

ECONOMIC PREVIEW



REGIONS

Week of September 24, 2018

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the September 25-26 FOMC meeting):</i> Target Range Midpoint: 2.125 to 2.125 percent Median Target Range Midpoint: 2.125 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	A 25-basis point hike in the Fed funds rate target range at this week's FOMC meeting is all but a given. This week's meeting also brings the FOMC's updated economic projections and an updated "dot plot," and will be followed by Chairman Powell's press conference. We do not look for the path of the funds rate implied by the updated dot plot to differ from the June dot plot, i.e., another 25-basis point hike in December followed by three such hikes in 2019 and another in 2020. It will be interesting to see whether, in light of robust growth in the domestic economy, the Committee's growth outlook will be revised higher and, if so, whether they push their forecast for the unemployment rate lower. While such an outcome wouldn't necessarily mean a shift in the dot plot, it would certainly reinforce the Committee's outlook for the funds rate, which remains more aggressive than that of many market participants.
September Consumer Confidence Tuesday, 9/25 Range: 130.8 to 135.0 Median: 131.5	Aug = 133.4	<u>Up</u> to 134.8
August New Home Sales Wednesday, 9/26 Range: 608,000 to 655,000 units Median: 632,000 units SAAR	Jul = 627,000 units SAAR	<u>Up</u> to an annualized rate of 641,000 units. On a not seasonally adjusted basis, we look for sales of 51,000 units. This would put the running 12-month total of not seasonally adjusted sales at 647,000 units, the highest since April 2008 on what has been a long, slow climb, but a steady one nonetheless. We don't see much to make us think the slow but steady increase in the trend rate of new home sales will change much, one way or the other, over coming months. As far as the report on August new home sales goes, we will be particularly interested in the mix of new home sales by price. We have for some time been highlighting the atypically high share of new home sales accounted for by units priced at or above \$300,000, but over the past few months there have been signs of a shift in the price mix, with lower priced homes accounting for a rising share of sales. While it is too soon to know for sure whether this shift in the price mix of sales will persist, our sense is that it will, which would make new homes accessible to a much broader group of prospective buyers than has been the case over the past few years.
August Durable Goods Orders Thursday, 9/27 Range: 0.5 to 3.0 percent Median: 1.6 percent	Jul = -1.7%	<u>Up</u> by 2.7 percent. As usual, orders for civilian aircraft will skew the headline orders number, this time higher thanks to a large increase in orders in August. And, also as usual, the prints on ex-transportation orders and core capital goods orders will be of far more significance than the headline number. We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.4 percent, and for <u>core capital goods</u> orders to be <u>down</u> by 0.3 percent. But, even if core capital goods orders do decline as we anticipate, we won't be alarmed as this would follow monthly gains of 2.0 percent, 0.7 percent, 0.8 percent, and 1.6 percent over the prior four months, and we still see plenty of upside room for business investment over coming quarters.
August Advance Trade Balance: Goods Thursday, 9/27 Range: -\$75.0 to -\$69.0 billion Median: -\$71.0 billion	Jul = -\$72.0 billion	<u>Widening</u> to -\$72.4 billion.
Q2 Real GDP: 3rd estimate Thursday, 9/27 Range: 4.1 to 4.5 percent Median: 4.2 percent SAAR	Q2 2 nd est. = +4.2% SAAR	<u>Up</u> at an annualized rate of 4.4 percent. We expect upward revisions to consumer spending, business fixed investment, and inventory accumulation to push top-line real GDP growth a bit higher than had previously been estimated.
Q2 GDP Price Index: 3rd estimate Thursday, 9/27 Range: 3.0 to 3.1 percent Median: 3.0 percent SAAR	Q2 2 nd est. = +3.0% SAAR	<u>Up</u> at an annualized rate of 3.0 percent.
August Personal Income Friday, 9/28 Range: 0.3 to 0.5 percent Median: 0.4 percent	Jul = +0.3%	<u>Up</u> by 0.4 percent. A trend-like increase in aggregate wage and salary earnings will be buffeted by solid increases in rental income and investment income. Our forecast would leave total personal income up 4.7 percent year-on-year, with private sector wage and salary earnings up 5.2 percent.
August Personal Spending Friday, 9/28 Range: 0.2 to 0.4 percent Median: 0.3 percent	Jul = +0.4%	<u>Up</u> by 0.4 percent. Though we look for a modest decline in spending on consumer durable goods, higher spending on nondurable consumer goods and on household services should yield a healthy gain in total consumer spending in August.
August PCE Deflator Friday, 9/28 Range: 0.1 to 0.2 percent Median: 0.2 percent	Jul = +0.1%	<u>Up</u> by 0.1 percent, yielding a year-on-year increase of 2.2 percent. We look for the <u>core PCE deflator</u> to have been <u>unchanged</u> in August, which would leave it up 1.9 percent year-on-year.

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