

Indicator/Action Economics Survey:

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

Last Actual:

0.375%

Regions' View:

We think Fed Chairwoman Yellen will have two main objectives this week in her semi-annual Humphrey-Hawkins testimony. First, to convey the point that all FOMC meetings are on the table in terms of the timing of the next hike in the Fed funds rate. This includes the March FOMC meeting, despite highly volatile financial markets and tighter overall financial conditions of late. But, her second objective will be to stress that the path of the funds rate implied by the "dot plot" released in December was not set-in-stone. Dr. Yellen will repeat her "data dependent" mantra many times in many ways, despite what will no doubt be efforts from both sides of the aisle to pin her down to something more definitive.

Wednesday 2/10 Fed Chairwoman Yellen testifies before the House Financial Services Committee 10:00 EST

Thursday 2/11 Fed Chairwoman Yellen Testifies before the Senate Banking Committee 10:00 EST

January Retail Sales
 Range: -0.2 to 0.4 percent
 Median: 0.1 percent

Friday, 2/12 Dec = -0.1%

Up by 0.1 percent. The usual suspects team up to produce another weak headline print on the monthly retail sales report. Retail gasoline prices were down better than four percent in January as reported by the EIA, so once again gasoline will be a drag on headline sales. Aside from sales at gasoline stations this also is reflected in sales at general merchandise stores, which is the broad category into which warehouse clubs/superstores, many of whom sell gasoline, roll up into. Price effects continue to weigh on retail sales reported on a nominal basis and, to the extent retailers resorted to post-holiday discounting to clear inventories, those price effects will have been even more pronounced in January. And, really, it just wouldn't be winter unless the weather came up in the discussion of the economic data, and it remains to be seen if last month's severe winter storm impacted sales.

One support for total retail sales will be motor vehicles, at least we think. Despite many large population centers being virtually shut down by the storm for a few days, unit motor vehicle sales rose by 1.5 percent in January. Moreover, the mix of sales was very revenue friendly, as SUVs/light trucks accounted for the highest share of overall sales since mid-2005. But, while this leads us to expect motor vehicle sales to be a positive for total retail sales in January, one never really knows the magically mysterious and often maddening means by which the Commerce Department maps monthly unit sales into the dollar volume of sales at motor vehicle dealers in the monthly retail sales report. As such, it's no lock that motor vehicle sales will be a support for total retail sales.

Either way, at its core we expect the January retail sales report to be fairly soft, with only a modest gain in control retail sales. While accounting for price effects will result in real control sales being a bit firmer, it is looking as though growth in consumer spending got off to a slow start in Q1. We'll caution, however, not to draw too many hard conclusions from the January retail sales data. Remember, the retail sales data do not include spending on services, which accounts for roughly two-thirds of all consumer spending as reported in the GDP data. And, consumers holding back on spending by choice, i.e., opting to build up their savings, as opposed to doing so out of necessity, shouldn't be taken as a bad thing, though for some reason many seem to see it that way. We can't help but recall the years leading up to the 2007-09 recession when growth in consumer spending was easily outpacing income growth, with credit growth accounting for the difference. Back then, consumers were repeatedly chided for spending too much and saving too little, and that episode didn't end all that well, as we recall.

January Retail Sales – Ex-auto
 Range: -0.2 to 0.2 percent
 Median: 0.0 percent

Friday, 2/12 Dec = -0.1%

Unchanged.

January Retail Sales – Control Group
 Range: -0.1 to 0.6 percent
 Median: 0.3 percent (estimates from Bloomberg)

Friday, 2/12 Dec = -0.3%

Up by 0.1 percent.

December Business Inventories
 Range: -0.7 to 0.4 percent
 Median: 0.1 percent

Friday, 2/12 Dec = -0.2%

We look for total business inventories to be down by 0.2 percent, with total business sales down by 0.8 percent.

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