ECONOMIC PREVIEW

REGIONS

Week of October 15, 2012

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on October 23-24)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The latest incarnation of the must have gadget we could actually live without if it came down to it, i.e., the IPhone 5, will help dial up a large increase in September retail sales. Well, maybe. If you go by the release of the IPhone 4S, which added roughly five-tenths of a percent to core sales upon its release in October 2011, the latest model will have a similar impact on September sales. Then again, if you go by the Samsung Galaxy S3 commercials, the release of the IPhone 5 will have resulted in large groups of people simply standing idle in long lines and, as such, not actually spending any money – on the IPhone 5 or anything else, meaning there will be no impact on September retail sales. Much as we like the Samsung spots, we're opting for the large increase in retail sales story line. The late-month timing of the release may mean that the real impact on retail sales won't be seen until the October data, so we may have to repeat this paragraph next month. Elsewhere in the data, we expect another soft report on industrial production, and expect to see further deceleration in manufacturing activity during Q4. There has been a clear downward drift in orders for core capital goods and export orders for manufactured goods are on their own downward path. Fading business spending and falling exports will leave their mark on Q4 real GDP growth.
September Retail Sales Range: 0.3 to 1.3 percent Median: 0.8 percent	Monday, 10/15	Aug = +0.9%	Up by 1.1 percent, for which we have the IPhone 5, a jump in auto sales, and higher gasoline prices to thank. We should emerge with a decent gain in real spending on goods in September despite the jump in the headline CPI.
September Retail Sales – Ex-Auto Range: 0.3 to 1.1 percent Median: 0.6 percent	Monday, 10/15	Aug = +0.8%	Up by 0.9 percent. We expect core retail sales (i.e., sales stripping out gasoline, autos, and building materials) were up by 0.7 percent.
August Business Inventories Range: 0.2 to 0.6 percent Median: 0.5 percent	Monday, 10/15	Jul = +0.8%	We expect total business inventories were up by 0.5 percent, with total business sales also up by 0.5 percent. After a hefty increase in inventories in July, the further build in August suggests that inventories will have added to real GDP growth in Q3. That support for Q3 growth, however, is not necessarily a good thing, as rising inventories look increasingly involuntary. As such, current production is being scaled back – the ISM production index has been below 50 percent in each of the past two months – and inventories will likely swing back to a drag on growth in Q4.
September Consumer Price Index Range: 0.2 to 0.6 percent Median: 0.5 percent	Tuesday, 10/16	Aug = +0.6%	Up by 0.5 percent, with higher food and gasoline prices the main culprit, though the increase in gasoline prices was not as severe as in August. On a year-over-year basis, we look for the headline CPI to have risen by 1.9 percent,
September Core CPI Range: 0.1 to 0.3 percent Median: 0.2 percent	Tuesday, 10/16	Aug = +0.1%	Up by 0.2 percent, which yields an over-the-year increase of 2.0 percent. With core inflation moderating, the Fed remains free to focus on the "maximum employment" component of their dual mandate. At least for now.
September Industrial Production Range: 0.0 to 0.6 percent Median: 0.3 percent	Tuesday, 10/16	Aug = -1.2%	Unchanged. We look for manufacturing output to have fallen modestly, with offsets from mining and utilities leaving the headline index unchanged. On a year-over-year basis, total output will have risen by just 2.56 percent, the smallest such gain since February 2010 (coincidentally, the cyclical trough for nonfarm employment), with manufacturing output up by just 3.06 percent over the year.
September Capacity Utilization Rate Range: 78.1 to 78.5 percent Median: 78.3 percent	Tuesday, 10/16	Aug = 78.2%	Down slightly to 78.1 percent.
September Housing Starts Range: 747,000 to 780,000 units Median: 770,000 units (SAAR)	Wednesday, 10/17	Aug = 750,000	Up to an annualized rate of 765,000 units, with a slight decline in single family starts offset by higher multi-family starts. We look for total housing permits to have fallen slightly to an annualized rate of 790,000 units.
September Leading Economic Index Range: -0.1 to 0.4 percent Median: 0.2 percent	Thursday, 10/18	Aug = -0.1%	Up by 0.1 percent.
September Existing Home Sales Range: 4.600 to 4.900 million units Median: 4.735 million units (SAAR)	Friday, 10/19	Aug = 4.820 mil	Down to an annualized rate of 4.770 million units. We will be more interested in the beneath the headline metrics such as inventories and distress sales, with downward trends in both contributing to sharper increases in median prices.

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