

ECONOMIC PREVIEW



REGIONS

Week of January 13, 2014

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate

(after the FOMC meeting on January 28-29)

Range: 0.00 to 0.25 percent

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

0.00% to 0.25%

The weakness of the December employment rate came as an unwelcome surprise, with nonfarm payrolls rising by just 74,000 jobs, well below expectations of job growth in excess of 200,000. While the unemployment rate fell to 6.7 percent that was mainly a function of a decline in the labor force. Harsh winter weather did play a role in December's weak payroll job growth, and pending benchmark revisions (due on February 7) will write the final chapter of the 2013 story. Still, while the payroll data can be at least to some extent discounted, this is not the case with the December household data, specifically the decline in the labor force. This decline will be magnified over coming months as the effects of expiring Unemployment Insurance benefits make their way into the data, which could push the unemployment rate below the Fed's 6.5 percent threshold rate. Clearly the falling unemployment rate is masking what remains an elevated degree of labor market slack, which will complicate the Fed's policy decisions as well as their efforts to provide forward guidance on the path of the Fed funds rate.

December Retail Sales

Range: -0.2 to 0.6 percent

Median: 0.2 percent

Tuesday, 1/14 Nov = +0.7%

Up by 0.2 percent with lower motor vehicle sales acting as a drag on top-line sales as some of what would have been December sales got pulled forward into the post-Thanksgiving weekend. Despite December's modest increase, total retail sales were up by better than 5 percent, annualized, from Q3.

December Retail Sales – Ex-Auto

Range: 0.3 to 0.8 percent

Median: 0.4 percent

Tuesday, 1/14 Nov = +0.4%

Up by 0.5 percent with what should be fairly broad-based, albeit modest, gains. We look for control retail sales (i.e., sales excluding motor vehicles, gasoline, and building materials) to have risen by 0.3 percent. This is below the solid gains logged in October and November, but would still leave nominal control sales for Q4 up at an annualized rate of 6.0 percent from Q3.

November Business Inventories

Range: 0.1 to 0.4 percent

Median: 0.3 percent

Tuesday, 1/14 Oct = +0.7%

Total business inventories were up by 0.1 percent, with total business sales up by 1.0 percent.

December Producer Price Index

Range: 0.0 to 0.6 percent

Median: 0.4 percent

Wednesday, 1/15 Nov = -0.1%

Up by 0.5 percent on higher energy prices. This yields an over-the-year increase of 1.3 percent.

December PPI – Core

Range: 0.1 to 0.2 percent

Median: 0.1 percent

Wednesday, 1/15 Nov = +0.1%

Up by 0.2 percent, which translates into a year-over-year increase of 1.3 percent.

December Consumer Price Index

Range: 0.0 to 0.4 percent

Median: 0.3 percent

Thursday, 1/16 Nov = 0.0%

Up by 0.3 percent. An increase in unadjusted retail gasoline prices was amplified by seasonal adjustment which, along with higher prices for household fuels and utilities, boosted the headline CPI. Our anticipated 0.3 percent increase would put the year-over-year increase at 1.5 percent.

December CPI – Core

Range: 0.1 to 0.2 percent

Median: 0.1 percent

Thursday, 1/16 Nov = +0.2%

Up by 0.1 percent, for an over-the-year increase of 1.7 percent. Outside of rents there is very little evidence of inflation pressures in the core CPI.

December Housing Starts

Range: 950,000 to 1,100,000 units

Median: 985,000 units SAAR

Friday, 1/17 Nov = 1.091 mil

Down to an annualized rate of 955,000 units. November's spike in single family starts to an annualized rate of 727,000 units was the product of an unusual (for November) increase in unadjusted starts being pushed considerably higher by seasonal adjustment. Nothing in the permit data supports such a high rate of single family starts and we expect a sizeable payback in the December data, though multi-family starts should remain above 300,000 units (annualized rate). We look for total housing permits to rise to annualized rate of 1.015 million units, supported by an increase in single family permits; we expect single family permits and starts to increase significantly over the course of 2014.

December Industrial Production

Range: 0.0 to 0.7 percent

Median: 0.3 percent

Friday, 1/17 Nov = +1.1%

Up by 0.3 percent.

December Capacity Utilization Rate

Range: 78.8 to 79.3 percent

Median: 79.1 percent

Friday, 1/17 Nov = 79.0%

Up to 79.1 percent.

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