

ECONOMIC PREVIEW



REGIONS

Week of December 9, 2024

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the December 17-18 FOMC meeting):</i> Target Range Mid-point: 4.375 to 4.625 percent Median Target Range Mid-point: 4.375 percent</p>	<p>Range: 4.50% to 4.75% Midpoint: 4.625%</p>	<p>With the November read on the PCE Deflator, their preferred gauge of inflation, not due until December 20, the November data on the Consumer Price Index and Producer Price Index will be the last data points on inflation the FOMC will see ahead of next week's meeting. That inflation remains above their target and core inflation is moving in the wrong direction won't necessarily derail a Fed funds rate cut at next week's meeting, but there remains enough concern over lingering inflation pressure within the Committee to suggest fewer rate cuts coming at a slower pace than many had been anticipating.</p>
<p>Q3 Labor Productivity – 2nd estimate Tuesday, 12/10 Range: 2.2 to 2.9 percent Median: 2.2 percent SAAR</p>	<p>Q3: 1st est. = +2.2% SAAR</p>	<p><u>Up</u> at an annualized rate of 2.2 percent, matching the initial estimate.</p>
<p>Q3 Unit Labor Costs – 2nd estimate Tuesday, 12/10 Range: 0.7 to 2.0 percent Median: 1.3 percent SAAR</p>	<p>Q3: 1st est. = +1.9% SAAR</p>	<p><u>Up</u> at an annualized rate of 0.9 percent. Though we do not look for any changes in the estimate of Q3 productivity growth, we do look for the initial estimate of growth in hourly compensation costs to have been revised lower, resulting in a downward revision to the estimate of Q3 unit labor costs.</p>
<p>November Consumer Price Index Wednesday, 12/11 Range: 0.2 to 0.3 percent Median: 0.3 percent</p>	<p>Oct = +0.2%</p>	<p><u>Up</u> by 0.3 percent, which would yield a year-on-year increase of 2.7 percent. Though gasoline prices fell on a not seasonally adjusted basis last month, the decline was smaller than anticipated by the November seasonal factor, which will result in higher prices on a seasonally adjusted basis. This will, however, be only a modest support for the total CPI. While our forecast anticipates a trend-like increase in shelter costs, the CPI measures of rents have been somewhat volatile over recent months, though we think if primary and owners' equivalent rents surprise us they are more likely to do so to the upside rather than to the downside. Lodging costs could also throw our forecast of the overall shelter index off, given what will be a significant boost from seasonal adjustment. With lodging rates having already been softer over the past several months, the decline this November could easily be smaller than the typical November decline, which would translate into a higher print in the seasonally adjusted data. Apparel prices are another source of added uncertainty around our forecast. The sizable decline in not seasonally adjusted apparel prices in October was at odds with typical seasonal patterns, which in the seasonally adjusted data yielded the sixth largest monthly decline in the life of the data, which go back to 1947. Our forecast anticipates some payback in the November data, but if we're wrong on this point the monthly change in the core CPI could easily round down to show a 0.2 percent increase. While we look for further increases in prices for used motor vehicles to lend support to prices of core (non-food, non-energy) consumer goods, the aggressive use of incentives should leave prices for new motor vehicles more or less flat. Core services excluding shelter costs will likely be a mixed bag, in keeping with patterns over the past few months. Air fares could soften after hefty increases over the past few months, while motor vehicle insurance premiums could firm up after an odd decline in the October data.</p>
<p>November Consumer Price Index: Core Wednesday, 12/11 Range: 0.2 to 0.3 percent Median: 0.3 percent</p>	<p>Oct = +0.3%</p>	<p><u>Up</u> by 0.3 percent, which would yield a year-on-year increase of 3.3 percent.</p>
<p>November Producer Price Index Thursday, 12/12 Range: 0.1 to 0.4 percent Median: 0.2 percent</p>	<p>Oct = +0.2%</p>	<p><u>Up</u> by 0.4 percent, for a year-on-year increase of 2.7 percent.</p>
<p>November Producer Price Index: Core Thursday, 12/12 Range: 0.1 to 0.3 percent Median: 0.2 percent</p>	<p>Oct = +0.3%</p>	<p><u>Up</u> by 0.2 percent, which would translate into a year-on-year increase of 3.2 percent.</p>

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