ECONOMIC PREVIEW

REGIONS

Week of December 16, 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%	In what would have been a fitting tribute to former Fed Chairman and avid fly-fisherman Paul Volcker, perhaps the FOMC could have skipped last week's meeting and instead just hung a "gone fishing" sign on the door of the Eccles Building. It would have been a more direct way of conveying the message contained in the post-meeting policy statement, the updated "dot plot," and Chairman Powell's post-meeting press conference, which is that the FOMC is on hold, likely for some time to come. This puts the Fed in line with a growing list of central banks around the globe who have moved to the sideline, reflecting the high degree of monetary accommodation already in place amidst signs that global growth is at least stabilizing. Still, if the risks to growth, and for that matter inflation, do remain tilted to the downside, it is reasonable to think the next move by the FOMC will be a rate cut, and, we can't help but to think that central banks may not be on hold for as long as they seem to think they will.
November Building Permits Tuesday, 12/17 Range: 1.310 to 1.476 million units Median: 1.405 million units SAAR	Oct = 1.461 million units SAAR	Up to an annualized rate of 1.473 million units. Our above-consensus calls on both housing permits and housing starts reflect two things: 1) our forecast assumes the raw, or, not seasonally adjusted, data will be stronger than is typical for the month of November, particularly the data on single family permits and starts; and 2) the seasonal adjustment factors for the month of November tend to be very generous. If we're right on these points, the "headline" (or, seasonally adjusted and annualized) numbers for both permits and starts should be fairly lofty, well, at least in the context of the data in the post-recession years. On a not seasonally adjusted basis, we look for total housing permits of 113,400 units, which would reflect a year-on-year increase of 10.9 percent, with unadjusted single family permits up 15.3 percent. Keep in mind, however, that it was last November that single family permits and starts came crashing down amidst a multi-year high in mortgage interest rates which triggered what we refer to as the "affordability shock," making the November over-the-year comparisons fairly easy.
November Housing Starts Tuesday, 12/17 Range: 1.295 to 1.402 million units Median: 1.346 million units SAAR	Oct = 1.340 million units SAAR	Up to an annualized rate of 1.402 million units. On a not seasonally adjusted basis, we look for total starts of 106,100 units, which would reflect an over-the-year increase of 15.8 percent, with unadjusted single family starts up 24.4 percent though, as noted above, the over-the-year comparisons for November are fairly easy. The main thing to focus on will be not seasonally adjusted single family starts – accounts we've heard suggest an atypically strong November, and we think there is further upside room for single family starts over coming months.
November Industrial Production Tuesday, 12/17 Range: 0.5 to 1.3 percent Median: 0.8 percent	Oct = -0.8%	Up by 1.2 percent. There will be an obvious boost to manufacturing output from GM resuming production with the strike having been settled. The question, however, is whether that will be largely captured in the November data or spread more evenly across the data for November and December data. Our forecast assumes most of that effect will be reflected in the November data. It should also be noted that even aside from the motor vehicles & parts industry group, November saw increases in manufacturing payrolls and aggregate hours worked, which should be captured in the industrial production data. Even if our call on November industrial production is on or near the mark, that will still leave total output down year-on-year, which is a reminder that the GM strike was nothing more than transitory noise in the data that deflected attention away from the deeper issues confronting the factory sector.
November Capacity Utilization Rate Tuesday, 12/17 Range: 76.9 to 77.6 percent Median: 77.4 percent	Oct = 76.7%	Up to 77.6 percent.
Q3 Current Account Balance Thursday, 12/19 Range: -$136.4 to -$119.0 billion Median: -$122.1 billion	Q2 = -$128.2 billion	Narrowing to -$121.4 billion, reflecting a smaller trade deficit in Q3 than was the case in Q2. Our forecast would put the current account deficit at 2.3 percent of GDP, down from 2.4 percent in Q2.
November Leading Economic Index Thursday, 12/19 Range: -0.1 to 0.2 percent Median: 0.0 percent	Oct = -0.1%	Up by 0.1 percent.
November Existing Home Sales Thursday, 12/19 Range:5.400 to 5.550 million units Median: 5.440 million units SAAR	Oct = 5.460 million units SAAR	Down to an annualized rate of 5.440 million units. On a not seasonally adjusted basis, we look for total sales of 424,000 units, up 4.4 percent on an over-the-year basis despite there being one less sales day this November. Still, inventory is the overriding story line here, and we look for a 4.5 percent decline in listings in the November data, which would leave listings down year-on-year for a sixth straight month.

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

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Q3 Real GDP: 3rd estimate Range: 2.0 to 2.2 percent Median: 2.1 percent SAAR	Friday, 12/20	Q3: 2nd est = +2.1% SAAR	Up at an annualized rate of 2.0 percent. The downward revision to September control retail sales suggests a slight downward revision to Q3 growth in real consumer spending and, in turn, Q3 real GDP growth.
Q3 GDP Price Index: 3rd estimate Range: 1.7 to 1.8 percent Median: 1.8 percent SAAR	Friday, 12/20	Q3: 2nd est = +1.8% SAAR	Up at an annualized rate of 1.8 percent.
November Personal Income Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 12/20	Oct = 0.0%	Up by 0.3 percent. A solid increase in wage and salary earnings will be the key support for growth in total personal income. The second wave of the latest round of farm subsidy payments should be reflected, though likely not fully, in the November data. Our forecast would leave total personal income up 4.6 percent year-on-year.
November Personal Spending Range: 0.3 to 0.5 percent Median: 0.4 percent	Friday, 12/20	Oct = +0.3%	Up by 0.4 percent. Though we think the soft report on November retail sales is more about the calendar than it is about the consumer, to the extent there were timing and, in turn, seasonal adjustment issues in the November retail sales data, they will also plague the BEA's broader measure of total consumer spending. The difference, however, is that the BEA's monthly report includes spending on services, which account for roughly two-thirds of consumer spending as measured in the GDP data. As such, we look for the BEA's data to show a decent increase in total consumer spending in November, with a stronger increase to follow in December.
November PCE Deflator Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 12/20	Oct = +0.2%	Up by 0.2 percent, which would yield an over-the-year increase of 1.5 percent. Keep in mind the PCE Deflator is the FOMC's preferred gauge of inflation, and even with easier over-the-year comparisons beginning in the November data, it will still be some time before PCE inflation is at the FOMC's 2.0 percent target, and even longer still before it is far enough above their target to actually be a concern for the FOMC.
November PCE Deflator: Core Range: 0.1 to 0.2 percent Median: 0.1 percent	Friday, 12/20	Oct = +0.1%	Up by 0.1 percent, for a year-on-year increase of 1.5 percent.

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