ECONOMIC PREVIEW

REGIONS

Week of October 13, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on October 28-29)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	After a week off the top tier economic data return to the scene this week, with retail sales and housing starts meriting the most attention. The lack of data does not mean last week was an uneventful one. Indeed, as evidenced in the sharp swings in equity prices and bond yields, the markets found plenty to react to, badly for the most part as concerns over global growth took center stage. While the focus will return to the U.S. economy this week, the headline retail sales figure won't inspire a lot of confidence but the underlying details will tell a more constructive tale. While the U.S. economy should see 2H growth around 3.0 percent, global headwinds could pose a bigger threat to the outlook without meaningful policy action – fiscal and monetary – from within the Euro Zone.
September Retail Sales Range: -0.5 to 0.7 percent Median: -0.2 percent	Wednesday, 10/15	Aug = +0.6%	Down by 0.1 percent. Just as a car won't move without gasoline, it's generally hard to get a retail sales report to move without either cars or gasoline. After hitting their summer peak in late June, retail pump prices had fallen by over 9 percent by the end of September and gasoline will once again act as a drag on total retail sales. Motor vehicle sales logged their fastest monthly sales rate since 2006 in August, with some of those sales pulled forward from September thanks to an incentive fueled Labor Day weekend. That helped lift August's headline retail sales total, and there will be payback in the September data. One support for top-line sales could be Apple's iPhone6, which logged opening weekend sales of over 10 million units. This should provide support for sales at electronic stores/nonstore retailers though the timing of the release means the full impact of the latest gadget we cannot live without may not be captured in the initial September retail sales print. Elsewhere, the September data will be a mixed bag particularly to the extent Apple's sales, well, ate into sales in other categories.
September Retail Sales – Ex-Auto Range: 0.1 to 0.4 percent Median: 0.2 percent	Wednesday, 10/15	Aug = +0.3%	Up by 0.2 percent, and we look for control retail sales to be up 0.3 percent. Recall control retail sales are a direct input into the GDP data and if September's increase doesn't strike you as all that inspiring, our call would leave nominal control sales up at an annualized rate of 4.8 percent. This falls short of Q2 growth but muted inflation will leave us with a healthy gain in real control sales in Q3.
September PPI – Final Demand Range: -0.1 to 0.4 percent Median: 0.1 percent	Wednesday, 10/15	Aug = +0.0%	Up by 0.1 percent, which yields an over-the-year increase of 1.8 percent.
September PPI – Core Range: 0.1 to 0.2 percent Median: 0.1 percent	Wednesday, 10/15	Aug = +0.1%	Up by 0.1 percent, for a year-over-year increase of 1.7 percent.
August Business Inventories Range: 0.2 to 0.6 percent Median: 0.4 percent	Wednesday, 10/15	Aug = +0.4%	Total business inventories were up by 0.4 percent, mainly up by rising wholesale inventories. Total business sales fell by 0.5 percent. Inventories will be a slight drag on Q3 real GDP growth, but not as much as had been anticipated.
September Industrial Production Range: 0.1 to 0.5 percent Median: 0.4 percent	Thursday, 10/16	Aug = -0.1%	Up by 0.3 percent. We look for manufacturing output to bounce back from the reported decline in August – we suspect both the July and August figures were distorted by seasonal adjustment issues. Note despite the headline ISM Manufacturing Index falling further than expected in September, the sub-index for current production edged up to 64.6 percent, a level last seen in 2010. But, even with manufacturing output bouncing back, utilities output will likely act as a drag on the overall IP number.
September Capacity Utilization Rate Range: 78.7 to 79.2 percent Median: 79.0 percent	Thursday, 10/16	Aug = 78.8%	Up to79.0 percent.
September Housing Starts Range: 0.964 to 1.100 million units Median: 1.002 million units SAAR	Friday, 10/17	Aug = 0.956 mil	Up to an annual rate of 1.005 million units. The gain will be accounted for by multi-family starts, which took a late summer breather in August, tumbling not only well below July's pace but, more significantly, far below the pace of multi-family permits over the past several months. Conversely, single family starts have been running ahead of permits so we look for some payback in September. We look for total housing permits to increase to an annual rate of 1.015 million units from an upwardly revised pace of 1.003 million units in August. We've built in a modest increase in single family permits apparently having not learned our lesson every other instance in which we have made this same call over the past year.

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