ECONOMIC PREVIEW

REGIONS

Week of December 29, 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%	An otherwise quiet holiday shortened week will see releases on consumer confidence, construction spending, and the manufacturing sector. The ISM's read on conditions in the manufacturing sector will be of particular interest, given the mixed messages sent of late by other indicators of factory activity. On the whole, we see continued steady growth in the manufacturing sector, and with consumer spending having picked up in recent weeks, thanks in no small part to falling gasoline prices that are helping lift consumer confidence (see below), the U.S. economy will start 2015 with a good deal of positive momentum. Sure, a year ago we said the same thing about 2014 and our reward for saying so was the frozen mess otherwise known as Q1 2014 during which the economy contracted by better than two percent on an annualized basis. That quarter, however, has been proven to be an outlier and while we do not look for real GDP growth in 2014's final quarter to have come close to matching the 5.0 percent pace seen in Q3, the U.S. economy is clearly on firmer footing heading into 2015 than has been the case for quite some time.
December Consumer Confidence Index Range: 86.0 to 101.0 Median: 94.0	Tuesday, 12/30	Nov = 88.7	Up to 94.8 – if a faster pace of economic growth, improving labor market conditions, and falling gasoline prices in the midst of the holiday season don't do it for consumers, nothing will. This would leave consumer confidence at its highest point since October 2007. Still, relative to past cycles, confidence nonetheless remains low by comparison, reinforcing the point that for all the improvement we have seen, there remains far to go before the economy could be considered fully healthy. As always, the underlying details on consumers' perceptions of labor market conditions will bear watching.
November Construction Spending Range: -0.5 to 0.8 percent Median: 0.4 percent	Friday, 1/2	Oct = +1.1%	Down by 0.2 percent. Residential construction outlays won't come close to repeating October's 1.4 percent increase as single family starts and completions fell in November, and we look for a partial reversal of the jump in public construction outlays seen in October, with the net result a slight decline in total construction outlays.
December ISM Manufacturing Index Range: 55.5 to 59.3 percent Median: 57.5 percent	Friday, 1/2	Nov = 58.7%	Down to 57.4 percent. The ISM Manufacturing Index has surprised to the upside over the past few months, particularly the consistently elevated levels of the components for current production and new orders. We look for a bit of a pullback in the December data, but this nonetheless would leave the index at a level consistent with healthy expansion in the manufacturing sector. Though it does not figure into the calculation of the headline index, we will be closely watching the component for new export orders – in the face of weaker global growth, will new export orders be able to post a 25th consecutive month of expansion?

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