ECONOMIC PREVIEW

REGIONS

Week of May 14, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the June 12-13 FOMC meeting):* Target Range Midpoint: 1.875 to 1.875 percent Median Target Range Midpoint: 1.875 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	Look out, runaway inflation is upon us! Okay, sure, inflation is running away at a pace more resembling that of Katherine Beiers than that of Usain Bolt. But, while Ms. Beiers, who at 85 years old completed this year's Boston Marathon, is unlikely to get much faster, inflation can easily top the slower than expected pace at which it ran during April. Rising costs for materials, energy, shipping, and labor suggest it is a matter of when, not if, firms attempt to push the pace of price increases.
April Retail Sales: Total Tuesday, 5/15 Range: 0.2 to 0.6 percent Median: 0.3 percent	Mar = +0.6%	Up by 0.3 percent. As usual with retail sales, we have little confidence in our forecast. In addition to the inevitable revisions to the initial estimate for March, the shifting timing of Easter tends to distort the seasonally adjusted data for the month of April in any given year and, as in the April employment data, there will be weather effects in the April retail sales data. As to actual retail sales, gasoline should provide a boost to top-line sales, but motor vehicles will be a drag. Apparel sales could be, or at least appear to be, stronger than would otherwise be the case if the price increases seen in the April CPI data infiltrate the retail sales data. In addition to lower unit sales, price effects, only in this case lower prices, particularly for used vehicles, could mean motor vehicles are a bigger drag on April retail sales than our forecast anticipates.
April Retail Sales: Ex-Auto Tuesday, 5/15 Range: 0.3 to 0.8 percent Median: 0.5 percent	Mar = +0.2%	Up by 0.5 percent.
April Retail Sales: Control Group Tuesday, 5/15 Range: 0.1 to 0.6 percent Median: 0.4 percent	Mar = +0.4%	Up by 0.3 percent but we see downside risk to our forecast. To the extent weather held down spending and higher gasoline prices diverted spending away from goods, those effects will show in the control group. While online sales should be strong, the initial estimate for this category in the retail sales data tends to be understated.
March Business Inventories Tuesday, 5/15 Range: 0.1 to 0.6 percent Median: 0.1 percent	Feb = +0.6%	We look for total business inventories to be up by just 0.1 percent as our forecast anticipates a decline in retail inventories countering higher manufacturing and wholesale inventories. We look for total business sales to be up by 0.5 percent.
April Housing Permits Wednesday, 5/16 Range: 1.290 to 1.380 million units Median: 1.347 million units SAAR	Mar = 1.379 million units SAAR	Down to an annualized rate of 1.318 million units. First and foremost, the April report will incorporate benchmark revisions to the data on residential construction (permits, starts, units under construction, and completions), which injects added uncertainty to our forecast. Then again, we'll be curious to see the revised data on the multi-family segment, which for some time just haven't made sense to us. Sure, many things do not make sense to us, which says far more about us than it does about many things, but as the data now stand, the pace of multi-family permits and starts is accelerating despite the biggest backlog of multi-family units under construction in over 40 years. As usual, our main interest is in the not seasonally adjusted data; we look for the raw data to show total permit issuance of 115,700 units with single family permits rising while multi-family permits decline. As the seasonal adjustment factors for April tend to be on the stingy side, not the generous side, the headline (i.e., seasonally adjusted and annualized) permit numbers will likely understate April permit issuance.
April Housing Starts Wednesday, 5/16 Range: 1.260 to 1.365 million units Median: 1.318 million units SAAR	Mar = 1.319 million units SAAR	Down to an annualized rate of 1.277 million units. The same caveat pertaining to benchmark revisions noted above applies to the starts data. That said, we look for not seasonally adjusted starts of 114,100 units, which reflects lower multi-family starts and an increase in single family starts, but the April seasonal adjustment factors will likely make starts look weaker than was actually the case. Our forecast would leave the 12-month total of not seasonally adjusted starts, which we think is the best gauge of construction activity, at 1.233 million units, the highest since March 2008.
April Industrial Production Wednesday, 5/16 Range: 0.1 to 0.9 percent Median: 0.5 percent	Mar = +0.5%	Up by 0.6 percent. We tempered our forecast for manufacturing output, as the data on hours worked from the April employment report seem to overstate the case, especially with motor vehicle assemblies having fallen during the month. So, in that sense, there could be some upside risk to our forecast which, as it stands, would leave total IP up 4.0 percent year-on-year, the largest such increase since July 2014.
April Capacity Utilization Rate Wednesday, 5/16 Range: 78.0 to 78.9 percent Median: 78.4 percent	Mar = 78.0%	Up to 78.5 percent.
April Leading Economic Index Thursday, 5/17 Range: -0.1 to 0.5 percent Median: 0.5 percent	Mar = +0.3%	Up by 0.5 percent.

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