ECONOMIC PREVIEW

REGIONS

Week of September 21 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on October 27-28):* Target Range Midpoint: 0.125 to 0.375 percent Median Target Range Midpoint: 0.125 percent		0.125%	Citing a soft and uncertain global outlook and diminished near-term inflation at home, the FOMC held pat last week. In her post-meeting press conference Chairwoman Yellen stated October is a "live" meeting, but what more will a data dependent FOMC have to go on by then? One more employment report that won't change anyone's thinking about the state of the labor market, one more CPI report with what we expect will be a negative print on headline inflation, and another month of all over the map data from abroad. And, oh by the way, the Federal government could easily be in shutdown mode. So, in terms of the timing of the initial hike in the funds rate, October may be "live" but looks more DOA.
August Existing Home Sales Range: 5.400 to 5.650 million units Median: 5.500 million units SAAR	Monday, 9/21	Jul = 5.590 mil	Down to an annual sales rate of 5.520 million units. While we look for sales to have slipped in August this reflects nothing more than us expecting a bit of retrenchment after rapid advances over the prior three months. August's turbulent ride in the financial markets will not have had any impact here, as existing home sales are booked at closing and August closings mostly reflect contracts signed in June/July. Our call would leave total sales up 10.4 percent year-on-year, and given the fading share of distress sales in the overall sales mix, we look for an even larger over-the-year increase in nondistress sales. As has been the case over the past several months, inventories are likely to have acted as a drag on sales in August. If typical seasonal patterns hold (the NAR inventory data are not seasonally adjusted) inventories of existing homes for sale will have declined in August, making an already undersupplied market even more so. This is one factor that has supported a faster pace of house price appreciation over recent months.
August Durable Goods Orders Range: -5.0 to 0.5 percent Median: -2.1 percent	Thursday, 9/24	Jul = +2.2%	Down by 1.8 percent, mainly due to what we expect to be a hefty decline in orders for transportation goods, with motor vehicle orders the exception.
August Durable Goods Ex-Trnsp. Range: -1.0 to 1.3 percent Median: 0.2 percent	Thursday, 9/24	Jul = +0.4%	Up by 0.2 percent, with the data very much a mixed bag across industry groups. We do look for a modest decline in orders for core capital goods after an unexpectedly robust increase in July.
August New Home Sales Range: 499,000 to 530,000 units Median: 515,000 units SAAR	Thursday, 9/24	Jul = 507,000	Up to an annual sales rate of 522,000 units. If indeed August's volatility in the financial markets frightened off prospective home buyers it would be seen in the data on new home sales, which are booked at contract signing. We do not, however, believe this happened to any meaningful degree and look for a moderate increase in new home sales. As is the case with existing home sales, lean inventories are acting as a drag on new home sales. To the extent these lean inventories are a function of shortages of labor – which many builders are pointing to as a constraint on construction – they won't ease quickly. The textbook answer to labor constraints is for builders to offer higher wages, but at least initially the primary effect would be a reshuffling of current workers amongst builders within a given market as opposed to new workers entering the industry, while those workers who are attracted from other industries face a learning curve that would take some time to navigate. These labor constraints are more binding on single family construction, which is far more labor intensive than multi-family construction. True, new home sales can be booked prior to the start of construction and such sales have accounted for a higher share of overall new home sales over recent months. But, this simply means it will take builders longer to clear order backlogs, particularly with single family starts rising at a steady but by no means stellar pace. The bottom line is new home inventories will likely remain lean for some time to come, thus weighing on growth in sales.
Q2 Real GDP – 3rd estimate Range: 3.5 to 4.1 percent Median: 3.7 percent SAAR	Friday, 9/25	2nd est = +3.7%	Up at an annualized rate of 3.9 percent. Relative to the second estimate, consumer spending and business investment will be revised higher and the trade gap will be narrower, all of which will offset what will be a modestly smaller inventory build than was incorporated into the second estimate. Even with the downward revision to Q2, the first half of 2015 will still have seen an outsized inventory build and it is clear that an inventory correction has been taking place in Q3. As such, top-line real GDP growth in Q3 will be significantly slower than was the case in Q2 – we are currently tracking Q3 growth below 2.0 percent (annualized) even with what is looking to be another quarter of solid growth in consumer spending.
Q2 GDP Price Index – 3rd estimate Range: 2.0 to 2.1 percent Median: 2.1 percent SAAR	Friday, 9/25	2nd est = +2.1%	Up at an annualized rate of 2.1 percent, unchanged from the second estimate.

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