ECONOMIC PREVIEW

REGIONS

Week of April 14, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on April 29-30)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Two weeks back, we noted in our *Preview* that it was put up or shut up time – with the March data starting to flow, we would either have validation of our premise that harsh weather had been distorting the early-year economic data but we would see a significant snap back with the March data, or we would simply have to shut up and start rethinking our outlook. The early releases have indeed been supportive of our view, but there is much more data yet to come. This week's prints on retail sales, industrial production, and residential construction will add further clarity, and we look for solid reports across the board.
March Retail Sales Range: -0.1 to 1.4 percent Median: 0.9 percent	Monday, 4/14	Feb = +0.3%	Up by 0.8 percent with a big assist from motor vehicle sales. Still, despite a large gain in unit sales, the dollar volume of total sales may not be as high as some analysts are expecting given what was fairly aggressive discounting on the part of dealers. Still, this should be a strong report with broad based gains that, to a large measure, will reflect payback from weather impaired sales in January and February. It could be, however, this year's late Easter will push some spending (such as apparel) back into April. Higher pump prices mean gasoline will be a support for top-line sales in March.
March Retail Sales Ex-Auto Range: 0.1 to 1.0 percent Median: 0.5 percent	Monday, 4/14	Feb = +0.3%	Up by 0.6 percent, and we look for control retail sales to be up 0.5 percent.
February Business Inventories Range: 0.3 to 0.7 percent Median: 0.5 percent	Monday, 4/14	Jan = +0.4%	We look for total business inventories to be up by 0.5 percent on the heels of a 0.4 percent increase (pending revision) in January. Total business sales will be up by 0.6 percent following January's weather related debacle (total business sales fell by 0.9 percent). Some of the inventory build during Q1 was unintentional, as harsh weather held down sales, and this is significant in that it means the drag from inventories will not be as large in Q1 as had been expected while the drag in Q2 will be larger.
March Consumer Price Index Range: 0.0 to 0.3 percent Median: 0.1 percent	Tuesday, 4/15	Feb = +0.1%	Up by 0.1 percent. Even with another outsized increase in food prices (we look for a 0.4 percent increase) and another healthy gain in medical costs (sorry, we couldn't resist the pun), the total CPI will still post only a meager advance. To some extent, though, this is a function of gasoline prices continuing to behave at odds with historical seasonal patterns. Though retail pump prices rose in March, the increase in not seasonally adjusted prices was smaller than normal for the month, meaning the seasonal adjustment factors will overcompensate and thus hold down the increase in the total CPI. On a year-over-year basis, we look for the total CPI to be up 1.4 percent.
March Core Consumer Price Index Range: 0.1 to 0.2 percent Median: 0.2 percent	Tuesday, 4/15	Feb = +0.1%	Up by 0.2 percent. We're right on the border between 0.1 and 0.2 here, as our number making machine spits out an unrounded increase of 0.156 percent. It really will come down to the CPI's measures of market rents, which account for over one-third of the core CPI. In February, rents posted smaller increases than had been the case in prior months – not large changes but, given the weight of market rents, enough to impact measured core inflation. Other than rent and medical costs, there is little evidence of significant inflation pressure, and our March forecast would leave the core CPI up 1.6 percent year-over-year.
March Housing Starts Range: 909,000 to 1,050,000 units Median: 975,000 units SAAR	Wednesday, 4/16	Feb = 907,000	Up to an annualized rate of 1.017 million units. We have built some payback for the impacts of harsh winter weather in January and February. It isn't all payback, however, as even before the winter kicked into high gear permits had been running ahead of starts and at some point starts have to catch up. The impact of the weather is notable in the Midwest region, where starts pretty much fell off the table in January and February as permits held up, leaving starts trailing permits so badly it will take some time to fill the gap. For the U.S. as a whole, we look for permits to have risen to an annualized rate of 1.032 million units.
March Industrial Production Range: 0.0 to 1.0 percent Median: 0.4 percent	Thursday, 4/16	Feb = +0.6%	Up by 0.6 percent with higher manufacturing and mining output leading the way.
March Capacity Utilization Rate Range: 78.3 to 79.1 percent Median: 78.7 percent	Thursday, 4/16	Feb = 78.4%	Up to 78.8 percent.

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