ECONOMIC PREVIEW

REGIONS

Week of November 10, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on December 16-17)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The October retail sales report is the highlight of an otherwise slow week for top-tier economic data. The economic data and the bond market take Tuesday off in observance of Veterans Day, which is always an opportunity to put things in their proper perspective. We and others in our line of work spend considerable time trying to assess the meaning and significance of every economic data point that comes across the wires and, as such, it is easy to sometimes lose sight of the bigger picture. So much of what we and many others spend so much of their days doing would not be possible without the sacrifices of those who serve and have served our country, and no number that comes out in this or any other week can possibly lessen the significance of that.
October Retail Sales Range: 0.0 to 0.5 percent Median: 0.2 percent	Friday, 11/14	Sep = -0.3%	Up by 0.2 percent. Sharply lower retail gasoline prices – EIA data show retail pump prices declined by 6.6 percent during October – will once again act as a drag on headline sales, and indeed we think the risk to our forecast is that we have underestimated the drag from gasoline. Motor vehicles will be more or less a neutral factor, as a slightly higher unit sales rate will be negated by a shift in the mix of sales – despite lower gasoline prices, higher priced SUVs and light trucks accounted for a smaller share of overall motor vehicle sales than was the case in September. Elsewhere, we expect decent, though by no means stellar, gains in most retail categories, with Apple's iPhone6 once again lifting sales at electronics stores. One question for which we do not yet have an answer is the extent to which lower gasoline prices will actually translate into bigger gains in discretionary consumer spending. But, conveniently, the "holiday" shopping season is upon us (really, does the holiday shopping season ever actually end?) so we may not have to wait very long to have an answer to our question.
October Retail Sales – Ex-Auto Range: 0.0 to 0.6 percent Median: 0.2 percent	Friday, 11/14	Sep = -0.2%	Up by 0.2 percent. We look for control retail sales to be up by 0.4 percent – remember this component of the retail sales data feeds directly into the consumer spending data in the GDP accounts, so Q4 consumer spending is getting off to a steady start with the expectation November and December will see larger gains.
September Business Inventories Range: 0.0 to 0.4 percent Median: 0.3 percent	Friday, 10/31	Aug = +0.2%	Total business inventories will be up by 0.1 percent, and total business sales will be unchanged. Our expected gain in business inventories would mean the rate of inventory accumulation in the nonfarm business sector in Q3 was not quite as rapid as the BEA assumed in their first pass at Q3 real GDP growth. While this will contribute to a downward revision to real GDP growth in Q3, it also lowers the bar for inventories to make a positive contribution to Q4 real GDP growth.

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