ECONOMIC PREVIEW

REGIONS

Week of December 12, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on December 13-14):* Target Range Midpoint: 0.625 to 0.625 percent Median Target Range Midpoint: 0.625 percent		0.375%	A 25-basis point hike in the Fed funds rate target range at this week's FOMC meeting is pretty much a lock. What comes next is anyone's guess, including the FOMC's. Like the rest of us, FOMC members are trying to assess the impact of potentially significant changes to fiscal, regulatory, and trade policy in 2017. With no specific policies yet on the table, there will likely be few changes to the FOMC's economic and rate projections, but we do look for them to put renewed emphasis on their "data dependency" in assessing the appropriate path of the funds rate.
November Retail Sales Range: 0.1 to 0.6 percent Median: 0.4 percent	Wednesday, 12/14	Oct = +0.8%	Up by 0.2 percent. Motor vehicle sales and gasoline were significant supports for sizeable increases in retail sales in September and October, but that support will be lacking in the November data. Not only did unit motor vehicle sales decline, but the sales mix was less revenue friendly as SUV/light truck sales dropped off. We look for apparel stores, restaurants, and online sales to have posted solid November gains. Don't fret over a weak November headline number, as our call would leave Q4 total retail sales up at an annualized rate of 6.2 percent relative to Q3 sales.
November Retail Sales: Ex-Auto Range: 0.1 to 0.7 percent Median: 0.5 percent	Wednesday, 12/14	Oct = +0.8%	Up by 0.3 percent.
November Retail Sales: Control Range: -0.1 to 0.5 percent Median: 0.4 percent	Wednesday, 12/14	Oct = +0.8%	Up by 0.3 percent. We think price effects could be even more pronounced in the November data, thus weighing on sales reported on a nominal basis. Still, our call would put growth in control sales at an annualized rate of 4.8 percent in Q4.
November PPI – Final Demand Range: -0.1 to 0.3 percent Median: 0.1 percent	Wednesday, 12/14	Oct = 0.0%	Up by 0.1 percent, which translates into an over-the-year increase of 0.9 percent.
November Core PPI Range: -0.1 to 0.3 percent Median: 0.2 percent	Wednesday, 12/14	Oct = -0.2%	Up by 0.2 percent, which would leave the core PPI up 1.3 percent year-on-year.
November Industrial Production Range: -0.5 to 0.1 percent Median: -0.2 percent	Wednesday, 12/14	Oct = 0.0%	Down by 0.5 percent. We look for manufacturing output to have fallen based on the decline in aggregate hours worked in the factory sector, while mild November weather will have resulted in lower utilities output. Our call would leave total IP down on a year-over-year basis for a 15th consecutive month.
November Capacity Utilization Rate Range: 74.8 to 75.5 percent Median: 75.1 percent	Wednesday, 12/14	Oct = 75.3%	Down to 74.9 percent.
October Business Inventories Range: -0.2 to 0.2 percent Median: -0.1 percent	Wednesday, 12/14	Sep = +0.1%	We look for total business inventories to be down by 0.2 percent, with total business sales up by 1.0 percent.
November Consumer Price Index Range: 0.1 to 0.3 percent Median: 0.2 percent	Thursday, 12/15	Oct = +0.4%	Up by 0.2 percent, for a year-over-year increase of 1.8 percent. Gasoline will again be a support for the total CPI, though not to the extent seen in September and October. We also look for the increase in rents to have moderated a bit while medical care costs post a more trend-like increase. The effects of lower energy prices are washing from the data, but the bottom line is that at present there are few sources of meaningful inflation pressure in the U.S. economy.
November Core CPI Range: 0.1 to 0.2 percent Median: 0.2 percent	Thursday, 12/15	Oct = +0.1%	Up by 0.2 percent, which would yield a year-over-year increase of 2.2 percent. Rents continue to be the driving force behind core inflation, and we look for core goods prices to have fallen year-on-year for the 43rd time in the past 44 months.
Q3 Current Account Balance Range: -$121.7 to -$110.3 billion Median: -$111.6 billion	Thursday, 12/15	Q2 = -$119.9 bil	Narrowing to -$111.7 billion thanks to a sharp decline in the trade deficit. That decline, however, will be reversed in Q4, which will in turn lead to a much larger Q4 current account deficit.
November Housing Permits Range: 1.184 to 1.281 million units Median: 1.240 million units	Friday, 12/16	Oct = 1.260 mil	Up to an annual rate of 1.281 million units, with single family permits higher and multi-family permits lower. On a not seasonally adjusted basis, we look for 98,300 housing permits in November, which would leave the running 12-month total at 1.187 million units.
November Housing Starts Range: 1.125 to 1.284 million units Median: 1.230 million units	Friday, 12/16	Oct = 1.323 mil	Down to an annual rate of 1.284 million units. As with October, there will be a good deal of seasonal adjustment noise in the November data. On a not seasonally adjusted basis, we look for total starts of 101,000 units, which would leave the running 12-month total at 1.179 million units, the highest since April 2008.

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