ECONOMIC PREVIEW

REGIONS

Week of November 14, 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%	Last week's data drought turns into a deluge this week, highlighted by reads on consumer spending, housing, and inflation. Despite the high volume, there figures to be little in this week's data that will alter anyone's view of the U.S. economy, nor will there be anything in the data to deter the FOMC from moving in December.
October Retail Sales Range: 0.2 to 0.8 percent Median: 0.6 percent	Tuesday, 11/15	Sep = +0.6%	<u>Up</u> by 0.6 percent. Thanks to higher retail pump prices, contrary to typical seasonal patterns, gasoline will contribute to growth in top-line sales. Higher unit sales and a more favorable sales mix mean motor vehicles will be a small positive as well. We look for restaurant sales and sales by nonstore retailers to also be key supports, though the latter has been curiously weak over recent months after having been one of the strongest categories over the year's first half. One downside risk to our forecast – given the spike in unit motor vehicle sales in September, we think the initial estimate of that month's dollar volume of sales at motor vehicle dealers was too low. Should that be revised higher our forecast for October sales growth will be too high, though our forecast of the dollar volume of sales will still be close.
October Retail Sales: Ex-Auto Range: 0.3 to 0.7 percent Median: 0.5 percent	Tuesday, 11/15	Sep = +0.5%	<u>Up</u> by 0.5 percent.
October Retail Sales: Control Range: 0.2 to 0.4 percent Median: 0.3 percent	Tuesday, 11/15	Sep = +0.1%	<u>Up</u> by 0.4 percent. After a listless Q3 we expect control sales to have bounced back in October, with help from online sales, electronics stores, and furniture stores. We think price effects will have weighed on sales at apparel stores and grocery stores.
September Business Inventories Range: 0.0 to 0.2 percent Median: 0.2 percent	Tuesday, 11/15	Aug = +0.2%	We look for total business <u>inventories</u> to unchanged, and for total business <u>sales</u> to be <u>up</u> by 0.2 percent.
October PPI – Final Demand Range: -0.2 to 0.5 percent Median: 0.3 percent	Wednesday, 11/16	Sep = +0.3%	<u>Up</u> by 0.3 percent, which would translate into a year-on-year increase of 1.2 percent.
October Core PPI Range: 0.1 to 0.3 percent Median: 0.2 percent	Wednesday, 11/16	Sep = +0.2%	<u>Up</u> by 0.2 percent, putting the core Producer Price Index up 1.6 percent year-over-year.
October Industrial Production Range: -0.1 to 0.5 percent Median: 0.2 percent	Wednesday, 11/16	Sep = +0.1%	<u>Up</u> by 0.2 percent. Despite a decline in factory jobs, aggregate hours worked in manufacturing rose in October so we expect a modest increase in manufacturing output which, along with higher mining output, should push total IP higher. Still, our forecast would leave total IP down year-on-year for a 14^{th} consecutive month.
October Capacity Utilization Rate Range: 75.2 to 77.6 percent Median: 75.5 percent	Wednesday, 11/16	Sep = 75.4%	<u>Up</u> to 75.6 percent.
October Consumer Price Index Range: -0.3 to 0.5 percent Median: 0.4 percent	Thursday, 11/17	Sep = +0.3%	<u>Up</u> by 0.4 percent. The increase in unadjusted retail gasoline prices will be magnified by seasonal adjustment factors geared for lower, not higher, prices, which will help boost the headline CPI. We've incorporated a much larger increase in medical care costs than was seen in September and a trend-like increase in rents. Our call would leave the total CPI up 1.7 percent year-on-year.
October Consumer Price Index: Core Range: 0.2 to 0.3 percent Median: 0.2 percent	Thursday, 11/17	Sep = +0.1%	<u>Up</u> by 0.2 percent, which yields a year-over-year increase of 2.2 percent. Core inflation has been fairly stable over the past several months and outside of rents and medical care costs there are few signs of intensifying inflation pressures.
October Building Permits Range: 1.172 to 1.222 million units Median: 1.190 million units SAAR	Thursday, 11/17	Sep = 1.225 mil	<u>Down</u> slightly to an annual rate of 1.222 million units. We look for a decline in multi-family permits and an increase in single family permits to be pretty much of a wash. We look for not seasonally adjusted permits of 106,500 units, which would put the 12-month total at 1.185 million units.
October Housing Starts Range: 1.100 to 1.262 million units Median: 1.164 million units SAAR	Thursday, 11/17	Sep = 1.047 mil	<u>Up</u> to an annual rate of 1.262 units. We look for a significant rebound in multi-family starts after September's oddly large decline, some of which reflected weather effects. Also, we think the single family numbers will be skewed higher by favorable seasonal adjustment. We look for not seasonally adjusted starts of 109,900 units, which would put the 12-month total at 1.162 million units.
October Leading Economic Index Range: -0.1 to 0.2 percent Median: 0.1 percent	Friday, 11/18	Sep = +0.2%	<u>Down</u> by 0.1 percent.

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