ECONOMIC PREVIEW

REGIONS

Week of April 25, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on April 26-27):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.375%	On the surface, this week's FOMC meeting will seem fairly bland. No change to the funds rate target range, a mixed assessment of current economic conditions, a nod to global risks, and no call on the balance of risks. We suspect, however, the behind closed doors discussion will be much livelier, based on public comments by FOMC members over recent weeks. We'll know for sure on May 18, when the minutes to this week's meeting are made public.
March New Home Sales Range: 488,000 to 531,000 units Median: 520,000 units SAAR	Monday, 4/25	Feb = 512,000	Down to an annualized rate of 488,000 units. This leaves us squarely on the low end of the range of estimates, which has more to do with seasonal adjustment than with how we see the housing market. We build our housing forecasts from the ground up, as it were, starting with a call on the not seasonally adjusted number, which we expect to show 46,000 new home sales in March. From there we account for patterns in the seasonal adjustment factors, which for the month of March are amongst the smallest of any given year. As such, the combination of an increase in unadjusted sales but a decline in seasonally adjusted annualized sales in March relative to February is quite common and we expect that to be the case this year as well. That said, our call on unadjusted sales would leave the 12-month moving sum at 499,000 units, where sales have been stuck for the past several months. Inventory constraints continue to weigh on new home sales.
March Durable Goods Orders Range: -1.0 to 3.7 percent Median: 1.9 percent	Tuesday, 4/26	Feb = -3.0%	Up by 2.1 percent, with ex-transportation orders up by 0.5 percent. We look for an increase in aircraft orders to push the headline number higher but also expect at least a modest increase in core capital goods orders.
April Consumer Confidence Range: 92.5 to 99.0 Median: 95.6	Tuesday, 4/26	Mar = 96.2	Up to 97.6
March Adv. Goods Trade Balance Range: -$65.7 to -$60.0 billion Median: -$62.8 billion	Wednesday, 4/27	Feb = -$62.9 bil	Widening to -$63.6 billion.
Q1 Real GDP – 1st estimate Range: 0.1 to 1.1 percent Median: 0.6 percent SAAR	Thursday, 4/28	Q4 = +1.4%	Up at an annualized rate of 0.7 percent. To be honest, any number either side of zero won't surprise us, as long as it is not too far from zero. Even before we address the underlying economic fundamentals, two things will be in play with this report. First, as is the case in any given quarter, the BEA's first estimate of GDP is based on highly incomplete source data and, as such, prone to sizeable revisions over the following two months. Second, the issue of residual seasonality in the GDP data has yet to be resolved, and this issue is most apparent in the first quarter of any given year, at least it has been over the past several years. As to those pesky underlying economic fundamentals, while not as bad as the headline number on the Q1 GDP report will imply, they're by no means stellar. The by-now usual suspects of inventory, trade, and cutbacks in energy related cap-ex will weigh on top-line growth, but slower growth in consumer spending will be an added drag on Q1 GDP growth. At the same time, we expect non-energy business investment spending to have been notably weak. Of these two factors, we're far more concerned about business investment spending, which we fear could turn into a persistent drag on growth, than we are consumer spending, which we expect to grow at a faster pace in the current quarter than in Q1.
Q1 GDP Price Index – 1st estimate Range: 0.2 to 1.3 percent Median: 0.5 percent SAAR	Thursday, 4/28	Q4 = +0.9%	Up at an annualized rate of 0.5 percent.
Q1 Employment Cost Index Range: 0.5 to 0.8 percent Median: 0.6 percent	Friday, 4/29	Q4 = +0.6%	Up by 0.7 percent with wages up 0.6 percent and benefits up 0.7 percent. On a year-over-year basis, the total ECI will be up 2.0 percent as will wages, while benefits will be up 1.9 percent. The ECI is our preferred measure of growth in labor costs and, like the alternative measures, will show only moderate growth.
March Personal Income Range: 0.1 to 0.5 percent Median: 0.3 percent	Friday, 4/29	Feb = +0.2%	Up by 0.4 percent. Private sector wages grew at a healthy clip after having fallen in February, with rental and interest income also acting as supports. This would leave total personal income up 4.4 percent year-on-year, well ahead of inflation.
March Personal Spending Range: 0.0 to 0.6 percent Median: 0.2 percent	Friday, 4/29	Feb = +0.1 %	Up by 0.2 percent. We look for motor vehicle sales to have been s a sizeable drag on spending on consumer durables, with spending on household services responsible for much of the growth in total consumer spending.

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