ECONOMIC PREVIEW

REGIONS

Week of April 22, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the April 30-May 1 FOMC meeting):* Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent	Range: 2.25% to 2.50% Midpoint: 2.375%	Through the lost days of the partial government shutdown, through the depressing days of swooning stock markets, through the soul-sapping days of despair over a slowing global economy, and even through the dark days of the inverted yield curve, yes, all five of those dark days, our outlook for the U.S. economy never changed. To be sure, it got increasingly more difficult to drown out the "here comes the recession" chorus, and we'll even admit to being tempted to add our voice to that chorus. Still, except for those six seconds of temptation, our view has been that an unusually high degree of noise in much of the economic data painted a misleadingly dour picture of the U.S. economy and that, come Spring, there would be signs of firmer growth, both at home and abroad. Though always mindful of the downside risks, we've thought all along that reports of the economy's demise have been exaggerated. Recent data on the labor market, the housing market, and consumer spending support our view.
March Existing Home Sales Monday, 4/22 Range: 5.150 to 5.540 million units Median: 5.300 million units SAAR	Feb = 5.510 million units SAAR	Down to an annualized sales rate of 5.410 million units. Data on pending home sales, or, signed sales contracts, in any given month are a useful, but not infallible, guide to existing home sales in subsequent months. Existing home sales are booked at closing, which in most cases occurs 30-45 days after the signing of the sales contract. So, while not totally discounting weaker than expected February pending home sales, we will note that it was the Midwest and Northeast regions that were laggards, which suggests the weather effects that are apparent in other data series also impacted home sales in these regions. But, February pending home sales were solid in the South and West regions, which together account for over 60 percent of existing home sales, and this helps account for our above-consensus forecast of March existing home sales. On a not seasonally adjusted basis, we look for 424,000 existing home sales in March, down 2.3 percent year-on-year. We look for further relief on the inventory front; our forecast of 1.710 million listings would leave listings up 4.3 percent year-on-year. Though inventories remain lean, buyers will at least have more to choose from during this year's key sales season than has been the case in recent years.
March New Home Sales Tuesday, 4/23 Range: 610,000 to 675,000 units Median: 648,000 units SAAR	Feb = 667,000 units SAAR	Up to an annualized sales rate of 674,000 units. On a not seasonally adjusted basis, we look for 67,000 new home sales. To be sure, this feels a bit ambitious, as it would be the strongest month for new home sales since July 2007. But, purchase mortgage applications jumped in March, suggesting lower mortgage rates unleashed pent-up demand. While weather issues held down single family housing starts, that does not necessarily carry through to sales, which can occur before ground has been broken. And, even if our March sales forecast proves too ambitious, we'll still expect a solid 2019 sales season, particularly with builders targeting prospective first-time buyers.
March Durable Goods Orders Thursday, 4/25 Range: 0.0 to 2.0 percent Median: 0.8 percent	Feb = -1.6%	Up by 1.2 percent. While civilian aircraft orders should be a support for top-line growth, there is downside risk to our forecast stemming from Boeing's 737-MAX – cancellations of prior orders will be deducted from the dollar volume of civilian aircraft orders in the month in which they occur, which could impact the March data. This, however, only highlights why we repeatedly stress that the details of the durable goods report in any given month are much more relevant than the headline orders number. We look for ex-transportation orders to be up by 0.4 percent and for core capital goods orders to be up by 0.3 percent.
Q1 Real GDP – 1st estimate Friday, 4/26 Range: 1.0 to 2.9 percent Median: 2.2 percent SAAR	Q4 2018 = +2.2% SAAR	Up at an annualized rate of 2.8 percent. Right off the bat, we'll note that the GDP data remain prone to residual seasonality (or, the presence of seasonal effects in data that have already been seasonally adjusted), which tends to bias measured growth in the first quarter of any given year lower, adding a layer of uncertainty to our forecast. While a strong report on March retail sales led us to up our forecast of Q1 consumer spending, growth will still be somewhat soft. This, however, says more about base effects – the steep decline in consumer spending in December meant Q1 started off well below the Q4 average – than it is does about the underlying drivers of consumer spending, which remain much healthier than will be implied by the Q1 GDP data. Inventories and trade will be key drivers of top-line growth, though this does not bode well for Q2 growth – if we're correct on inventories, they will be a material drag on current quarter growth, with trade likely a modest drag. Business fixed investment and government spending also added to top-line Q1 real GDP growth.
Q1 GDP Price Index – 1st estimate Friday, 4/26 Range: 0.9 to 1.8 percent Median: 1.7 percent SAAR	Q4 2018 = +1.7% SAAR	Up at an annualized rate of 1.1 percent.

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