ECONOMIC PREVIEW

REGIONS

Week of May 16, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on June 14-15):* Target Range Midpoint: 0.375 to 0.625 percent Median Target Range Midpoint: 0.375 percent		0.375%	In addition to this week's data, the minutes to the April FOMC meeting will be released on Wednesday (2:00 EST). We'll be looking for insights into how FOMC members see the risks, domestic and global, to their outlook evolving.
April Consumer Price Index Range: 0.2 to 0.6 percent Median: 0.4 percent	Tuesday, 5/17	Mar = +0.1%	Up by 0.4 percent, of which roughly half is due to an 8 percent increase in retail gasoline prices during the month. We look for medical care costs and rents to be the other main drivers of the increase in the headline index. On an over-the-year basis, our call would leave the total CPI up 1.1 percent.
April Core CPI Range: 0.1 to 0.2 percent Median: 0.2 percent	Tuesday, 5/17	Mar = +0.1%	Up by 0.2 percent, leaving the core CPI up 2.1 percent year-on-year. One of the underlying details we'll focus in on is core goods prices, which had shown signs of firming before slipping in March. While we look for them to have dipped slightly further in April the path of the U.S. dollar will be a key driver of core goods prices in the months ahead. We think it likely that core goods prices will trend modestly higher but this will come as rent growth – far and away the main driver of the core CPI – is decelerating. As such, we don't expect much further acceleration in core inflation as measured by the CPI in the months ahead.
April Housing Starts Range: 1.048 to 1.180 million units Median: 1.125 million units SAAR	Tuesday, 5/17	Mar = 1.089 million	Up to an annual rate of 1.178 million units. Once again, weather disrupted normal seasonal patterns in Q1. This year, however, it was unseasonably warm weather rather than harsher than normal winter weather. This is apparent in the seasonally adjusted annualized starts data for the first three months of 2016, though the underlying trends in the raw data show a more stable pattern of activity. We look for total starts, on a not seasonally adjusted basis, to come in between 100,000 and 105,000 units, which would reflect more normal April activity. How that would translate into the seasonally adjusted annualized headline number is anyone's guess, but our call would put unadjusted total starts at 1.139 million units over the past 12 months, or, right in line with the steady upward trend. What we see happening underneath the noisy headline numbers is further steady improvement in the single family segment with multi-family starts likely having passed their cyclical peak. That said, the downside risk to our forecast, which is on the higher end of expectations, comes from multi-family. We've been somewhat puzzled over recent months by the yawning gap between multi-family permits and starts, so while we do see multi-family starts trending gently lower from here on out, that doesn't mean they can't, or won't, make one last run at a big monthly number somewhere down the line. We've built this into our April forecast but should it not be the case our call will be too high.
April Housing Permits Range: 1.100 to 1.180 million units Median: 1.132 million units SAAR	Tuesday, 5/17	Mar = 1.076 million	Up to an annualized rate of 1.176 million units. As with starts, we see the main downside risk to our forecast stemming from our call for multi-family permits. On a not seasonally adjusted basis, we look for total housing permits to come in between 110,000 and 115,000 units, which would leave the running 12-month total right at 1.2 million units, the highest such total since April 2008. But, as with starts, should multi-family activity drift lower, further gains in total permits will come at a slower pace, reflecting the underlying trends in the single family segment of the housing market.
April Industrial Production Range: -0.2 to 0.5 percent Median: 0.3 percent	Tuesday, 5/17	Mar = -0.6%	Up by 0.3 percent. We look for modestly higher manufacturing output and a milder decline in mining output than those seen in recent months to yield a small gain in the total IP index.
April Capacity Utilization Rate Range: 74.6 to 75.3 percent Median: 75.0 percent	Tuesday, 5/17	Mar = 74.8%	Up to 75.0 percent.
April Leading Economic Index Range: 0.1 to 0.5 percent Median: 0.3 percent	Thursday, 5/19	Mar = +0.2%	Up by 0.5 percent.
April Existing Home Sales Range: 5.250 to 5.500 million units Median: 5.390 million units SAAR	Friday, 5/20	Mar = 5.330 million	Up to an annualized sales rate of 5.410 million units. The risk here is that lack of inventory takes the bounce out of the spring selling season. April is the month in which we typically see inventories surge, but ongoing trends call into question the extent to which that will materialize this year. Our forecast of 464,000 sales on a not seasonally adjusted basis would put the running 12-month total at 5.324 million units, the highest since September 2007.

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