Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the January 30-31 FOMC meeting):* Target Range Midpoint: 1.375 to 1.375 percent Median Target Range Midpoint: 1.375 percent	Range: 1.25% to 1.50% Midpoint: 1.375%	This week's slate of data is housing heavy, with reports on residential construction and home sales. One could look at our forecasts and conclude, on the basis of what are some big, and above-consensus, numbers, that we've at long last unleashed our inner housing bulls. Sadly, however, this is not the case. Instead, our forecasts reflect what we think will be considerable seasonal adjustment noise that will make the housing data look much better than is actually the case. November is typically a slow month for residential construction, which makes sense given that builders pare back with the onset of winter. By the same token, the winter months are pretty much the offseason for home sales. The not seasonally adjusted data reflect these patterns which are compensated for by seasonal adjustment factors designed to smooth out the data, i.e., "seasonally adjusted data." We suspect, however, that activity this November was stronger than is typically the case for the month and, if we are correct on this point, the seasonal adjustment factors will in essence make the data appear stronger than they actually are. On top of milder weather than normal, post-hurricane rebuilding likely helped support November residential construction. Additionally, there were still backlogs of existing home closings, primarily in Florida, stemming from the hurricanes, and to the extent those backlogs were further cleared in November that will boost existing home sales. If our forecasts for the seasonally adjusted annualized data are off the mark, it will be either because our forecasts of not seasonally adjusted activity are wrong, or because our estimates of the seasonal adjustment factors are wrong. We care a great deal about the former, not at all about the latter. We repeatedly stress the importance of the not seasonally adjusted data as the best way to gauge the underlying trends in housing market activity, and we expect the November data to be a prime example why. The narrative of the housing market simply does not change as rapidly, and as dramatically, as swings in the headline numbers often imply.
November Housing Permits Tuesday, 12/19 Range: 1.240 to 1336 million units Median: 1.277 million units SAAR	Oct = 1.316 million units SAAR	Up to an annual rate of 1.336 million units. Our forecast reflects a better than typical November performance for not seasonally adjusted permits, with total permits of 107,100 units, combined with a generous seasonal adjustment factor. Our forecast would put the running 12-month total of not seasonally adjusted permits, which we think is the best gauge of underlying trends, at 1.266 million units, the highest such total since March 2008, and would leave the running 12-month total of unadjusted single family permits at 824,300 units, the highest since April 2008.
November Housing Starts Tuesday, 12/19 Range: 1.220 to 1.337 million units Median: 1.245 million units SAAR	Oct = 1.290 million units SAAR	Up to an annual rate of 1.331 million units. With more favorable weather across much of the U.S. and some post-hurricane rebuilding in the South region, our forecast anticipates a smaller than normal November decline in single family starts. Assuming a standard (i.e., quite generous) seasonal adjustment factor for November pushes our forecast for seasonally adjusted annualized single family starts above 900,000 units, which would be the first time in this territory since September 2007. We look for not seasonally adjusted total starts of 103,600 units, which would put the running 12-month total at 1.214 million units, the highest since April 2008. This reflects steadily rising single family starts and gently, at least thus far, receding multi-family starts.
Q3 Current Account Balance Tuesday, 12/19 Range: -\$118.4 to -\$113.0 billion Median: -\$116.0 billion	Q2 =-\$123.1 billion	Narrowing to -\$116.4 billion. The trade deficit narrowed in Q3, and we look for a larger net surplus in the income accounts, with the net result being a smaller current account deficit. Our forecast would put the deficit at 2.4 percent of nominal GDP.
November Existing Home Sales Wednesday, 12/20 Range: 5.400 to 5.660 million units Median: million units SAAR	Oct = 5.480 million units SAAR	Up to an annualized sales rate of 5.660 million units. In the life of the data, not seasonally adjusted sales have never increased in the month of November, it's just a matter of how large the decline will be. We look for this year's decline to have been smaller than average, thanks largely to the South region. There is still some catching up to do, primarily in Florida, on closings put off by the hurricanes, and to the extent those took place in November it will support existing home sales (which are booked at closing). Pending home sales data for October show a spike in contract signings in the South region, which suggests another form of backlog stemming from the hurricanes, and some of these sales will have closed in November. We look for not seasonally adjusted sales of 426,000 units, and what should be a generous seasonal adjustment factor – in any given year, the November factor is the third largest, behind only January and February – yields our above-consensus forecast for headline sales. But, even if we are on or near the mark, the real story in the market for existing homes is the extent to which inventory constraints remain a material drag on sales.

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ECONOMIC PREVIEW

REGIONS

Week of December 18, 2017

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Q3 Real GDP – 3rd estimate Range: 3.0 to 3.5 percent Median: 3.3 percent	Thursday, 12/21	Q3 2nd est. = +3.3% SAAR%	Up at an annualized rate of 3.4 percent. Slight upgrades to consumer spending and inventories will nudge top-line growth slightly higher relative to the second estimate. Net exports and inventories were two of the main drivers of growth in Q3 but will be drags on Q4 growth, which we think will keep real GDP growth from topping 3.0 percent in three consecutive quarters for the first time in over 12 years.
Q3 GDP Price Index – 3rd estimate Range: 2.1 to 2.2 percent Median: 2.1 percent	Thursday, 12/21	Q3 2nd est. = +2.1% SAAR%	Up at an annualized rate of 2.1 percent.
November Leading Economic Index Range: 0.0 to 0.4 percent Median: 0.4 percent	Thursday, 12/21	Oct = +1.2%	Up by 0.4 percent.
November Durable Goods Orders Range: -1.0 to 4.2 percent Median: 2.0 percent	Friday, 12/22	Oct = -0.8%	Up by 4.2 percent thanks to what should be a significant spike in civilian aircraft orders. The headline number tends to rise and fall with swings in this one category, meaning the underlying details are always of far more significance. Along those lines, we look for ex-transportation orders to be up by 0.4 percent with core capital goods orders up by 0.5 percent. The latter reflects ongoing strength in business investment, which we think will carry into 2018.
November Personal Income Range: 0.3 to 0.5 percent Median: 0.4 percent	Friday, 12/22	Oct= +0.4%	Up by 0.4 percent. Wage and salary earnings should post a sizeable increase, which reflects not only November's solid job growth but also the increase in the length of the average workweek. Seemingly small one-tenth of an hour changes in the length of the workweek have a powerful effect on aggregate wage and salary earnings, which represent the largest component of total personal income. We also expect another solid gain in investment income, mainly interest earnings, and a trend-like increase in rental income. Our forecast would leave total personal income up 3.95 percent year-on-year, the largest such increase since November 2015.
November Personal Spending Range: 0.3 to 0.6 percent Median: 0.4 percent	Friday, 12/22	Oct = +0.3%	Up by 0.5 percent. We know from the retail sales data spending on goods increased smartly in November. To be sure, spending on nondurable consumer goods was inflated by higher gasoline prices, but even putting that aside it was still a solid month. Still, spending on goods accounts for only about one-third of total consumer spending, with spending on services accounting for the remainder. Our forecast anticipates a trend-like 0.3 percent increase in spending on services, so how close we are here will determine how close we are in our forecast of total spending.
November New Home Sales Range: 623,000 to 705,000 units Median: 650,000 units SAAR	Friday, 12/22	Oct = 685,000 units SAAR	Up to an annual sales rate of 693,000 units. Okay, by now having read our blurbs on housing permits, housing starts, and existing home sales (you did read them, right?), you're familiar with our underlying premise. Stronger activity than normal for the month of November coupled with a generous seasonal adjustment factor yields a large headline number. That's also how we see new home sales shaking out. As with October sales, the South region will be the prime support for November sales, and we look for total not seasonally adjusted sales of 49,000 units. This would bring the running 12-month total of not seasonally adjusted sales to 612,000 units, the highest since May 2008. As with the other series, even if our forecast for the headline sales number is on or near the mark, it will paint a misleadingly upbeat picture of new home sales. Yes, sales are improving, but slowly and steadily as supply constraints remain a drag on sales and skew sales to the higher end of the price range.

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