ECONOMIC PREVIEW

REGIONS

Week of April 27, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on April 28-29):* Target Range Midpoint: 0.125 to 0.125 percent Median Target Range Midpoint: 0.125 percent		0.125%	The week's main highlight is the April FOMC meeting. We expect no changes in policy or forward guidance but it will be interesting to see how the FOMC's assessment of current economic conditions changes from the March statement. There is general agreement the FOMC will look past the soft Q1 data as they deliberate the course of the Fed funds rate, which to some analysts means June is still on the table as the timing of the initial hike in the Fed funds rate. We will simply note that, by time of the June FOMC meeting, BEA will still have not released their third and final (but not final final) estimate of Q1 GDP, so this is a data series that, in more ways than one, won't be of any help to the Committee in their deliberations in the months ahead.
April Consumer Confidence Index Range: 101.5 to 105.0 Median: 102.5	Tuesday, 4/28	Mar = 101.3	Up to 102.3 – consumer confidence has trended higher but it has not moved in a straight line. At the time the April survey was being conducted the economic data releases were decidedly mixed, which could push the "present conditions" component down further than we expect. This poses a downside risk to our headline call, though we do look for the "expectations" component to have risen.
Q1 Real GDP – 1st estimate Range: 0.6 to 1.5 percent Median: 1.0 percent SAAR	Wednesday, 4/29	Q4 = +2.2%	Up at an annualized rate of 0.9 percent. By now the litany of the U.S. economy's Q1 ills is all too familiar – harsh winter weather, the widespread impact of the West Coast port strike, a sharp curtailment of investment in the energy sector, and a soft global growth environment in which a stronger U.S. dollar compounded the hit to U.S. exports, all of which took place during a time when the steep decline in energy prices was distorting measures of headline inflation (see below). All of this adds up to what we've labeled yet another Q1 to forget. Many of the drags on Q1 growth were transitory in nature and hence will be reversed, to varying degrees, in the Q2 data, but the pullback in energy sector employment and investment and the impact of the stronger U.S. dollar will persist. And, it is here we throw in the usual caveat that the BEA's initial estimate of GDP in any given quarter is based on highly incomplete source data and, as such, subject to what can be considerable revision down the road. The two noisiest components of any initial estimate tend to be inventories and trade, and Q1 will be no exception.
Q1 GDP Price Index – 1st estimate Range: -1.5 to 0.7 percent Median: 0.5 percent SAAR	Wednesday, 4/29	Q4 = +0.1%	Down at an annualized rate of 0.8 percent. The GDP price index has not declined (quarter-on-quarter) since the 2007-09 recession, but with the sharp decline in energy prices in late-2014/early-2015 the various measures of headline inflation all fell in Q1. We expect this to be reflected in the Q1 GDP price index, but also expect this to be a one-off decline rather than the start of something more sinister.
Q1 Employment Cost Index Range: 0.4 to 0.7 percent Median: 0.6 percent	Thursday, 4/30	Q4 = +0.6%	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, we look for the total ECI to be up 2.5 percent with the wages component up 2.3 percent and the benefits component up 2.8 percent. For the headline ECI and the wages component these would be the largest over-the-year increases since 2008, which is consistent with building, but not yet boiling over, wage pressures as the labor market continues to tighten (but also raises the question – can wage pressures actually boil over?)
March Personal Income Range: 0.2 to 0.4 percent Median: 0.3 percent	Thursday, 4/30	Feb = +0.4%	Up by 0.2 percent. The March personal income data will be largely immune to wage pressures, building, boiling over, or otherwise, as the earnings details in the March employment report suggest only a paltry gain in aggregate wage and salary earnings for the month. Also, February saw a sizeable gain in dividend income we do not expect to have been repeated in March. Both of these factors will weigh on top-line personal income growth for the month, though we expect personal income to still be up 4.0 percent year-on-year. We see the March employment report as an outlier and look for firmer income growth in April.
March Personal Spending Range: 0.3 to 0.6 percent Median: 0.4 percent	Thursday, 4/30	Feb = +0.1%	Up by 0.4 percent mainly due to growth in spending on consumer durables while much milder weather will have held down spending on household services, the largest single component of consumer spending.
April ISM Manufacturing Index Range: 50.3 to 53.0 percent Median: 52.0 percent	Friday, 5/1	Mar = 51.5%	Up but barely so to 51.8 percent. We expect modest improvement in orders and production, but the energy sector and a stronger U.S. dollar will continue to act as drags on a manufacturing sector looking to regain traction.
March Construction Spending Range: -0.5 to 1.0 percent Median: 0.5 percent	Friday, 5/1	Feb = -0.1%	Up by 0.5 percent.

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