

**Indicator/Action
Economics Survey:**
**Last
Actual:**
Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the July 25-26 FOMC meeting):</i> Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent	1.125%	A somewhat soft end to Q2 figures to slightly diminish the extent of the bounce back in real GDP growth from the weak Q1 print. Inflation once again failed to clear a very low bar, with the headline CPI unchanged and the core CPI up only one-tenth of a percent in June, while retail sales posted a second consecutive monthly decline. Though often overlooked, there is an obvious connection between the CPI data and the retail sales data – the monthly retail sales data are reported in nominal terms, meaning they are not adjusted for price changes. The details of the CPI data show prices for core (i.e., excluding food and energy) goods continue to drift lower and are down year-on-year in 50 of the past 51 months. While real, i.e., inflation adjusted, consumer spending was stronger in Q2 than in Q1, that offers little solace to retailers whose margins are increasingly squeezed by the combination of falling goods prices and rising labor costs. The recent slowdown in inflation may prove to be transitory, but there is little to suggest sellers of goods will see any relief any time soon.
June Housing Permits Range: 1.150 to 1.250 million units Median: 1.201 million units SAAR	Wednesday, 7/19 May = 1.168 million units SAAR	<p><u>Up</u> to an annualized rate of 1.193 million units. If our forecast is correct, June would be the second consecutive month in which annualized total permit issuance fell below the 1.2 million units rate after a run of 9 straight months at or above that pace. This softening in the headline permits number reflects higher single family permits being more than offset by lower multi-family permits.</p> <p>On a not seasonally adjusted basis, we look for 113,600 total permits in June, with single family permits breaking above 80,000 units for the first time since August 2007. As our regular readers by now know, we see the running 12-month totals of unadjusted permits and starts as the most meaningful gauge of underlying trends in the data that can be quite volatile from month to month. Our forecast would leave the 12-month sum of total permits at 1.228 million units, which would be down slightly from May due to declining multi-family permit issuance. This is consistent with what for some time has been our view of housing market trends, but what is notable is that the retreat in multi-family permit issuance is still very orderly. We suspect that as the considerable backlog of multi-family construction begins to clear at a faster rate, the retreat in multi-family permit issuance will become a bit more hectic.</p> <p>In contrast, single family permit issuance has been steadily increasing for some time now, but at only a grudging pace, reflecting the many supply-side constraints on single family activity. Thus, while we see single family permits continuing to trend higher in the months ahead, we don't see much of an increase in the rate at which they do so. Still, our forecast for unadjusted single family permits would put the running 12-month total at 785,400 units, the highest since May 2008.</p>
June Housing Starts Range: 1.113 to 1.201 million units Median: 1.150 million units SAAR	Wednesday, 7/19 May = 1.092 million units SAAR	<p><u>Up</u> to an annualized rate of 1.166 million units. We look for both single family and multi-family starts to have increased in June. That said, the increase in multi-family starts, whose capricious nature is part of their otherwise mysterious charm, comes off an unusually weak rate of starts in May and the trend in multi-family starts, as in multi-family permits, is downward. On a not seasonally adjusted basis, we look for 110,500 total starts in June, which would put the running 12-month total at 1,187,500 units. As with permits, this would leave the June total slightly below the May total, reflecting the ongoing decline in multi-family starts while single family starts push higher. Our forecast would put single family starts over the past 12 months at 809,000 units on a not seasonally adjusted basis, the highest such total since June 2008.</p> <p>Though often overlooked, the monthly reports on residential construction also contain data on the number of units under construction and the number of units completed in a given month. We've been watching these series closely for some time now, particularly the data on multi-family units. The backlog of multi-family units under construction is at present larger than at any time since the mid-1970s, reflecting what has been a noticeably slow pace of completions. Our view is that when we do see more progress on the back end, i.e., a faster rate of completed multi-family units coming on to the market, that will result in a more pronounced slowdown on the front end, i.e., sharper declines in permits and starts. That kind of a shift will of course not just happen in any one month, but we'll be watching for signs of an appreciable increase in the rate of multi-family completions over coming months.</p>
June Leading Economic Index Range: 0.2 to 0.4 percent Median: 0.3 percent	Thursday, 7/20 May = +0.3%	<p><u>Up</u> by 0.4 percent.</p>

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