ECONOMIC PREVIEW

REGIONS

Week of November 11, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 10-11 FOMC meeting):* Target Range Mid-point: 1.625 to 1.625 percent Median Target Range Mid-point: 1.625 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	There is, apparently, something to be said for beating expectations, no matter how low those expectations may be set. That's our short but to the point summary of the recent economic data. The recent batch of data hasn't necessarily been good, but it has been better than expected. The data were, on the whole, good enough to allay fears that the broader economy was being dragged toward recession by the struggling industrial sector. Moreover, the FOMC managed to signal a shift in policy, i.e., they are on hold, perhaps for some time to come, without rattling the financial markets. And, though the messages have been mixed, it does appear that the U.S. and China are inching towards an initial agreement on trade. Taken as a whole, this does not suggest the U.S. economy is off to the races, but it does suggest the downside risks to the U.S. economy have diminished to a meaningful degree. For now, that's good enough.
October Consumer Price Index Wednesday, 11/13 Range: 0.0 to 0.4 percent Median: 0.3 percent	Sep = 0.0%	Up by 0.3 percent, yielding a year-on-year increase of 1.7 percent. Higher gasoline prices will account for one-third of the monthly increase in the total CPI. Our forecast anticipates a trend-like increase in shelter costs while medical care costs bounce back from September's below-trend increase. Which brings us to what by now is our usual monthly disclaimer – the series on apparel prices and used motor vehicle prices have become more like random noise and less like meaningful gauges of actual changes in prices in these categories. We're fairly sure this was not the intent behind the methodological changes that have spawned this volatility, but combined swings in these components can easily move the needle on the core CPI without actually telling us anything meaningful. Be that as it may, though core CPI inflation (see below) will raise some eyebrows, keep in mind that inflation as measured by the PCE Deflator, the FOMC's preferred measure, has been much more tame than inflation as measured by the CPI. As such, inflation is unlikely to be a concern for the FOMC any time soon.
October Consumer Price Index: Core Wednesday, 11/13 Range: 0.2 to 0..2 percent Median: 0.2 percent	Sep = +0.1%	Up by 0.2 percent, which translates into an over-the-year increase of 2.4 percent.
October PPI: Final Demand Thursday, 11/14 Range: 0.0 to 0.5 percent Median: 0.2 percent	Sep = -0.3%	Up by 0.4 percent, which would reflect a year-on-year increase of just 0.9 percent.
October PPI: Core Thursday, 11/14 Range: 0.1 to 0.6 percent Median: 0.2 percent	Sep = -0.3%	Up by 0.3 percent, good for an over-the-year increase of 1.7 percent.
October Retail Sales: Total Friday, 11/15 Range: 0.0 to 0.4 percent Median: 0.2 percent	Sep = -0.3%	Up by 0.2 percent. While a surprisingly weak report on September retail sales raised fears that what has been the main pillar of support for the U.S. economy of late, i.e., consumer spending, was starting to crumble, our reaction was more tempered. As a general rule, we don't put too much stock in any single data point, particularly when the data point in question is as inherently unreliable as the initial estimate of retail sales in any given month. So the first order of business here will be seeing what the revisions to the initial estimate of September sales look like – we have a particularly hard time buying the reported decline in sales by nonstore retailers. Depending on whether, or to what extent, that initial estimate of September sales is revised, it could be that our forecast of the dollar volume of October sales is closer than our forecast of the monthly percentage change. Either way, motor vehicle sales figure to be a drag on total retail sales in the October data, given the sharp decline in unit motor vehicle sales. It is worth noting that the link between unit motor vehicle sales and the retail sales data has weakened considerably since domestic manufacturers moved from a monthly to a quarterly reporting basis. To the extent October's drop in unit sales reflected a decline in fleet sales, that would not impact the retail sales data, but with limited monthly data we don't have a good sense as to whether or not this was the case. Higher prices mean gasoline should provide a material boost to top-line retail sales. Our forecast does anticipate a rebound in sales by nonstore retailers, but the extent of any such rebound will hinge on the revision to the initial estimate of September sales. On the whole, our forecast would get Q4 growth in consumer spending off to a fairly uninspired start, and we look for growth for Q4 as a whole to be slower than was the case in Q3.
October Retail Sales: Ex-Auto Friday, 11/15 Range: 0.2 to 0.6 percent Median: 0.4 percent	Sep = -0.1%	Up by 0.5 percent.

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October Retail Sales: Control Group Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 11/15	Sep = 0.0%	Up by 0.4 percent.
October Industrial Production Range: -0.7 to 0.2 percent Median: -0.4 percent	Friday, 11/15	Sep = -0.4%	Down by 0.4 percent. The GM strike held down motor vehicle assemblies, and production of auto parts will have also taken a hit. Conditions across the rest of the factory sector were very much mixed but, on net, our forecast anticipates a modest offset to the weakness in motor vehicle and parts production. Keep in mind that in the industrial production data, the effects of the GM strike were spread across the September and October data. With the strike having since been settled, we think that rather than being concentrated in the November data, the "catch-up" effects will be spread across the November and December data. To be sure, this is mainly just a matter of how much strike-related noise we will see in the data for any given month, and the data on manufacturing output excluding motor vehicles and parts will be a much more informative signal of the health, or lack thereof (non-auto manufacturing output fell 0.2 percent in September), of the factory sector in the next few industrial production reports.
October Capacity Utilization Rate Range: 76.8 to 77.5 percent Median: 77.1 percent	Friday, 11/15	Sep = 77.5%	Down to 77.1 percent.
September Business Inventories Range: 0.0 to 0.5 percent Median: 0.1 percent	Friday, 11/15	Aug = 0.0%	We look for total business inventories to be unchanged, and for total business sales to be down by 0.3 percent.

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