ECONOMIC PREVIEW

REGIONS

Week of July 11, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on July 26-27):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.375%	The June employment report, literally, had the weight of the world on its shoulders. In that sense, with total nonfarm payrolls up by 287,000 jobs the report did its job – providing some semblance of calm in increasingly edgy financial markets. Still, don't count on that lasting any longer than the next piece of dodgy economic data or sign of political unrest. To that point, while the June report may have been a relief to the FOMC, the reality is with heightened global uncertainty and inflation well below their target, the FOMC will remain focused on the downside risks to global and U.S. growth for some time to come.
June PPI – Final Demand Range: 0.0 to 0.4 percent Median: 0.3 percent	Thursday, 7/14	May = +0.4%	Up by 0.3 percent, which would leave the index unchanged on a year-over-year basis.
June PPI – Core Range: 0.1 to 0.3 percent Median: 0.1 percent	Thursday, 7/14	May = +0.3%	Up by 0.1 percent, which yields a year-on-year increase of 1.0 percent.
June Consumer Price Index Range: 0.2 to 0.3 percent Median: 0.2 percent	Friday, 7/15	May = +0.2%	Up by 0.3 percent. A roughly three percent increase in seasonally adjusted gasoline prices will add one-tenth of a percent to the change in the headline CPI, with rents and medical care accounting for most of the rest. It could be, however, that rents will come in a bit cooler than our forecast given the CPI measure of market rents is coming off its largest two-month increase since 2008. If so, our call on the headline CPI will be too high. On a year-over-year basis, we look for the headline CPI to be up 1.1 percent.
June Core CPI Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 7/15	May = +0.2%	Up by 0.2 percent. As with the headline CPI, if rents rise by less than we expect our call on the core CPI will be too high. It is worth keeping in mind that while measures of apartment rents show a slowing pace of rent growth, the CPI also accounts for rents on single family homes which, unlike apartments, won't be facing a sizeable wave of new supply any time soon. As such, rent growth, at least as measured in the CPI, may stay stronger than would be implied by just looking at apartment rents. This of course matters given that rents – market rents and owners' equivalent rents – account for over 40 percent of the core CPI. We look for the core CPI to be up 2.3 percent year-on-year.
June Retail Sales Range: -0.2 to 0.3 percent Median: 0.1 percent	Friday, 7/15	May = +0.5%	Up by 0.2 percent. A big wild card here is the extent to which June's decline in unit motor vehicle sales will weigh on the headline retail sales number. Unit sales fell to an annual rate of 16.7 million in June from 17.5 million in May, but part of this decline reflects lower fleet sales – which do not factor into the retail sales data – while the mix of sales slanted even more towards higher priced SUVs/light trucks. Elsewhere, we look for a mixed (shopping) bag, with building materials and restaurants amongst the better performers and apparel and general merchandise stores amongst the laggards. Gasoline sales will be supportive of top-line sales. One point of interest will be sales at nonstore retailers, which have logged a string of strong gains dating back to mid-2015. Though not matching the gains seen in April and May, we look for another solid increase in June.
June Retail Sales: Ex-Auto Range: 0.2 to 0.5 percent Median: 0.4 percent	Friday, 7/15	May = +0.4%	Up by 0.5 percent.
June Retail Sales: Control Sales Range: 0.0 to 0.6 percent Median: 0.3 percent	Friday, 7/15	May = +0.4%	Up by 0.3 percent. Our forecast would mean a 6.5 percent annualized increase in nominal control sales in Q2. This sets the stage for annualized growth in inflation adjusted total consumer spending of better than 4.0 percent for Q2.
June Industrial Production Range: 0.0 to 0.5 percent Median: 0.2 percent	Friday, 7/15	May = -0.4%	Up by 0.2 percent as a weak print on manufacturing output is offset by what we expect to be higher output in the mining and utilities sectors.
June Capacity Utilization Rate Range: 74.8 to 75.4 percent Median: 75.1 percent	Friday, 7/15	May = 74.9%	Up to 75.1 percent.
May Business Inventories Range: 0.0 to 0.3 percent Median: 0.1 percent	Friday, 7/15	Apr = +0.1%	We look for total business inventories to be unchanged, with total business sales up 0.3 percent.

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