ECONOMIC PREVIEW

REGIONS

Week of May 9, 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%	As luck would have it, all of this week's releases come on Friday – Friday the 13th that is. So, anyone prone to triskaidekaphobia should perhaps steer clear of the economic data. You know, just in case. Sure, for many the April employment report was as much fright as they can stand, but we see it somewhat differently. Just as seasonal adjustment noise boosted reported job gains earlier in the year, primarily in retail and construction, that same noise helped water down job gains in April. Lost in the shuffle were solid gains in private sector labor earnings, a longer average workweek, and that over the past year the economy has added 2.7 million jobs. In short, the April employment report did not change our view of the labor market and, more importantly, is unlikely to change the FOMC's view.
April Retail Sales Range: 0.4 to 1.2 percent Median: 0.8 percent	Friday, 5/13	Mar = -0.4%*	<u>Up</u> by 0.7 percent. As usual, there is lots of behind the scenes drama to account for in the retail sales data and, as such, we have our usual lack of confidence in our forecast. With the jump in unit sales and the further shift to higher priced SUVs/light trucks seen in April, motor vehicles should provide a hefty boost to top-line retail sales. History, however, tells us the April unit sales data most likely will not be fully captured in this week's initial estimate of April retail sales but will be in subsequent revisions. Also, we think this year's early Easter confounded the seasonal adjustment factors and likely suppressed March sales in a number of key categories.* To the extent this was the case, April sales could easily be overstated and our call on headline sales could be on the low side. By now, anyone who routinely reads our analysis knows we try very hard to tune out the month-to-month noise in all of the data. Instead, we are more keenly focused on the underlying trends, which in this case won't be impacted by either of the factors noted above. We will, however, once again point out that price effects have been an ongoing drag on nominal retail sales. This continues to impact reported sales in many categories of consumer goods for which prices have been persistently falling, which somehow has managed to escape the notice of those who see more weakness in the retail sales data than is actually there. One category in which price effects will help lift, rather than suppress, April nominal sales is gasoline, with retail pump prices up better than seven percent in April after a double-digit gain in March. While we are in the part of the year in which gasoline prices typically rise, the increases over the past two months have exceeded normal seasonal increases, though have come off of a much lower base. Finally, we'll repeat two points we've made before. First, with the timing of Easter changing from year-to-year, it is not at all uncommon to see sharp divergences in retail sales between March and April; the best approach is to take the average of the two months as the more meaningful indicator. Second, retail sales reported on a nominal basis tell us very little about growth in real consumer spending as measured in the GDP data, and our current quarter GDP forecast has annualized growth in inflation adjusted consumer spending topping 2.5 percent. NOTE *: our "last actual" numbers show the changes as reported in the annual benchmark revisions to the retail sales data, released on April 29, as opposed to the changes originally reported in the March retail sales data.
April Retail Sales: Ex-Auto Range: 0.3 to 0.9 percent Median: 0.4 percent	Friday, 5/13	Mar = +0.1%*	<u>Up</u> by 0.4 percent.
April Retail Sales: Control Range: 0.2 to 0.6 percent Median: 0.3 percent	Friday, 5/13	Mar = +0.1%*	<u>Up</u> by 0.3 percent.
April PPI – Final Demand Range: 0.1to 0.5 percent Median: 0.3 percent	Friday, 5/13	Mar = -0.1%	Up by 0.4 percent, for an over-the-year increase of 0.3 percent.
April Core PPI Range: 0.1 to 0.2 percent Median: 0.1 percent	Friday, 5/13	Mar = -0.1%	<u>Up</u> by 0.1 percent, which translates into a year-on-year increase of 0.9 percent.
March Business Inventories Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 5/13	Feb = -0.1 %	We look for total business inventories to be <u>up</u> by 0.2 percent, with total business sales also up 0.2 percent.

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