ECONOMIC PREVIEW

REGIONS

Week of October 9, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the October 31-November 1 FOMC meeting):* Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent	1.125%	As we've noted many times, the U.S. economy had a good deal of positive momentum prior to Hurricanes Harvey and Irma. Allowing for a high degree of hurricane related noise – and this week's slate of releases will also be more noise than signal – nothing we've seen in the September data has changed our outlook.
September PPI – Final Demand Thursday, 10/12 Range: 0.3 to 0.5 percent Median: 0.4 percent	Aug = +0.2%	Up by 0.5 percent, which yields an over-the-year increase of 2.6 percent.
September PPI – Core Thursday, 10/12 Range: 0.1 to 0.3 percent Median: 0.2 percent	Aug = +0.1%	Up by 0.2 percent, with a year-on-year increase of 2.0 percent.
September Consumer Price Index Friday, 10/13 Range: 0.4 to 0.7 percent Median: 0.6 percent	Aug = +0.4%	Up by 0.7 percent, for a year-on-year increase of 2.3 percent. Unlike the prior several months, there will be no mystery in the September inflation data. Retail gasoline prices jumped by better than 10 percent in the wake of Hurricane Harvey taking out over 20 percent of the nation's refining capacity, and as typical seasonal patterns would see retail pump prices falling in the month of September, the increase in retail gasoline prices will be magnified in the seasonally adjusted data. As such, gasoline alone will add almost five-tenths of a point to the change in the total CPI. We also look for the hurricanes, particularly Irma, to have slightly lifted retail food prices, though the "Amazon effect" is very much the more significant driver at present. Additionally, motor vehicle prices likely firmed, even if only modestly, thanks to a burst of replacement demand in the wake of the hurricanes. These effects, however, are clearly transitory, so elevated headline inflation won't (or at least shouldn't) carry much weight with either market participants or policy makers.
September Consumer Price Index – Core Friday, 10/13 Range: 0.1 to 0.2 percent Median: 0.2 percent	Aug = +0.2%	Up by 0.2 percent, for a year-on-year increase of 1.8 percent. If we are correct on motor vehicle prices, that will help firm up the core CPI in September, and medical costs remain a wild card as they have yet to settle into any kind of stable pattern. But, as usual, shelter will be the main driver of core CPI inflation, though September's increase in shelter costs will be much smaller than August's. Ex-shelter core inflation slipped to 0.51 percent in August, the lowest since January 2004; where it goes from here will largely depend on the paths of medical costs and core goods prices.
September Retail Sales Friday, 10/13 Range: 0.7 to 2.5 percent Median: 1.5 percent	Aug = -0.2%	Up by 2.5 percent. There's a lot going on under the hood here, with our forecast anticipating sizeable increases in sales at motor vehicle dealers, gasoline stations, building materials stores, and nonstore retailers. Throw in the usual low degree of reliability of the initial estimate of retail sales in any given month, and the September retail sales report should at least be interesting, even if not particularly informative. Unit motor vehicle sales were up 15 percent in September, reflecting post-hurricane replacement demand (mostly in Texas but very little in Florida thus far), and the sales mix was more revenue friendly (even more slanted towards SUVs/light trucks) than in recent months. As such, our forecast anticipates an 8.8 percent increase in sales revenue at motor vehicle dealers, but the risk is more to the downside, which in turn means there is downside risk to our forecast for total retail sales. The combination of price effects and seasonal adjustment all but locks in a sizeable increase in sales at gasoline stations, and we expect post-hurricane activity to have driven a sharp increase in sales at building materials stores. The initial estimate for August showed a 1.1 percent decline in sales by nonstore retailers, and either that will be revised higher or September sales in this category will be up big. Though less than with earlier versions, the newest (but not the priciest, which is yet to come) iPhone should have supported spending in the electronics stores and/or online retailers categories.
September Retail Sales: Ex-Auto Friday, 10/13 Range: 0.1 to 1.2 percent Median: 0.8 percent	Aug = +0.2%	Up by 1.0 percent.
September Retail Sales: Control Group Friday, 10/13 Range: 0.2 to 0.8 percent Median: 0.6 percent	Aug = -0.2%	Up by 0.8 percent. While a nice rebound from August's decline, keep in mind that after accounting for price changes, growth control retail sales will be much more tame than implied by the nominal data.
August Business Inventories Friday, 10/13 Range: 0.2 to 0.7 percent Median: 0.6 percent	Jul = +0.2%	We look for total business inventories to be up by 0.7 percent and total business sales will also be up by 0.7 percent.

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