ECONOMIC PREVIEW

REGIONS

Week of February 24, 2020

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 17-18 FOMC meeting):* Target Range Mid-point: 1.625 to 1.625 percent Median Target Range Mid-point: 1.625 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	The fallout from the coronavirus continues to grow, and with parts of the world's second largest economy effectively shut down, the global economy is clearly feeling the effects. Trade flows have been disrupted, global supply chains have been thrown into disorder, travel and tourism have been impacted, and U.S. retailers with large presences in China will see hits to Q1 earnings. All of which is leading to greater volatility in commodity prices and asset prices. What no one can possibly know at this point is how much worse things will get and how long the drag on global economic growth will persist. But, with yields on 30-year U.S. Treasury Bonds falling to an all-time low last week, market participants are taking an increasingly dour view.
February Consumer Confidence Tuesday, 2/25 Range: 129.0 to 133.5 Median: 132.5	Jan = 131.6	Up to 132.7
January New Home Sales Wednesday, 2/26 Range: 684,000 to 748,000 units Median: 710,000 units SAAR	Dec = 694,000 units SAAR	Up to an annualized rate of 748,000 units. The combination of unseasonably warm weather and a generous seasonal adjustment factor should flatter the headline (i.e., seasonally adjusted and annualized) sales number. Then again, that was the premise behind our well-above-consensus forecast of December new home sales, and all that got us was an embarrassingly large miss when December sales came in well below consensus expectations. More significantly, the initial print on December new home sales was out of line with other indicators, such as a post-recession high in single family housing starts, builder reports on new orders, and elevated builder confidence. Yet, we have pretty much the same set of conditions ahead of the estimate of January new home sales – the January data show the second highest monthly rate of single family starts in the post-recession years coupled with a post-recession high in single family building permits, builders continue to report strong new orders, and builder confidence remains elevated. So, the question is whether the data on January new home sales will fall in line with the rest of the data, as our forecast anticipates will be the case, or continue to march to their own beat. As we noted at the time, the estimate of unadjusted December sales in the South region – the lowest monthly total in three years – seemed highly suspect, so we'll be watching for revisions to that initial estimate and/or payback in the January data. On a not seasonally adjusted basis, we look for new home sales of 57,000 units in January.
January Durable Goods Orders Thursday, 2/27 Range: -2.5 to 2.9 percent Median: -1.5 percent	Dec = +2.4%	Down by 1.9 percent. Despite nondefense aircraft orders acting as a material drag, durable goods orders jumped in December, reflecting a spike in orders for defense capital goods and an oddly large increase in orders for ships/boats. We expect both of these categories, particularly orders for ships/boats, to have settled back in January, and while Boeing booked no new orders in January, the drag on total orders will be mitigated by them having booked only three orders in December. As in any month, the most important number in the January data will be core capital goods orders, and we look for a bit of a bounce at the start of 2020, reflecting the steadying of domestic and global manufacturing seen following the phase one U.S./China trade deal but before the coronavirus became a major story. As such, even if our forecast of core capital goods orders is on or near the mark, we won't expect a repeat in the February data.
Jan. Durable Goods Orders: Ex-Trnsp. Thursday, 2/27 Range: -0.4 to 0.6 percent Median: 0.2 percent	Dec = -0.1%	Up by 0.6 percent. We look for core capital goods orders to be up by 0.5 percent.
Q4 Real GDP – 2nd estimate Thursday, 2/27 Range: 1.9 to 2.2 percent Median: 2.1 percent SAAR	Q4 (1st est.) = +2.1% SAAR	Up at an annualized rate of 1.9 percent. Relative to their initial estimate, we look for the BEA's second estimate to show a larger trade deficit, slower growth in consumer spending on goods, slower growth in business investment in intellectual property products, a slightly larger drag from inventories, a smaller decline in business spending on structures, and firmer growth in consumer spending on services. The net effect should be a downward revision to the initial estimate of top-line real GDP growth.
Q4 GDP Price Index – 2nd estimate Thursday, 2/27 Range: 1.0 to 1.5 percent Median: 1.4 percent SAAR	Q4 (1st est.) = +1.4% SAAR	Up at an annualized rate of 1.4 percent.
January Advance Trade Balance: Goods Friday, 2/28 Range: -69.5$ to -$65.5 billion Median: -$68.3 billion	Dec= -$68.3 billion	Widening to -$69.3 billion

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January Personal Income Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 2/28	Dec = +0.2%	Up by 0.5 percent. In any given year, growth in personal income in January tends to be biased higher thanks to a host of annual occurrences, such as bonus payments for private sector workers, cost of living increases for government workers, and cost of living adjustments for Social Security recipients. Low inflation in 2019 means any adjustments in payments tied to the CPI, such as Social Security benefits, were smaller this year than in each of the past two years, which will have weighed on top-line income growth this January. Our forecast would leave total personal income up 4.2 percent year-on-year and private sector wage and salary earnings up 4.9 percent, with both continuing to easily outpace inflation.
January Personal Spending Range: 0.1 to 0.3 percent Median: 0.3 percent	Friday, 2/28	Dec = +0.3%	Up by 0.2 percent. We look for a fairly soft January print on overall consumer spending. Recall that control retail sales were flat in January, and this is a direct input into the BEA's measure of consumer spending on goods. Lower gasoline prices will have also been a drag on growth in nominal spending, while sharply lower utilities outlays weighed on spending on household services. On the whole, Q1 growth in total consumer spending got off to a slow start in January. Our forecasts of personal income and personal spending imply an increase in the personal saving rate in January.
January PCE Deflator Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 2/28	Dec = +0.3%	Up by 0.1 percent, which would yield a year-on-year increase of 1.8 percent. Our forecast anticipates the core PCE Deflator being up by 0.1 percent, for a year-on-year increase of 1.7 percent.

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