ECONOMIC PREVIEW

REGIONS

Week of December 19, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on January 31-February 1):* Target Range Midpoint: 0.625 to 0.625 percent Median Target Range Midpoint: 0.625 percent		0.625%	The stepped-up pace of hikes in the Fed funds rate target range mid-point implied by the latest rendition of the FOMC's "dot plot" comes despite the Committee's outlook for growth and inflation remaining virtually the same. This suggests at least some members implicitly think the balance of fiscal, regulatory, and trade policy changes likely to be unleashed next year will be accompanied by at least some acceleration in inflation. While that may prove to be the case, if we've learned anything over the past few years it is that while dots may be good for many things, predicting the path of the Fed funds rate is not one of those things.
November Existing Home Sales Range: 5.340 to 5.660 million units Median: 5.540 million units SAAR	Wednesday, 12/21	Oct = 5.600	Up to an annual rate of 5.660 million units. November is typically a seasonally weak month for existing home sales but over the past three years that weakness has been exaggerated for a variety of reasons. For instance, last year we thought the new TRID rules delayed closings – recall existing home sales are booked at closing – and that led to a more than 20 percent month-on-month decline in sales. We think this November will have seen a more "normal" seasonal decline in sales – our forecast for 414,000 sales on a not seasonally adjusted basis would reflect a 7.2 percent decline from October, but would leave sales up 18 percent year-on-year. Our call would leave the 12-month moving sum of sales (not seasonally adjusted) at 5.448 million, the highest since August 2007. Still, the usual existing home sales caveat applies here – lean inventories continue to act as a drag on sales, and we look for listings to have slipped further in November. If we are correct, November will be the 18th month in a row inventories will be down on a year-over-year basis.
November Durable Goods Orders Range: -6.0 to 0.9 percent Median: -4.2 percent	Thursday, 12/22	Oct = +4.6%	Down by 5.4 percent. As often happens, a sharp movement – in this case downward – in civilian aircraft orders will wreak havoc on headline durable goods orders. This familiar pattern is precisely why our focus is always beneath the headline, and we look for ex-transportation orders to be up 0.2 percent.
Q3 Real GDP – 3rd estimate Range: 3.2 to 3.4 percent Median: 3.3 percent SAAR	Thursday, 12/22	Q3 2nd est = +3.2%	Up at an annualized rate of 3.3 percent. Relative to the BEA's second estimate, we look for a slightly larger inventory build and firmer consumer spending on services to offset softer business investment, for a net upward revision to top-line growth.
Q3 GDP Price Index – 3rd estimate Range: 1.4 to 1.4 percent Median: 1.4 percent SAAR	Thursday, 12/22	Q3 2nd est = +1.4%	Up at an annualized rate of 1.4 percent.
November Personal Income Range: 0.0 to 0.4 percent Median: 0.3 percent	Thursday, 12/22	Oct = +0.6%	Up by 0.4 percent. We honestly thought we would never find ourselves saying this, but another solid increase in interest income will be the main support for growth in total personal income in November. To be sure, there is a lot of lost ground to recover in terms of interest income, but back-to-back solid gains are at least a start. Growth in labor income will be better than implied by the details of the November employment report, and this will lend support to growth in total income. Our call would leave total personal income up 4.0 percent year-on-year.
November Personal Spending Range: 0.1 to 0.5 percent Median: 0.3 percent	Thursday, 12/22	Oct = +0.3%	Up by 0.3 percent. The November retail sales report implies weak spending on goods, which of course in part reflects price effects, while lower utilities outlays should hold down growth in spending on household services. This all adds up to a so-so increase in total consumer spending for the month.
November Leading Economic Index Range: 0.0 to 0.4 percent Median: 0.2 percent	Thursday, 12/22	Oct = +0.1%	Unchanged.
November New Home Sales Range: 551,000 to 601,000 units Median: 575,000 units SAAR	Friday, 12/23	Oct = 563,000	Up to an annual rate of 581,000 units. The prospect of further increases in mortgage interest rates may have induced some wavering would-be buyers to have actually signed on the dotted line – recall new home sales are booked at the signing of the sales contract – but we doubt this was a very meaningful factor. Inventories of completed homes remain notably low, but also keep in mind that new home sales can be booked before construction has actually started, and sales of such units have been accounting for an elevated share of total new home sales over the past several quarters. Another metric we've been watching is the mix of sales by price, as higher priced homes have been accounting for an atypically large share of new home sales for quite some time – frankly we've been surprised by how persistent this has been. On a not seasonally adjusted basis, we look for 41,000 new homes to have been sold in November, up 13.9 percent from November 2015. This would bring the running 12-month total of not seasonally adjusted sales to 562,000 units, which would be the highest since August 2008.

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