ECONOMIC PREVIEW

REGIONS

Week of October 7, 2013

Indicator/Action Economics Survey: | Last Actual: | Regions' View:

Fed Funds Rate
(after the FOMC meeting on October 29-30)
Range: 0.00 to 0.25 percent
Median: 0.125 percent (mid-point of target range)

Last Actual: 0.00% to 0.25%

This week, let's play make believe. Let's make believe we live in a world in which people do their jobs, the government functions, and the economic data flow freely and on time. So it is in the spirit of our make believe world that we issue our preview of data we may or may not ever see, at least any time soon. Granted, this may not seem so fanciful as far as make believe goes but, seriously, what kind of fantasy world would you expect an economist to live in (don't answer that). And there are those who would say economists, given their belief they can actually forecast the economy's course, are full time residents of the land of make believe which, really, is just flat out hurtful.

In any event, the flow of economic data issued by the federal government has come to a halt due to the shutdown. Private providers, such as the Institute for Supply Management (ISM) and National Association of Realtors, will continue to issue data, as will the Federal Reserve since they are not funded by appropriations (along those lines, the minutes from the September FOMC meeting will be released Wednesday, October 9). But, for the most of the top-tier economic data, it may be a while. Not only will reports that were mainly queued up and ready to go, such as the September employment report, be delayed but reports due over coming weeks that rely on data being collected from out in the field will be compromised so that, even when they are released, their reliability will come into question.

It's one thing for those of us in the private sector to not have access to the economic data, it is quite another thing for the Fed to not have access to the data as they debate the proper course of monetary policy. The longer the shutdown persists, the longer it will keep the FOMC on hold, pushing any changes to the Fed's large-scale asset purchases further into the future. No doubt the irony of this is lost on those who engineered the shutdown of the government, many of whom have from the start complained the most vociferously about the asset purchases. Nicely done.

August Trade Balance — Tuesday, 10/8 — Jul = -$39.1 bil
Range: -$42.0 to -$36.0 billion
Median: -$39.3 billion

Narrowing modestly to -$38.8 billion.

September Retail Sales — Friday, 10/11 — Aug = +0.2%
Range: -0.3 to 0.5 percent
Median: 0.1 percent

Down by 0.2 percent with motor vehicle sales acting as a heavy weight on the headline sales number. Thanks to a quirk in the calendar, motor vehicle sales over the Labor Day weekend got pulled into the August data at the expense of the September sales data. This contributed to a 5.1 percent decline in unit vehicle sales in September and we expect a corresponding sharp decline in the dollar volume of motor vehicle sales (the retail sales data are based on the dollar volume of sales, not unit sales). It is worth noting, however, even with September's decline motor vehicle unit sales for Q3 as a whole were up from Q2 and through Q3 were running 7 percent ahead of 2012's sales pace.

September Retail Sales – Ex Auto — Friday, 10/11 — Aug = +0.1%
Range: 0.1 to 0.7 percent
Median: 0.4 percent

Up by 0.3 percent. Aside from motor vehicles, the September retail sales report will be a mixed bag showing modest growth in sales. We look for some support from gasoline sales on volume as prices fell during the month. Control (or, core) retail sales should post a 0.2 percent increase, which translates into a 3.7 percent annualized gain for Q3 (before accounting for inflation), up from Q2's pace.

September Producer Price Index (PPI) — Friday, 10/11 — Aug = +0.3%
Range: -0.2 to 0.3 percent
Median: 0.2 percent

Up by 0.3 percent which yields an over-the-year increase of just 0.7 percent.

September PPI – Core — Friday, 10/11 — Aug = 0.0%
Range: 0.0 to 0.2 percent
Median: 0.1 percent

Up by 0.1 percent, which translates into a year-over-year increase of 1.3 percent.

August Business Inventories — Friday, 10/11 — Jul = +0.4%
Range: 0.2 to 0.4 percent
Median: 0.3 percent

Total business inventories were up by 0.3 percent.

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