ECONOMIC PREVIEW

REGIONS

Week of November 26, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 18-19 FOMC meeting):* Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent	Range: 2.00% to 2.25% Midpoint: 2.125%	Amidst tumbling equity prices, softening global growth, and increased political volatility both at home and abroad, all indications are that U.S. consumers are doing what they do best, i.e., spending. This week should bring a solid print on total consumer spending in October (see below), and while that is to some degree old news, early signs are that holiday season spending has gotten off to a robust start. While it is unlikely that the pace of sales between Thanksgiving and Cyber Monday will be sustained over the entire holiday season, this should still prove to be another strong year for holiday season sales. Consumers are confident (see below), and solid growth in labor earnings (see below) gives them the wherewithal to spend even as the world surrounding them becomes noisier and more uncertain.
November Consumer Confidence Tuesday, 11/27 Range: 134.0 to 139.0 Median: 136.0	Oct = 137.9	Down to 135.6 – the turmoil in equity markets over the past several weeks is likely to have dented consumer confidence, but not by much as our forecast would still leave consumer confidence at a nearly two-decade high. Unless and until there is a marked deterioration in labor market conditions, consumer confidence is likely to remain elevated over coming months.
Oct. Advance Trade Balance: Goods Wednesday, 11/28 Range: -\$80.4 to -\$74.2 billion Median: -\$7.0 billion	Sep = -\$76.3 billion	Widening -\$77.8 billion. Preliminary data on port traffic point to further growth in imports in October, which likely reflects retailers continuing to build stocks ahead of what could be more punitive tariffs on Chinese imports in January, while softening global growth is weighing on U.S. exports. The October data will test our assumption that, after a significantly wider trade deficit took 1.78 percentage points off of top-line real GDP growth in Q3, trade would transition into a support for Q4 growth.
Q3 Real GDP – 2nd estimate Wednesday, 11/28 Range: 3.4 to 3.7 percent Median: 3.6 percent SAAR	Q3 1st est. = +3.5% SAAR	Up at an annualized rate of 3.7 percent, with inventories and consumer spending behind the modest upward revision.
Q3 GDP Price Index – 2nd estimate Wednesday, 11/28 Range: 1.4 to 1.7 percent Median: 1.7 percent SAAR	Q3 1st est. = +1.7% SAAR	Up at an annualized rate of 1.7 percent, matching the initial estimate.
October New Home Sales Wednesday, 11/28 Range: 513,000 to 609,000 units Median: 585,000 units SAAR	Sep = 553,000 units SAAR	Up to an annualized sales rate of 601,000 units. Even if our forecast is on the mark, there will be less to the headline sales number than meets the eye, as our forecast of 48,000 sales on a not seasonally adjusted basis will be flattered by what we expect will be a rather friendly seasonal adjustment factor. Moreover, while we have very little confidence in our forecast of new home sales in any given month, we have even less confidence in our October forecast, and the risks to our forecast seem tilted to the downside. For a second month in a row, hurricane activity injects considerable uncertainty over the data for the South region. While the October data for the South region could reflect some payback for sales put off by Hurricane Florence in September (recall that new home sales are booked at the signing of the sales contract), Hurricane Michael likely held down October sales in other parts of the South region, though the latter effect should be relatively small. Additionally, sales in the West region have softened over recent months and our forecast does not anticipate much of a rebound in October.
October Personal Income Thursday, 11/29 Range: 0.3 to 0.5 percent Median: 0.4 percent	Sep = +0.2%	Up by 0.5 percent. A longer workweek on top of a sizeable increase in employment will yield a hefty increase in private sector wage and salary earnings, which sets the stage for a solid gain in total personal income. Support will also come from rental income and nonfarm proprietors' income. Our forecast would leave total personal income up 4.5 percent year-on-year, with aggregate private sector wage and salary earnings up 5.5 percent.
October Personal Spending Thursday, 11/29 Range: 0.3 to 0.5 percent Median: 0.4 percent	Sep = +0.4%	Up by 0.5 percent. Spending on goods, both durable and nondurable, will provide most of the support for growth in total personal spending, with utilities outlays acting as a drag on growth in services spending. Some of the increase in nominal spending, however, reflects price effects, so the increase in real spending will be more modest.
October PCE Deflator: Total Thursday, 11/29 Range: 0.2 to 0.3 percent Median: 0.2 percent	Sep = +0.1%	Up by 0.3 percent, which would yield a year-on-year increase of 2.1 percent.
October PCE Deflator: Core Thursday, 11/29 Range: 0.1 to 0.2 percent Median: 0.2 percent	Sep = +0.2%	Up by 0.2 percent, good for a year-on-year increase of 1.9 percent.

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