ECONOMIC PREVIEW

REGIONS

Week of September 9, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 17-18 FOMC meeting):* Target Range Mid-point: 1.875 to 1.875 percent Median Target Range Mid-point: 1.875 percent	Range: 2.00% to 2.25% Midpoint: 2.125%	Current quarter real GDP growth is tracking right at 2.0 percent, with consumer spending once again the main support for top-line growth. How much longer this can continue is being called into question by the pronounced slowdown in the pace of job growth. The one saving grace is that growth in aggregate labor earnings remains robust, easily outpacing inflation. At least so far. Should this change, the key pillar of support for near-term real GDP growth would be kicked out from under the economy.
August PPI: Final Demand Wednesday, 9/11 Range: -0.1 to 0.3 percent Median: 0.1 percent	Jul = +0.2%	Unchanged, which would translate into an over-the-year increase of 1.7 percent.
August PPI: Core Wednesday, 9/11 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jul = -0.1%	Up by 0.3 percent, good for a year-on-year increase of 2.3 percent.
August Consumer Price Index Thursday, 9/12 Range: -0.1 to 0.2 percent Median: 0.1 percent	Jul = +0.3%	Unchanged, which would leave the total CPI up 1.7 percent year-on-year. Our forecast is, literally, a rounding error away from showing the headline CPI up by one-tenth of a percent, so flip a coin. It won't actually come down to that; instead, it will come down to whatever numbers turn up in the lines for apparel prices and used motor vehicle prices – we'd actually prefer a coin toss to what has basically been random noise in these categories in recent months. What is clear is that gasoline prices will be a significant drag on the August CPI; our forecast has lower retail pump prices taking one-tenth of a point off of the change in the total CPI. After a 0.5 percent increase in July, the August data should show a more moderate increase in medical care costs, and our forecast anticipates a trend-like increase in shelter costs. All in all, inflation pressures remain muted.
August Consumer Price Index: Core Thursday, 9/12 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jul = +0.3%	Up by 0.2 percent, which yields an over-the-year increase of 2.3 percent. Our focus will be on core goods prices, which have firmed considerably. We look for a further advance in the August data, i.e., ahead of any pass-through effects of tariffs applied to imported consumer goods. Any pass-through effects of tariffs will be more visible in the CPI than in the PCE Deflator, as the CPI is based on a fixed basket of goods.
August Retail Sales: Total Friday, 9/13 Range: 0.0 to 0.5 percent Median: 0.2 percent	Jul = +0.7%	Up by 0.3 percent. Motor vehicle sales will be a support for top-line retail sales, but gasoline will be a drag, while the inevitable revision to the initial estimate of July retail sales adds the usual uncertainty to our forecast. Our hunch is that the initial estimate of July sales by nonstore retailers could be revised higher, which would make July control retail sales even stronger, and it would be reasonable to expect some payback in the August data. It is also reasonable to think that at least some back-to-school sales were pulled forward into the July data, which would set up weak August prints in categories such as general merchandise stores and apparel stores. Unit motor vehicle sales were notably strong in August, which in part reflects sales being pulled forward by the early Labor Day – part of the Labor Day weekend fell into August. Figures from AutoData show this year's August increase in not seasonally adjusted motor vehicle sales was the strongest for the month of August since 2009 (of course, unadjusted sales in September of that year fell by 41 percent, so there's that). It is also worth noting that the mapping between unit motor vehicle sales and the retail sales data can be murky, as sales of used vehicles and price effects also enter into the retail sales data. So, in other words, just another month in the magical and mystical world of the retail sales data. The bottom line, however, is that even if the report on August sales is on the soft side, that is offset by the strength of July sales, and Q3 will prove to be another strong quarter for consumer spending.
August Retail Sales: Ex-Auto Friday, 9/13 Range: 0.0 to 0.6 percent Median: 0.1 percent	Jul = +1.0%	Up by 0.1 percent.
August Retail Sales: Control Group Friday, 9/13 Range: -0.2 to 0.5 percent Median: 0.3 percent	Jul = +1.0%	Up by 0.3 percent. To our above point, our forecast would put Q3 growth in nominal control sales, a direct input into the GDP data, at an annualized rate of 7.6 percent, only modestly lower than Q2's 8.0 percent annualized growth rate.
July Business Inventories Friday, 9/13 Range: 0.1 to 0.4 percent Median: 0.2 percent	Jun = 0.0%	We look for total business inventories to be up by 0.3 percent and for total business sales to be up by 0.2 percent.

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