ECONOMIC PREVIEW

REGIONS

Week of March 26, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the May 1-2 FOMC meeting):* Target Range Midpoint: 1.625 to 1.625 percent Median Target Range Midpoint: 1.625 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	The main takeaways from Fed Chairman Powell's inaugural press conference were: it's okay to dis the dots, 2020 is a long way away, and – our personal favorite – "the whole thing is very uncertain." We found Mr. Powell's replies to be refreshingly direct and to the point, and were also struck by his willingness to acknowledge uncertainty on a number of points, such as whether the tax bill will elicit any supply side response, the unemployment rate consistent with "full employment," and what the world will look like in 2020. One thing the FOMC as a whole was clear on is that "the economic outlook has strengthened in recent months." As to what that means for growth, inflation, and the appropriate path of the funds rate going forward, while every FOMC member, and every private sector forecaster for that matter, has his or her own view, the reality is no one knows. Our take on Mr. Powell's comments is that, regardless what any given set of dots implies at any given point in time, the FOMC will act as warranted by the evolution of the data. In other words, while for the past several years "data dependent" has been little more than a central banking catch phrase, it is now seemingly an actual central banking thing. We see this as a welcome change, though those who somehow see a dot plot as a pre-commitment on the part of the FOMC may have a hard time adapting to such a change. It is a valid point that there is greater potential for a truly data dependent FOMC to surprise market participants, in turn leading to greater volatility in interest rates and asset prices. As such, a truly data dependent FOMC would have an added burden of refining its communications strategy. To this point Mr. Powell indicated he is open to the view that having a press conference after each FOMC meeting, not just four per year, would be an effective communication tool, a view which we share.
March Consumer Confidence Tuesday, 3/27 Range: 128.0 to 132.5 Median: 131.0	Feb = 130.8	Up to 131.6 as ongoing improvement in labor market conditions should be supportive of consumer confidence. Note that the March survey concluded before the recent turmoil shook the financial markets, but that could cloud the April confidence survey.
Feb. Advance Trade Balance: Goods Wednesday, 3/28 Range: -$76.9 to -$72.0 billion Median: -$74.0 billion	Jan = -$75.3 billion	Narrowing to -$73.7 billion.
Q4 2017 Real GDP – 3rd estimate Wednesday, 3/28 Range: 2.5 to 2.9 percent Median: 2.7 percent SAAR	Q4 2nd est = +2.5% SAAR	Up at an annualized rate of 2.8 percent, as upward revisions to consumer spending, business investment, and inventories offset a wider trade gap than previously reported. The net result will be a modest upward revision to Q4 growth.
Q4 2017 GDP Price Index – 3rd est Wednesday, 3/28 Range: 2.3 to 2.4 percent Median: 2.3 percent SAAR	Q4 2nd est = +2.3% SAAR	Up at an annualized rate of 2.3 percent.
February Personal Income Thursday, 3/29 Range: 0.2 to 0.7 percent Median: 0.4 percent	Jan = +0.4%	Up by 0.4 percent. One source of uncertainty in our forecast is growth in private sector wage and salary earnings. The series in the personal income data and the earnings details from the monthly employment report were not lined up very well in the January data; how closely they align in the February data will go a long way in determining growth in total income. Of more interest will be the print on disposable personal income, which in January got a boost from the 2017 tax bill. January saw the largest monthly increase in disposable income since December 2012, when people were pulling income forward to beat higher the tax rates that took effect in January 2013. But, the January data did not capture the full effects of lower income tax withholding, so we expect another hefty increase in disposable income in the February data, even if not quite as hefty as January's increase.
February Personal Spending Thursday, 3/29 Range: 0.1 to 0.4 percent Median: 0.2 percent	Jan = +0.4%	Up by 0.2 percent. In keeping with the February retail sales report, spending on goods should be weak. Atypically mild weather will have held down utilities outlays in February, meaning growth in spending on services will likely be below the recent run rate. Still, our forecast anticipates growth in spending on services will be sufficient to push total consumer spending modestly higher.
February PCE Deflator Thursday, 3/29 Range: 0.1 to 0.2 percent Median: 0.2 percent	Jan = +0.4%	Up by 0.1 percent, good for a year-on-year increase of 1.7 percent.
February Core PCE Deflator Thursday, 3/29 Range: 0.1 to 0.2 percent Median: 0.2 percent	Jan = +0.4%	Up by 0.2 percent, which yields a year-on-year increase of 1.5 percent.

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