

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the April 28-29 FOMC meeting):</i> Target Range Mid-point: 0.000 to 0.125 percent Median Target Range Mid-point: 0.125 percent	Range: 0.00% to 0.25% Midpoint: 0.125%	After rolling out a veritable plethora of credit and liquidity facilities to backstop a dizzying array of markets, there may still be more for the FOMC to do. Just not now. Instead, we expect this week's FOMC meeting will be more of a status update on the actions taken to date. The Committee's post-meeting statement will be of interest on two fronts – how they describe the current economic environment, particularly in light of more than 26 million applications for Unemployment Insurance over the past five weeks, and whether there are any changes to their forward guidance. In his post-meeting press conference, Chairman Powell is likely to be queried on how the Fed's asset purchases will evolve, whether or not the FOMC will adopt a "yield curve control" stance, and other avenues for support the FOMC may consider going down.
<b>March Advance Trade Balance: Goods</b> Tuesday, 4/28 Range: -\$71.0 to -\$49.6 billion Median: -\$55.0 billion	Feb = -\$59.9 billion	<u>Widening</u> to -\$64.2 billion.
<b>April Consumer Confidence</b> Tuesday, 4/28 Range: 65.0 to 103.0 Median: 87.9	Mar = 120.0	<u>Down</u> to 73.1, which would easily be the largest decline in the history of the Conference Board's survey, which dates back to 1967. Both the present situation and expectations components likely declined drastically in April, reflecting the combined effects of uncertainty/fear over the coronavirus, the battering taken by stock prices, and the marked deterioration in labor market conditions. We will be especially interested in consumers' assessments of labor market conditions, specifically, the "jobs plentiful/jobs hard to find" spread, which has long been a reliable indicator of turns in the business cycle. At least until now. Given the speed at which labor market conditions weakened, that spread likely went from hovering near a two-decade high in March to approaching an all-time low, if not setting a new low, in April. Consumer confidence will take on added significance over coming months; whether, to what extent, and for how long consumer attitudes towards how, and how much, they spend will be a prime determinant of the economy's path on the other side of the coronavirus.
<b>Q1 Real GDP – 1<sup>st</sup> estimate</b> Wednesday, 4/29 Range: -10.0 to -1.0 percent Median: -3.8 percent SAAR	Q4 = 2.1% SAAR	<u>Down</u> at an annualized rate of 5.8 percent. That we do not yet have the March data on personal income and spending (see below) helps account for the wide range of forecasts of Q1 real GDP. The one thing all forecasts have in common, however, is that none of them anticipate anything good – it's not a matter of whether real GDP contracted in Q1, it's a matter of by how much. In any given quarter, the initial GDP print is based on highly incomplete source data, leaving BEA to fill in the blanks with their own estimates/assumptions. As such, the BEA's initial estimate of GDP is prone to sizable revision. Data collection issues mean those blanks will be even larger in the first estimate of Q1 GDP, which also helps account for the wide range of forecasts.  However large the contraction in top-line real GDP turns out to be, the contraction in private domestic demand (combined business and household spending) will be even larger, and will be a better indicator of the initial impacts on the U.S. economy of the coronavirus and the efforts to stem its spread. Faster growth in government spending, even ahead of the efforts to mitigate the effects of the shutdown of economic activity related to the coronavirus, and a narrower trade deficit will help cushion the decline in top-line real GDP. Any such cushion, however, will not provide much comfort in the face of a sizeable decline in consumer spending – the uncertainty here is how much of the drop-off in spending on services over the back half of March will be accounted for in the Q1 GDP data – and a contraction in business investment. The decline in private domestic demand will be significantly larger in Q2 than was the case in Q1, such that even with significantly higher government spending, the contraction in top-line real GDP in Q2 will be far more severe than was the case in Q1.
<b>Q1 GDP Price Index – 1<sup>st</sup> estimate</b> Wednesday, 4/29 Range: 0.5 to 1.8 percent Median: 1.0 percent SAAR	Q4 = 1.3% SAAR	<u>Up</u> at an annualized rate of 0.8 percent.
<b>Q1 Employment Cost Index</b> Thursday, 4/30 Range: 0.3 to 0.8 percent Median: 0.6 percent	Q4 = +0.7%	<u>Up</u> by 0.6 percent, with the <u>wages</u> component <u>up</u> by 0.7 percent and the <u>benefits</u> component <u>up</u> by 0.6 percent. Our forecast would leave the <u>total ECI</u> <u>up</u> 2.6 percent, with the <u>wages</u> component <u>up</u> 2.9 percent and the <u>benefits</u> component <u>up</u> 2.1 percent. Though the labor market began to unravel in March, that won't have had much impact on the Q1 ECI data. That, however, will change in the Q2 data given how severe and broad based job losses have been across private sector industry groups.

# ECONOMIC PREVIEW



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<b>March Personal Income</b> Range: -6.2 to -0.1 percent Median: -1.5 percent	Thursday, 4/30	Feb = +0.6%	<p><u>Down</u> by 1.1 percent. Aggregate private sector wage and salary earnings declined sharply in March, with the steep decline in nonfarm payrolls and a shorter workweek overwhelming the 0.4 percent increase in average hourly earnings. Our forecast also anticipates material declines in asset-based income, rental income, and nonfarm proprietors' income (a proxy for small business profits). To repeat a by now familiar caveat, any declines in the March data will tell only part of the story, given that the shutdown in economic activity largely took place over the second half of the month. That same point is true of the increase we expect in transfer payments. Transfer payments likely posted a moderate increase in March, with much larger increases on tap for Q2, reflecting the "rebate" checks and expanded Unemployment Insurance benefits incorporated into the CARES Act. The magnitude of such transfer payments should prop up total personal income in Q2 but, in the absence of all or part of these payments being extended, that sets up a severe decline in personal income in Q3.</p> <p>Keep in mind that the March data on personal income and spending (see below) will have been incorporated into Wednesday's release of the initial estimate of Q1 GDP. The March data still matter, however, because they will set the base for the Q2 data and, as such, should not be written off as old news.</p>
<b>March Personal Spending</b> Range: -14.9 to 0.1 percent Median: -5.0 percent	Thursday, 4/30	Feb = +0.2%	<p><u>Down</u> by 10.1 percent. We know from the report on March retail sales that spending on goods fell sharply, but the report on March personal consumption expenditures (PCE) will offer a view how spending on services was impacted by the fallout from the coronavirus. That will only be a partial view, however, as it was not until the latter half of March that spending on services effectively dried up. The April data will tell the full story, but that story won't be told until the release of the data on May 29.</p>
<b>March PCE Deflator</b> Range: -0.5 to 0.0 percent Median: -0.3 percent	Thursday, 4/30	Feb = +0.1%	<p><u>Down</u> by 0.4 percent, which would translate into an over-the-year increase of 1.1 percent. Our forecast anticipates the <u>core PCE Deflator</u> will <u>decline</u> by 0.1 percent, yielding a year-on-year increase of 1.6 percent.</p>
<b>April ISM Manufacturing Index</b> Range: 30.0 to 45.0 percent Median: 36.1 percent	Friday, 5/1	Mar = 49.1%	<p><u>Down</u> to 34.9 percent. During the 2007-09 recession, the peak-to-trough decline in the ISM's headline index was 19.6 percentage points, our forecast would cover most of that ground in a single month and would leave the headline index at its lowest point since December 2008. This simply reflects the abrupt and broad based shutdown in manufacturing activity brought about by the coronavirus and the efforts to stem its spread. Our forecast anticipates sharp declines in the components measuring new orders, production, and employment. Even if our forecast proves to be too aggressive, the decline in the headline index will be substantial, but attention will likely quickly turn to the duration of the downturn in the factory sector and the speed at which activity will ultimately come back on line, which will almost surely be much slower than the collapse in activity was in coming.</p>
<b>March Construction Spending</b> Range: -21.5 to -1.0 percent Median: -3.5 percent	Friday, 5/1	Feb = -1.3%	<p><u>Down</u> by 4.4 percent.</p>

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