ECONOMIC PREVIEW

REGIONS

Week of September 10, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 25-26 FOMC meeting):* Target Range Midpoint: 2.125 to 2.125 percent Median Target Range Midpoint: 2.125 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	Don't ignore the core. Core inflation that is, as core inflation is picking up pace. Core services inflation has been accelerating for some time, but falling core goods prices had acted as a counter. With core goods prices showing signs of life, we could soon learn the FOMC's degree of tolerance for inflation running ahead of its target rate.
August PPI: Final Demand Wednesday, 9/12 Range: 0.0 to 0.3 percent Median: 0.2 percent	Jul = 0.0%	Up by 0.3 percent, leaving the headline PPI up 3.3 percent year-on-year.
August PPI: Core Wednesday, 9/12 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jul = +0.1%	Up by 0.3 percent, which yields a year-on-year increase of 2.8 percent.
August Consumer Price Index Thursday, 9/13 Range: 0.1 to 0.4 percent Median: 0.3 percent	Jul = +0.2%	Up by 0.4 percent, for a year-on-year increase of 2.8 percent. The risks to our forecast seem tilted to the downside, and much will hinge on whether July's declines in apparel prices and medical care costs will be reversed in August, as our forecast anticipates. Additionally, we look for gasoline to add one-tenth of a point to the month-to-month change in the total CPI. Even if our above-consensus call is correct, headline inflation will be a bit slower than was the case in July and we expect further moderation over the rest of 2018, even as core inflation firms up.
August Consumer Price Index: Core Thursday, 9/13 Range: 0.2 to 0.3 percent Median: 0.2 percent	Jul = +0.2%	Up by 0.3 percent, yielding a year-on-year increase of 2.4 percent, which would be the highest rate of core CPI inflation since September 2008. If the recent firming in core goods prices persists, it will lend support to core inflation over coming months.
August Retail Sales: Total Friday, 9/14 Range: -0.1 to 0.7 percent Median: 0.4 percent	Jul = +0.5%	Up by 0.4 percent. We have our usual zero degree of confidence in our retail sales forecast, as there are likely to be sizeable revisions to the initial estimate of July sales, as with the initial estimate of sales in any given month. In addition to the normal revisions, we suspect the initial estimates of July sales in categories such as apparel stores and general merchandise stores were favorably impacted by the June closings of the remaining *Toys R Us* and *Babies R Us* stores, making it difficult to discern the true base for August sales. Motor vehicle sales should be a drag on top-line sales and gasoline should be a support, the operative word here being "should." Restaurant sales have been oddly strong over recent months, so we'll watch to see if that continued in August, and we expect an upward revision to the initial estimate of July sales by nonstore retailers, which to us looked to be on the weak side. So, to sum up, like any other month, the August retail sales report will bring lots of numbers but precious little clarity. In any event, we remain constructive on U.S. consumers, in large part due to ongoing improvement in labor market conditions. While much, too much in our view, has been made of growth in average hourly earnings barely keeping pace with inflation, aggregate wage and salary earnings have been growing at a better than 5.0 percent clip over the past few quarters. This is the key driver of growth in personal income and, in turn, growth in consumer spending.
August Retail Sales: Ex-Auto Friday, 9/14 Range: 0.0 to 0.8 percent Median: 0.5 percent	Jul = +0.6%	Up by 0.5 percent.
August Retail Sales: Control Group Friday, 9/14 Range: 0.2 to 0.6 percent Median: 0.4 percent	Jul = +0.5%	Up by 0.5 percent.
August Industrial Production Friday, 9/14 Range: -0.1 to 0.5 percent Median: 0.3 percent	Jul = +0.1%	Up by 0.1 percent. The details of the August employment report suggest a weak print on manufacturing output in the IP data, led by a decline in motor vehicle assemblies. If we are correct, then manufacturing will largely neutralize what should be higher output in the mining and utilities sectors. Our call would leave total IP up 4.7 percent year-on-year, but that comparison is skewed by manufacturing and mining output having been sharply curtailed by Hurricane Harvey last August.
August Capacity Utilization Rate Friday, 9/14 Range: 77.8 to 78.5 percent Median: 78.2 percent	Jul = 78.1%	Up to 78.2 percent.
July Business Inventories Friday, 9/14 Range: 0.2 to 0.7 percent Median: 0.5 percent	Jun = +0.1%	We look for total business inventories to be up by 0.6 percent and for total business sales to be up by 0.2 percent.

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