ECONOMIC PREVIEW

REGIONS

Week of February 10, 2020

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 17-18 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%	Job growth got off to a good start in 2020, just not as good as the headline job growth number on the January employment report suggests. Total nonfarm employment rose by 225,000 jobs, handily beating expectations. But, atypically warm weather wreaked havoc with the data, holding down seasonal layoffs in construction and leisure and hospitality services, resulting in outsized gains in these categories in the seasonally adjusted data, for which there will be payback in the February data. One need only look back to last year, when the same scenario played out. Atypically warm January weather, at least during the BLS survey period, boosted job growth in these categories, contributing to nonfarm employment rising by 269,000 jobs. But, the seasonally adjusted data for February 2019 showed payrolls in construction and leisure & hospitality services declined, and total nonfarm employment rose by only 1,000 jobs, saved only by an increase in public sector payrolls offsetting a decline in private sector payrolls. While neither the January or February 2019 job growth numbers was "the truth," the truth did lie between the two, and we look for that to be the case this year.
January Consumer Price Index Thursday, 2/13 Range: -0.1 to 0.2 percent Median: 0.2 percent	Dec = +0.2%	Up by 0.2 percent, which would yield a year-on-year increase of 2.5 percent. The over-the-year increase, however, is a bit misleading. Recall that the headline CPI declined slightly in each month from November 2018 through January 2019, setting a low bar for over-the-year changes. These base effects will fade from the data, pushing inflation closer to, as opposed to further from, 2.0 percent.
January Consumer Price Index: Core Thursday, 2/13 Range: 0.1 to 0.2 percent Median: 0.2 percent	Dec = +0.1%	Up by 0.2 percent, which translates into a year-on-year increase of 2.2 percent.
January Retail Sales: Total Friday, 2/14 Range: 0.0 to 0.6 percent Median: 0.3 percent	Dec = +0.3%	Up by 0.3 percent. As in any given month, the most useful element of the report on January retail sales will be the revisions to estimates of sales in previous months. Specifically, prior estimates of sales by nonstore retailers, which includes but is not limited to online sales, for November and December seemed implausibly small to us, which in turn held down reported growth in top-line sales. The only question to us is whether the January report will include meaningful revisions to online sales or whether that will have to wait for the annual benchmark revisions – our money is on the latter. In the "for what it's worth, which is not a lot" category, with the report on January retail sales we'll be able to assess how our forecast of a 3.9 percent increase in holiday season sales in 2019 fared.
January Retail Sales: Ex-Auto Friday, 2/14 Range: -0.1 to 0.4 percent Median: 0.3 percent	Dec = +0.7%	Up by 0.3 percent.
January Retail Sales: Control Group Friday, 2/14 Range: 0.2 to 0.6 percent Median: 0.3 percent	Dec = +0.5%	Up by 0.4 percent.
January Industrial Production Friday, 2/14 Range: -0.7 to 0.3 percent Median: -0.3 percent	Dec = -0.3%	Down by 0.6 percent. Boeing halting production of the 737 Max is expected to act as a material drag on January manufacturing output. As if that isn't enough, one curious detail of the January employment report suggests the decline in manufacturing output may be more severe than is expected. Employment amongst producers of motor vehicles and parts fell by 10,600 jobs, suggesting motor vehicle production may have fallen off sharply during the month. If that is the case, the drop in industrial production could be worse than anticipated. That said, it will be important to look at how other segments of the manufacturing sector fared in January. The ISM Manufacturing Index joined other indicators showing some improvement in factory sector activity in January. So, while the headline IP number for January certainly matters, it will be just as important to see the extent to which any weakness in manufacturing output in January was concentrated within the transportation equipment industry group.
January Capacity Utilization Rate Friday, 2/14 Range: 76.3 to 77.0 percent Median: 76.8 percent	Dec = 77.0%	Down to 77.6 percent.
December Business Inventories Friday, 2/14 Range: -0.2 to 0.3 percent Median: 0.1 percent	Nov = -0.2%	We look for total business inventories to be up by 0.1 percent and for total business sales to be down 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