ECONOMIC PREVIEW

REGIONS

Week of October 26, 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 0.125 percent Median Target Range Midpoint: 0.125 percent		0.125%	No Fed funds rate hike. No economic projections. No post-meeting press conference. So, pretty much all the FOMC needs to do at this week's meeting is alter that part of their policy statement describing current economic conditions to reflect the sharp slowdown in job growth over the past two months without at the same time materially downgrading their view on the broader economy while keeping open the possibility (however low the actual probability) of a funds rate hike at their December meeting. Good luck with that.
September New Home Sales Range: 520,000 to 580,000 units Median: 550,000 units SAAR	Monday, 10/26	Aug = 552,000	Down to an annualized rate of 522,000 units giving back some of the large gain seen in August. As always, our focus is on the not seasonally adjusted data which we expect will show that over the past 12 months over 500,000 new homes have been sold, the highest 12-month total since November 2008.
September Durable Goods Orders Range: -3.5 to 3.0 percent Median: -1.3 percent	Tuesday, 10/27	Aug = -2.3%	Down 0.8 percent, with ex-transportation orders down 0.2 percent, a soft report reflecting the ongoing struggles in the factory sector. The read on core capital goods shipments will provide a final clue on Q3 capital spending.
October Consumer Confidence Index Range: 98.2 to 106.2 Median: 102.8	Tuesday, 10/27	Sep = 103.0	Down to 98.2 though the behavior of the index over the past few months suggests a few different possibilities. August saw a surprisingly large increase in the index with both the current conditions and expectations components rising sharply. Over the history of the data such large spikes in one month tend to be at least partially reversed in the next, but instead the index rose further in September. So, one possibility is confidence has established a higher base in which case our call could be wrong and October will have seen the index rise further. A second possibility is the reverse we had expected in September will appear in the October data, leaving the index lower. A third possibility is rising confidence in August and September was the result of long suffering Chicago Cubs fans believing this year would see the Cubbies win their first World Series since, well, effectively forever, but the league championship series debacle will have brought them back down to earth. Since two of our three possibilities result in confidence declining in October, that's the direction we've gone in, but our forecast would still leave the index comfortably above its level prior to the spike in August.
Q3 Real GDP – 1st estimate Range: 1.0 to 3.3 percent Median: 1.6 percent SAAR	Thursday, 10/29	Q2 = +3.9%	Up at an annualized rate of 1.6 percent but, we will toss out our usual caveat that the BEA's initial estimate for any given quarter is based on highly incomplete source data and, as such, prone to sizeable revision down the line. To that point, a first estimate anywhere between 0.5 percent and 2.0 percent will not surprise us, and our forecast reflects where we think Q3 will end up in the BEA's final estimate. Trade and, to a much larger extent, inventories will be material drags on GDP growth in Q3, and we don't rule out a small drag from the government sector as well. But, we have often pointed out that private domestic demand (basically, consumer spending, business investment, and residential investment) accounts for about 84 percent of GDP and, as such, is a far better indicator of the underlying health of the economy. For Q3 we look for real private domestic demand to have grown at an annualized rate of better than 3.5 percent, very much in line with the trend rate in place over the past several quarters.
Q3 GDP Price Index – 1st estimate Range: 0.8 to 2.0 percent Median: 1.5 percent SAAR	Thursday, 10/29	Q2 = +2.1%	Up at an annualized rate of 1.3 percent.
Q3 Employment Cost Index Range: 0.4 to 0.9 percent Median: 0.6 percent	Friday, 10/30	Q2 = +0.2%	We look for the total ECI to be up by 0.5 percent, with the wage component up 0.5 percent and the benefits component up 0.6 percent. On a year-over-year basis, this would leave the total index up 1.8 percent with the wage component up (stop us if you've heard this one before) 2.0 percent and benefit costs up 1.8 percent. The Q3 ECI data will be yet further affirmation of the high degree of slack that remains in the labor market.
September Personal Income Range: -0.2 to 0.4 percent Median: 0.2 percent	Friday, 10/30	Aug = +0.3%	Up by 0.2 percent as little to no growth in private sector wage and salary earnings weighs down growth in total personal income. Year-over-year, total personal income will have risen 4.2 percent with private sector earnings up 4.1 percent.
September Personal Spending Range: 0.0 to 0.4 percent Median: 0.2 percent	Friday, 10/30	Aug = +0.4%	Up by 0.3 percent with spending on consumer durables and household services accounting for the gain. Again, we will note price effects are depressing nominal spending growth and, with the PCE deflator likely down 0.2 percent in October, real, i.e., inflation adjusted, spending growth will be much sturdier.

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