ECONOMIC PREVIEW

REGIONS

Week of March 25, 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%	Now that's what we call putting the "dovish" into the dovish pivot. The FOMC surprised us and the markets last week, issuing an updated dot plot implying no Fed funds rate hikes in 2019 and announcing an early end to the unwinding of the Fed's balance sheet. Against a backdrop of rising unease over global economic growth, the FOMC's actions may have brought more concern than comfort. The possibility no one seems to be accounting for, however, is that growth and inflation rebound from what will be a soft Q1, which could make for some awkward moments later in 2019.
February Housing Permits Tuesday, 3/26 Range: 1.250 to 1.350 million units Median: 1.300 million units SAAR	Jan = 1.317 million units SAAR	Up to an annualized sales rate of 1.327 million units. Our forecast anticipates both permits and starts will have been held down by harsh winter weather, but any such effects will be made up for in the March data. In any event, on a not seasonally adjusted basis we look for total permits of 94,700 units in February, basically the same as the 94,400 units permitted in January, with single family permits slightly higher and multi-family permits slightly lower relative to January. This would leave the running 12-month total of not seasonally adjusted permits at 1.312 million units, but this total could be somewhat range bound over coming months as we expect declining multi-family permits to offset modestly rising single family permits.
February Housing Starts Tuesday, 3/26 Range: 1.141 to 1.300 million units Median: 1.236 million units SAAR	Jan = 1.230 million units SAAR	Down to an annualized sales rate of 1.222 million units, though, as noted above, weather was likely a drag on construction activity in February. On a not seasonally adjusted basis, we look for total starts of 83,500 units, little changed from 82,600 starts in January but with a different mix, i.e., single family starts lower and multi-family starts higher relative to January. Our forecast would leave the running 12-month total of not seasonally adjusted housing starts at 1.227 million units.
March Consumer Confidence Tuesday, 3/26 Range: 129.0 to 135.6 Median: 132.3	Feb = 131.4	Up to 135.2
January Trade Balance Wednesday, 3/27 Range: -$60.0 to -$55.0 billion Median: -$57.7 billion	Dec = -$59.8 billion	Narrowing to -$57.6 billion, but still a larger deficit than the Q4 2018 average, meaning trade could again be a drag on top-line real GDP growth in Q1.
Q4 2018 Current Account Balance Wednesday, 3/27 Range: -$136.1 to -$126.5 billion Median: -$131.3 billion	Q3 = -$124.8 billion	Widening to -$132.6 billion, reflecting a larger trade deficit in Q4.
Q4 2018 Real GDP – revised Thursday, 3/28 Range: 1.8 to 2.5 percent Median: 2.4 percent SAAR	Q4 (prelim) = +2.6% SAAR	Up at an annualized rate of 2.1 percent. In our analysis of the preliminary estimate of Q4 GDP, we noted that some of the details looked oddly strong and, as such, we did not expect that 2.6 percent growth print to survive revision. Relative to the BEA's first estimate, we look for slower growth in consumer spending, business investment in intellectual property products, and residential fixed investment, a wider trade deficit, slightly faster growth in business outlays on equipment/machinery, and a slightly larger inventory build, all of which leaves us at 2.1 percent on top-line growth. Not great, maybe not even all that good, but considerably better than what we expect for Q1 growth, so there's that. Of the two quarterly growth rates, we'd say the Q4 number is closer to "the truth" than the Q1 number will be.
Q4 2018 GDP Price Index – revised Thursday, 3/28 Range: 1.7 to 1.8 percent Median: 1.8 percent SAAR	Q4 (prelim) = +1.8% SAAR	Up at an annualized rate of 1.8 percent.
February Personal Income Friday, 3/29 Range: 0.2 to 0.4 percent Median: 0.3 percent	Jan = -0.1%	Up by 0.2 percent. Our forecast anticipates only middling growth in aggregate wage and salary earnings, with a decline in average weekly hours and only a tiny increase in nonfarm employment largely offsetting strong growth in hourly earnings. Farm income should decline further as special subsidies to farmers harmed by trade disputes run off. After the largest monthly increase since January 2010, our forecast anticipates only modest growth in transfer payments, and interest income should be a drag on income from assets. Nonfarm proprietors' income, basically a proxy for small business profits, will bear watching – after being notably weak in December and January, which we believe was tied to the partial government shutdown, our forecast anticipates a healthy rebound in February. If we are wrong on this point, our forecast for total income growth will be off base, but what is far more significant is that continued weakness in this category would be a worrisome sign for the broader economy. Our forecast would put total personal income up 4.1 percent year on-year.

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January Personal Spending Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 3/29	Dec = -0.5%	Up by 0.3 percent. January's sizeable increase in control retail sales suggests modest growth in spending on goods despite motor vehicles and gasoline acting as material drags, and our forecast anticipates moderate growth in spending on services. The big decline in consumer spending in December will be the gift that keeps on giving; with the level of spending in December so far below the Q4 average, it leaves a deep hole to dig out of. As such, we'll see much slower growth in consumer spending in Q1, which is a key reason our forecast anticipates only tepid Q1 real GDP growth.
January PCE Deflator Range: -0.1 to 0.1 percent Median: 0.0 percent	Friday, 3/29	Dec = +0.1%	Unchanged, which would leave the headline deflator up 1.5 percent year-on-year. We look for the core PCE deflator to be up by 0.2 percent, which would translate into a year-on-year increase of 1.9 percent.
February New Home Sales Range: 580,000 to 677,000 units Median: 620,000 units SAAR	Friday, 3/29	Jan = 607,000 units SAAR	Up to an annualized sales rate of 641,000 units. The revisions to the new home sales data have been even larger than normal over the past few months, which leaves us with an even lower than normal degree of confidence in our forecast. To that point, we thought the initial estimate of not seasonally adjusted sales in January seemed a bit on the light side, so we'll see what the revised data say. In any event, our forecast anticipates not seasonally adjusted sales of 53,000 units in February, which would be a nice increase from January as lower mortgage interest rates remain supportive of new home sales. Atypically harsh winter weather in the Midwest poses a downside risk to our forecast, particularly as we do not have the February data on housing permits and starts to guide our new home sales forecast. Our forecast would leave the running 12-month total of not seasonally adjusted sales at 624,000 units, the lowest since last March. Beneath the headline sales number, we'll continue monitor the slow but steady shift in the mix of sales across price points that has resulted in homes priced at or less than $300,000 accounting for a rising share of total sales. We've also for some time been tracking the share of sales accounted for by units on which construction had not yet started, which we see as an indicator of the backlog facing builders and, in turn, the extent to which single family housing starts will hold up over coming months. With still-solid labor market conditions and well behaved mortgage rates, we look for modest growth in new home sales in the months ahead.

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