

ECONOMIC PREVIEW



REGIONS

Week of April 8, 2024

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the April 30-May 1 FOMC meeting):</i> Target Range Mid-point: 5.375 to 5.375 percent Median Target Range Mid-point: 5.375 percent</p>	<p>Range: 5.25% to 5.50% Midpoint: 5.375%</p>	<p>After last week was a rather busy one, less is more this week in terms of the flow of economic data. Somewhat fittingly, the data on wholesale-level and retail-level inflation have the spotlight this week. While our forecasts of the headline CPI and core CPI are, once again, above the consensus forecasts, we think these calls come down to rounding, meaning that, either way, the perception will be more impactful than the reality. This week also brings the release of the minutes of the March FOMC meeting, which will be worth examining to see if meeting participants took a more aggressive tone than that struck by Chair Powell in his press conference. Public comments by several FOMC members since then suggest this is a real possibility.</p>
<p>March Consumer Price Index Wednesday, 4/10 Range: 0.2 to 0.5 percent Median: 0.3 percent</p>	<p>Feb = +0.4%</p>	<p><u>Up</u> by 0.4 percent, yielding a year-on-year increase of 3.5 percent. Higher gasoline prices will add one-tenth of a point to the monthly change in the headline index, and our forecast also anticipates food prices bouncing back after having been oddly restrained in the February data. We can make the same point about medical care costs, which were reported to be flat in February with weakness on both the commodities and services sides of the ledger. One thing that will be interesting to watch for is whether the BLS's measure of prices for core (non-food, non-energy) consumer goods excluding used motor vehicles reflects any of the factors we've pointed to as sources of upward price pressures, such as higher shipping costs, higher costs for non-labor inputs, and upward momentum in prices of imported consumer goods. The BLS's measure of prices for core consumer goods excluding used motor vehicles has inched up, or, perhaps we should say has rounded up, by 0.1 percent in each of the past two months, and we'd be more surprised to see this measure remain tame than we'd be to see it firming up.</p> <p>This is the third straight month in which our forecast of the core CPI has been above the consensus forecast, and that our forecast has been on the mark the past two months doesn't mean that will be the case with the March data. Indeed, we see it as a much closer call, particularly since our unrounded forecast shows the core CPI being up by 0.359 percent. It could be that the difference between our forecast and the consensus forecast comes down to rents, particularly owners' equivalent rents (OER), the largest single component of the CPI. The increase in OER printed at 0.4 percent in February after surprising with a 0.6 percent increase in January, and it could be that others see the February print as the start of a series of more mild monthly increases. We're not convinced, however, particularly given how up and down the CPI measures of both owners' equivalent and primary rents have been over the past several months, and our forecast of the March data has OER up by 0.5 percent. Obviously, if we're wrong on this point our forecast of the core CPI will be too high, but it's likely little more than a rounding error either way.</p> <p>Our forecasts would put the annualized three-month changes at 4.6 percent for the total CPI and at 4.5 percent for the core CPI. We bring this up because at some point when inflation was running amok, it became common to point to the annualized three-month change, as opposed to the year-on-year increase, as being more reflective of the underlying trend. Even if our forecasts prove too high, the consensus forecasts would leave the annualized three-month changes at 4.3 percent for both the total CPI and the core CPI, which in the latter instance would be the largest such increase since last May. In either case – ours or the consensus forecast – the annualized three-month change will have increased in each of the past three months, which isn't exactly a trend anyone wants to see.</p>
<p>March Consumer Price Index: Core Wednesday, 4/10 Range: 0.2 to 0.4 percent Median: 0.3 percent</p>	<p>Feb = +0.4%</p>	<p><u>Up</u> by 0.4 percent, which would translate into a year-on-year increase of 3.8 percent.</p>
<p>March Producer Price Index Wednesday, 4/10 Range: 0.0 to 0.5 percent Median: 0.3 percent</p>	<p>Feb = +0.6%</p>	<p><u>Up</u> by 0.5 percent, yielding a year-on-year increase of 2.4 percent.</p>
<p>March Producer Price Index: Core Wednesday, 4/10 Range: 0.0 to 0.3 percent Median: 0.2 percent</p>	<p>Feb = +0.3%</p>	<p><u>Up</u> by 0.3 percent, good for a year-on-year increase of 2.4 percent.</p>

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