ECONOMIC PREVIEW

REGIONS

Week of February 10, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on March 18-19)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	When it comes to scapegoats, you can't do much better than the weather. First, it's simple and straightforward – everyone can see it and need not be an expert to interpret it. Second, no matter whether it is winter, spring, summer, or fall, one can always craft a plausible story around the weather and how it can adversely impact day to day life or, in our line of work, the economic data. Sure, it's always cold in the winter, hot in the summer, wet in the rainy season, and windy when the wind blows but, with a little creativity, it can be too hot to ____, too cold to ____, too wet to ____, or too windy to ____, just fill in the blank with the activity of your choice, be it manufacturing, shipping, selling, or shopping. See how simple that was, why, you're well on your way to becoming an expert analyst. Finally, and perhaps most significantly, the weather can't speak up and defend itself, no matter how outrageous the story and how many people tell it the weather just has to sit there and take it. Okay, we know what you're thinking – here it comes, a story about how the weather has impacted the economic data and how that accounts for any/all of the following forecasts being off the mark. We would say, given the weather over the past several weeks, it's so obvious we don't even need to come up with a story, but maybe not. After all, last Tuesday's *Wall Street Journal* ran a story on the decline in motor vehicle sales in January – the story was accompanied by a photo of a car salesman digging the cars on his lot out from under lots and lots of snow, while the story itself quoted an industry expert as saying there was no reason the weather would have impacted vehicle sales. Instant classic. Anyway, we think it should be fairly clear the weather has been impacting the economic data, even if we can't precisely quantify it. We say "should" because there are those sure the economy has rolled over, seeming not to need a plausible explanation as to why that would have happened so soon after the economy appears to have found better footing, having grown at a rate of 3.7 percent over 2H 2013, and the dark cloud of fiscal policy foolishness has been lifted, at least for this year. Should the harsh weather persist, it could yield some not so nice GDP data for Q1, but there should be payback in Q2 and we have not altered our outlook for 2014 as a whole. Time will tell but, until then, let the debate continue.
January Retail Sales Range: -0.3 to 0.5 percent Median: 0.0 percent	Thursday, 2/13	Dec = +0.2%	Up by 0.1 percent, a call that comes without a whole lot of conviction behind it. Start with the normal post-holiday discounting to help clear out stock in what was already a weak pricing climate, add in some brutal winter weather, and sales volumes are bound to be adversely impacted. The question, of course, is just how adversely. We expect grocery store and on-line sales to have turned in decent gains but look for most forms of discretionary spending to have been weak.
January Retail Sales – Ex-Auto Range: -0.3 to 0.4 percent Median: 0.1 percent	Thursday, 2/13	Dec = +0.7%	Up by 0.1 percent. Though unit auto sales declined in January (see above reference to brutal winter weather – sorry, expert guy, but we're going with car salesman guy on this one), we look for motor vehicle sales to have been a neutral factor in the retail sales data. Two reasons – first, part of the decline in unit sales reflects lower fleet sales and thus will not impact the retail sales data; second, the mix of vehicles sold shifted away from lower priced autos and towards higher priced CUV's and light trucks, which will be supportive of revenue despite lower overall sales. We look for control retail sales to be up by 0.2 percent, a weak start for consumer spending in Q1, but to the extent it is weather holding down sales that should be made up for over coming months.
December Business Inventories Range: 0.1 to 0.7 percent Median: 0.4 percent	Thursday, 2/13	Nov = +0.4%	Total business inventories were up by 0.5 percent with manufacturing and wholesale trade accounting for the bulk of the increase. Total business sales were up by just 0.2 percent, as clearly it was too cold for anyone to shop.
January Industrial Production Range: -0.5 to 0.7 percent Median: 0.2 percent	Friday, 2/14	Dec = +0.3%	Up by 0.2 percent. We look for higher utilities output and a modest bump in manufacturing output to have lifted overall production slightly higher. Despite higher job counts, aggregate hours worked in manufacturing fell, which limits our expected gain in factory output for the month.
January Capacity Utilization Rate Range: 78.5 to 79.7 percent Median: 79.3 percent	Friday, 2/14	Dec = 79.2%	Up to 79.3 percent.

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