ECONOMIC PREVIEW

REGIONS

Week of December 22, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on January 27-28)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The words changed, the meaning did not. That's the most concise summary we can offer of the change in the forward guidance around the path of the Fed funds rate introduced by the FOMC at their December meeting. The Committee went from saying the current target range for the funds rate would likely be appropriate "for a considerable time" to saying they judge they can "be patient in beginning to normalize the stance of monetary policy." But, the Committee added they view the new guidance "as consistent" with the previous guidance while repeating the now standard caveat that the timing of the initial hike in the funds rate will depend on the evolution of incoming data relative to the Committee's expectations. Thus, while the wording may have changed, the guidance really has not. While many FOMC members seem to be gravitating towards mid-2015 as the appropriate timing of the initial hike in the funds rate, of perhaps greater relevance is how aggressive the FOMC will be with the pace of subsequent rate hikes. The most recent "dot plot" shows a less aggressive path of the funds rate than the version issued after the September FOMC meeting, albeit still more so than the financial markets are now pricing in. Against this backdrop, the volatility seen in the markets of late could be with us for, well, for a considerable time.
November Existing Home Sales Range: 4.960 to 5.300 million units Median: 5.200 million units SAAR	Monday, 12/22	Oct = 5.260 mil	Down to an annualized sales rate of 4.980 million units.
November Durable Goods Orders Range: 0.2 to 8.0 percent Median: 3.0 percent	Tuesday, 12/23	Oct = +0.3%	Up by 3.2 percent with orders for motor vehicles and nondefense aircraft providing much of the support. Not all of the support, however, as we expect core capital goods orders to post a healthy increase, and we look for overall ex-transportation orders to be up 0.8 percent.
November Personal Income Range: 0.2 to 1.0 percent Median: 0.5 percent	Tuesday, 12/23	Oct = +0.2%	Up by 0.5 percent, with a sizeable gain in private sector wage and salary earnings responsible for most of the increase. We look for rental income and interest income to also support top-line income growth, though neither is growing as rapidly at year-end as they were at the start of the year. On a year-over-year basis, this would leave total personal income up 4.3 percent, and aggregate private sector earnings up 5.3 percent.
November Personal Spending Range: 0.2 to 0.7 percent Median: 0.5 percent	Tuesday, 12/23	Oct = +0.2%	Up by 0.5 percent with a big lift from spending on consumer durable goods such as motor vehicles and household furnishings. Sharply lower gasoline prices will hold down the reported volume of nominal sales, though some of that extra cash no doubt found its way into retailers' registers. These lower gasoline prices contribute to what we expect will be a 0.3 percent decline in the PCE deflator, which would leave it up just 1.1 percent on an over-the-year basis (we look for the core PCE deflator to have been flat in November leaving it up 1.5 percent year-over-year). With our expected increase in nominal spending and our expected decline in the PCE deflator, real, i.e., inflation adjusted spending would be up big which would set the stage for growth in real consumer spending to top 3 percent in Q4, meaning Q4 real GDP growth could easily exceed expectations.
Q3 Real GDP – 3rd estimate Range: 3.9 to 4.7 percent Median: 4.3 percent SAAR	Tuesday, 12/23	2nd est = +3.9%	Up at an annual rate of 4.4 percent. The Q3 Quarterly Services Survey suggests we will see a sizeable upward revision to consumer spending on services thanks to stronger growth in health care expenditures. Along with consumer spending, inventories and commercial construction will contribute to the upward revision. If we are correct on our call that would mean real GDP growth over the past five quarters beginning with Q3 2013 will have been 4.5, 3.5, -2.1, 4.6, 4.4 (annualized percentage changes), leaving each reader free to draw their own conclusions as to the underlying health of the U.S. economy. By the way, the one quarter that doesn't look like all the others would be the frozen mess otherwise known as Q1 2014.
Q3 GDP Price Index – 3rd estimate Range: 1.4 to 1.4 percent Median: 1.4 percent SAAR	Tuesday, 12/23	2nd est = +1.4%	Up at an annual rate of 1.4 percent, matching the second estimate.
November New Home Sales Range: 425,000 to 485,000 units Median: 460,000 units SAAR	Tuesday, 12/23	Oct = 458,000	Down to an annual sales rate of 442,000 units.

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