

ECONOMIC PREVIEW



REGIONS

Week of April 13, 2015

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint

0.125%

(After the FOMC meeting on April 28-29):

Target Range Midpoint: 0.125 to 0.125 percent

Median Target Range Midpoint: 0.125 percent

Sure, the more widely followed but by no means nearly as exciting version (at least as we see it) of "March Madness" may be done for the year, but in terms of the economic data the March madness picks up right where the employment report left off. Payback is really the theme of the March data, some good (retail sales, residential construction), some not so good (industrial production) after much of the February data were distorted by harsh winter weather. While the better March data won't be enough to salvage Q1 as a whole (we look for annualized real GDP growth of just 1.2 percent) it will at least put the economy on better footing for Q2, with significantly faster growth in real GDP.

March Retail Sales

Tuesday, 4/14 Feb = -0.6%

Range: 0.4 to 1.4 percent

Median: 1.0 percent

Up by 1.2 percent. There are a number of effects in play here, including a reversal of weather-related declines in spending in February, higher retail gasoline prices, and an early Easter that no doubt pulled some spending ahead into March. Think about it this way, the underlying trend for consumer spending was by no means as dire as implied by the February retail sales report but neither is it as buoyant as implied by the March retail sales report (assuming our forecast is on or near the mark). Motor vehicle sales are a good example – harsh winter weather helped push the annual sales rate down to 16.2 million units in February and the rebound to a sales rate of 17.1 million units in March reflects some payback, with the underlying run rate about in the middle. Also, retail gasoline prices were up better than 10 percent in March, which will add to top-line sales volume.

March Retail Sales – Ex-Auto

Tuesday, 4/14 Feb = -0.1%

Range: 0.3 to 0.9 percent

Median: 0.6 percent

Up by 0.9 percent, and we look for control retail sales to be up 0.4 percent. Even with our anticipated March increases, total retail sales will be down for Q1 as a whole and control sales up only slightly on a nominal basis, but after accounting for what will be lower prices, as measured by the CPI and the PCE deflator, real Q1 consumer spending will look better implied by the nominal headline numbers.

March PPI – Final Demand

Tuesday, 4/14 Feb = -0.5%

Range: -0.3 to 0.5 percent

Median: 0.1 percent

Up by 0.4 percent, which will leave the headline PPI down 0.6 percent on a year-over-year basis.

March Core PPI – Final Demand

Tuesday, 4/14 Feb = -0.5%

Range: -0.1 to 0.4 percent

Median: 0.1 percent

Up by 0.2 percent, for a year-over-year increase of 1.0 percent.

February Business Inventories

Tuesday, 4/14 Jan = 0.0%

Range: 0.0 to 0.4 percent

Median: 0.3 percent

We look for total business inventories to be up 0.3 percent while total business sales fell by 0.1 percent.

March Industrial Production

Wednesday, 4/15 Feb = +0.1%

Range: -0.8 to 0.3 percent

Median: -0.3 percent

Down by 0.8 percent. In keeping with the theme of March paybacks, we look for a sharp drop in utilities output after the largest increase on record in February – our anticipated decline in utilities knocks six-tenths of a percent off our headline change. But, we also look for another decline in output in the mining sector and a flat to slightly lower print on the manufacturing component.

March Capacity Utilization Rate

Wednesday, 4/15 Feb = 78.9%

Range: 78.2 to 79.1 percent

Median: 78.7 percent

Down to 78.2 percent.

March Housing Starts

Thursday, 4/16 Feb = 0.897 mil

Range: 0.950 to 1.106 million units

Median: 1.040 million units SAAR

Up to an annual rate of 1.106 million units and, again, payback is the order of the day here as frozen ground stopped February starts cold (yes, we really did just write that). We look for total housing permits to come in at 1.086 million units in March, down from February's revised rate of 1.102 million units but still solid.

March Consumer Price Index

Friday, 4/17 Feb = +0.2%

Range: 0.0 to 0.3 percent

Median: 0.2 percent

Up by 0.3 percent, for a year-over-year increase of just 0.1 percent. For Q1 as a whole this would leave the total CPI down 0.1 percent, year-on-year, and over the next few months the year-over-year changes should be negative as well.

March Consumer Price Index – Core

Friday, 4/17 Feb = +0.2%

Range: 0.1 to 0.2 percent

Median: 0.1 percent

Up by 0.2 percent. This yields a year-over-year increase of 1.7 percent, the average for core inflation over the past 24 months, which illustrates the extent to which measured headline inflation has been distorted by swings in energy prices.

March Leading Economic Index

Friday, 4/17 Feb = +0.2%

Range: 0.2 to 0.4 percent

Median: 0.3 percent

Up by 0.3 percent.

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