ECONOMIC PREVIEW

REGIONS

Week of May 22, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the June 13-14 FOMC meeting):* Target Range Midpoint: 0.875 to 1.125 percent Median Target Range Midpoint: 1.125 percent	0.875%	What may have been lost in all the noise coming out of DC of late is that the economy (you remember that, right?) is actually looking better. Broadening improvement in the manufacturing sector even as motor vehicle production cools, continued growth in residential construction, and a still healthy consumer all tell us the U.S. economy is on a better growth path than implied by that weak Q1 GDP report. And, by the way, global growth continues to improve. Now, if we can just stay out of our own way . . .
April New Home Sales Tuesday, 5/23 Range: 595,000 to 630,000 units Median: 612,000 units SAAR	Mar = 621,000 units SAAR	Up to an annualized rate of 622,000 units. As with existing home sales, we think a strong March number for new home sales at least in part reflected sales being pulled forward earlier in the year than would otherwise have been the case, meaning the bounce normally seen in the month of April will be less pronounced this year. While there is always a high degree of uncertainty associated with any forecast of new home sales, one of the most inherently volatile data series known to man, there is even more uncertainty around the April forecast, as we simply do not know how the seasonal adjustment factor will account for this year's late Easter. Either way, our focus will as usual be on the not seasonally adjusted data, and we look for 59,000 sales in April, up slightly from the 58,000 sales in March (initial estimate), which was the best month for new home sales since August 2007. Our forecast would leave the running 12-month total of new home sales at 580,000 units, a continuation of what for some time has been a steady grind higher. Other metrics to watch include the mix of sales across price ranges, which has been notably skewed toward the high end for some time now, and the share of sales accounted for by units on which construction has not yet started. This latter metric has been atypically high for some time now, in part because builders continue to have trouble finding skilled labor. That these backlogs of unfilled orders continue to grow suggests the level of single family starts will continue to head higher over coming months as builders work to catch up.
April Existing Home Sales Wednesday, 5/24 Range: 5.530 to 5.800 million units Median: 5.640 million units SAAR	Mar = 5.710 million units SAAR	Down to an annualized rate of 5.590 million units. To some extent, strong March sales reflected sales being pulled forward earlier in the year than would otherwise have been the case. We attributed this to what was an atypically mild winter, concerns over higher mortgage rates, and notably lean inventories that have prompted buyers to act faster than they otherwise would. Indeed, the 44.8 percent increase in existing home sales (month-to-month) was the largest for the month of March on record. As such, we expect some payback in the April data, particularly given lean inventories. One source of uncertainty in our forecast is how generous the April seasonal adjustment factor will be, given there were fewer selling days this April than last and that Easter fell into mid-April this year. This, however, is simply noise that says nothing about the underlying state of home sales, and again goes to our point that the focus should be on the not seasonally adjusted data. We expect the raw data to show 471,000 existing home sales in April, up from 456,000 in March but, to our earlier point, a much smaller March-to-April increase than is typically the case. Our call would leave the running 12-month total of existing home sales at 5.506 million units, the highest since August 2007. As for inventories, we look for the typical April bump in listings, but a smaller one than normally seen in the month and one that leaves listings down year-on-year for a 23rd consecutive month.
April Advance Trade Balance: Goods Thursday, 5/25 Range: -\$65.7 to -\$63.0 billion Median: -\$64.6 billion	Mar = -\$64.2 billion	Widening slightly to -\$64.9 billion.
April Durable Goods Orders Friday, 5/26 Range: -3.0 to 0.5 percent Median: -1.1 percent	Mar = +1.7%	Down by 1.9 percent, with ex-transportation orders up by 0.2 percent. With Boeing reporting a sharp decline in new orders (though, admittedly, Boeing's data and the durable goods data don't always match up) and what we expect will be a decline in orders for motor vehicles, transportation will be a material drag on the top-line orders number. We look for core capital goods orders to be up 0.3 percent.
Q1 Real GDP – 2nd estimate Friday, 5/26 Range: 0.6 to 1.0 percent Median: 0.8 percent SAAR	Q1 1st est. = +0.7% SAAR	Up at an annualized rate of 0.9 percent. Now, see, didn't we tell you things were actually better than was implied by the initial print on Q1 GDP growth? We never said how much better, we just said better – seriously, work with us here. In any event, slight upgrades to initial estimates for inventory accumulation and consumer spending will result in a marginal upgrade to top-line real GDP growth in Q1.
Q1 Real GDP – 2nd estimate Friday, 5/26 Range: 2.3 to 2.3 percent Median: 2.3 percent SAAR	Q1 1st est. = +2.3% SAAR	Up at an annualized rate of 2.3 percent, matching the initial estimate.

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