ECONOMIC PREVIEW

REGIONS

Week of September 26, 2022

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 1-2 FOMC meeting):* Target Range Mid-point: 3.625 to 3.875 percent Median Target Range Mid-point: 3.875 percent	Range: 3.00% to 3.25% Midpoint: 3.125%	While the 75-basis point increase in the Fed funds rate at last week's meeting was as expected, the FOMC did surprise many market participants with the path of the funds rate implied by the updated dot plot. The updated dot plot implies another 125 basis points of funds rate hikes by year-end 2022 and another 25 basis points of hikes in 2023, which would mean the mid-point of the Fed funds rate target range tops out at 4.625 percent. Recall that the June edition of the dot plot implied the mid-point topping out at 3.75 percent. While it always helps to recall that the dot plot is a projection, not a commitment, the updated projections along with the forceful tone taken by Chair Powell in his post-meeting press conference no doubt rattled anyone still clinging to the notion of a quick pivot from rate hikes to rate cuts.
August Durable Goods Orders Tuesday, 9/27 Range: -2.5 to 0.7 percent Median: -0.3 percent	Jul = -0.1%	Down by 1.4 percent. A steep decline in civilian aircraft orders will be a material drag on headline orders, but the rest of the report isn't likely to be all that inspiring. With the growth outlook becoming increasingly challenging, firms will be more inclined to start pulling in the reins on capital outlays. After a run of solid and steady monthly increases, July saw a smaller increase in core capital goods orders, and we expect the August data to show an even smaller increase (see below). It could be that July was no more than an outlier, but we think it more likely that it marked a more lasting slowdown in growth in core capital goods orders that could, for lack of a better word, progress into a contraction, thus eroding one of the remaining supports for real GDP.
August Durable Goods Orders: Ex-Trnsp. Tuesday, 9/27 Range: -0.6 to 0.4 percent Median: 0.2 percent	Jul = +0.2%	We look for ex-transportation orders to be up by 0.2 percent, and for core capital goods orders (nondefense capital goods excluding aircraft & parts) to be up by 0.1 percent.
September Consumer Confidence Tuesday, 9/27 Range: 101.2 to 106.0 percent Median: 104.5 percent	Aug = 103.2	Up to 104.8, with some help from further declines in gasoline prices. Still, with the cut-off point for the survey not coming until the latter part of any given month, it could be that the turmoil in the financial markets triggered by the August CPI data blunted any improvement in consumers' moods in September. Either way, as in any month, our main interest will be in consumers' assessments of labor market conditions. The "jobs plentiful/jobs hard to get" spread, a consistently reliable indicator of changes in the unemployment rate, has narrowed since March, when the spread was the widest on record. While the spread is still much wider than is typical, further narrowing would be a clear sign of deterioration in labor market conditions that would in turn weigh on personal income growth and consumer spending.
August New Home Sales Tuesday, 9/27 Range: 420,000 to 620,000 units Median: 500,000 units SAAR	Jul = 511,000 units SAAR	Up to an annualized rate of 574,000 units. On a not seasonally adjusted basis, we look for sales of 47,000 units, which would be an 11.9 percent increase from July. As August is typically a slow month for new home sales, if we are correct in expecting unadjusted sales to be stronger than normal that would mean the headline sales number would be boosted by favorable seasonal adjustment, as is reflected in our forecast. Sure, we know what you're thinking but, no, we haven't taken leave of our senses in expecting unadjusted sales to have risen as such. Recall that mortgage interest rates dipped in August, and many builders reported buyers responded. At the same time, recall that the not seasonally adjusted data show single family permits and starts were surprisingly strong in August, which should flow through to the Census Bureau's estimate of new home sales, the operative word here being "should." And, even if our forecast turns out to be on the mark, that would leave sales down 14.6 percent year-on-year, and whatever boost to sales August's dip in mortgage rates may have provided is by now a distant memory given the subsequent spike in rates. Aside from unadjusted sales, we'll be most interested in spec inventories, which as of July stood at their highest level since July 2008, with the share accounted for by under construction units having hit a record high in June and the share accounted for by completed units not too far removed from the record low set in April. As spec inventories continue to grow, builders are becoming increasingly aggressive on incentives, on both price and financing, to help move these units. Even so, spec inventories likely rose further in August.
August Advance Trade Balance: Goods Wednesday, 9/28 Range: -$95.0 to -$80.0 billion Median: -$89.0 billion	Jul = -$90.2 billion	Narrowing to -$87.1 billion.

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Q2 Real GDP – 3rd estimate Thursday, 9/29 Range: -0.7 to 0.4 percent Median: -0.6 percent	Q2 2nd est. = -0.6% SAAR	In lieu of a forecast, we'll note that the release of the third estimate of Q2 GDP incorporates the BEA's comprehensive annual revisions to the recent historical data on GDP, GDI and all other components of the data from the National Income and Product Accounts (NIPA). Not knowing what those revisions will bring, there isn't really a point in offering a forecast of the final print of Q2 GDP. What we will say is that we expect the revised data to show real GDP wasn't as weak over 1H 2022 as implied by the data reported prior to the revisions, to the point that the mild decline in real GDP in Q2 may be shown to have been modest growth in the revised data. The revised data could also help reconcile the yawning gap between the GDP data and the data on nonfarm employment over 1H 2022, with implications for growth in labor productivity. Even if this is the case, it will count for very little, as we're talking about a revised look in the rearview mirror while the road ahead for real GDP is looking rockier and more uncertain seemingly by the week.
Q2 GDP Price Index – 3rd estimate Thursday, 9/29 Range: 8.9 to 9.0 percent Median: 8.9 percent	Q2 2nd est. = +8.9% SAAR	For the same reasons noted above, we'll not offer a forecast of the final read on the Q2 GDP Price Index.
August Personal Income Friday, 9/30 Range: 0.1 to 0.5 percent Median: 0.3 percent	Jul = +0.2%	Up by 0.4 percent. While the monthly data on personal income and spending are revised as part of the comprehensive revisions to the GDP data, the monthly data beyond Q2 shouldn't be greatly impacted, affording more confidence in forecasts of the August data. While a dip in the average length of the workweek in August held down the month-to-month increase, we still expect a decent gain in aggregate private sector wage and salary earnings that would leave them up over ten percent year-on-year, which would be the 17th straight month with an over-the-year increase of better than ten percent. Two wild cards in the August data on personal income are nonfarm proprietors' income and rental income. Nonfarm proprietors' income, a proxy for small business profits, has been all over the map in recent months with the initial estimates in many months undergoing sizable revision. While our forecast anticipates recapturing some of the decline reported in the July data, the volatility in this category of late makes it hard to have much confidence in that call. After three straight monthly increases of better than two percent, rental income is reported to have declined in July, which struck us as somewhat curious. Our forecast anticipates a much more modest decline in the August data, but, again, that call doesn't come with a high degree of confidence.
August Personal Spending Friday, 9/30 Range: -0.1 to 0.5 percent Median: 0.1 percent	Jul = +0.1%	Up by 0.1 percent. The steep decline in gasoline prices will be a drag on nominal spending. While lower gasoline prices will have freed up cash for consumers to spend in other areas, there is little in the retail sales data to suggest this was the case, as control retail sales, a direct input into the BEA data on consumer spending on goods, were flat in August. Aggressive discounting by many retailers would have blunted any revenue gains from higher unit sales, and with food price increases showing few signs of letting up and consumers increasingly concerned about their financial prospects, it could be many consumers opted to pocket any savings from lower gas prices rather than to spend them elsewhere. Whatever growth there was in total spending in August was likely driven by services spending.
August PCE Deflator Friday, 9/30 Range: 0.0 to 0.3 percent Median: 0.1 percent	Jul = -0.1%	Up by 0.1 percent, which would yield a year-on-year increase of 6.0 percent. We look for the core PCE Deflator to be up by 0.5 percent, which would translate into an over-the-year increase of 4.8 percent.