ECONOMIC PREVIEW

REGIONS

Week of March 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%	The human costs of the situation in Ukraine are immeasurable and, for most of us, unfathomable. While by no means trying to diminish the human costs, it is nonetheless our task to try and process the economic and financial implications. The most immediate and visible economic effects will be on inflation. Russia's invasion of Ukraine casts considerable uncertainty over the path of inflation, with inflation set to rise further and be more persistent than had been expected coming into 2022. It is of course too soon to know how long the situation in Ukraine may last, whether it will spread, or how it will end. In the interim, however, we can expect considerable volatility in the economy and financial markets.
January Trade Balance Tuesday, 3/8 Range: -\$89.1 to -\$78.0 billion Median: -\$87.3 billion	Dec = -\$80.7 billion	Widening to -\$87.4 billion. A drop in U.S. exports of goods led to a wider deficit in the goods account, leading to a larger overall trade deficit.
February Consumer Price Index Thursday, 3/10 Range: 0.5 to 1.0 percent Median: 0.8 percent	Dec = +0.6%	Up by 0.8 percent, which would leave the total CPI up 7.9 percent year-on-year. Food and energy prices will be meaningful supports for headline CPI inflation in February. Retail gasoline prices were already on the rise, but the pace of that ascent accelerated sharply over the back half of February. Data from the EIA show that, on a not seasonally adjusted basis, retail gasoline prices rose by 5.8 percent in February, and the seasonally adjusted data will show an increase closer to 7.0 percent. It is possible that not all of the rapid increase over the back half of the month will be picked up in the February CPI data, but that's just a matter of timing and, with crude oil prices having pushed over \$120 per barrel in the wake of Russia's invasion of Ukraine, there will be further pass-through to retail gasoline prices in the weeks ahead. That will also be the case with food prices, with already accelerating food price inflation set to shift into a higher gear in the weeks ahead. Beneath the headline index, our forecast anticipates February's unrounded increase in the core CPI will be the smallest monthly increase since September. After average monthly increases of 1.0 percent over the past four months, we look for a smaller increase in the index of core goods (i.e., consumer goods less food and energy) prices in February. While we look for a modest decline in prices for used motor vehicles, at worst the CPI data will show a much, much smaller increase than those seen over the past several months. We expect seasonal adjustment to result in lower apparel prices, and prices for medical care commodities should post a smaller advance than was the case in January. That said, core services inflation is likely to have accelerated further in February. Rent growth has picked up pace in recent months, but recall that the CPI measures of both primary and owners' equivalent rent tend to lag market based indicators. Lodging rates should rebound sharply on what was stronger demand in February, and we look for further firming in prices for medical services. We and most others had thought we'd see inflation peak with either the February or March data – recall that it was last spring when inflation really began to ramp up, meaning base effects would soon come into play and the over-the-year comparisons would get tougher. After Russia's invasion of Ukraine, however, we will see a higher peak rate of inflation and it will come later than would have otherwise been the case. How high and when depend on the scope of further actions directed at Russia and how long it is before there is some resolution. Even after it peaks, however, inflation will likely be higher for longer than would otherwise have been the case given geopolitical events. Indeed, as of our March baseline forecast, we look for the CPI to be up 6.8 percent for full-year 2022, with the PCE Deflator, the FOMC's preferred gauge of inflation, up 5.7 percent, compared to increases of 5.7 and 4.9 percent, respectively, in our February baseline forecast, and at present the risks to our forecast seem stacked to the upside. Even prior to recent global events the FOMC was set to embark on a high-wire act, trying to gauge the appropriate pace at which to pare down the current high degree of monetary accommodation in an environment in which the rate of economic growth was set to slow. After recent geopolitical events, however, the FOMC's wire is higher and thinner than it already was.
February Consumer Price Index: Core Thursday, 3/10 Range: 0.3 to 0.7 percent Median: 0.5 percent	Dec = +0.6%	Up by 0.5 percent, which would yield a year-on-year increase of 6.4 percent.

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