ECONOMIC PREVIEW

REGIONS

Week of October 11, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 2-3 FOMC meeting):* Target Range Mid-point: 0.000 to 0.125 percent Median Target Range Mid-point: 0.125 percent	Range: 0.00% to 0.25% Midpoint: 0.125%	The most recent round of purchasing manager surveys offers no signs that supply chain, logistics, and labor constraints will ease any time soon, and we're likely to hear that story repeated again and again on upcoming earnings calls. So, sure, elevated inflation is transitory but just, you know, transitory for longer.
September Consumer Price Index Wednesday, 10/13 Range: 0.1 to 0.5 percent Median: 0.3 percent	Aug = +0.3%	Up by 0.4 percent, which would yield a year-on-year increase of 5.3 percent. Higher retail gasoline prices will provide only modest support for the top-line CPI, while our forecast looks for further declines in prices of used vehicles and transportation services (such as rates on rental cars), which were amongst the prime culprits behind the outsized monthly increases seen during the spring and summer months. If we are correct, September would mark a second consecutive monthly decline in prices for used motor vehicles, but that streak may prove short-lived as the recent increase in the Manheim Index will ultimately be reflected in the CPI data. Increasingly lean inventories of new motor vehicles should sustain hefty price increases, and prices of other consumer durable goods, such as furniture and appliances, should continue to push higher, reflecting global supply chain issues and higher shipping costs. This is a useful reminder that, while the "reopening effects" may be fading from the inflation data, price pressures from supply chain and logistics bottlenecks will persist well into 2022. At the same time, rising labor costs will, at least to some degree, also be passed along, while faster rent growth and normalization of health care pricing will add to overall inflation pressures. Monthly increases of just 0.2 percent would keep headline CPI inflation over 5.0 percent into early-2022 before base effects begin to take over (over-the-year comparisons will become tougher). But, even as inflation begins to slow, it will remain easily ahead of the FOMC's target rate through most of 2022.
September Consumer Price Index: Core Wednesday, 10/13 Range: -0.1 to 0.4 percent Median: 0.3 percent	Aug = +01%	Up by 0.3 percent, which would translate into an over-the-year increase of 4.0 percent. Our above-consensus forecast is predicated on further acceleration in rent growth in September, but if we are wrong on this point, our forecast for the core CPI will be too high.
September PPI: Final Demand Thursday, 10/14 Range: 0.1 to 0.8 percent Median: 0.6 percent	Aug = +0.7%	Up by 0.7 percent, good for a year-on-year increase of 8.8 percent.
September PPI: Core Thursday, 10/14 Range: 0.1 to 0.6 percent Median: 0.5 percent	Aug = +0.6%	Up by 0.6 percent, which would yield a year-on-year increase of 7.2 percent.
September Retail Sales: Total Friday, 10/15 Range: -0.8 to 1.0 percent Median: -0.2 percent	Aug = +0.7%	Up by 0.3 percent. Better than expected August retail sales were more a reflection of generous seasonal adjustment than the strength of consumer spending. The not seasonally adjusted data show a much smaller increase in sales than is typical for the month of August; and with a typical August seasonal adjustment factor, the increase in control retail sales would have been closer to 0.5 percent than to the reported increase of 2.5 percent. While those inconvenient details went largely unnoticed, we always put more stock in the unadjusted data as a guide to what's going on in the economy. As for the September data, price effects and yet more friendly seasonal adjustment will dress up September retail sales. Recall that the retail sales data are not adjusted for price changes, so higher prices for consumer goods have been acting to, well, inflate measured retail sales. Additionally, September is an inherently weak month for retail sales; think of September as the lull between back-to-school shopping and the holiday season. Indeed, since the current series began in 1992, on a not seasonally adjusted basis neither total nor control retail sales have ever risen in the month of September. We suspect, however, that this September's declines in unadjusted sales will be smaller than is typical for the month, which would boost sales on a seasonally adjusted basis. Either way, though not to the same extent as in August, motor vehicles will be a material drag on top-line retail sales, with unit sales of new vehicles having fallen to an annualized rate of just 12.2 million units. Restaurant sales improved as September wore on, though the extent to which this will be captured in the retail sales data remains to be seen. While retail sales could drift lower in the months ahead, this would be more a reflection of consumers shifting spending away from goods and toward services, which are not included in the retail sales data, than a sign of weakness in consumer spending.

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September Retail Sales: Ex-Auto Range: -0.3 to 1.7 percent Median: 0.5 percent	Friday, 10/15	Aug = +1.8%	Up by 1.0 percent.
September Retail Sales: Control Group Range: -0.5 to 1.5 percent Median: 0.4 percent	Friday, 10/15	Aug = +2.5%	Up by 0.8 percent.
August Business Inventories Range: 0.1 to 1.0 percent Median: 0.6 percent	Friday, 10/15	Jul = +0.5%	We look for total business inventories to be up by 0.7 percent and for total business sales to be down by 0.1 percent.

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