

ECONOMIC PREVIEW



REGIONS

Week of March 11, 2013

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate

(after the FOMC meeting on March 19-20)

Range: 0.00 to 0.25 percent

Median: 0.125 percent (mid-point of target range)

0.00% to 0.25%

Leaving aside the obvious point that 7.7 percent is still a long way from 6.5 percent, the February employment report will have little, if any, effect on how the FOMC views the labor market or the perceived need to continue the monthly \$85 billion purchases of long-term Treasury and mortgage-backed securities. February's household survey data are a good illustration of the point made by some FOMC members that the unemployment rate alone is not a true indication of overall labor market conditions. The unemployment rate did decline from 7.9 percent to 7.7 percent, but this is at least in part a function of a decline in the labor force in February. Other labor market metrics, such as the number of people working part-time for economic reasons, the number of long-term unemployed, and the duration of unemployment highlight the degree of labor market slack. As such, it is worth remembering that there is nothing magic in an unemployment rate of 6.5 percent, at least in terms of Fed policy.

Still, by no means will we thumb our noses at the gain of 246,000 private sector jobs reported in the payroll survey and, just as significantly, another solid monthly gain in aggregate private sector earnings, which have risen 6.0 percent, annualized, over the past three months. This is a critical support for overall personal income as consumers continue to adjust to higher payroll taxes and contend with elevated retail gasoline prices.

February Retail Sales

Range: -0.6 to 1.0 percent

Median: 0.5 percent

Wednesday, 3/13 Jan = +0.1%

Up by 0.7 percent. There is, however, considerably less to the headline number than meets the eye, as a spike in retail gasoline prices is responsible for much of the headline gain with modest support from higher vehicle sales.

February Retail Sales Ex-Auto

Range: -0.7 to 1.0 percent

Median: 0.5 percent

Wednesday, 3/13 Jan = +0.2%

Up by 0.8 percent. Faced with higher gasoline prices on top of higher taxes, consumers bought new vehicles and the gas to run them but likely little else in February. As such, we look for core (or, control) retail sales to be up by just 0.1 percent. Once we account for inflation, however, real core sales will be lower in February, which will bring growth in real consumer spending more in line with our projected 1.1 percent annualized gain for 2013's first quarter.

January Business Inventories

Range: 0.2 to 0.8 percent

Median: 0.4 percent

Wednesday, 3/13 Dec = +0.1%

Total business inventories were up by 0.6 percent, with wholesale inventories up by 1.2 percent and manufacturing inventories up by 0.5 percent. January's increase in business inventories was almost as large as that seen for all of Q4 2012, but the flip side is that total business sales fell by 0.5 percent in January.

February Producer Price Index

Range: 0.3 to 1.5 percent

Median: 0.7 percent

Thursday, 3/14 Jan = +0.2%

Up by 1.1 percent on higher energy costs, which would push the year-over-year change up to 2.2 percent.

February PPI – Core

Range: 0.1 to 0.3 percent

Median: 0.2 percent

Thursday, 3/14 Jan = +0.2%

Up by 0.1 percent, which translates into a year-over-year gain of 1.7 percent. Both the PPI and the CPI data will affirm that core inflation remains muted at present, thus giving the Fed further room to run on its large-scale asset purchases.

Q4 2012 Current Account Balance

Range: -\$144.0 to -\$109.0 billion

Median: -\$113.0 billion

Thursday, 3/14 Q3 = -\$107.5 bil

Widening to -\$112.6 billion on a larger nominal trade deficit than that posted during Q3.

February Consumer Price Index

Range: 0.1 to 0.7 percent

Median: 0.5 percent

Friday, 3/15 Jan = 0.0%

Up by 0.6 percent. On a not seasonally adjusted basis, retail gasoline prices shot up by over 10 percent in February which will add roughly five-tenths of a point to the seasonally adjusted headline CPI. Aside from gasoline and other energy costs, however, retail inflation remains fairly tame.

February CPI – Core

Range: 0.1 to 0.4 percent

Median: 0.2 percent

Friday, 3/15 Jan = +0.3%

Up by 0.1 percent. On an over-the-year basis, the total CPI rose by 1.9 percent in February with the core CPI up by 2.0 percent

February Industrial Production

Range: 0.1 to 0.7 percent

Median: 0.4 percent

Friday, 3/15 Jan = -0.1%

Up by 0.6 percent with across the board gains in the mining, manufacturing, and utilities sectors. On a year-over-year basis, total industrial production will have risen by 2.4 percent, a pace that figures to improve over coming months.

February Capacity Utilization Rate

Range: 79.0 to 79.5 percent

Median: 79.3 percent

Friday, 3/15 Jan = 79.1%

Up to 79.4 percent.

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