

ECONOMIC PREVIEW



REGIONS

Week of May 13, 2013

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate

(after the FOMC meeting on June 18-19)

Range: 0.00 to 0.25 percent

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

0.00% to 0.25%

Wow, last week we were feeling down because there were no tip-tier economic data releases. This week we're feeling down because there are several such releases. And, as can be seen below, the operative word here is "down." Still, down does not necessarily mean down and out, at least as far as the economy goes. Clearly, some of what we are seeing in the data reflects the economy shifting into a lower gear in late Q1/early Q2. But, some of what we are seeing reflects the impacts of harsh weather, as winter outstayed its welcome in March, and swings in gasoline prices out of line with normal seasonal patterns. Through it all we see an economy feeling the effects of fiscal drag but we continue to expect that drag to progressively diminish once we are beyond Q2 2013.

April Retail Sales

Range: -0.7 to 0.1 percent

Median: -0.3 percent

Monday, 5/13 Mar = -0.4%

Down by 0.3 percent. Lower vehicle sales will drag down top-line sales but not by as much as implied by April's 2.2 percent decline in unit sales, since much of this decline was due to lower fleet sales and less of it came on the retail level. A bigger drag will come from lower gasoline sales, reflecting both lower pump prices and seasonal adjustment issues that amplified the decline in prices. Having been held down in March due to harsh weather when spring sales should have been cranking up, sales at building materials stores should post a sizeable gain.

April Retail Sales Ex-Auto

Range: -0.4 to 0.3 percent

Median: -0.1 percent

Monday, 5/13 Mar = -0.4%

Down by 0.2 percent. We look for core (or, control) retail sales to post a 0.2 percent gain, which is consistent with our expectation for a slower pace of growth in real consumer spending in Q2.

March Business Inventories

Range: 0.1 to 0.3 percent

Median: 0.2 percent

Monday, 5/13 Feb = +0.1%

Total business inventories were up by 0.2 percent, while total business sales fell by 1.4 percent, with declines across the board on the manufacturing, wholesale, and retail levels.

April Producer Price Index

Range: -0.9 to 0.5 percent

Median: -0.6 percent

Wednesday, 5/15 Mar = -0.6%

Down by 0.6 percent which would translate into a year-over-year increase of just 0.8 percent.

April Core PPI

Range: 0.1 to 0.2 percent

Median: 0.1 percent

Wednesday, 5/15 Mar = +0.2%

Up by 0.2 percent, for a year-over-year increase of 1.7 percent.

April Industrial Production

Range: -0.4 to 0.1 percent

Median: -0.1 percent

Wednesday, 5/15 Mar = +0.4%

Down by 0.4 percent. The biggest factor here is what figures to be a sharp decline in utilities output following outsized gains in both February and March. We do look for manufacturing output to have risen, but not by enough to offset the decline in utilities output, with mining output slightly lower as well.

April Capacity Utilization Rate

Range: 78.0 to 78.5 percent

Median: 78.3 percent

Wednesday, 5/15 Mar = 78.5%

Down to 78.3 percent.

April Consumer Price Index

Range: -0.3 to 0.1 percent

Median: -0.2 percent

Thursday, 5/16 Mar = -0.2%

Down by 0.2 percent, primarily reflecting lower gasoline prices. This would translate into a year-over-year increase of 1.3 percent.

April Core CPI

Range: 0.1 to 0.2 percent

Median: 0.2 percent

Thursday, 5/16 Mar = +0.1%

Up by 0.2 percent, yielding a 1.9 percent year-over-year increase.

April Housing Starts

Range: 873,000 to 1,020,000 units

Median: 970,000 units SAAR

Thursday, 5/16 Mar = 1.036 mil

Down to an annualized rate of 955,000 units as starts come back down to earth after vaulting higher in March. For some time, single family starts have run well ahead of permits and that has to even out at some point, which we look for in the April data – if not, starts will be higher than we anticipate. We expect multi-family starts to settle down some after March's sharp increase. We look for total housing permits at an annual rate of 950,000 units, which would be the highest rate of permit issuance since mid-2008. In our view, permit issuance is a better gauge of underlying trends in residential construction than are starts, as permits tend to be free of distortions due to weather and seasonal adjustment issues.

April Leading Economic Index

Range: -0.1 to 0.4 percent

Median: 0.2 percent

Friday, 5/17 Mar = -0.1%

Up by 0.2 percent – so at least the week won't end on a down note, but the middling gain in the leading index suggests only moderate growth in the near term.

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