ECONOMIC PREVIEW

REGIONS

Week of June 26, 2017

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 25-26 FOMC meeting):* Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent		0.875%	Had he been a central banker rather than a Naval officer, Admiral Farragut's famous order may have come out as "damn the data, full speed ahead . . . at a very measured pace . . . even if the markets don't believe us." Which, upon reflection, isn't all that inspiring of a rally cry for a group of central bankers or, for that matter, a ship full of sailors trying to navigate a body of water littered with torpedoes. In any event, with inflation retreating from, rather than charging towards, the FOMC's 2.0 percent target (see below), the FOMC is moving on. Putting aside the transitory factors that have clouded the data of late, it seems, at least to us, that the longer-term inflation outlook is anything but certain given the countervailing forces, such as diminishing labor market slack and diminishing pricing power for purveyors of goods, buffeting the inflation data. Even with an outlook for continued moderate economic growth, the FOMC moving forward at a gradual pace, as opposed to standing still, seems the right call, but the skepticism of market participants is at least understandable.
May Durable Goods Orders Range: -1.0 to 2.5 percent Median: -0.6 percent	Monday, 6/26	Apr = -0.8%	Down by 0.9 percent, with ex-transportation orders up by 0.4 percent. That the headline number will be skewed by transportation orders is no great surprise, but normally that reflects swings in orders for nondefense aircraft. That should be a fairly neutral factor in the May data, but we look for declines in motor vehicle orders and orders for defense aircraft to be sizeable drags on transportation orders. Of more interest, however, will be orders for core capital goods orders, which we expect to be up by 0.3 percent, continuing a run of modest advances. Though not to nearly the extent as was the case in Q1, we look for business investment in machinery and equipment to be a positive for Q2 real GDP growth.
June Consumer Confidence Range: 114.0 to 118.5 Median: 116.0	Tuesday, 6/27	May = 117.9	Down to 115.4
May Advance Trade Balance: Goods Range: -\$67.5 to -\$64.0 billion Median: -\$66.0 billion	Wednesday, 6/28	Apr = -\$67.1 billion	Narrowing to -\$66.7 billion.
Q1 Real GDP – 3rd estimate Range: 0.9 to 1.5 percent Median: 1.2 percent SAAR	Thursday, 6/29	Q1 2nd est. = +1.2% SAAR	Up at an annualized rate of 1.3 percent, with a slight upward revision to growth in consumer spending pushing the headline growth number a bit higher. Even should our call be correct, however, our assessment of Q1 real GDP will remain the same, i.e., still bad, just not as bad. We're tracking current quarter growth at right around 3.0 percent, annualized, which means that real GDP growth over the first half of 2017 will be right around the same 2.1 percent rate we've come to know but not necessarily love over the past eight years., and we don't expect the second half of 2017 to look all that much different.
Q1 GDP Price Index – 3rd estimate Range: 2.1 to 2.2 percent Median: 2.2 percent SAAR	Thursday, 6/29	Q1 2nd est. = +2.2% SAAR	Up at an annualized rate 2.2 percent, unchanged from the second estimate.
May Personal Income Range: 0.1 to 0.3 percent Median: 0.3 percent	Friday, 6/30	Apr = +0.4%	Up by 0.3 percent. The earnings details from the May employment report – a much smaller increase in private sector payrolls in May than that seen in April, average hourly earnings up only four cents in May, and no change in average hours worked – point to only a modest increase in private sector wage and salary earnings. Rental income, proprietors' income, and transfer payments will be supportive of top-line income growth, but we look for investment income to be fairly flat. Our forecast would leave total personal income up 3.45 percent year-on-year
May Personal Spending Range: 0.0 to 0.3 percent Median: 0.1 percent	Friday, 6/30	Apr = +0.4%	Up by 0.1 percent. Spending on goods, both durable and nondurable, fell in May. A decline in unit motor vehicle sales and a sharp decline in spending on electronics and appliances, per the retail sales data, weighed down spending on durable goods. A sizeable (price driven) decline in gasoline sales more than offset modest gains in other components, thereby pulling spending on nondurable goods down. We expect a modest increase in spending on services, which accounts for roughly two-thirds of all consumer spending, to yield a modest increase in total consumer spending for May. Growth in real spending will be modestly stronger thanks to what should be a decline in the PCE deflator, which we expect to be down 0.1 percent. This would leave the deflator up 1.5 percent year-on-year, marking a further retreat from the FOMC's 2.0 percent target rate. We look for the core PCE deflator to be unchanged, leaving it up 1.4 percent year-on-year.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com