ECONOMIC PREVIEW

REGIONS

Week of February 26, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 20-21 FOMC meeting):* Target Range Midpoint: 1.625 to 1.625 percent Median Target Range Midpoint: 1.625 percent	Range: 1.25% to 1.50% Midpoint: 1.375%	This week brings Fed Chair Powell's first presentation of the *Monetary Policy Report to Congress* (House Financial Services Committee on Wednesday, Senate Banking Committee on Thursday). While Mr. Powell will likely be upbeat on the economy, he's unlikely to deviate from the FOMC's message of a course of gradual rate hikes.
January New Home Sales Monday, 2/26 Range: 612,000 to 670,000 units Median: 641,000 units SAAR	Dec = 625,000 units SAAR	Up to an annualized sales rate of 663,000 units. On a not seasonally adjusted basis, new home sales typically rise in the month of January, boosted by increased sales of units on which construction had not yet started as builders plan for more favorable weather conditions (recall new home sales are booked at the signing of the sales contract). We look for much of the same this year, and our forecast anticipates not seasonally adjusted sales of 50,000 units. But, one difference this year is that pre-construction sales have been notably elevated for some time as builders have not been able to keep pace with demand and stronger January sales would only add to already growing order backlogs. It could be that higher mortgage rates will have prompted some wavering would-be buyers to move earlier than they otherwise might have, though any such effect will likely be more pronounced in the February data.
January Durable Goods Orders Tuesday, 2/27 Range: -4.0 to 1.0 percent Median: -2.0 percent	Dec = +2.8%	Down by 2.8 percent. There is a good deal of seasonality in this series for any given January, not all of which is accounted for in the seasonal adjustment process. As such, while we know this January saw the sizeable decline in civilian aircraft orders seen almost every January, it simply isn't clear how much of a drag this will be on the headline orders number. We think the drag will be sizeable but, as we routinely note, the main focus here should be on core capital goods orders. We look for ex-transportation orders to be up by 0.5 percent, with core capital goods orders up by 1.2 percent (seasonal noise will exaggerate the strength of core capital goods orders).
January Advance Trade Balance: Goods Tuesday, 2/27 Range: -\$75.0 to -\$69.0 billion Median: -\$72.6 billion	Dec = -\$72.3 billion	Widening to -\$73.1 billion. Trade is shaping up to again be a drag on real GDP growth, though not nearly to the same extent in Q1 as was the case in Q4 2017.
February Consumer Confidence Tuesday, 2/27 Range: 124.0 to 130.0 Median: 126.7	Jan = 125.4	Up to 128.6
Q4 Real GDP – 2nd estimate Wednesday, 2/28 Range: 2.4 to 2.6 percent Median: 2.5 percent SAAR	Q4 1st est. = +2.6% SAAR	Up at an annualized rate of 2.5 percent, down only slightly from the initial estimate but we do look for there to have been considerable changes in the underlying details on consumer spending, business investment, trade, and inventories.
Q4 GDP Price Index – 2nd estimate Wednesday, 2/28 Range: 2.4 to 2.5 percent Median: 2.4 percent SAAR	Q4 1st est. = +2.4% SAAR	Up at an annualized rate of 2.4 percent, matching the initial estimate.
January Personal Income Thursday, 3/1 Range: 0.1 to 0.5 percent Median: 0.3 percent	Dec = +0.4%	Up by 0.4 percent. The print on private sector wage growth will be just plain lousy thanks to the sizeable decline in aggregate hours worked, but there will be several offsets including cost of living adjustments for government workers, the typical January bump in transfer payments, bonus payouts, rental income, and – this still seems weird to say – another hefty increase in interest income. Our forecast would leave total personal income up 3.6 percent year-on-year; the lack of uniform timing on changes to withholding tables means we may not see the full impact of the tax bill on disposable income until the February data. We look for the PCE deflator to be up by 0.4 percent and the core PCE deflator to be up by 0.3 percent, yielding year-on-year increases of 1.7 percent and 1.5 percent, respectively. Hardly the stuff of (inflation) legend, but for now it will have to do.
January Personal Spending Thursday, 3/1 Range: 0.1 to 0.3 percent Median: 0.2 percent	Dec = +0.4%	Up by 0.3 percent, with spending on services doing most of the heavy lifting, at least if the downbeat report on January retail sales is any kind of reliable guide to spending on goods. Which of course it isn't, but at this point it's what we've got to go on.
February ISM Manufacturing Index Thursday, 3/1 Range: 57.5 to 59.5 percent Median: 58.6 percent	Jan = 59.1%	Down to 58.8 percent. Our forecast yet again anticipates some settling back in new orders and current production. Sure, we've been wrong in this call over the past few months but we remain undaunted – if we stick to it, we'll eventually be right. Maybe.
January Construction Spending Thursday, 3/1 Range: -0.8 to 0.6 percent Median: 0.2 percent	Dec = +0.7%	Up by 0.3 percent with residential construction accounting for the increase.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com