ECONOMIC PREVIEW

REGIONS

Week of February 7, 2022

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 15-16 FOMC meeting):* Target Range Mid-point: 0.125 to 0.625 percent Median Target Range Mid-point: 0.375 percent	Range: 0.00% to 0.25% Midpoint: 0.125%	It's a quiet week in terms of economic data, which could be a good thing or a bad thing. If you're looking for a respite from economists (not us, of course, but the rest of them) flooding your inbox with their takes on what the data mean, this will be a good week. If you're a central banker who's been getting increasingly uncomfortable with the spotlight shining so brightly on inflation, then maybe this week won't be all that good, especially since the report on the January CPI will be the data release getting almost all of the attention this week. While it is generally agreed that inflation is reaching its peak, which will likely come with the February data, the bigger question at this point is how long it will take for inflation to fall back to within shouting distance of the FOMC's target rate. That could be an uncomfortably long wait.
December Trade Balance Tuesday, 2/8 Range: -\$86.0 to -\$80.0 billion Median: -\$83.0 billion	Nov = -\$80.2 billion	<u>Widening</u> to -\$83.7 billion. The advance data on trade in goods show the U.S. trade deficit in goods widened in December and for 2021 topped \$1 trillion. Part of that reflects higher prices, and part reflects the economic recovery in the U.S. being further along than in much of the rest of the world. It helps to recall, at least it should, that the flip side of our trade deficit is a capital inflow, as foreigners remain willing to continue accumulating U.S. dollar denominated assets. The time to worry isn't when the trade deficit hits a certain marker, but instead when capital inflows begin to reverse in a meaningful and sustained manner.
January Consumer Price Index Thursday, 2/10 Range: 0.3 to 0.6 percent Median: 0.4 percent	Dec = +0.5%	<u>Up</u> by 0.4 percent, which would yield a year-on-year increase of 7.2 percent. After having acted as a drag on the headline CPI in December, energy prices will be a modest support in the January data, but retail gasoline prices have thus far been slow to respond to significantly higher crude oil prices. After a run of hefty advances, December saw a more moderate increase in prices for food consumed at home, at odds with other indicators of grocery store prices, and our forecast anticipates a larger increase in January. While increased production could take some of the edge out of growth in prices for new motor vehicles, wholesale price gauges suggest another month of steep increases in prices of used motor vehicles. Where we do anticipate some softening in price pressures in January are those areas vulnerable to pullbacks in spending due to the rapid and wide spread of the Omicron variant, such as restaurants, travel, lodging, entertainment, and recreation. To the extent spending in these areas picks back as case counts continue to recede, any relief in pricing pressures will prove to be temporary (admit it, you thought we were going to use the word "transitory" there, didn't you?). Both primary and owners' equivalent rents settled into a pattern of 0.4 percent increases over the latter months of 2021, and while we've incorporated like-sized increases in our forecast for January, we're also mindful of the fact that rent growth as measured in the CPI tends to lag other measures, so we won't be at all surprised if at some point the monthly increases in rents in the CPI get larger. While we and most others expect Q1 2022 to mark the peak of inflation as measured by the CPI, we also expect inflation to run easily ahead of the FOMC's 2.0 percent target, even as measured by their preferred gauge, the PCE Deflator, into 2023.
January Consumer Price Index: Core Thursday, 2/10 Range: 0.3 to 0.5 percent Median: 0.4 percent	Dec = +0.6%	<u>Up</u> by 0.4 percent, which would translate into a year-on-year increase of 5.9 percent.

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