Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on January 26-27):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.375%	It was Chico Marx's character in *Duck Soup* who uttered the line "who ya gonna believe, me or your own eyes?" In our world that line would translate into "who ya gonna believe, the labor market or the rest of the data?" This week's slate of data will tell a tale of a soft end to 2015, as has much of the other data of late. This of course stands in stark contrast to the tale told by the labor market data, capped off by the strong December employment report and initial jobless claims at 1973-like levels. Our view is Q4 real GDP growth may look dismal but the labor market data show the underlying health of the economy holding up. Still, to already jittery financial markets this week's data may sound more convincing.
December Retail Sales Range: -0.2 to 0.3 percent Median: 0.1 percent	Friday, 1/15	Nov = +0.2%	<u>Down</u> by 0.2 percent with motor vehicle sales and price effects teaming up to do a number on total retail sales. Unit motor vehicle sales came in at annualized rate of 17.33 million units in December which, in and of itself, is a fine number. The problem, at least for retail sales, is this is a letdown after three straight months of a sales rate over 18 million units, meaning motor vehicle sales will be a drag on the month-to-month change in total retail sales, particularly if used vehicle prices fell further in December (used vehicles sold through dealers are captured in the retail sales data). Additionally, retail gasoline prices fell in December, which is not out of the ordinary but the better than five percent decline in prices was larger than normal so will not be fully compensated for by seasonal adjustment, hence gasoline will be a drag on top-line sales. As has been the case for the past several months, price effects will not be limited to gasoline and falling goods prices will once again make the nominal retail sales numbers look weaker, an effect that will have been compounded by aggressive holiday discounting in December. This could be particularly notable in the apparel category. Still, we don't look for the December retail sales report to be a total loss as we expect nonstore retailers, furniture stores, and restaurants to register higher sales. One caveat, however, is that the data on on-line sales (which account for around 86 percent of sales at nonstore retailers) are reported with a one-month lag. As such, this week's initial estimate for December may understate what by all accounts was a solid month for on-line sales.
December Ex-Auto Retail Sales Range: 0.0 to 0.6 percent Median: 0.3 percent	Friday, 1/15	Nov = +0.4%	<u>Up</u> by 0.2 percent.
December Control Retail Sales Range: 0.1 to 0.8 percent Median: 0.3 percent (range and median from Bloomberg)	Friday, 1/15	Nov = +0.6%	<u>Up</u> by 0.2 percent. On top of November's sizeable gain, this would leave Q4 control retail sales (a direct input into the GDP data on consumer spending) up at an annualized rate of 3.1 percent on a nominal basis, a sharp slowdown from Q3 growth. This was also the case for total real consumer spending for Q4 as a whole, which is one reason we expect a feeble Q4 real GDP growth number.
December PPI – Final Demand Range: -0.4 to 0.2 percent Median: -0.2 percent	Friday, 1/15	Nov = +0.3%	<u>Down</u> by 0.2 percent, which translates into a 1.0 percent year-over-year decline. For 2015 as a whole, our call would leave the headline PPI down by 0.88 percent.
December Core PPI Range: -0.1 to 0.2 percent Median: 0.1 percent	Friday, 1/15	Nov = +0.3%	<u>Up</u> by 0.1 percent, for a year-over-year increase of 0.3 percent. This would leave the core PPI up by 0.81 percent for 2015 as a whole
December Industrial Production Range: -0.5 to 0.4 percent Median: -0.3 percent	Friday, 1/15	Nov = -0.6%	<u>Down</u> by 0.3 percent as we look for output in both mining and manufacturing to have declined with utilities output rising after two sharp monthly declines. Lower manufacturing output in the IP data would be in line with the ISM Manufacturing Index, which has shown production declining for the past two months.
December Capacity Utilization Rate Range: 76.5 to 77.6 percent Median: 76.8 percent	Friday, 1/15	Nov = 77.0%	<u>Down</u> to 76.7 percent.
November Business Inventories Range: -0.3 to 0.2 percent Median: 0.0 percent	Friday, 1/15	Oct = 0.0%	We look for total business inventories to be <u>down</u> by 0.3 percent with total business sales <u>down</u> by 0.2 percent. Inventories will have been a severe drag on Q4 real GDP growth, a painful but necessary correction stemming from the outsized inventory build over the first half of 2015. The main question is whether the drawdown in stocks over Q4 2015 will have been sufficient to right-size inventories. If our call here is on the mark, then we'd answer "yes" and say inventories should be a neutral factor for Q1 2016 real GDP growth.

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