ECONOMIC PREVIEW

REGIONS

Week of September 9, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 17-18 FOMC meeting):* Target Range Mid-point: 4.875 to 5.125 percent Median Target Range Mid-point: 5.125 percent	Range: 5.25% to 5.50% Midpoint: 5.375%	In the last public comments from any FOMC members prior to their September 17-18 meeting, New York Fed President Williams and Fed Governor Waller made it clear that the FOMC will begin cutting the Fed funds rate at this month's meeting. What is unclear, however, is whether that initial cut will be twenty-five or fifty basis points, even if market participants are leaning toward the latter option. Though, as Governor Waller indicated, the balance of risks has shifted toward the employment side of the FOMC's dual mandate, the August employment report was not strong, but neither was it weak enough to make an obvious case for the larger cut. Governor Waller did, however, leave open the possibility of larger cuts at subsequent meetings should the data, particularly the labor market data, warrant such a move. It is worth noting that most FOMC members are couching talk of funds rate cuts in the context of making policy less restrictive rather than using aggressive rate cuts to help fend off recession. That could of course change and given that the inflation data continue to show moderating inflation, the labor market data likely hold the key. Thus far, the body of labor market data shows the labor market to be cooling but not collapsing.
August Consumer Price Index Wednesday, 9/11 Range: 0.0 to 0.2 percent Median: 0.2 percent	Jul = +0.2%	Up by 0.1 percent, which would translate into a year-on-year increase of 2.5 percent. Gasoline will be a mild drag on the headline CPI but, as a side note, given that retail prices ended August well below the monthly average and that prices have fallen sharply in the early days of September, gasoline is shaping up to be a meaningful drag on the September CPI. Our forecast anticipates a trend-like 0.2 percent in the index of food prices in the August data. This would pull the over-the-year increase down to 2.1 percent but would nonetheless leave the cumulative increase since the onset of the pandemic at over twenty-six percent, which we'd argue is much more tangible to many households, particularly lower-income households, than the moderating year-on-year increases. One curiosity of the July data was the reacceleration of rent growth, both primary rents and owners' equivalent rents, which, aside from being curious, was the difference between the change in the core CPI printing at 0.2 percent rather than the 0.1 percent increase our forecast anticipated. We look for some moderation in the August data, but not enough to drag down the monthly change in the core CPI. At the same time, declines in health insurance premiums and prices for hospital outpatient services contributed to a decline in medical care services costs in the July data, but we expect these declines to be reversed in the August data, acting as a support for the core CPI. We also look for the drag from travel services (air fares, rental car rates, lodging rates) to have abated in August; though we expect the not seasonally adjusted data to show further declines in these categories, the August seasonal factors will be less apt to yield declines in the seasonally adjusted data, particularly for air fares. That said, we saw the declines in unadjusted prices in these categories over the summer months as an indication of the extent to which demand softened, with providers having to resort to discounting to drive volumes. Another category to watch is new motor vehicles. After months of production having been in overdrive, inventories seem to have overshot to the upside which, combined with softening demand, has led to downward pressure on new vehicle prices, and we expect the August data to show further declines. As for used vehicle prices, measures of wholesale prices rose sharply in July, but that does not necessarily mean the CPI will show price increases on the retail level in the August data as the lead times tend to be lengthier, but that wholesale prices have continued to firm suggests prices for used vehicles could be additive to the core CPI in the months ahead.
August Consumer Price Index: Core Wednesday, 9/11 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jul = +0.2%	Up by 0.2 percent, yielding a year-on-year increase of 3.1 percent.
August Producer Price Index Thursday, 9/12 Range: -0.2 to 0.2 percent Median: 0.1 percent	Jul = +0.1%	Unchanged, which would yield a year-on-year increase of 1.6 percent.
August Producer Price Index: Core Thursday, 9/12 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jul = 0.0%	Up by 0.2 percent, which would translate into a year-on-year increase of 2.4 percent.

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