ECONOMIC PREVIEW

REGIONS

Week of September 14 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on September 16-17):* Target Range Midpoint: 0.125 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.125%	This week may seem a treasure trove for a data dependent FOMC but we see nothing here that will change the mind of any Committee member. We expect a hike in the Fed funds rate at this week's meeting, but the message will be critical. Not only in Dr. Yellen's post-meeting press conference, but also in the "dot plot," which can be another means through which the Committee communicates their intent to follow a very gradual course of rate hikes from here out.
August Retail Sales Range: -0.1 to 0.6 percent Median: 0.3 percent	Tuesday, 9/15	Jul = +0.6%	Up by 0.3 percent though, admittedly, our call comes with a higher than normal degree of uncertainty as we see two sources of potentially large upward revisions to the July headline number. The increase in the dollar volume of motor vehicle sales reported for July looked on the light side to us, given the increase in unit sales and the revenue friendly sales mix. Additionally, the reported increase in sales at nonstore retailers also looked to be understated given Amazon.com's monster "Prime Day" promotion. So, if we are correct on one or both of these counts, a higher July base obviously impacts the change in total retail sales reported for August. Be that as it may, there should be another increase in revenue at motor vehicle dealers, though smaller than that seen in July, and seasonal sales such as apparel and general merchandise likely got a boost from back to school spending. We expect gasoline to be a drag on headline sales given the decline in retail pump prices during the month and, as we have pointed out elsewhere, price effects are not limited to gasoline as prices for goods are either flat or drifting lower almost across the board. These price effects are holding down nominal retail sales, a point which seems to have escaped many analysts.
August Retail Sales – Ex-Auto Range: -0.2 to 0.5 percent Median: 0.1 percent	Tuesday, 9/15	Jul = +0.4%	Up by 0.2 percent, and we look for control retail sales to be up 0.3 percent.
August Industrial Production Range: -0.7 to 0.2 percent Median: -0.2 percent	Tuesday, 9/15	Jul = +0.6%	Down by 0.4 percent, as we look for declines in output in both the mining and manufacturing sectors, which would be consistent with what were notable blemishes on the August employment report.
August Capacity Utilization Rate Range: 77.4 to 78.7 percent Median: 77.8 percent	Tuesday, 9/15	Jul = 78.0%	Down to 77.6 percent.
July Business Inventories Range: -0.2 to 0.5 percent Median: 0.1 percent	Tuesday, 9/15	Jun = +0.8%	We look for total business inventories to be down by 0.2 percent, in line with our expectation of a sharp slowdown in inventory growth in Q3 which will weigh on real GDP growth. We look for total business sales to be up 0.1 percent.
August Consumer Price Index Range: -0.2 to 0.3 percent Median: -0.1 percent	Wednesday, 9/16	Jul = +0.1%	Unchanged. A sharp decline in retail gasoline prices – unusual for the month of August – will weigh on headline inflation with little offset anywhere else in the data outside of housing, specifically rents. We look for the total CPI to be up 0.3 percent year-on-year.
August CPI – Core Range: 0.1 to 0.2 percent Median: 0.1 percent	Wednesday, 9/16	Jul = +0.1%	Up by 0.2 percent, for an over-the-year increase of 1.9 percent. But, with rents accounting for roughly 42 percent of the core CPI, we caution core CPI inflation is overstated. We look for core goods prices to extend a streak of 28 consecutive months of year-over-year declines as a firmer U.S. dollar continues to weigh on goods prices, with core services inflation coming in at 2.5 percent.
August Housing Starts Range: 1.079 to 1.230 million units Median: 1.170 million units SAAR	Thursday, 9/17	Jul = 1.206 mil	Down to an annual rate of 1.157 million units based on what we expect to be a decline in single family starts after an inexplicably large gain in July, with little change in multi-family starts. This is a solid number, just not close to starts rates in June and July that are, at least for now, unsustainable. We look for total housing permits to rise slightly to an annual rate of 1.134 million units from July's revised rate of 1.130 million units.
Q2 Current Account Balance Range: -\$116.3 to -\$97.1 billion Median: -\$111.0 billion	Thursday, 9/17	Q1 = -\$113.3 bil	Narrowing to -\$112.4 billion. We also expect revisions to show a wider Q1 deficit, as the trade deficit is now known to be larger than what was incorporated into the first estimate of Q1's current account. As for Q2, it is possible a stronger U.S. dollar will weigh more heavily on the income balance than we've estimated, meaning the Q2 current account deficit could be wider than we forecast here.
August Leading Economic Index Range: 0.0 to 0.3 percent Median: 0.2 percent	Friday, 9/18	Jul = -0.2%	Up by 0.2 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com