

# ECONOMIC PREVIEW



Week of September 25, 2017

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<p><b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the October 31-November 1 FOMC meeting):</i> Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent</p>	<p>1.125%</p>	<p>To us, the most notable element of last week's FOMC meeting was the confused certainty that characterized the Committee's views on inflation. In her post-meeting press conference, Fed Chairwoman Yellen repeatedly noted that the recent behavior of inflation is a mystery to the FOMC. Yet, Dr. Yellen also expressed confidence that inflation would, "over the medium term," stabilize around the FOMC's 2.0 percent target rate, a view reinforced in the FOMC's post-meeting statement and economic projections. While the path of the Fed funds rate implied by the latest dot plot is consistent with the belief that inflation will make its way back to the 2.0 percent target we think market participants vastly underappreciate, potentially at their own peril, how what could be significant changes in the composition of the FOMC over coming months could alter not only the Committee's collective view of inflation but also their approach to policy. The latest dot plot won't mean much if a revamped FOMC doesn't share the same belief on inflation, or, for that matter, if the group of upcoming appointees leans towards rules based, as opposed to discretionary, monetary policy.</p>
<p><b>September Consumer Confidence</b>      Tuesday, 9/26 Range: 116.0 to 122.0 Median: 120.0</p>	<p>Aug= 122.9</p>	<p><u>Down</u> to 119.3</p>
<p><b>August New Home Sales</b>      Tuesday, 9/26 Range: 555,000 to 628,000 units Median: 585,000 units SAAR</p>	<p>Jul = 571,000 units SAAR</p>	<p><u>Up</u> to an annualized sales rate of 628,000 units. As with the August data on residential construction and existing home sales, we expect Hurricane Harvey will have a modest impact on new home sales in the South region, with a much more severe impact in the September data reflecting both Harvey and Irma. Sales in July came in well below expectations, mainly due to an oddly large decline in the West region, so we'll watch for either a revision to the initial July estimate or a jump in the August data. On a not seasonally adjusted basis, we look for 52,000 new home sales in August.</p>
<p><b>August Durable Goods Orders</b>      Wednesday, 9/27 Range: 0.0 to 4.1 percent Median: 1.0 percent</p>	<p>Jul = -6.8%</p>	<p><u>Up</u> by 0.9 percent, in part reflecting a modest rebound in civilian aircraft orders. More significantly, we look for <u>ex-transportation</u> orders to be <u>up</u> by 0.4 percent, and <u>core capital goods</u> orders to also be <u>up</u> by 0.4 percent.</p>
<p><b>Aug. Advance Trade Balance -- Goods</b>      Thursday, 9/28 Range: -\$67.2 to -\$63.0 billion Median: -\$65.1 billion</p>	<p>Jul = -\$63.9 billion</p>	<p><u>Widening</u> to -\$67.2 billion. We expect diminished port traffic in Houston due to Hurricane Harvey to curtail exports and, to a far lesser degree, imports in the aggregated data. These effects, however, may not turn up in the advance estimate.</p>
<p><b>Q2 Real GDP – 3<sup>rd</sup> estimate</b>      Thursday, 9/28 Range: 2.8 to 3.2 percent Median: 3.1 percent SAAR</p>	<p>Q2 2<sup>nd</sup> est. = +3.0%</p>	<p><u>Up</u> at an annualized rate of 3.2 percent, as we expect prior estimates of consumer spending, net exports, and the pace of inventory accumulation to be revised modestly higher. The headline growth rate is a reminder of the positive momentum the U.S. economy had built up prior to the hurricanes, which will be easy to lose sight of in what will be several months of highly volatile data reflecting the impact of the storms.</p>
<p><b>Q2 GDP Price Index – 3<sup>rd</sup> estimate</b>      Thursday, 9/28 Range: 1.0 to 1.0 percent Median: 1.0 percent SAAR</p>	<p>Q2 2<sup>nd</sup> est. = +1.0%</p>	<p><u>Up</u> at an annualized rate of 1.0 percent, unchanged from prior estimates.</p>
<p><b>August Personal Income</b>      Friday, 9/29 Range: -0.1 to 0.3 percent Median: 0.2 percent</p>	<p>Jul = +0.4%</p>	<p><u>Up</u> by 0.2 percent. Weak labor earnings will weigh on growth in total personal income. The dip in average weekly hours and the modest gain in hourly earnings mean aggregate private sector wage and salary earnings were likely up only 0.1 percent in August, following a 0.5 percent gain in June and a 0.6 percent gain in July. Elsewhere in the data, we look for dividend income to be down and while rental income continues to grow, the pace of that growth has clearly slowed over recent months. Our forecast would leave total personal income up 2.9 percent year-on-year.</p>
<p><b>August Personal Spending</b>      Friday, 9/29 Range: 0.0 to 0.3 percent Median: 0.1 percent</p>	<p>Jul = +0.3%</p>	<p><u>Up</u> by 0.1 percent. The lousy August retail sales report will carry through to the broader August data on personal consumption expenditures. We look for spending on goods to be lower and, while spending on services will provide some support, sharply lower utilities outlays will weigh on growth in services spending.</p> <p>The August data will do little to unravel the mystery of the behavior of inflation over recent months. We look for the <u>PCE deflator</u> to be <u>up</u> by 0.3 percent, which would yield an over-the-year increase of 1.6 percent. As with the CPI data, however, the headline PCE deflator will likely be distorted by swings in food and gasoline prices over the next few months, reflecting the impacts of the hurricanes. As such, the behavior of core PCE inflation will be of more relevance to the FOMC over coming months. We look for the <u>core PCE deflator</u> to be <u>up</u> by 0.2 percent, leaving core PCE inflation parked at 1.4 percent for a second consecutive month.</p>

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