ECONOMIC PREVIEW

REGIONS

Week of January 14, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on January 29-30)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	After a quiet week for top-tier data releases, the week ahead will be much busier as we continue to close the (data) book on 2012. Barring any major surprises (which in our world is the polite way of saying “missed forecast”), however, nothing on the schedule figures to change our expectation that the BEA’s first estimate of Q4 real GDP growth (due on January 30) will come in at around 1.5 percent (annualized). It has also been fairly quiet in Washington which, even in light of the weighty fiscal policy issues that need to be addressed in fairly short order, has been somewhat of a refreshing change. One venue that has by contrast been quite active is the Fed, with a flurry of speeches of late and more to come this week. Still, more talk does not necessarily mean more clarity, at least where FOMC policy is concerned. We have already heard that current policy may be too easy (Plosser, George), may not be easy enough (Kocherlakota), and that it’s challenging to tie policy to economic thresholds (Bullard). All of the talk aside, it figures to be some time before we see meaningful changes to Fed policy.
December Retail Sales Range: 0.0 to 0.5 percent Median: 0.2 percent	Tuesday, 1/15	Nov = +0.3%	Up by 0.3 percent. We look for apparel, building materials (reflecting activity related to rebuilding from Hurricane Sandy), and on-line sales to provide support to the headline number, but lower prices at the pump likely led to a sizeable drop in gasoline sales that could shave three-tenths off of the headline number. With the December report, we’ll have enough data to piece together a preliminary look at holiday sales, which we expect to have been only be so-so.
December Retail Sales – Ex-Auto Range: 0.0 to 0.5 percent Median: 0.2 percent	Tuesday, 1/15	Nov = 0.0%	Up by 0.4 percent. We expect core (a/k/a control) retail sales to be up by 0.7 percent, which would be supportive of our expectation of 2.1 percent growth (annualized) in real consumer spending for 2012’s fourth quarter.
December Producer Price Index Range: -0.8 to 0.3 percent Median: -0.1 percent	Tuesday, 1/15	Nov = -0.8%	Up by 0.2 percent.
December PPI – Core Range: -0.0 to 0.2 percent Median: 0.2 percent	Tuesday, 1/15	Nov = +0.1%	Up by 0.2 percent.
November Business Inventories Range: 0.1 to 0.4 percent Median: 0.3 percent	Tuesday, 1/15	Oct = +0.4%	Total business inventories were up by 0.3 percent with higher wholesale and retail inventories offsetting flat manufacturing inventories. Total business sales were up by 1.0 percent, led by sharply higher sales on the wholesale level. Even if inventories come in a bit higher than we anticipate, inventory accumulation during Q4 2012 will still lag well behind the pace seen during Q3, in line with our forecast that inventories would be a drag on Q4 real GDP growth.
December Consumer Price Index Range: -0.2 to 0.3 percent Median: 0.0 percent	Wednesday, 1/16	Nov = -0.3%	Up by 0.1 percent, but as we cobble the CPI components together we are basically a rounding error away from a flat headline print. Food and housing figure to be the main sources of upward pressure on the headline CPI while lower gasoline prices will provide somewhat of an offset.
December CPI – Core Range: 0.1 to 0.2 percent Median: 0.2 percent	Wednesday, 1/16	Nov = +0.1%	Up by 0.2 percent, which is mainly a reflection of the influence of rents in the core CPI. On a year-over-year basis, we look for the total CPI to be up by 1.8 percent and the core CPI up by 1.9 percent.
December Industrial Production Range: -0.1 to 0.5 percent Median: 0.2 percent	Wednesday, 1/16	Nov = +1.1%	Up by 0.4 percent with manufacturing providing most of the gain. This would leave total industrial production up by 2.0 percent on an over-the-year basis, consistent with other indicators showing manufacturing ended 2012 with somewhat less vigor than seen earlier in the year.
December Capacity Utilization Rate Range: 78.3 to 78.9 percent Median: 78.5 percent	Wednesday, 1/16	Nov = 78.4%	Up to 78.6 percent.
December Housing Starts Range: 869,000 to 900,000 units Median: 879,000 units SAAR	Thursday, 1/17	Nov = 861,000	Up to 890,000 units with both single and multi-family starts moving higher. At this rate, 2012 would have seen 778,000 total starts, up by 27 percent over 2011 but still just over half of a “normal” year for residential construction. Should the economy progress as we expect over the course of 2013 and into 2014, there is quite a way to run yet for the housing market on its road to recovery. We look for total housing permits at an annual rate of 910,000 units in December.

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