ECONOMIC PREVIEW

Week of November 25, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 17-18 FOMC meeting):* Target Range Mid-point: 4.375 to 4.625 percent Median Target Range Mid-point: 4.375 percent	Range: 4.50% to 4.75% Midpoint: 4.625%	The holiday-shortened week is nonetheless a busy one for economic data releases, and the October data on the PCE Deflator (see Page 2) will likely capture the most attention. Core inflation is proving to be more persistent than many anticipated would be the case and is likely to edge higher over the next few months. Along those lines, Tuesday brings the release of the minutes of the November FOMC meeting. We'll be most interested in comments around whether, or to what extent, perceptions of the risks to their inflation forecasts have shifted since the September meeting, when 16 of 19 Committee members assessed those risks as "balanced."
November Consumer Confidence Tuesday, 11/26 Range: 107.5 to 115.0 Median: 111.8	Oct = 108.6	Up to 112.6. Though there could be a bit of a post-election bounce, keep in mind that consumer confidence unexpectedly spiked in October with healthy advances in the assessments of both present and expected future conditions, which could serve to limit any such post-election bounce. While further declines in retail gasoline prices could support further improvement in the headline index, we think the far bigger factor will be consumers' assessments of labor market conditions. The unexpected increase in the headline confidence index in October coincided with a meaningful widening in the "jobs plentiful/jobs hard to get" spread, also unexpected after months of that spread having steadily narrowed. What to make of the October read is obviously open to interpretation given the extent to which the signal in much of the October labor market data was distorted by the Boeing strike and Hurricanes Helene and Milton. As such, we'll be interested to see whether the improvement in consumers' assessments of labor market conditions seen in the October survey will be built upon or reversed in the November survey.
October New Home Sales Tuesday, 11/26 Range: 688,000 to 751,000 units Median: 725,000 units SAAR	Sep = 738,000 units SAAR	Up to an annual rate of 751,000 units. On a not seasonally adjusted basis, we look for sales of 56,000 units, down 5.1 percent from September, though we expect that the hurricanes held sales in the South region below where they otherwise would have been. That we expect unadjusted sales to have fallen but the "headline" sales number, i.e., seasonally adjusted and annualized, reflects what we expect will be a generous October seasonal factor, but if we're wrong on this our forecast of headline sales will be too high. More importantly, despite mortgage interest rates having reversed course and headed higher over the course of the month, commentary from builders suggest sales this October were in line with typical seasonal patterns, though it took builders being more aggressive with incentives, particularly mortgage interest rate buydowns, to make that the case. That many builders are sitting on higher spec inventories than they are comfortable with helps account for the more aggressive use of incentives, but the flip side of this is increased pressure on profit margins. That mortgage interest rates haven risen even higher this month, once again flirting with the seven percent mark, suggests the November data may show considerably weaker sales.
Q3 Real GDP – 2nd estimate Wednesday, 11/27 Range: 2.7 to 3.3 percent Median: 2.8 percent SAAR	Q3: 1st est. = +2.8% SAAR	Up at an annualized rate of 2.8 percent. Though new and revised source data will shuffle the details, we expect the headline growth print to be unchanged from the initial estimate which, admittedly, would be an unusual occurrence. Either way, the second estimate of Q3 GDP will bring the first look at Q3 corporate profits and Gross Domestic Income, each of which may be more revealing than the GDP growth print.
Q3 GDP Price Index – 2nd estimate Wednesday, 11/27 Range: 1.8 to 1.9 percent Median: 1.8 percent SAAR	Q3: 1st est. = +1.8% SAAR	Up at an annualized rate of 1.8 percent.
October Durable Goods Orders Wednesday, 11/27 Range: -1.0 to 2.6 percent Median: 0.5 percent	Sep = -0.7%	Up by 1.1 percent. The wide range of forecasts of top-line orders likely reflects considerable uncertainty over civilian aircraft orders. Boeing booked 63 gross orders in October and reported no cancellations during the month, leaving net orders little changed from September, but accounting adjustments for orders taken over prior months could lead to a bigger boost than implied by the October net order number. None of this says anything about underlying demand for business capital goods, and as in any month the most important element of the October data will be core capital goods orders (see below). That said, within the transportation equipment category, we will be watching orders for motor vehicles which, though having risen in September, had been trending lower as inventories of unsold inventories pushed higher. While our forecast anticipates a decline in motor vehicle orders in October, it could be that anticipated replacement demand provided support.

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Oct. Durable Goods Orders: Ex-Trnsp. Wednesday, 11/27 Range: -0.8 to 0.4 percent Median: 0.1 percent	Sep = +0.5%	We look for ex-transportation orders to be up by 0.3 percent and for core capital goods orders (nondefense capital goods excluding aircraft and parts) to be up by 0.2 percent. As we've frequently noted over this span, core capital goods orders have been largely rangebound since the start of 2023, reflecting the general malaise looming over the manufacturing sector and, more recently, uncertainty around the policy implications of the elections. The election results raise the probability that the main business tax provisions of the 2017 tax cuts, some of which had already begun to sunset, will be restored/extended which, we believe, will be at least modestly supportive of business investment in equipment & machinery in 2025. Though the October data are obviously not going to reflect any such effects, this is something to watch in the data on core capital goods orders in the months ahead. In the context of weak conditions in manufacturing, tepid global economic growth, and election-related uncertainty, "rangebound since early-2023" has been somewhat of a win; we'd argue that the lack of a meaningful and sustained decline over this span speaks to the potential of pent-up demand for cap ex.
Oct. Advance Trade Balance: Goods Wednesday, 11/27 Range: -$110.5 to -$95.0 billion Median: -$102.0 billion	Sep = -$108.7 billion	Widening to -$106.7 billion. Imports have been on a tear over recent months, and while it could be that some companies have been pulling imports forward to beat potentially higher tariffs, we think the far bigger driver was fear of a drawn-out strike at East and Gulf Coast ports. That the "mini strike" in October was settled quickly, however, still leaves open the possibility of a protracted strike starting on January 15 as disagreements over automation were not settled but simply deferred. It is true that with the election outcome now known, there will be some "beat the tariffs" ordering that could pull imports forward, but there is a limit as to how much preemptive ordering firms can engage in given capacity and financing constraints on holding inventories. Either way, in terms of simple GDP accounting, this run of rapid growth in imports is acting as a drag on top-line real GDP growth but that will reverse when growth in imports ultimately slows.
October Personal Income Wednesday, 11/27 Range: 0.1 to 0.6 percent Median: 0.3 percent	Sep = +0.3%	Up by 0.4 percent. Our degree of confidence in our forecast is diminished by higher than normal uncertainty around private sector wage and salary earnings, far and away the largest component of personal income. The earnings details in the October employment report were stronger than we would have anticipated given the degree to which work patterns were disrupted by the hurricanes and the Boeing strike. While BEA does not directly incorporate those details into their estimates of wage and salary earnings, they do use them as a guide, but we still see the potential for growth in labor earnings in October to come in below our forecast, thus putting our forecast of top-line income growth at risk. The more relevant point, however, is that growth in aggregate labor earnings continues to easily outpace inflation, a point that has often been missed but which we see has having acted as a floor under overall consumer spending. Our forecast also anticipates a reversal of the recent run of declines in interest income ended in October, contributing to a gain in asset-based income after three straight monthly declines, but if we're wrong on this point our forecast of top-line income growth will prove to be too high.
October Personal Spending Wednesday, 11/27 Range: 0.2 to 0.5 percent Median: 0.4 percent	Sep = +0.5%	Up by 0.5 percent.
October PCE Deflator Wednesday, 11/27 Range: 0.2 to 0.3 percent Median: 0.2 percent	Sep = +0.2%	Up by 0.2 percent, which would yield a year-on-year increase of 2.3 percent. We look for the core PCE Deflator to be up by 0.3 percent, which would translate into an over-the-year increase of 2.8 percent. While falling energy prices have been a drag on headline inflation, core inflation is proving to be more stubborn, with the year-on-year change in the core PCE Deflator moving in the wrong direction after a three-month run at 2.7 percent. Moreover, the 2.8 percent increase we expect in the October data will likely give way to a 2.9 percent increase in the next couple of months. Even though few are expecting a sustained acceleration in inflation in the months ahead, the lack of further deceleration could easily be sufficient to disrupt the degree to which the FOMC cuts the Fed funds rate and the pace at which they do so.

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