ECONOMIC PREVIEW

REGIONS

Week of November 12, 2012

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on December 11-12)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	With the election now past, having left DC looking remarkably the same, we can at least hope the looming fiscal cliff will finally be addressed, which would go a long way towards improving business confidence. Over the next few weeks, however, the high frequency data will reflect the impact of Hurricane Sandy. Series such as initial and continuing claims for Unemployment Insurance benefits, retail sales, housing starts, home sales, vehicle sales, and employment (more so in the payroll survey data than the household survey data) will reflect the impact of the storm, particularly as it made its presence felt most strongly in areas with heavy concentrations of population, employment, and income. Over time, the effects on the economic data will be roughly evened out, but we can expect a good deal of volatility in the individual releases over the near term. Next week also brings the release of the minutes from the October FOMC meeting (Wednesday, 11/14) – while the meeting was uneventful, the minutes may reveal whether there were discussions over the FOMC's communications strategy and purchasing long-term Treasury securities once Operation Twist concludes at year-end. Thursday will bring the report on Q3 mortgage delinquencies and foreclosures from the Mortgage Bankers Association, which contains a great deal of useful detail on a state by state basis. We look for both delinquency and foreclosure start rates to have fallen during Q3.
October Retail Sales Range: -0.5 to 0.6 percent Median: -0.1 percent	Wednesday, 11/14	Sep = +1.1%	Up by 0.3 percent. The impact of Sandy is unclear at this point, though vehicle sales dropped off during the last week of the month. It is the slower pace of vehicle sales along with lower gasoline prices that are mainly responsible for our expected modest gain in headline retail sales.
October Retail Sales Ex-Auto Range: -0.2 to 0.8 percent Median: 0.3 percent	Wednesday, 11/14	Sep = +1.1%	Up by 0.5 percent. There should be "leftover" effects of the release of the iPhone 5, which was not fully captured in the September sales data. We look for a 0.6 percent increase in core (i.e., excluding vehicles, gasoline, and building materials) retail sales.
October Producer Price Index Range: -0.1 to 0.6 percent Median: 0.2 percent	Wednesday, 11/14	Sep = +1.1%	Up by 0.3 percent, which translates into a year-over-year increase of 2.77 percent.
October PPI – Core Range: 0.0 to 0.3 percent Median: 0.2 percent	Wednesday, 11/14	Sep = 0.0%	Up by 0.1 percent, for a year-over-year increase of 2.45 percent.
September Business Inventories Range: 0.2 to 0.8 percent Median: 0.5 percent	Wednesday, 11/14	Aug = +0.6%	Total business inventories were up by 0.8 percent, with total business sales rising by 1.4 percent. While it could be that wholesalers intended to build inventories to help meet rising sales, it is likely there was some unintended component of the increase in inventories on the wholesale and manufacturing levels. Either way, a faster inventory build than had been assumed by the BEA will be one source of upward revision to the first estimate of Q3 real GDP growth.
October Consumer Price Index Range: 0.0 to 0.3 percent Median: 0.1 percent	Thursday, 11/15	Sep = +0.6%	Up by 0.1 percent, which translates into a year-over-year increase of 2.12 percent. While lower retail gasoline prices helped keep headline inflation in check, there are few sources of inflation pressures in an economy not yet running on all cylinders. Rents are one CPI component in which we have seen, and will continue to see, steady price increases.
October CPI – Core Range: 0.1 to 0.2 percent Median: 0.1 percent	Thursday, 11/15	Sep = +0.1%	Up by 0.1 percent, yielding a year-over-year increase of 1.97 percent.
October Industrial Production Range: -0.1 to 0.3 percent Median: 0.2 percent	Friday, 11/16	Sep = +0.4%	Up by 0.3 percent. Another indicator that could show some effects of Sandy, but nonetheless we look for higher manufacturing output to carry the overall index higher. On a year-over-year basis, total industrial production will be up by just 2.51 percent, the smallest such gain since February 2010.
October Capacity Utilization Rate Range: 78.1 to 78.5 percent Median: 78.4 percent	Friday, 11/16	Sep = 78.3%	Up to 78.5 percent.

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