If there is one series which can give new home sales a run for the money in terms of inherent volatility, it is durable goods orders, as evidenced in the range of estimates for July. The main source of uncertainty surrounding the July data is nondefense aircraft, as Boeing saw new orders almost triple in July. The problem here is there is no clear-cut mapping between the number of planes ordered and the revenue reported in the monthly durable goods data, though in order to get the kind of increases in the headline number seen on the upper end of the range it would take a ridiculously large surge in the dollar volume of aircraft orders. We just can't get there, but this amounts to little more than quibbling over how much noise will be in the headline number. The more significant number in all of this will be orders for durable goods excluding transportation, which we expect to be up 0.3 percent after an upwardly revised 1.9 percent increase in June.
August Consumer Confidence Index Range: 85.0 to 92.0 Median: 88.8	Tuesday, 8/26	Jul = 90.9	Falling to 88.4. The August survey will reflect the elevated global tensions and gyrations in the financial markets not captured in the July survey, so we expect the headline confidence number to dip down a bit. As always, though, we will be more interested in how consumers assess labor market conditions, a view that has gotten steadily better over the past several months.
Q2 Real GDP – 2nd Estimate Range: 2.6 to 4.6 percent Median: 3.9 percent SAAR	Thursday, 8/28	1st est = +4.0%	Up at an annualized rate of 3.8 percent. Revisions to trade and construction spending will be favorable, but inventory accumulation will be marked down. We will note what remains a high degree of uncertainty surrounding the BEA's estimate of consumer outlays on health care – we do expect their Q2 estimate to be revised higher but do not look for this to be incorporated into the GDP data until September, when the BEA releases their third estimate for Q2. If this seems a minor point, recall such spending accounts for over 11 percent of GDP so a sizeable revision – in either direction – can easily move the needle on top-line growth. The upside risk to our forecast is the BEA incorporates a higher estimate of health care spending into the second estimate due this week.
Q2 GDP Price Index – 2nd Estimate Range: 1.3 to 2.5 percent Median: 2.0 percent SAAR	Thursday, 8/28	1st est = +2.0%	Up at an annual rate of 2.0 percent, matching the initial estimate.
July Personal Income Range: 0.1 to 0.5 percent Median: 0.3 percent	Friday, 8/29	Jun = +0.4%	Up by 0.3 percent with a mix of growth far more capital friendly than labor friendly, as income growth will be driven mainly by rental income, dividends, and interest while private sector wage & salary earnings will post a modest 0.2 percent increase. Still, with all due respect to Karl Marx, on a year-over-year basis private sector earnings will be up better than six percent, with growth having accelerated steadily over the course of 2014
July Personal Spending Range: 0.0 to 0.3 percent Median: 0.2 percent	Friday, 8/29	Jun = +0.4%	Unchanged. Each month the PCE data are a sequel to the retail sales data (with spending on services included in the PCE data), and for July will be just as much of a flop. Lower utilities outlays held down spending services and motor vehicle sales will provide no support. As with retail sales, after a weak start to Q3 we look for the August number to be better.

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