ECONOMIC PREVIEW

REGIONS

Week of October 27, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on October 28-29)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	After a turbulent spell in the financial markets, worries about the global growth environment, and inflation moving away from the Fed's 2.0 percent target rate – to the downside, that is – there has been some speculation the FOMC will put off voting to end the Fed's (no longer so) large-scale asset purchases at this week's meeting. While no one thinks keeping up monthly asset purchases of $15 billion is of any substantive value, there are those who argue it would provide symbolic value, though, really, anyone who finds great comfort in such by now small scale asset purchases probably needs more help than the FOMC can give them. To us the two main questions ahead of the FOMC meeting are: 1) will the Committee continue to use the "significant underutilization of labor resources" characterization of the labor market (we think yes); and 2) will they retain the "for a considerable time" phrase to delineate the time between the end of the asset purchases and the first hike in the Fed funds rate (we think yes). The inflation data give the FOMC ample breathing room, look for them to take advantage of it.
September Durable Goods Orders Range: -0.5 to 3.3 percent Median: 0.7 percent	Tuesday, 10/28	Aug = -18.4%	Up by 0.3 percent. Two months of wild gyrations fueled by civilian aircraft orders have left us pining for the normal, garden variety volatility seen in the durable goods data. We look for a modest gain in September, with transportation orders a slight drag, as ex-transportation orders should be up 0.4 percent. As always, the key category to focus on will be orders for core capital goods, which we also expect to have posted a gain in September.
October Consumer Confidence Range: 82.0 to 90.0 percent Median: 87.0 percent	Tuesday, 10/28	Sep = 86.0	Up to 89.1
Q3 Real GDP – 1st estimate Range: 2.5 to 3.9 percent Median: 3.0 percent	Thursday, 10/30	Q2 = +4.6%	Up at an annualized rate of 3.2 percent. As we do each quarter, we'll caution the BEA's first estimate often varies widely from the final mark as the initial estimate is based on highly incomplete source data, with inventories and net exports two of the larger data holes. Based on the data available to date, though, inventory accumulation could be a bigger drag than we expect will be the case, thus posing a downside risk to our forecast. The composition of growth, however, will be constructive, as a decent gain in real consumer spending (despite, as noted below, a soft September) is buffeted by another double-digit increase in business spending on equipment and software and a narrower trade gap.
Q3 GDP Price Index – 1st estimate Range: 1.0 to 1.8 percent Median: 1.4 percent	Thursday, 10/30	Q2 = +2.1%	Up at an annualized rate of 1.2 percent.
Q3 Employment Cost Index Range: 0.4 to 0.6 percent Median: 0.5 percent	Friday, 10/31	Q2 = +0.7%	Up by 0.5 percent, with the wages component up 0.5 percent and the benefits component up 0.6 percent. On a year-over-year basis, the total ECI will be up 2.1 percent, the wages component up 1.8 percent, and the benefits component up 2.5 percent. The ECI does not tend to get much attention but will be worth watching more closely over coming quarters. Firmer labor market conditions will, at least at some point, result in faster growth in wage and salary earnings, while the benefits component could rise even faster as the employer mandates in the Affordable Care Act kick in next year. It could be rising benefit costs work to hold down wage costs – more of worker compensation would come in the form of benefits – but should job growth continue at its recent faster pace, at some point there will be no getting around higher wage and salary payments.
September Personal Income Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 10/31	Aug = +0.3%	Up by 0.3 percent, with private sector wage and salary earnings and rental income providing the biggest lifts. Total personal income will be up 4.2 percent year-over-year, not up to historical standards but keep in mind inflation is running at around 1.5 percent, so there is actually decent growth in real personal income.
September Personal Spending Range: -0.1 to 0.3 percent Median: 0.1 percent	Friday, 10/31	Aug = +0.5%	Up by 0.1 percent. The monthly personal income and spending data are incorporated into the GDP data and Q3 ended on a soft note. This, however, is mainly a function of motor vehicle sales having come back down to earth after soaring in August, while price effects will also contribute to the meager gain in nominal personal spending. We expect the PCE price deflator to be unchanged, so real spending will be slightly better than the nominal headline suggests, and even with a not so inspiring September real personal consumption expenditures are still on course for a better than two percent (annualized) gain in Q3.

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