ECONOMIC PREVIEW

REGIONS

Week of July 10, 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	1.125%	As we expected, the June employment report contained payback for the noise that riddled the May report. Despite the noisy data and the even noisier reactions to the data, taken as a whole the last two employment reports show nothing much has changed in the labor market. Steady and broad based job growth but a still elevated degree of slack acting as a drag on wage growth remains the labor market story.
June PPI – Final Demand Thursday, 7/13 Range: -0.2 to 0.2 percent Median: 0.0 percent	May = 0.0%	Down by 0.1 percent, which would translate into a year-over-year increase of 1.8 percent.
June PPI – Core Thursday, 7/13 Range: -0.1 to 0.2 percent Median: 0.2 percent	May = +0.3%	Up by 0.2 percent, leaving the core PPI up 2.0 percent year-on-year.
June Consumer Price Index Friday, 7/14 Range: -0.2 to 0.2 percent Median: 0.1 percent	May = -0.1%	Up by 0.1 percent, for a year-on-year increase of 1.7 percent. Gasoline will once again be a drag but, with the help of some friendly upward rounding, our forecast anticipates the CPI rising modestly. On a not seasonally adjusted basis, retail gasoline prices fell in June, at odds with normal seasonal patterns. As such, the seasonally adjusted data will show an even larger decline; in our forecast this knocks one-tenth of a point off of the change in the CPI. Countering that is what we expect will be a larger increase in lodging costs than seen in May, a reversal in apparel prices after three straight sizeable declines, and higher public transportation costs. If our forecast is on or close to the mark, June will be the fourth consecutive month in which headline CPI inflation decelerated. Admittedly, we're no experts, but surely there is a limit on how long something can persist and still be considered transitory. There is, right?
June Consumer Price Index – Core Friday, 7/14 Range: 0.1 to 0.3 percent Median: 0.2 percent	May = +0.1%	Up by 0.2 percent, which would put the core CPI up 1.8 percent year-on-year. As with our forecast on the headline CPI, our monthly and year-on-year changes in the core CPI reflect some friendly upward rounding. The main elements to watch here are rents and core goods prices. Rent growth is slowing but we are only in the early phases of this shift, so that the drag on core inflation from decelerating rent growth will get larger as time goes on. While the declines in core goods prices are abating, we don't look for them to rise with any vigor any time soon; for now, June will be the 50th time in the past 51 months core goods prices were down year-on-year.
June Retail Sales Friday, 7/14 Range: 0.0 to 0.3 percent Median: 0.1 percent	May = -0.3%	Up by 0.1 percent. A less than inspiring comeback after an uninspired performance in May, but motor vehicles and gasoline will once again be drags on total retail sales. Unit motor vehicle sales fell again in June, but the decline in revenue at motor vehicle dealers will be mitigated by a shift in the sales mix that skewed total sales even more towards higher priced SUVs/light trucks. As in the case of the CPI, gasoline prices defying typical seasonal patterns will act as a weight on June retail sales. As always, however, we don't have a high degree of confidence in our retail sales forecast, in large measure due to what tend to be outsized revisions to estimates of prior months.
June Retail Sales: Ex-Auto Friday, 7/14 Range: 0.0 to 0.3 percent Median: 0.2 percent	May = -0.3%	Up by 0.2 percent.
June Retail Sales: Control Group Friday, 7/14 Range: 0.2 to 0.5 percent Median: 0.3 percent	May = -0.0%	Up by 0.3 percent. This is the one line in the retail sales report that we watch the most closely, given that control sales are a direct input into the GDP data on consumer spending. While our forecast anticipates only a so-so gain for June, it would nonetheless leave Q2 nominal control sales up 4.6 percent, annualized, from Q1. That gain will be even larger after accounting for price changes, meaning growth in real consumer spending will have been the main support for Q2 real GDP growth.
June Industrial Production Friday, 7/14 Range: 0.2 to 0.5 percent Median: 0.3 percent	May = 0.0%	Up by 0.4 percent with utilities and mining providing most of the support. Our forecast would leave total industrial production up 2.2 percent year-on-year, not much to brag about but the largest such increase since January 2015.
June Capacity Utilization Rate Friday, 7/14 Range: 76.6 to 76.9 percent Median: 76.8 percent	May = 76.6%	Up to 76.8 percent.
May Business Inventories Friday, 7/14 Range: 0.2 to 0.4 percent Median: 0.3 percent	Apr = -0.2%	Total business inventories will be up by 0.3 percent, and we look for total business sales to be unchanged. After acting as a sizeable drag in Q1, inventory accumulation will add to Q2 real GDP growth.

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