ECONOMIC PREVIEW

REGIONS

Week of February 22, 2016

Indicator/Bloomberg Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on March 15-16):* Target Range Midpoint: 0.375 to 0.625 percent Median Target Range Midpoint: 0.375 percent		0.375%	This week's slate of releases highlights two of the main supports for the economy – consumers and housing – and one of the main drags – manufacturing. While the monthly headline numbers can be jumpy we don't expect anything in this week's data to change our view of the underlying trends in any of these segments.
February Consumer Confidence Index Range: 93.0 to 100.5 Median: 97.5	Tuesday, 2/23	Jan = 98.1	Down to 97.3. Other measures have conveyed a slight deterioration in consumer sentiment of late despite continued job and income growth and a sub-5.0 percent jobless rate, making the recent turmoil in the financial markets the most likely culprit. As such, we look for a slight decline in consumer confidence. Our main interest, as is always the case with this survey, will be the questions focused on consumers' perceptions of labor market conditions.
January Existing Home Sales Range: 5.110 to 5.550 million units Median: 5.350 million units SAAR	Tuesday, 2/23	Dec = 5.460 mil	Down to an annualized sales rate of 5.340 million units. We were as encouraged by the jump in sales in December as we were discouraged by the steep decline in sales in November, which is to say not at all. A seasonal quirk and the new TRID rules teamed up to do a number on November sales, and the jump in December was nothing more than payback. Our call for January would be right in line with the underlying trend sales rate, and would leave total sales up 10.8 percent year-on-year which, given our expectations for distress sales, breaks down into a 14.5 percent increase in non-distress sales and a 19.4 percent decline in distress sales. Inventory, or, lack thereof, has been a main story in recent months. January is typically a quiet month for listings ahead of the spring selling season and we expect that was the case this year as well. Still, inventories were down on an over-the-year basis for the last seven months of 2015, and if that pattern persists this year's spring selling season could be a disappointing one.
January New Home Sales Range: 500,000 to 563,000 units Median: 520,000 units SAAR	Wednesday, 2/24	Dec = 544,000	Up to an annualized sales rate of 552,000 units. We've stated many times the theme of the single family segment of the housing market is slow and steady improvement. Anyone who follows the data, however, knows "slow and steady" is the last way one would ever characterize the notoriously volatile new home sales data, at least as reported on a seasonally adjusted annualized basis. But, anyone who follows us knows we focus on the trends in the unadjusted data. Our expectations for unadjusted sales in January would put the 12-month moving sum, a series which has been the epitome of slow and steady improvement, over the 500,000 unit mark, the highest since late-2008. One trend we have noted for some time now is that, while total sales remain relatively low, higher priced homes have accounted for a greater share of sales. We look for this trend to reverse over the course of 2016, but – you guessed it – only slowly and steadily.
January Durable Goods Orders Range: -1.0 to 8.7 percent Median: 2.6 percent	Thursday, 2/25	Dec = -5.0%	Up by 4.9 percent. It may or may not actually happen but we at least think the dollar volume of orders for nondefense aircraft will finally catch up with the spike in unit orders seen in late 2015. Be that as it may, the underlying details are far more important, and we look for ex-transportation orders to be up 0.3 percent, and expect a modest increase in core capital goods orders.
Q4 Real GDP: 2nd estimate Range: 0.2 to 0.9 percent Median: 0.5 percent SAAR	Friday, 2/26	Q4: 1st est = +0.7%	Up at an annualized rate of 0.4 percent. Trade and commercial construction will be the main factors behind the downward revision to the initial estimate.
Q4 GDP Price Index: 2nd estimate Range: 0.8 to 0.8 percent Median: 0.8 percent SAAR	Friday, 2/26	Q4: 1st est = +0.8%	Up at an annualized rate of 0.8 percent, matching the initial estimate.
January Personal Income Range: 0.2 to 0.5 percent Median: 0.4 percent	Friday, 2/26	Dec = +0.3%	Up by 0.3 percent. A spike in private sector earnings plus a modest cost of living increase in the government sector mean growth in wage and salary earnings will easily outpace growth in total personal income, but the remaining details will be soft. No cost of living adjustment for Social Security recipients will hold down growth in transfer payments. Growth in rental income has downshifted, and declining interest income remains a persistent drag on growth in total income.
January Personal Spending Range: -0.1 to 0.5 percent Median: 0.3 percent	Friday, 2/26	Dec = 0.0%	Up by 0.4 percent. The strength of control retail sales points to a gain in spending on nondurable consumer goods, and we expect the number and mix of motor vehicle sales will offset a drop in spending on furnishings to push spending on consumer durables up slightly. Higher utilities outlays will contribute to growth in spending on household services. Once price effects are accounted for, we look for a slightly larger gain in real consumer spending.

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