ECONOMIC PREVIEW

REGIONS

Week of September 15 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on September 16-17)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	In life the general rule is what you do is far more important than what you say. In central banking the rule apparently is what you say about what you may do in the future without giving any hints as to when you may actually do it is the most important thing. Or something like that. In any event, this week's FOMC meeting could see the Committee ditch the "for a considerable time" phrase in their forward guidance around the path of the Fed funds rate. With the end of the Fed's large-scale asset purchases drawing ever more near, it is only a matter of time before the FOMC has to alter their forward guidance. Given the considerable contention within the Committee on this particular phrasing we won't be surprised if that happens this week, especially given this week's meeting is followed by a press conference which would give Chairwoman Yellen the chance to calm any fears – and you know there will be some – that the removal of the "considerable time" phrase means the initial hike in the funds rate will be sooner rather than later. With global factors helping hold down inflation and long-term interest rates the FOMC need not be in a hurry to begin raising the funds rate and the Committee's communications challenge is to convince the markets of this.
August Industrial Production Range: -0.2 to 0.4 percent Median: 0.3 percent	Monday, 9/15	Jul = +0.4%	Up by 0.3 percent, with mining and utilities doing most of the work as we look for only a modest advance in manufacturing output following July's 1.0 percent increase (some of which was likely due to favorable seasonal adjustment). Our call for the headline index would leave total IP up 5.0 percent year-over-year.
August Capacity Utilization Rate Range: 78.5 to 79.5 percent Median: 79.3 percent	Monday, 9/15	Jul = 79.2%	Up to 79.3 percent.
August PPI – Final Demand Range: -0.3 to 0.2 percent Median: 0.1 percent	Tuesday, 9/16	Jul = +0.1%	Down by 0.1 percent, which would translate into an over-the-year increase of 1.7 percent.
August Core PPI – Final Demand Range: 0.0 to 0.2 percent Median: 0.1 percent	Tuesday, 9/16	Jul = +0.2%	Up by 0.1 percent, for a 1.8 percent year-over-year increase.
August Consumer Price Index Range: -0.3 to 0.2 percent Median: 0.0 percent	Wednesday, 9/17	Jul = +0.1%	Unchanged. Retail gasoline prices declined by better than three percent in August on a not seasonally adjusted basis. The August seasonal adjustment factor for gasoline prices is more or less neutral, meaning gasoline will serve as a significant weight on the headline CPI. In addition, we look for a declines in new and used car prices. These factors will offset upward pressure from rents and medical costs and we look for a more moderate increase in food prices than that seen in July. On a year-over-year basis, the total CPI will be up 1.9 percent.
August CPI – Core Range: -0.1 to 0.2 percent Median: 0.2 percent	Wednesday, 9/17	Jul = +0.1%	Up by 0.2 percent. Rents account for over one-third of the core CPI and are the prime factor behind our call on core CPI. On a year-over-year basis, the core CPI will be up 1.9 percent, which is easily ahead of the Fed's preferred measure, the core PCE deflator, in which rents carry a significantly lighter weight. By either measure, though, inflation is not yet a concern for the FOMC.
Q2 Current Account Range: -$118.0 to -$103.9 billion Median: -$112.6 percent billion	Thursday, 9/18	Q1 = -$111.2 bil	Widening to -$112.2 billion, equivalent to 2.6 percent of GDP. A wider trade gap is behind the larger Q2 current account deficit as we look for an improvement in the balance on income to offset larger unilateral transfers. With the trade gap set to narrow in Q3, the current account deficit should follow suit.
August Housing Starts Range: 1.000 to 1.100 million units Median: 1.035 million units SAAR	Thursday, 9/18	Jul = 1.093 mil	Down to an annualized rate of 1.035 million units. We look for both single family and multi-family starts to back off their July prints, in part because the increases seen in July were payback for the sharp (not to mention suspicious) declines in June. This is also the case for housing permits, which we expect to be down to an annualized rate of 1.040 million units. Still, as we regularly point out, the best way to get through the considerable monthly noise in the housing data is to look at the six-month moving averages, and on this basis our calls on both starts and permits reflect continued gradual advances in residential construction.
August Leading Economic Index Range: 0.2 to 0.7 percent Median: 0.4 percent	Friday, 9/19	Jul = +0.9%	Up by 0.5 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com