ECONOMIC PREVIEW

REGIONS

Week of October 24, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on November 1-2):* Target Range Midpoint: 0.375 to 0.625 percent Median Target Range Midpoint: 0.375 percent		0.375%	What has for some time been a wide open window for U.S. firms is now rapidly closing. This means companies must act fast to take advantage of whatever time is left, which in some cases will require degrees of boldness and creativity that are not always seen amongst large corporations. That's right, there are only two short weeks remaining for firms to blame missed earnings and any other performance shortfalls on the Presidential election. What, you thought we meant firms were running out of time to take advantage of abnormally low interest rates before central banks begin the long overdue process of normalizing them? Get serious.
October Consumer Confidence Range: 98.6 to 103.5 Median: 101.0	Tuesday, 10/25	Sep = 104.1	Down 100.864.8
September Advance Trade: Goods Range: -$64.8 to -$54.5 billion Median: -$60.5billion	Wednesday, 10/26	Aug = -$59.2 bil	Widening to -$60.6 billion.
September New Home Sales Range: 580,000 to 662,000 units Median: 602,000 units SAAR	Wednesday, 10/26	Aug = 609,000	Up to an annualized sales rate of 662,000 units which, to borrow a phrase from the good people of Texas, would be all hat and no cattle. For anyone in need of translation, that's another way of saying that, if our forecast is close to the mark, there will be far less to the headline number than meets the eye. September is a month in which new home sales typically decline on a not seasonally adjusted basis. However, on the heels of a weather-induced decline in sales in the South region in August, our forecast calls for unadjusted September sales to have risen to 53,000 units. This increase in raw sales will be amplified by a seasonal adjustment factor geared to falling, not rising, unadjusted sales, yielding a misleadingly large seasonally adjusted annualized headline number. Our forecast for unadjusted sales would put the 12-month moving sum at 567,000 units, which would be the highest total since July 2008. Aside from unadjusted sales, the data points to pay the most attention to will be inventories of physical homes for sale (off historical lows but still well below normal), the share of sales accounted for by units on which construction has not yet started (atypically high over the past several months), and the share of sales accounted for by homes priced at or above $300,000 (notably high for an extended period, but there are early signs of a shifting sales mix).
September Durable Goods Orders Range: -1.6 to 2.0 percent Median: 0.1 percent	Thursday, 10/27	Aug = +0.1%	Down by 0.3 percent, with ex-transportation orders up 0.3 percent. Rather than the always noisy headline number, pay closer attention to core capital goods orders, which have posted three straight monthly gains. This suggests business spending on equipment and machinery should no longer be a drag on GDP growth as of Q4.
Q3 Real GDP – 1st estimate Range: 1.3 to 3.1 percent Median: 2.5 percent SAAR	Friday, 10/28	Q2 = +1.4%	Up at an annualized rate of 2.4 percent. Not exactly the rip-roaring rebound from the tepid growth seen over the year's first half many had expected but, whatever, we'll take it. Still, while the headline growth rate will look better, it won't feel all that satisfying, as the underlying details will show a number of components being less bad than in recent quarters as opposed to, you know, actually being good. A smaller trade deficit, the end of the inventory correction, and a smaller decline in business spending on equipment and machinery will help counter a slower pace of growth in consumer spending. Still, it's worth noting that for all its flaws, real or perceived, the current expansion is poised to become the third longest on record.
Q3 GDP Price Index – 1st estimate Range: 1.0 to 2.0 percent Median: 1.3 percent SAAR	Friday, 10/28	Q2 = +2.3%	Up at an annualized rate of 1.2 percent.
Q3 Employment Cost Index Range: 0.5 to 0.7 percent Median: 0.6 percent	Friday, 10/28	Q2 = +0.6%	Up by 0.6 percent, with wages up 0.7 percent and benefit costs up 0.5 percent. This would leave the total ECI up by 2.3 percent year-on-year, with wages up 2.5 percent and benefit costs up 2.0 percent. That the ECI is released only quarterly keeps it from getting the attention it merits, but it is nonetheless our preferred measure of compensation costs. One main reason is the ECI is largely free of the measurement issues that plague more familiar metrics, such as average hourly earnings. At present, though, the wage component of the ECI is telling pretty much the same story being told by average hourly earnings, i.e., wage growth has accelerated mildly but remains well below where it would be in a fully healthy labor market. It is also of interest to note that growth in benefit costs has been hovering in a much lower range over the past several quarters. While good for firms, this hasn't exactly been great for employees as it simply reflects firms passing off a greater share of benefit costs to workers.

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