ECONOMIC PREVIEW

REGIONS

Week of February 16, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on March 17-18)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	In addition to a few top-tier data releases this week also brings the release of the minutes from the January FOMC meeting (Wednesday, 2/18). One thing we will be looking for is any insight into what motivated the reference to "international developments" in the post-meeting statement. Specifically, in its list of factors to be considered in assessing whether or not a change in the Fed funds rate target would be appropriate the Committee included "international developments," which had not been included in prior statements. We admit to being somewhat taken by how much significance was, and still is, attached to this inclusion by many financial market participants, our thought being international developments were always on the FOMC's radar and included in Committee discussions. So, one question is whether the FOMC had, by time of their January meeting, become more concerned over the global growth outlook and potential instability in global financial markets, which is certainly possible given the outcome of the elections in Greece. Or, it could be the phrase "international developments" was a polite way to express concern over the potential for further appreciation of the U.S. dollar. With a stronger U.S. dollar hindering growth of U.S. exports and helping foster tame prints on headline and core inflation, there are those who argue the potential for further dollar appreciation effectively rules out a hike in the funds rate, certainly in the "mid-year" time window repeatedly offered up by various Fed officials and perhaps even longer. Another element of the reaction to the phrase "international developments" we found striking was what seemed a somewhat asymmetric interpretation of this phrase. The interpretation seemed to run along the lines of things were so shaky on the global growth front that there was no way the FOMC could begin to raise the funds rate in such an environment. The alternative scenario, i.e., an array of foreign efforts, mostly on the monetary policy front, to stimulate foreign economies would bear some fruit and at the same time put a support under global inflation, was given short shrift. While perhaps not the most likely of outcomes, we nonetheless thought it much too readily dismissed and last week's prints on GDP growth in the Euro Zone should at least be a reminder of the possibility that, come mid-year, global growth may not be setting a blistering pace but will have at least stabilized to the point the FOMC would not see it as a constraining factor in its policy deliberations. As such, it will be interesting to see the extent to which these issues are addressed in the minutes from the January FOMC meeting.
January PPI – Final Demand Range: -0.6 to -0.1 percent Median: -0.5 percent	Wednesday, 2/18	Dec = -0.3%	Down by 0.4 percent, yielding a year-over-year increase of 0.5 percent.
January Core PPI – Final Demand Range: 0.0 to 0.3 percent Median: 0.1 percent	Wednesday, 2/18	Dec = +0.3%	Up by 0.2 percent, which would translate into an over-the-year increase of 2.0 percent. .
January Housing Starts Range: 0.997 to 1.100 million units Median: 1.067 million units SAAR	Wednesday, 2/18	Dec = 1.089 mil	Down to an annualized rate of 1.068 million units. We look for single family starts to have fallen and multi-family starts to have risen from their December rates. This would mark the fifth consecutive month of starts topping 1.0 million units and, while we expect starts for 2015 as a whole to come in at over the million unit mark, a key pillar of our forecast is a gradual pick up in the rate of new single family construction over the course of the year. We look for total housing permits to increase to an annual rate of 1.064 million units from December's revised rate of 1.058 million units.
January Industrial Production Range: 0.1 to 0.7 percent Median: 0.3 percent	Wednesday, 2/18	Dec = -0.1%	Up by 0.4 percent, though we expect output in the mining sector to act as a drag on total industrial production.
January Capacity Utilization Rate Range: 79.6 to 80.0 percent Median: 79.8 percent	Wednesday, 2/18	Dec = 79.7%	Up to 79.9 percent.
January Leading Economic Index Range: 0.1 to 0.4 percent Median: 0.3 percent	Thursday, 2/19	Dec = +0.5%	Up 0.4 percent.

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