ECONOMIC PREVIEW

REGIONS

Week of February 15, 2016

Indicator/Bloomberg Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on March 15-16):* Target Range Midpoint: 0.375 to 0.625 percent Median Target Range Midpoint: 0.375 percent		0.375%	Here is the lead sentence in an article discussing the ongoing carnage in the financial markets: "Financial markets are signaling that investors have lost faith in central banks' ability to support the global economy." Wow, seriously? Here is a short list of things central banks were not designed to do, cannot do, and should not be expected to do: fill the significant void left by fiscal policy makers lacking the wisdom or the will, if not both, to do their jobs; overcome what has become an ad hoc regulatory framework in which regulations are imposed with little or no debate and even less understanding of, if not a wanton disregard for, the economic implications; design and implement structural reforms to enhance economic efficiency; knock down poorly thought out and hastily imposed barriers to trade; and reverse weakening demographic trends. The price of credit is conspicuously absent from the list of issues that are, to different degrees in different countries, holding down global growth. Now, admittedly, we're no experts, but we just can't figure out how low, or even negative, interest rates solve any of these issues, let alone all of them. We don't know which is worse – that some are only now figuring out that central banks do indeed have limits, or that they ever actually thought central banks were the answer to the most significant impediments to economic growth in the first place.
January Producer Price Index Range: -0.5 to 0.0 percent Median: -0.2 percent	Wednesday, 2/17	Dec = -0.2%	Down by 0.3 percent, which translates into a 0.6 percent decline on a year-over-year basis.
January Producer Price Index: Core Range: 0.0 to 0.2 percent Median: 0.1 percent	Wednesday, 2/17	Dec = +0.1%	Unchanged, which would leave the core PPI up 0.3 percent year-on-year.
January Housing Starts Range: 1.100 to 1.230 million units Median: 1.175 million units SAAR	Wednesday, 2/17	Dec = 1.149 mil	Up to an annualized rate of 1.176 million units. Basically, pick a number between zero and infinity and your forecast will be no worse than ours. At least that's how it feels in the wake of November and December numbers that were significantly skewed by seasonal adjustment issues. We have single family starts declining in January, but this would nonetheless leave them back on the "slow but steady improvement" path they had been on before the large swings seen over the prior two months. As for the always fun to watch but maddening to forecast multi-family segment, starts have been running far behind permits for the past several months, and we've incorporated some payback into our forecast for January.
January Housing Permits Range: 1.122 to 1.255 million units Median: 1.200 million units SAAR	Wednesday, 2/17	Dec = 1.204 mil	Down to an annual rate of 1.158 million units. We expect a continuation of the slow but steady advance in single family permits. We look for multi-family permits to have fallen in January, but expiring tax credits for multi-family building in New York City could again skew permit issuance in the Northeast.
January Industrial Production Range: -0.2 to 1.0 percent Median: 0.3 percent	Wednesday, 2/17	Dec = -0.4%	Up by 0.5 percent. We look for higher utilities output to contribute to what would be the first increase in industrial production in five months, with modest support from manufacturing. Mining output, however, will continue its string of declines.
January Capacity Utilization Rate Range: 76.3 to 77.2 percent Median: 76.7 percent	Wednesday, 2/17	Dec = 76.5%	Up to 76.9 percent.
January Leading Economic Index Range: -0.6 to 0.2 percent Median: -0.2 percent	Thursday, 2/18	Dec = -0.2%	Down by 0.3 percent.
January Consumer Price Index Range: -0.4 to 0.0 percent Median: -0.1 percent	Friday, 2/19	Dec = -0.1%	Down by 0.1 percent, though we wouldn't be surprised by a larger decline. It will mainly come down to the extent to which seasonal adjustment factors account for the steep decline in retail gasoline prices – until last year the norm was for pump prices to rise, not fall, in the month of January. More significantly, there remain few sources of inflation pressure in the economy. Yes, our call would leave the total CPI up 1.2 percent year-over-year, the largest such increase since November 2014, but this mainly reflects smaller declines in energy prices this year than last.
January Consumer Price Index: Core Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 2/19	Dec = +0.1%	Up by 0.1 percent. This would yield an over-the-year increase of 2.1 percent, but this is largely a reflection of the outsized weighting of rents in the core CPI, as core inflation ex-shelter is running closer to 1.0 percent. At least as reported in the CPI data, rent growth has slowed in recent months; should this slower rent growth persist, it will cap the upside for core CPI inflation over coming months.

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