ECONOMIC PREVIEW

REGIONS

Week of November 25, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 10-11 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 latest round of earnings releases in the retail sector illustrates a point we have been making for some time now, which is that the issue in retail is not how much consumers are spending, but how consumers are spending. That said, there are still those analysts who, having not yet familiarized themselves with this whole internet thing, jump on any and every downbeat retail earnings report to make a dour pronouncement on the state of U.S. consumers or to spew out yet another round of "all retail is going dark" nonsense. There are, of course, some retailers who haven't yet figured out how to bring foot traffic and online sales together. Those who have, however, are being handsomely rewarded, both by consumers who are still willing and able to spend, and by investors.
October Advance Trade Balance: Goods Tuesday, 11/26 Range: -\$71.6 to -\$69.0 billion Median: -\$69.8 billion	Sep = -\$70.4 billion	Narrowing to -\$68.9 billion. Port data suggest further declines in both imports and exports, and our forecast anticipates the net effect will be a smaller deficit in the goods account. Our degree of confidence in that forecast, however, is fairly low given the extent to which trade flows continue to be swayed by uncertainty over trade policy. One consequence is that what have typically been fairly stable patterns around orders for and shipments of goods tied to the holiday shopping season have been distorted, which will cloud the monthly data on trade flows.
November Consumer Confidence Tuesday, 11/26 Range: 125.0 to 131.0 Median: 127.0	Oct = 125.9	Up to 128.6. As in any month, our main interest here will be the data on consumers' assessments of labor market conditions which, despite all of the background noise, remain more favorable than has been the case since 2000. As long as they remain upbeat on the labor market, there is little reason to fret about consumer spending.
October New Home Sales Tuesday, 11/26 Range: 690,000 to 735,000 units Median: 710,000 units SAAR	Sep = 701,000 units SAAR	Up to an annualized rate of 718,000 units. On a not seasonally adjusted basis, we look for sales of 57,000 units. Admittedly, our forecast of unadjusted sales seems a bit on the ambitious side – it would reflect a 5.6 percent increase in sales from September, a much larger increase than is typical for the month of October. That said, low mortgage rates are clearly supporting demand, as is evident from the data on applications for purchase mortgage loans, while builder confidence remains elevated. Even if our forecast does prove to be too high, new home sales continue to trend higher. Were it not for supply side constraints, sales would be trending higher at a faster pace.
October Durable Goods Orders Wednesday, 11/27 Range: -2.0 to 1.9 percent Median: -0.7 percent	Sep = -1.2%	Down by 1.1 percent, with transportation orders, specifically, nondefense aircraft and motor vehicles, acting as a material drag on top-line orders. We look for ex-transportation orders to be up by 0.3 percent, and for core capital goods orders to be down by 0.2 percent. The single most important line item in the durable goods report is core capital goods orders, which have been notably soft over recent months. This in turn has dragged down shipments of capital goods, which feed into the GDP data. This helps shape our expectation that business investment in equipment and machinery will be a drag on real GDP growth in Q4, as it was in Q3.
Q3 Real GDP – 2nd estimate Wednesday, 11/27 Range: 1.8 to 2.2 percent Median: 1.9 percent SAAR	Q3 – 1st est. = 1.9% SAAR	Up at an annualized rate of 2.2 percent. A smaller trade deficit and higher spending on household services relative to the BEA's initial estimates should yield modest upward revision to the BEA's estimate of top-line real GDP growth.
Q3 GDP Price Index – 2nd estimate Wednesday, 11/27 Range: 1.6 to 1.8 percent Median: 1.7 percent SAAR	Q3 – 1st est. = 1.7% SAAR	Up at an annualized rate of 1.7 percent.
October Personal Income Wednesday, 11/27 Range: 0.1 to 0.4 percent Median: 0.3 percent	Sep = 0.3%	Up by 0.2 percent. The initial tranche of the latest trade-related farm subsidies boosted farm income in September, adding one-tenth of a point to the change in total personal income, but smaller October payouts should be a slight drag on growth in total personal income (the second tranche of subsidies begins late-November). A middle-of-the-road increase in wage and salary earnings and modest gains in asset based income and transfer payments will support growth in total income. One oddity in the personal income data of late is that rental income has basically flat-lined, and absent the bounce we anticipate, growth in total personal income in October will fall short of our forecast.
October Personal Spending Wednesday, 11/27 Range: 0.2 to 0.4 percent Median: 0.3 percent	Sep = 0.2%	Up by 0.3 percent.
October PCE Deflator Wednesday, 11/27 Range: 0.1 to 0.4 percent Median: 0.3 percent	Sep = 0.0%	Up by 0.3 percent, for a year-on-year increase of 1.4 percent. We look for the core PCE Deflator to be up by 0.1 percent, which would yield a year-on-year increase of 1.7 percent.

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