# ECONOMIC PREVIEW

REGIONS

Week of November 17, 2014

| Indicator/Action Economics Survey: | | Last Actual: | Regions' View: |
|---|---|---|---|
| **Fed Funds Rate**<br>*(after the FOMC meeting on December 16-17)*<br>Range: 0.00 to 0.25 percent<br>Median: 0.125 percent (mid-point of target range) | | 0.00% to 0.25% | Along with a busy schedule of data releases, this week will also see the release of the minutes to the October FOMC meeting (due out Wednesday, 11/19). We will watch for any insights into the decision to strike the "significant underutilization of labor resources" phrase from the Committee's assessment of current conditions and the decision to retain the "for a considerable time" phrase in their forward guidance around the path of the Fed funds rate. As to this week's data, with falling gasoline prices acting as a weight on the headline CPI core inflation, which has stabilized at around 1.7 percent, will be more significant to the FOMC. Also, we will be watching the data on housing permits/starts for signs of life in the single family segment of the housing market. |
| **October Industrial Production**<br>Range: 0.0 to 0.6 percent<br>Median: 0.2 percent | Monday, 11/17 | Sep = +1.0% | Up by 0.1 percent. Data on aggregate hours worked in manufacturing suggest but a scant gain in factory output in October which, along with lower utilities output, will negate what should be another solid gain in mining output. |
| **October Capacity Utilization Rate**<br>Range: 79.0 to 79.7 percent<br>Median: 79.3 percent | Monday, 11/17 | Sep = 79.3% | Unchanged at 79.3 percent. |
| **October PPI – Final Demand**<br>Range: -0.3 to 0.2 percent<br>Median: -0.1 percent | Tuesday, 11/18 | Sep = -0.1% | Down by 0.2 percent, mainly on lower energy prices. This would yield an over-the-year increase of just 1.1 percent. |
| **October Core PPI – Final Demand**<br>Range: 0.0 to 0.3 percent<br>Median: 0.1 percent | Tuesday, 11/18 | Sep = 0.0% | Up by 0.1 percent, for a year-over-year increase of 1.5 percent. |
| **October Housing Starts**<br>Range: 0.980 to 1.100 million units<br>Median: 1.025 million units SAAR | Wednesday, 11/19 | Sep = 1.017 mil | Up to an annualized rate of 1.042 million units. While single family starts remain pretty much range bound, multi-family starts have been lagging permits over recent months and we expect some catch-up in October. We look for total housing permits to rise ever so slightly to an annual rate of 1.032 million units (September's revised rate is 1.031 million units), with a modest increase in single family permits as multi-family permits slip modestly from September's revised rate of 400,000 units. |
| **October Consumer Price Index**<br>Range: -0.5 to 0.0 percent<br>Median: -0.1 percent | Thursday, 11/20 | Sep = +0.1% | Unchanged. Falling retail gasoline prices will act as a drag on the headline CPI, but not to the degree some analysts seem to be expecting. Declines in retail gasoline prices are the norm for the month of October and, as such, the seasonal adjustment factors are set accordingly. What is not normal is the extent to which retail gasoline prices declined this October, which was almost twice the magnitude built into the seasonal adjustment factors, so it is only this gap that will weigh on the headline CPI. Given our anticipated increases in food prices and rents and with little evidence of inflation pressures elsewhere in the economy, we look for the net result to be an unchanged total CPI. Our call on the headline would yield an over-the-year increase of just 1.6 percent. A downside risk to our forecast is food prices, which have been weak in the PPI data over recent months. As such, we could see a smaller than expected increase in retail food prices in the October CPI data, which would tilt the headline index into negative territory. |
| **October Core Consumer Price Index**<br>Range: 0.0 to 0.2 percent<br>Median: 0.1 percent | Thursday, 11/20 | Sep = +0.1% | Up by 0.1 percent with little upward momentum to be found outside of rents. On a year-over-year basis the core CPI will be up 1.7 percent. |
| **October Leading Economic Index**<br>Range: 0.2 to 0.9 percent<br>Median: 0.5 percent | Thursday, 11/20 | Sep = +0.8% | Up by 0.6 percent. |
| **October Existing Home Sales**<br>Range: 5.050 to 5.250 million units<br>Median: 5.150 million units SAAR | Thursday, 11/20 | Sep = 5.170 mil | Down to an annualized sales rate of 5.120 million units. This would mark the 12th consecutive over-the-year decline in existing home sales, which we expect to be the last. Sales to owner occupant buyers have been steadily increasing over the past year, with the over-the-year declines in total sales reflecting the impact of fading investor purchases and distress sales. We remain more focused on the inventory data – inventories have been rising, which has taken some of the steam out of the rate of price appreciation. Still, inventories are lighter than they would be in a normal market and we look for further increases in the months ahead. |

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