ECONOMIC PREVIEW

REGIONS

Week of September 23, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 6-7 FOMC meeting):* Target Range Mid-point: 4.375 to 4.625 percent Median Target Range Mid-point: 4.625 percent	Range: 4.75% to 5.00% Midpoint: 4.875%	This week's data docket gets off to a slow start but ends with a bang, with the August data on the PCE Deflator, the FOMC's preferred gauge of inflation, being closely scrutinized in light of Fed Governor Waller's comments last week about downside inflation surprises possibly impacting the size of looming Fed funds rate cuts.
September Consumer Confidence Tuesday, 9/24 Range: 101.0 to 105.7 Median: 104.0	Aug = 103.3	Up to 105.7, though it could be that increasingly less favorable assessments of labor market conditions are more of an offset to falling gasoline prices and lower mortgage interest rates than our forecast anticipates. Mortgage interest rates had declined sharply ahead of last week's FOMC meeting, and the decline in gasoline prices during August picked up pace in September, both of which would figure to boost consumers' moods. The potential offset, however, would be further deterioration in consumers' assessments of labor market conditions. The "jobs plentiful-jobs hard to get" spread has narrowed considerably over recent months and, while still favorable, was narrower in August than at any time since March 2021, when consumers were only beginning to feel better about the labor market after the dramatic plunge in employment in the early phases of the pandemic. Still, despite that narrowing spread, the headline confidence index pushed higher in July and August, and we expect a further increase in the September survey, even if by less than our forecast anticipates.
August Durable Goods Orders Thursday, 9/26 Range: -6.2 to -1.0 percent Median: -2.8 percent	Jul = +9.8%	Down by 3.1 percent. Though swings in civilian aircraft orders always have an outsized impact on the top-line orders number, those swings have been particularly sharp over the past few months, culminating in the nearly double-digit increase in top-line orders in July. Though less pronounced, a decline in aircraft orders will drag down the top-line orders number in the August data, but we expect the underlying details to be soft (see below). After scrambling to catch up from extended pandemic-related disruptions, motor vehicle production overshot the mark, as waning demand led to rising inventories that in turn led producers to dial down output, and we expect the August data to show a third straight decline in motor vehicle orders. That streak is, in turn, weighing on demand for steel, and we expect the recent run of declines in orders for primary metals to have continued in August. One of the few bright spots in the orders data is the ongoing growth in orders for computer equipment, which we expect to have continued in August.
August Durable Goods Orders: Ex-Trnsp. Thursday, 9/26 Range: -0.8 to 0.8 percent Median: 0.1 percent	Jul = -0.2%	We look for ex-transportation orders to be unchanged and look for core capital goods orders (nondefense capital goods excluding aircraft & parts) to be up by 0.1 percent. As we've been noting for some time, core capital goods orders have been notably rangebound since the beginning of 2023, never straying far in either direction from the level seen in January 2023. We don't expect that to have changed in August, nor do we expect it to change soon. Though lower financing costs may provide a bit of a lift to capital spending, the bigger impediment seems to be uncertainty around the course of regulatory, trade, and fiscal policy, a cloud that will not begin to lift until we get into 2025. Core capital goods orders are an early indicator of movements in business investment in equipment and machinery in the GDP data, and if core capital goods orders do remain relatively unchanged into 2025, it will take even longer for the GDP data to show meaningful gains in business outlays on equipment/machinery.
Q2 Real GDP: 3rd estimate Thursday, 9/26 Range: 2.8 to 3.0 percent Median: 3.0 percent SAAR	Q2 2nd est. = +3.0% SAAR	Up at an annualized rate of 2.9 percent. Though the third estimate of GDP in any given quarter is typically uneventful, the third look at Q2 2024 GDP will incorporate the BEA's annual update of the National Economic Accounts. This year's update will cover prior estimates of GDP, GDP by industry, and Gross Domestic Income (GDI), including personal income and corporate profits, from Q1 2019 through 2024. While we'll be most interested in estimates of real GDP growth over recent quarters, we'll also be watching the revised data on personal income, which will incorporate the data from the Q1 2024 Quarterly Census of Employment and Wages (QCEW). Recall that it was the Q1 QCEW data that triggered the sizable downward benchmark revision – still preliminary – to the level of nonfarm employment as of March 2024. Though the BEA's estimates of wage and salary earnings are anchored to the QCEW data rather than to the monthly employment reports, there could still be meaningful revisions to prior estimates of labor earnings over recent quarters. This in turn would mean meaningful revisions to prior estimates of personal income given that labor earnings are far and away the largest single component of personal income.

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Q2 GDP Price Index: 3rd estimate Thursday, 9/26 Range: 2.5 to 2.5 percent Median: 2.5 percent SAAR	Q2 2nd est. = +2.5% SAAR	Up at an annualized rate of 2.5 percent.
August Advance Trade Balance: Goods Friday, 9/27 Range: -$105.0 to -$97.2 billion Median: -$100.0 billion	Jul = -$102.8 billion	Widening to -$104.3 billion. After widening significantly in July, we expect the deficit in the goods account to have widened further in August. These wider deficits are more of an import story than an export survey, reflecting many retailers concerned over potential shipping disruptions getting an earlier than normal start to stocking up for the holiday sales season. To that point, July saw a much larger than normal increase in not seasonally adjusted imports of non-food consumer goods, an increase we expect to have been built on in August. To the extent that retailers pulling orders forward is behind the wider deficits in the goods account, there will be payback as we move through the fall in the form of narrower deficits. If we're correct on this point, trade will be a bigger drag on Q3 real GDP growth than was the case in Q2, when a wider trade deficit knocked 0.77 percentage points off top-line real GDP growth but will add to Q4 real GDP growth.
August Personal Income Friday, 9/27 Range: 0.2 to 0.6 percent Median: 0.4 percent	Jul = +0.3%	Up by 0.5 percent. With the rebound in aggregate hours worked, the August data should show a meaningfully larger increase in aggregate private sector wage and salary earnings than those seen over the prior two months, and growth in public sector earnings should also pick up from July's pace. That said, the BEA's monthly data on personal income and spending will be subject to the annual revision process we addressed above in our comments on the revised Q2 GDP data. Though we'll be interested to see whether or to what extent, the paths of the components of personal income, primarily nonfarm proprietors' income and rental income, look any different in the revised data, what we'll be the most interested in is whether the revised data continue to show growth in aggregate labor earnings outpacing inflation, as has thus far been the case over this entire period of elevated inflation.
August Personal Spending Friday, 9/27 Range: 0.1 to 0.6 percent Median: 0.3 percent	Jul = +0.5%	Up by 0.1 percent. The sharp decline in unit motor vehicle sales and lower gasoline prices will team up to act as a meaningful drag on growth in nominal spending on goods – our forecast anticipates a decline. Combined with what we expect will be a more moderate increase in services spending than that seen in July, the net result is only a middling increase in total consumer spending. That said, our forecast would still leave Q3 growth in real consumer spending ahead of Q2's pace. The caveat here is that the looming revisions to the GDP data could disrupt the patterns in monthly spending apparent in the data to date.
August PCE Deflator Friday, 9/27 Range: 0.1 to 0.2 percent Median: 0.1 percent	Jul = +0.2%	Up by 0.1 percent, which would yield a year-on-year increase of 2.3 percent. We look for the core PCE Deflator to be up by 0.2 percent, which would push the year-on-year increase up to 2.7 percent.

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