ECONOMIC PREVIEW

REGIONS

Week of December 10, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 18-19 FOMC meeting):* Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent	Range: 2.00% to 2.25% Midpoint: 2.125%	The November employment report was solid if not spectacular; the ISM's gauges of new manufacturing and nonmanufacturing orders remain elevated while backlogs of unfilled orders grow larger; holiday sales have been notably strong. Hardly the picture of an economy about to go into the tank. Yes, there are downside risks, but we fully expect the current expansion to become the longest on record next summer.
November PPI – Final Demand Tuesday, 12/11 Range: -0.2 to 0.1 percent Median: percent	Oct = +0.6%	Down by 0.1 percent on lower energy costs, which would yield a year-on-increase of 2.4 percent.
November PPI: Core Tuesday, 12/11 Range: -0.1 to 0.5 percent Median: 0.2 percent	Oct = +0.5%	Up by 0.1 percent, leaving the core PPI up 2.5 percent year-on-year.
November Consumer Price Index Wednesday, 12/12 Range: -0.1 to 0.2 percent Median: 0.0 percent	Oct = +0.3%	Unchanged, for a year-on-year increase of 2.2 percent. Unadjusted gasoline prices fell by more than 7.0 percent in November; while seasonal adjustment will mitigate that decline, our forecast nonetheless anticipates a better than 3.0 percent decline on a seasonally adjusted basis. This will knock one-tenth of a point off of the monthly change in the total CPI. Shelter costs pose a downside risk to our forecast – we look for market rents and lodging costs to make a stronger showing than was the case in October, but if they do not, our forecast will be too high. As for used car prices, who the heck knows – the wild rides in each of the past two months were wild enough to move the core CPI. As for November, well, once again, who the heck knows.
November CPI: Core Wednesday, 12/12 Range: 0.2 to 0.3 percent Median: 0.2 percent	Oct = +0.2%	Up by 0.2 percent, good for a year-on-year increase of 2.3 percent. With declines in retail gasoline prices extending into December, headline inflation will finish 2018 on a soft note, well below the 2.9 percent rate seen in July. As such, reads on core inflation take on added significance, and we look for core CPI inflation to remain above 2.0 percent. Keep in mind, however, that the core CPI inflation typically runs above core PCE inflation, the latter being the FOMC's preferred gauge of inflation. Also keep in mind that, while there will be little in the inflation data over the next few months that will worry the FOMC, some Committee members remain tied to the notion that faster wage growth will lead to faster inflation and, as such, will remain biased toward further Fed funds rate hikes as the labor market continues to tighten.
November Retail Sales Friday, 12/14 Range: -0.1 to 0.7 percent Median: 0.2 percent	Oct = +0.8%	Up by 0.3 percent. Here's a word of advice for anyone planning to use the November retail sales report as a guide to how the holiday shopping season is going: don't. As we routinely note, the initial estimate of retail sales in any given month is virtually useless given what typically are large revisions. Even aside from that, November retail sales will be a tussle between sharply lower gasoline sales and notably strong online sales. The initial estimate of November retail sales is far more likely to capture the former than the latter, hence our call for only a muted increase in top-line sales
November Retail Sales: Ex-Auto Friday, 12/14 Range: -0.1 to 1.0 percent Median: 0.3 percent	Oct = +0.7%	Up by 0.3 percent.
November Retail Sales: Control Group Friday, 12/14 Range: 0.4 to 1.1 percent Median: 0.6 percent	Oct = +0.3%	Up by 0.8 percent. Our forecast incorporates a 2.6 percent increase in sales by nonstore retailers. We expect the actual increase to be much bigger, but do not expect the initial estimate of November retail sales to capture that – last year's 4.0 percent increase in November was initially reported as a 2.5 percent increase. As such, when all is said, done, and revised, we expect the increase in control sales to be even larger than our forecast here shows. Either way, U.S. consumers remain on solid footing and this is shaping up to be a strong holiday sales season.
November Industrial Production Friday, 12/14 Range: 0.0 to 0.5 percent Median: 0.3 percent	Oct = +0.1%	Up by 0.3 percent. Higher output in the manufacturing and utilities sectors should offset lower output in the mining sector thanks to the decline in energy prices. Our forecast would leave total industrial production up 3.8 percent year-on-year.
November Capacity Utilization Rate Friday, 12/14 Range: 78.3 to 78.6 percent Median: 78.5 percent	Oct = 78.4%	Up to 78.6 percent.
October Business Inventories Friday, 12/14 Range: 0.2 to 0.7 percent Median: 0.5 percent	Sep = +0.3%	We look for total business inventories to be up by 0.7 percent and total business sales to be up by0.1 percent. After having added 2.29 percentage points to top-line real GDP growth in Q3, inventories are shaping up to be a support for Q4 growth as well.

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