ECONOMIC OUTLOOK
REGIONS
November 2023

2023 Holiday Sales Forecast: A Battle Of Wallet vs. Will?

It's the most wonderful time of the year. Unless, of course, it's not. Either way, it is time for the November *Monthly Economic Outlook*, which means it is also the time of the year when we take the pulse of the U.S. consumer, conduct extensive research, perform highly sophisticated statistical analysis, apply the collective force of our years of professional experience, and then basically guess how much consumers will spend over the holiday shopping season. To be sure, when it comes to the economic data these days, guessing is about as good an approach as any other given what is a high volume of noise in much of the data, including the retail sales data. Okay, that was just our frustration over the reliability of the data getting the better of us. Of course we realize that coming up with an answer to a question as important and deeply meaningful as how much U.S. consumers may spend over the holiday season deserves nothing but the most thoughtful and rigorous approach, and we vow to perform the most sophisticated statistical analysis at our disposal. Only then, and only if we don't like the answer we come up with, will we resort to just making something up.

Either way, as we do each November, we'll present our holiday sales forecast, regardless of how we arrive at it, and also take a deeper look at the state of U.S. consumers, both financial and psychological. In that sense, the 2023 holiday shopping season may come down to a battle of wallet versus will; while the financial metrics leave few doubts as to the wherewithal to spend, the data on consumer sentiment raise plenty of questions as to the will of consumers to spend. Obviously, these are all aggregate measures and there will be some segments of U.S. consumers that are faring, and feeling, better/worse than others, which will clearly factor into holiday spending decisions. That does not invalidate our broader point that financial metrics and sentiment measures are sending decidedly mixed signals as to holiday season spending.

Aside from the will vs. wherewithal divide, consumer spending patterns are still not free of the distortions introduced by the onset of the pandemic and the policy response to it. Specifically, the mix of spending between goods and services, particularly discretionary services, has shifted more than once over the past three-plus years but is less favorable to spending on goods heading into the 2023 holiday season than has been the case over recent years. Toss in the effects of price changes, not all of them working against U.S. consumers at present, and higher interest rates, and the net result is that, when it comes to 2023 holiday season spending, guessing may not be such a bad alternative after all. For that matter, your guess may be as good as, if not better than, ours.

In addition to our holiday season sales forecast and an assessment of the state of U.S. consumers, we use each November's edition of our *Outlook* to discuss how holiday season hiring in retail trade and warehousing/delivery services may shape up. Seasonal hiring in these areas is a function of not only how much, but also how, consumers are expected to spend. With so many conflicting signals on 2023 holiday season spending, firms are having a tougher time assessing seasonal hiring needs this year. This question becomes even more interesting, at least to us, in light of how weak such hiring proved to be last year, particularly in retail trade.

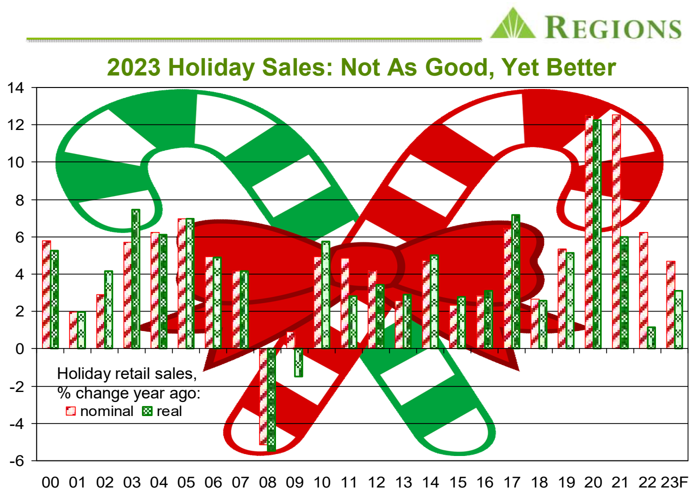
We'll get to the hiring outlook later, but for now the focus will be on the holiday sales outlook. Before getting to our forecast, we'll offer the usual housekeeping notes. First, our measure of holiday season sales consists of combined November and December retail sales excluding drug store, grocery store, motor vehicle, gasoline, building material, and restaurant sales. Though differing a bit from other measures of holiday season sales, we've always excluded these categories from our measure on the grounds that these are not typically things given as holiday gifts. We do, however, have a standing offer – should anyone either find or know anyone who finds a carefully gift-wrapped new car or truck in their driveway, let alone out in the middle of the woods during a romp with an adorable, gift-wrapped puppy, we'll happily add motor vehicles into our measure of holiday season sales.

Second, while no index of goods prices totally conforms to our measure of holiday season sales, we have to pick one in order to deflate our forecast of nominal holiday sales and arrive at a forecast of real (or, inflation adjusted) sales. Last year we made the switch to the new measure of core goods prices excluding used motor vehicles published by the Bureau of Labor Statistics. While not perfect – this measure includes prices of new motor vehicles, which are not included in our measure of holiday season sales (pending our standing offer, of course) – we find it to be the best available index. For many years, goods prices consistently fell, working in favor of consumers and against retailers. Since the onset of the pandemic, however, rising goods prices have worked against the consumer and in favor of retailers. We expect that to again be the case this year, though not nearly to the same degree as over the past two years.

On a nominal basis, we look for 2023 holiday season sales to be up by 4.7 percent over 2022 sales, which would be the smallest increase in nominal holiday season sales since 2018, and while 2020 and 2021 holiday season sales were biased higher by pandemic-related financial supports, our forecast would still be quite a step down from the 6.2 percent increase in nominal sales during the 2022 holiday season. As seen in the following chart, barring the artificially lofty gains seen in 2020 and 2021, last year's increase in nominal holiday season sales would have been a strong one by historical standards. To our point about price changes, however, real holiday sales rose by only 1.1 percent in 2022 which, barring the declines in real holiday sales in 2008 and 2009, is the

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

smallest such increase in our holiday sales series, which goes back to 1998. With goods price inflation having eased considerably over the past several months, consumers' dollars will go farther this year; our forecasts of nominal holiday season sales and core goods prices excluding used motor vehicles yield a 3.7 percent increase in real holiday sales, though this is still below the longer-term pre-pandemic average increase. And, for anyone keeping score, our 2022 holiday sales forecast called for a 5.8 percent increase in nominal sales and a 1.2 percent increase in real sales. Okay, not exactly on the mark but, given the wild, wacky, and often dubious nature of the retail sales data, close enough for us.



Source: U.S. Census Bureau; Bureau of Labor Statistics; Regions Economics Division

The importance of understanding the impacts of prices changes and seasonal adjustment are points we routinely make in our analysis of the monthly retail sales data. We'll get to how seasonal adjustment may impact reported holiday sales below, but as the above chart illustrates, consumers will at least be enjoying a more favorable pricing environment during the 2023 holiday shopping season than has been the prior two years. Our forecast looks for the BLS's measure of core goods prices excluding used motor vehicles to be up by 1.5 percent during the 2023 holiday shopping season (i.e., November and December) after increases of 5.0 percent in 2022 and 6.2 percent in 2021.

How retailers may feel about this, however, is another matter, as many have pointed to growing margin pressures in recent earnings reports. In part, this reflects a more tame pricing environment, and in part this reflects shifts in shopping patterns and what for certain groups of households are growing pressures on household budgets. Such budget pressures help account for why we expect a smaller increase in nominal holiday season sales in 2023 than that seen last year. If a more tame pricing environment and stress on household budgets seem at odds, keep in mind that prices rising at a slower rate is not the same as prices falling, and as the holiday shopping season arrives, consumers are dealing with the cumulative increases in prices seen over a prolonged period of rapid inflation. In terms of pricing, one advantage many retailers have heading into the holiday shopping season is that they are better positioned on inventories than is often the case at this time of the year. As such, they may fell less compelled to resort to discounting in order to clear out unwanted stocks or, at the very least, they may not resort to discounting as early in the season as they otherwise might feel compelled to do. Absent discounting, nominal sales will look stronger than would otherwise be the case.

Though there are clearly pockets of stress, household financial conditions on the whole remain healthy and supportive of growth in spending, including during the holiday shopping season. At first glance, the monthly data on personal income suggest otherwise, with real disposable personal income (i.e., income after-tax and adjusted for inflation) having declined in four straight months. Those declines, however, have largely been due to declining transfer payments, which mainly reflect cuts in SNAP benefits and Medicaid benefits as pandemic-related expansions have run their course. Excluding transfer payments, inflation-adjusted personal income has continued to grow, buttressed by still-healthy growth in labor earnings. Though the trend rates of job and earnings growth are both slowing, growth in aggregate labor earnings – the largest component of personal income – continues to outpace inflation, thus acting as a key support for spending.

Household balance sheets remain notably strong. Though the Q3 data are not yet available, the Federal Reserve's *Flow of Funds* data show household net worth at a record high in Q2, and that rising owners' equity in residential real estate has been a prime driver of growth over recent quarters indicates that growth in net worth has been more broadly based across households than would have been the case if rising equity values were the primary driver of rising net worth. In addition to the level, it should also be noted that the composition of net worth is supportive of spending, with a significant pool of liquidity at the disposal of consumers. One component is the pool of excess savings on household balance sheets, a topic we discussed in detail in the October *Outlook*. At the same time, research from the Federal Reserve Bank of New York shows that mortgage refinancing conducted during the period of favorable interest rates not only lowered monthly mortgage payments but also allowed for the extraction of sizable amounts of equity via cash-out refinances. Much of this cash remains on household balance sheets.

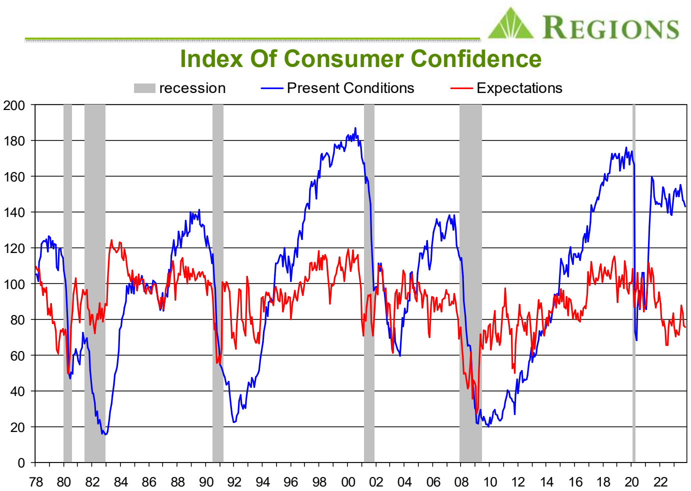
A high degree of liquidity has for some time been a support for household consumption, helping account for the resilience of consumer spending amid elevated inflation and rising interest rates. That said, as we discussed last month, the slow rate at which the remaining pool of excess saving is being drawn down leads us to wonder if households have come to view this pool as more of a longer-term asset, particularly given recent increases in interest rates, as opposed to viewing it as a means of funding current consumption. Indeed, there is evidence that lower income and younger households have run through all or most of whatever excess savings they once had, which would mean that most of the remaining pool of excess savings is held by households with lower propensities to consume. While that would support our premise of excess savings being seen as more of a longer-term asset than a support for current spending, that doesn't rule out some portion of those funds being used for holiday season spending, though it could be that these households would be more likely to spend on discretionary services than on goods. As such, such spending would not turn up in our, or any, measure of holiday season sales.

Finally, though interest rates have risen significantly, households have for the most part been insulated thanks to the preponderance of fixed rate debt on household balance sheets. As such, payment reset shocks have been far less of an issue during this cycle than has been the case in the past, helping preserve cash. Along with the preponderance of fixed rate debt, continued growth in after-tax income has helped hold down monthly debt service burdens, which continue to hover around all-time lows despite higher interest rates. Obviously, rates on outstanding credit card debt have adjusted upward during a time in which credit card debt has grown at a rapid pace. While this has pushed monthly payments higher for those carrying balances – data from the Federal Reserve Bank of Philadelphia show roughly thirty-six percent of credit card accounts are paid in full each month – this has not pushed the overall monthly debt service burden higher. It is also the case that, despite rapid growth in credit card debt, credit card utilization rates remain well below pre-pandemic norms, suggesting ample capacity for consumers to use credit card debt to facilitate holiday season spending, higher interest rates notwithstanding.

So, while there are those households feeling increased financial stress, overall household financial conditions remain supportive of spending, particularly with growth in aggregate labor earnings still easily outpacing inflation. While we see ample capacity for growth in holiday season spending, we are less sure as to the composition of that spending. To our earlier point, to the extent that consumers favor discretionary services spending over spending on goods, that will be a drain from measures of holiday season sales. We have for some time argued discretionary services spending would slow after the summer months, in part because what had been a high degree of pent-up demand for such spending (travel, tourism, entertainment, recreation, dining out) would be increasingly sated. As of now, we still do not know if we were, or will be, correct on this point. The BEA's data on September consumer spending show a sizable increase in discretionary services spending, which came as a surprise to us, but at the same time we suspect favorable seasonal adjustment inflated the September spending data. And, even if services spending has slowed as we've anticipated, that by no means precludes a burst of such spending around the holidays which, again, would detract from holiday spending on goods.

As far as goods spending goes, this is one place where higher interest rates could come into play. Financing costs on purchases of consumer durable goods are clearly higher, which to some extent is weighing on demand. To the extent consumers would have made such purchases during the holiday shopping season, either as gifts or to take advantage of promotional deals, higher financing costs could dissuade them from doing so. In other words, look for even fewer gift wrapped cars in driveways this Christmas morning than you normally see. Okay, that number is zero either way, but, work with us here. And while consumers could divert spending toward purchases of nondurable goods, the lower ticket values relative to those on consumer durable goods would be a weight on growth in overall holiday season spending.

The broader point here is that while we see ample financial supports for spending, that doesn't necessarily buy us a strong holiday shopping season. Our concerns over the composition of spending notwithstanding, a potentially more binding constraint on holiday season spending may be that consumers are not feeling all that much holiday cheer and, as such, may not be as inclined to spend this year as they normally would be. The generally downbeat mood amongst U.S. consumers is apparent in the various measures of consumer sentiment, which is something we discussed at length in our September *Outlook*.



Source: The Conference Board; Regions Economics Division

The above chart breaks down the Conference Board's monthly index of consumer confidence into its two component parts, consumers' assessments of present conditions (income, business, and labor market) and their expectations of conditions over the coming six months. The overall index is currently hovering at levels which in the past have been associated with the economy being in recession; the chart above shows that to be the case with the expectations component, while the present conditions component seems headed to similar territory. Note that the University of Michigan's monthly survey of consumer sentiment tells the same story, but it is worth noting that the Conference Board's measure is more geared toward labor market conditions, which remain generally healthy. It was striking to us that the Conference Board's October survey showed a further decline in consumer confidence, with both components falling, despite a significant reduction in retail gasoline prices during the month. This stands out given that, historically, higher/lower gasoline prices have typically been highly correlated with decreases/increases in consumer confidence.

Despite lower gasoline prices, the Conference Board's survey showed consumers concerned about inflation picking up again, which could reflect concerns over the impact of the current situation in the Middle East on global energy prices. The broader point, however, is that consumers are feeling somewhat downbeat about economic conditions, current and expected, despite a still-healthy labor market and despite what for many households remain solid financial supports. Why consumers don't feel better about the economy, particularly slowing inflation, has been a topic of considerable discussion of late. We see part of the explanation tying back to a point we made above, i.e., that slowing inflation doesn't mean prices are falling, it means prices are rising at a slower rate than had been the case. As we discussed in our September *Outlook*, it could be that consumers are more focused on the cumulative price increases seen over the past two-plus years than on the fact that prices are now rising at a slower rate.

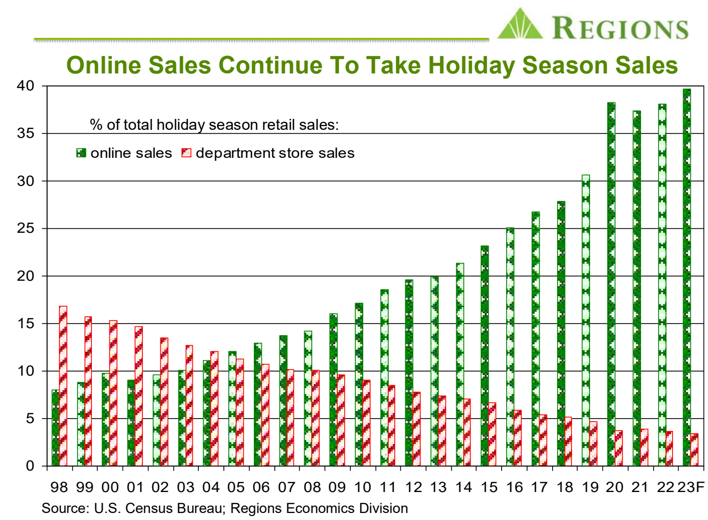
Many are quick to dismiss measures of consumer confidence, or sentiment, on the grounds that what consumers say often seems to be unrelated to what consumers do. In other words, low reads on consumer confidence have no bearing on consumer spending. While we're not totally unsympathetic to this argument, we find it hard to look past confidence being mired at such low levels amid still-heathy labor market conditions, supportive household financial conditions, and, at least more recently, falling gasoline prices. As such, we see low consumer confidence as a downside risk to our holiday sales forecast, hence our characterization of this year's holiday shopping season as a battle of wallet versus will.

Before moving to our thoughts on holiday season hiring, we think it worth noting a factor which, while having no effect whatsoever on how much money is actually spent this holiday season, can easily alter the perception of how much money is spent. As we often point out in our analysis of the monthly data, the retail sales data can be, and often are, plagued by seasonal adjustment noise, meaning that the headline sales number, reported on a seasonally adjusted basis, is not necessarily representative of actual sales patterns as seen in the unadjusted data. The September retail sales data are but the latest instance in which we found this to be the case. But, as the data are reported on a seasonally adjusted basis, which in turn is the basis of market reactions and media accounts, it is often the case that perception trumps the reality of the unadjusted data. This matters here given that the seasonal factors used to translate the unadjusted data for November and December retail sales are geared toward large monthly increases in sales each month. If instead actual, i.e., unadjusted, sales fall short of these lofty bars, the seasonally adjusted data are made to look much worse than is actually the case. We see the potential for such a scenario to play out this year, if indeed consumers feeling less than festive keep the reins on holiday season spending. We of course know what a "typical" holiday sales tally looks like on a not seasonally adjusted basis and will be watching the data for any signs of foul play from seasonal adjustment.

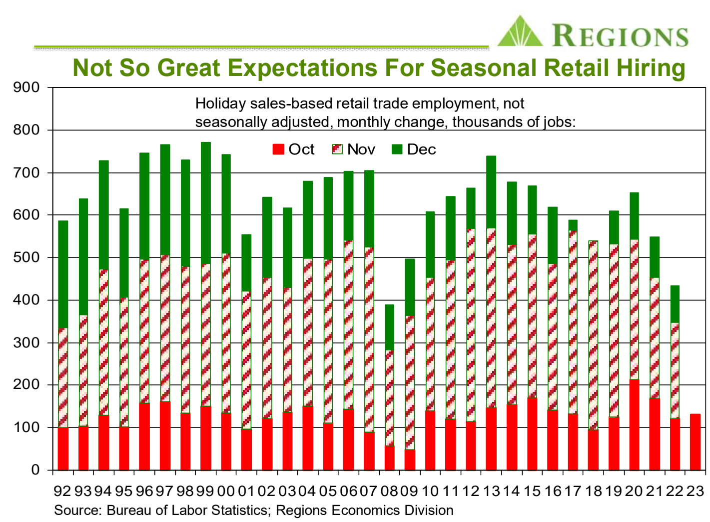
Less Demand For Workers This Holiday Season?

As we do each year in our when discussing our outlook for holiday season sales, we also offer some thoughts on holiday season hiring. There are distinct and well-established patterns in hiring around the holiday season in sectors such as retail trade and warehousing and delivery services which are tied to expectations of holiday season spending. As patterns in consumer spending have evolved, patterns in holiday season hiring have done the same. For instance, back in the technological dark ages when shopping was done in physical stores (*Google* it), an initial jump in retail trade payrolls in October would be followed by a much larger increase in November before retailers topped off staffing with a smaller December increase. While those broad patterns remain intact, what has changed over time is the level of holiday season hiring in retail trade. As online shopping has become increasingly prevalent, some of that holiday season hiring has shifted into warehousing and delivery services, where we've seen the same sorts of patterns over the final three months of the year. In both sectors, however, holiday season hiring is followed by substantial declines in payrolls in January of the following year.

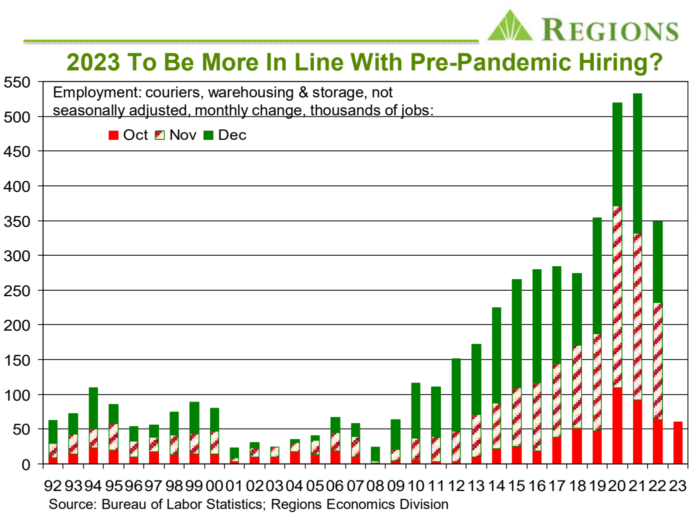
We like to use the following chart to illustrate the shift in shopping patterns which in turn has impacted patterns in holiday season hiring in retail trade and warehousing and delivery services. As the chart shows, online sales had for years been accounting for a steadily increasing share of consumer spending on goods, not only during the holiday shopping season but throughout any given year. That pattern kicked into a higher gear with the onset of the pandemic. Obviously, department stores constitute just one form of in-store shopping, but this nonetheless helps illustrate the broader point here. As the chart shows, we look for online sales to account for roughly forty percent of 2023 holiday season sales.



The shift in shopping patterns is mirrored in holiday season hiring patterns. Retailers have, in scoping out seasonal hiring needs, had to account not only for how much consumers may spend during the holiday season, but also for how consumers may spend. The same has been true of providers of warehousing and delivery services, and over the past several years such providers have accounted for an increasing share of overall holiday season hiring. That said, seasonal hiring in retail trade remains substantial, and retailers still have to answer the "how much" question which this year seems a harder question to answer than in recent years.



As the above chart shows, 2023 holiday season retail hiring got off to a similar start as did 2022 hiring. While, aside from the not so normal years of 2020 and 2021, last year's start to holiday season hiring was not dissimilar from historical norms, the big difference was that there was not nearly as much follow-up hiring over the next two months as typically would have been the case, resulting in less holiday season retail hiring than in any year since 2008. While that in part reflects shifting shopping patterns (not only online sales versus in-store sales, but also goods versus services), it also reflects a much tighter labor market that made hiring harder, not to mention more expensive, than had typically been the case during the holiday shopping season. As a side note, we tailor our measure of holiday season retail hiring to our measure of holiday season retail sales, but whether looking at our measure or at total retail trade, hiring this October was very similar to that of last October. While our forecast anticipates a smaller increase in nominal holiday sales this year than that seen last year, most forecasts we've seen look for a similar increase. Either way, with probably no more upside to 2023 holiday season sales than that, we'd be surprised to see retail trade hiring any stronger this November and December than was the case last year.



Last year also saw a marked slowdown in holiday season hiring amongst warehousing and delivery services. That, however, came as little surprise given the extent to which holiday season hiring had ramped up in 2020 and 2021, levels which no one thought would be replicated in 2022. Also keep in mind that given the added boost to online shopping after the onset of the pandemic, hiring amongst warehousing and delivery services had been stronger throughout the year than would normally have been the case in the years leading up to the pandemic, thus lessening the need for extra staffing during the 2022 holiday season.

The story heading into the 2023 holiday season, however, was quite different than those of recent years. Prior to the bump in October that marked the start of holiday season hiring, payrolls in warehousing and delivery services had been falling over the course of 2023. In large measure, this reflects the shift in consumer spending patterns, away from goods, toward services, that we've been discussing for quite some time. This shift has led many providers of warehousing and delivery services to reassess staffing needs after the strong hiring seen over the past few years. The addition to payrolls last month was the smallest October increase since 2019, and our sense is that hiring amongst providers of warehousing and delivery services over the entire 2023 holiday season will be far closer to levels seen over the 2014-2018 period than to the levels seen over the past four years.

One possible drag on 2023 holiday season hiring in both the retail trade and transportation and warehousing services industry groups is that average weekly hours are considerably lower at present than was the case a year ago. In other words, firms have the latitude to increase hours worked amongst current workers as opposed to hiring new workers, at least up to a point. In each industry group, however, average weekly hours fell in October and, in each case, had been drifting lower over the prior several months. To that point, despite the increases in payrolls, aggregate hours worked (the product of the number of workers and average hours) were down 0.4 percent year-on-year in both industry groups in October. This suggests that, should firms feel the need to add to total labor input during the holiday season, they could easily do so via increased hours worked before taking on new workers. This isn't to say they can completely fulfill the need for increased labor input via this mechanism, but upping hours worked amongst existing workers could easily substitute for some of the hiring that would otherwise have taken place.

It could be that the downward drift in average weekly hours over the past several months has, at least to some extent, reflected firms' attempts to manage total labor costs at a time when top-line revenue growth has been slowing. For instance, amongst the broad private sector industry groups, retail trade has posted some of the most rapid wage growth since 2021. While wage growth has slowed this year across almost all industry groups, wage growth in retail trade remains above the overall average, based on data from the Employment Cost Index, generally considered the most reliable gauge of changes in labor costs. Interestingly enough, wage growth in transportation and warehousing services has been accelerating over the past few quarters, so, again, at a time when revenue growth has come under pressure, managing hours worked has likely become an important cost containment lever.

This of course does not suggest we won't see the typical jump in hiring in both broad industry groups in November, but the capacity to increase hours worked suggests hiring this November may fall short, potentially far short, of the normal November bounce (which would wreak havoc on the November employment report). One indication holiday season hiring may fall short relative to prior years comes from the Job Openings and Labor Turnover Survey, or, JOLTS. The JOLTS data come with a one-month lag relative to the employment data, but as of September the job openings rate in retail trade and in the broad transportation, warehousing, and utilities industry group was below that of a year ago. In each case, the year-on-year decline in the level of job openings was, as of September, significantly larger than the decline in the overall number of job openings.

To the extent that growth in 2023 holiday season sales falls short of that seen over recent years, it would not be surprising were the levels of holiday season hiring in retail trade and warehousing and delivery services to also fall short of that seen over recent years. On both counts – sales and hiring – we're not expecting all that festive of a holiday season. That said, should wallet win out over will, we could see upside surprises in both sales and hiring.

ECONOMIC OUTLOOK

REGIONS

November 2023

Q2 '23 (a)	Q3 '23 (p)	Q4 '23 (f)	Q1 '24 (f)	Q2 '24 (f)	Q3 '24 (f)	Q4 '24 (f)	Q1 '25 (f)		2021 (a)	2022 (a)	2023 (f)	2024 (f)	2025 (f)
2.1	4.9	0.5	0.4	1.0	1.2	1.6	1.7	Real GDP[1]	5.8	1.9	2.4	1.3	1.7
0.8	4.0	1.3	0.7	1.4	1.4	1.9	2.0	Real Personal Consumption[1]	8.4	2.5	2.2	1.5	1.9
7.4	-0.1	0.4	-0.1	0.0	0.6	1.3	1.9	Real Business Fixed Investment[1]	5.9	5.2	4.1	0.6	1.8
7.7	-3.8	-1.6	-2.1	-1.5	0.0	1.0	0.4	Equipment[1]	6.4	5.2	-0.2	-1.1	0.7
2.7	2.6	3.7	4.1	3.8	4.1	4.1	4.6	Intellectual Property and Software[1]	10.4	9.1	4.5	3.7	4.5
16.1	1.6	-3.2	-5.2	-5.8	-6.0	-4.6	-1.6	Structures[1]	-3.2	-2.1	11.0	-3.0	-2.5
-2.2	3.9	-1.9	-5.5	-4.2	-2.6	0.7	2.1	Real Residential Fixed Investment[1]	10.7	-9.0	-11.2	-2.5	1.2
3.3	4.6	2.1	2.4	2.1	2.0	0.8	1.4	Real Government Expenditures[1]	-0.3	-0.9	3.8	2.5	1.3
-928.2	-937.7	-935.9	-936.7	-948.8	-964.5	-969.3	-980.5	Real Net Exports[2]	-933.8	-1,051.0	-934.2	-954.8	-991.4
930	961	942	908	891	894	897	900	Single Family Housing Starts, ths. of units[3]	1,132	1,004	917	897	916
520	398	417	410	395	384	382	376	Multi-Family Housing Starts, ths. of units[3]	474	547	472	393	375
1.6	4.6	4.7	2.1	-1.3	-4.0	-4.2	-2.1	CoreLogic House Price Index[5]	15.5	13.4	3.6	-1.9	1.1
15.8	15.6	15.2	15.3	15.3	15.5	15.6	15.7	Vehicle Sales, millions of units[3]	14.9	13.8	15.4	15.4	15.9
3.6	3.7	3.9	4.0	4.1	4.3	4.4	4.4	Unemployment Rate, %[4]	5.4	3.6	3.7	4.2	4.3
2.5	2.1	1.8	1.3	1.0	0.7	0.4	0.4	Non-Farm Employment[5]	2.9	4.3	2.3	0.9	0.5
3.5	-1.0	0.5	1.7	0.7	2.0	2.4	3.6	Real Disposable Personal Income[1]	3.2	-5.9	4.0	1.1	2.8
3.5	3.2	3.0	2.6	2.8	2.5	2.5	2.4	GDP Price Deflator[5]	4.6	7.1	3.7	2.6	2.3
3.9	3.4	3.1	2.7	2.9	2.8	2.8	2.6	PCE Deflator[5]	4.2	6.5	3.8	2.8	2.4
4.1	3.6	3.2	3.0	3.1	2.8	2.7	2.5	Consumer Price Index[5]	4.7	8.0	4.1	2.9	2.3
4.6	3.9	3.5	3.0	2.8	2.9	2.8	2.7	Core PCE Deflator[5]	3.6	5.2	4.2	2.9	2.5
5.2	4.4	4.0	3.5	3.1	3.1	2.9	2.8	Core Consumer Price Index[5]	3.6	6.1	4.8	3.2	2.7
5.03	5.30	5.38	5.38	5.38	5.34	5.09	4.67	Fed Funds Target Rate Range Mid-Point, %[4]	0.13	1.73	5.07	5.29	4.14
3.59	4.15	4.67	4.60	4.44	4.27	4.20	4.18	10-Year Treasury Note Yield, %[4]	1.44	2.95	4.02	4.38	4.18
6.51	7.04	7.58	7.48	7.29	7.07	6.91	6.76	30-Year Fixed Mortgage, %[4]	2.96	5.34	6.87	7.18	6.63
-3.1	-3.2	-3.3	-3.3	-3.2	-3.2	-3.1	-3.1	Current Account, % of GDP	-3.5	-3.8	-3.4	-3.2	-3.2

a = actual; f = forecast; p = preliminary

Notes: 1 - annualized percentage change 2 - chained 2017 $ billions 3 - annualized rate 4 - quarterly average 5 - year-over-year percentage change

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203

Richard F. Moody
Chief Economist

Greg McAtee
Senior Economist