



### Indicator/Action Economics Survey:

### Last Actual:

### Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the April 30-May 1 FOMC meeting):</i> Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent		Range: 2.25% to 2.50% Midpoint: 2.375%	<p>It's not actually possible for an economy to stockpile its way to prosperity, but the U.S. economy is giving it a go. At least it seems that way, as Q1 2019 is shaping up to be a third consecutive quarter in which there was a significant increase in business inventories (see Page 2). While inventory builds typically add to GDP growth in the quarter in which they occur, the flip side is that there is always payback down the road such that, over the long-run, changes in inventories have no net effect on growth. So, while we think inventories will add at least 50 basis points to top-line real Q1 GDP growth, we look for the payback to come in Q2 and Q3, with inventories being a significant drag on growth in each quarter.</p> <p>The more relevant issue is what's behind this sizeable build in inventories. We think that in the early stages, rapidly growing business inventories reflected firms pulling orders and production forward as a hedge against more restrictive trade policies. We think the more recent increases in inventories reflect firms having been caught off guard by how sharply domestic and global growth slowed in late-2018/early-2019. That slowdown, however, seems to have been transitory, and if this is the case inventories should be drawn down over coming quarters, which would be a short-term drag on output growth. If, however, the sizeable inventory build instead reflects a more pronounced and persistent slowdown in economic growth than is now apparent in the data, the implications would be decidedly more ominous, but we do not believe this to be the case.</p>
<b>March Industrial Production</b> Range: -0.2 to 0.3 percent Median: 0.2 percent	Tuesday, 4/16	Feb = 0.0%	<p><u>Up</u> by 0.1 percent. Our forecast anticipates only a modest increase in manufacturing output, with motor vehicle assemblies acting as a drag, which would be in line with a sizeable decline in payrolls amongst motor vehicle producers in March. Our forecast would leave total industrial production up 2.1 percent year-on-year.</p>
<b>March Capacity Utilization Rate</b> Range: 78.8 to 79.3 percent Median: 79.2 percent	Tuesday, 4/16	Feb = 79.1%	<p><u>Unchanged</u> at 79.1 percent.</p>
<b>February Trade Balance</b> Range: -\$55.0 to -\$50.0 billion Median: -\$53.8 billion	Wednesday, 4/17	Jan = -\$51.1 billion	<p><u>Widening</u> to -\$52.6 billion, which would still leave trade on course to be a modest support for Q1 real GDP growth.</p>
<b>March Retail Sales: Total</b> Range: 0.3 to 1.5 percent Median: 0.9 percent	Thursday, 4/18	Feb = -0.2%	<p><u>Up</u> by 1.1 percent. The initial estimate of retail sales in any given month often undergoes sizeable revision, but we do not know what those revisions look like when we have to put together our forecast for the next month's sales. This is why, in any given month, we have little confidence in our retail sales forecast, and our March forecast is no different. Based on data from other sources, we know that both motor vehicles and gasoline should be supports for top-line retail sales, a sizeable support in the case of gasoline. Materially higher retail pump prices should lead to a sizeable increase in gasoline sales in the retail sales data, and the combination of strong unit sales plus a revenue friendly sales mix should yield a decent increase in sales for motor vehicle dealers. The operative word in all of this is "should." With signs of stepped-up housing market activity, our forecast anticipates a modest increase in sales at furniture stores in March, ending the recent run of monthly declines. Another solid increase in sales by nonstore retailers will also support growth in control retail sales. On a related point, our sense is that one reason the initial estimate of retail sales in any given month is so heavily revised is that online sales continue to account for an increasingly large share of consumer spending on goods (closing in on 19 percent of control retail sales) while the methodology used to estimate retail sales simply hasn't kept pace. Again, that's just our sense, but it seems like a plausible explanation for what is a vexing shortcoming in the quality of the retail sales data.</p>
<b>March Retail Sales: Ex-Auto</b> Range: -0.3 to 1.0 percent Median: 0.7 percent	Thursday, 4/18	Feb = -0.4%	<p><u>Up</u> by 0.9 percent.</p>
<b>March Retail Sales: Control Group</b> Range: 0.3 to 0.7 percent Median: 0.4 percent	Thursday, 4/18	Feb = -0.2%	<p><u>Up</u> by 0.6 percent. If our forecast for control retail sales, a direct input into the GDP data on consumer spending, is close to the mark, it would mean Q1 growth in real consumer spending will be stronger, well, okay, won't be as weak, as we had built into our Q1 GDP forecast. Either way, we'll reiterate a point we've made before, which is that the fundamentals that drive consumer spending are far healthier than has been implied by the retail sales data over the past few months.</p>

# ECONOMIC PREVIEW



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<b>February Business Inventories</b> Range: 0.0 to 0.6 percent Median: 0.3 percent	Thursday, 4/18	Jan = +0.8%	We look for total <u>business inventories</u> to be <u>up</u> by 0.5 percent and for total <u>business sales</u> to be <u>up</u> by 0.3 percent.
<b>March Leading Economic Index</b> Range: 0.0 to 0.4 percent Median: 0.4 percent	Thursday, 4/18	Feb = +0.2%	<u>Up</u> by 0.4 percent.
<b>March Housing Permits</b> Range: 1.255 to 1.325 million units Median: 1.300 million units SAAR	Friday, 4/19	Feb = 1.291 million units SAAR	<p><u>Up</u> to an annualized rate of 1.307 million units. There has been considerable noise in the residential construction data to start off 2019. For a good part of January, atypically mild weather bolstered construction activity, so single family permits and starts were notably stronger in January than is typically the case for the month. Some of this extra activity was pulled forward from February, and at the same time harsh winter weather also held down February construction activity. This one-two punch meant single family permits and starts were much weaker this February than is typically the case for the month. These monthly swings were magnified by seasonal adjustment, which explains how seasonally adjusted annualized single family starts went from a nearly 12-year high in January to an almost two-year low in February. Neither, of course, was a true reflection of the state of single family construction, though you'd never know that by reading most accounts of the January and February data.</p> <p>This is yet another illustration of our point that the only data that matter are the raw, i.e., neither seasonally adjusted nor annualized, data. We look for mixed results in the unadjusted March data. We look for a sizeable increase in single family housing permits, which would be consistent with many builders having reported strong growth in orders. At the same time, however, we look for weather to have once again held down housing starts, with wet weather across many parts of the U.S. keeping builders from breaking ground. On a not seasonally adjusted basis, we look for 113,400 total housing permits, with a hefty increase in single family permits and modestly higher multi-family permits. Our forecast would leave the running 12-month total of not seasonally adjusted permits at 1.302 million units. To be sure, the weakness in the single family segment of the housing market in late-2018 is still weighing on that total, but going forward we expect single family permits to push higher as multi-family permits continue to drift lower.</p>
<b>March Housing Starts</b> Range: 1.170 to 1.280 million units Median: 1.241 million units SAAR	Friday, 4/19	Feb = 1.162 million units SAAR	<p><u>Up</u> to an annualized rate of 1.198 million units. The same comments made above in the discussion of housing permits also apply to housing starts, but we don't have the stamina to type all of that again any more than you have the stamina to read all of that again. So, we'll just cut to the chase – our rather pedestrian forecast for total housing starts reflects weather holding down single family starts. We'll concede some upside risk to our call, but if we are correct, keep in mind that there will be payback in subsequent months. We look for 95,600 total housing starts on a not seasonally adjusted basis, with both single family and multi-family starts rising from February's levels but by a lesser degree than would have been the case without the adverse weather effects. Our forecast would leave the running 12-month total of not seasonally adjusted housing starts at 1.224 million units, and coming months should see the trend rate of single family starts turn higher as the weakness seen in late-2018 fades from the data.</p>

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