ECONOMIC PREVIEW

REGIONS

Week of November 18, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on December 17-18)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	New Fed Chairperson, same Fed policy. That, to the surprise of absolutely nobody, pretty much sums up Janet Yellen's confirmation hearing before the Senate Banking Committee. By stressing the importance of the Fed doing "what we can to promote a very strong recovery" and stating her view that, at least at present, the benefits of the Fed's large scale asset purchases outweigh any costs, Dr. Yellen made clear her comfort with the current policy stance of the FOMC, a message received by both the Banking Committee and the financial markets. To be sure, Dr. Yellen stated the asset purchases can't continue forever, but reiterated the FOMC's stance that the course of the asset purchases will be driven by the evolution of the economic data. The hearing also gave Dr. Yellen the chance to affirm her, and by extension the Fed's, commitment to regulatory oversight, as she was questioned fairly extensively on financial regulation. In short, the hearing yielded little news and no surprises, which we suspect is exactly the outcome Dr. Yellen was hoping for. It remains unclear exactly when the full Senate will debate and vote on her confirmation, but the hearing before the Banking Committee suggests that should be nothing more than a formality.
Q3 Employment Cost Index Range: 0.3 to 0.6 percent Median: 0.5 percent	Tuesday, 11/19	Q2 = +0.5%	Up by 0.3 percent, with the wage component up by 0.3 percent and the benefits component up by 0.5 percent. On a year-over-year basis, total compensation was up by 1.7 percent, wages up by 1.6 percent, and benefits up by 2.0 percent. Total wage and salary earnings grew at a slower pace in Q3 than in Q2, which accounts for our expectations of a smaller gain in the overall ECI than seen in Q2.
October Consumer Price Index Range: -0.2 to 0.4 percent Median: 0.0 percent	Wednesday, 11/20	Sep = +0.2%	Unchanged. A sharp decline in retail gasoline prices in October will weigh on the overall CPI. On a year-over-year basis, the total CPI will be up by just 1.1 percent.
October CPI – Core Range: 0.1 to 0.2 percent Median: 0.1 percent	Wednesday, 11/20	Sep = +0.1%	Up by 0.2 percent, which translates into an over-the-year increase of 1.7 percent. Outside of rents and medical care, there are few signs of inflation on the retail level, and even medical costs are rising at a slower pace than has been the case in the past. As measured by the Fed's preferred gauge, the PCE deflator, inflation is even more modest than as measured by the CPI. In our view the lack of meaningful inflation pressure gives the FOMC the latitude to hold off on any move to dial down the rate of the large-scale asset purchases until March 2014.
October Retail Sales Range: -0.2 to 0.7 percent Median: 0.1 percent	Wednesday, 11/20	Sep = -0.1%	Down by 0.1 percent, thanks in large part to a large decline in gasoline sales, reflecting the steep decline in retail pump prices. There could be some residual support for online sales and sales at electronics stores from the iPhone 5.
October Retail Sales Ex-Auto Range: -0.2 to 0.7 percent Median: 0.1 percent	Wednesday, 11/20	Sep = +0.4%	Down by 0.1 percent. We look for motor vehicle sales to have been a neutral factor in October – unit sales fell slightly, but higher priced light trucks accounted for a greater share of overall sales, which we expect will lead to a modest increase in the dollar volume of sales at motor vehicle dealers. Despite the soft headline and ex-auto prints, we look for a solid showing from control (or, core) retail sales, with a 0.4 percent increase. Given what will be another tame reading on inflation in October, real consumer spending on goods will have gotten off to a fast start in Q4.
September Business Inventories Range: 0.0 to 0.5 percent Median: 0.3 percent	Wednesday, 11/20	Aug = +0.3%	Total business inventories were up by 0.2 percent while total business sales were unchanged.
October Existing Home Sales Range: 5.000 to 5.350 million units Median: 5.200 million units SAAR	Wednesday, 11/20	Sep = 5.290 mil	Down to an annualized sales rate of 5.060 million units.
October Producer Price Index Range: -0.3 to 0.3 percent Median: -0.2 percent	Thursday, 11/21	Sep = -0.1%	Down by 0.3 percent, reflecting lower energy prices, with the model year changeover and quality adjustment for new motor vehicles – which shows up in the October PPI each year – also putting downward pressure on the headline PPI. On a year-over-year basis, the total PPI will be up by just 0.2 percent.
October PPI – Core Range: 0.0 to 0.2 percent Median: 0.1 percent	Thursday, 11/21	Sep = +0.1%	Unchanged. This will leave the core PPI up by 1.2 percent on an over-the-year basis.

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