ECONOMIC PREVIEW

REGIONS

Week of July 24, 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%	With virtually no chance of a hike in the Fed funds rate target range, little chance of additional details on the plan to pare down the Fed's balance sheet, and few changes in the post-meeting statement, this week's FOMC meeting may seem like a non-event. We think, however, there will be plenty of spirited debate behind closed doors on topics including the outlook for inflation, the level of the neutral Fed funds rate, and the extent to which elevated asset prices pose risks to the financial system. None of this will be known this week, but the minutes to this week's meeting, to be released on August 16, should make for some very interesting reading. Okay, sure, to the extent the minutes to any central bank meeting can, you know, actually be interesting.
June Existing Home Sales Range: 5.500 to 5.800 million units Median: 5.580 million units SAAR	Monday, 7/24	May = 5.620 million units SAAR	Down to an annualized sales rate of 5.590 million units. In any given year June tends to be the peak month for sales (not seasonally adjusted). While we think that will be the case this year, our forecast of 584,000 (unadjusted) sales is roughly the same as last year's June peak of 582,000 units, reflecting extraordinarily lean inventories. Those limited inventories remain the big story here, and while we are closing in on the seasonal peak for inventories, that peak has gotten progressively lower over the past few years. June will be the 25th consecutive month in which inventories are down year-on-year. Our forecast for not seasonally adjusted sales would put the running 12-month total at 5.513 million units, which figures to change little in the months ahead.
July Consumer Confidence Range: 115.0 to 118.0 Median: 116.8	Tuesday, 7/25	Jun = 118.9	Down to 115.8
June New Home Sales Range: 590,000 to 646,000 units Median: 615,000 units SAAR	Wednesday, 7/26	May = 610,000 units SAAR	Up to an annualized rate of 646,000 units, which is far less ambitious than it might seem. On a not seasonally adjusted basis, our forecast is for sales of 60,000 units, up from 58,000 in May. This is notable only because in recent years unadjusted sales have tended to decline in June. As a result, the June seasonal adjustment factor has been on the generous side and accounting for this is what gets us to our high-end forecast of the headline sales number (again illustrating why we focus on the not seasonally adjusted data). Aside from whichever sales figure you prefer, the two main metrics to watch are inventories and the breakdown of sales across price ranges.
June Durable Goods Orders Range: -0.2 to 7.5 percent Median: 2.8 percent	Thursday, 7/27	May = -0.8%	Up by 2.9 percent. A spike in orders for nondefense aircraft will lift the headline number, though we'll caution the mapping between unit orders and the dollar volume reported in the durable goods data is somewhat murky. Still, even stripping out nondefense aircraft, this should be a decent report, as we look for ex-transportation orders to be up 0.5 percent and core capital goods orders to be up 0.4 percent.
June Advance Trade Balance: Goods Range: -\$67.4 to -\$58.0 billion Median: -\$65.0 billion	Thursday, 7/27	May = -\$66.3 billion	Narrowing to -\$64.8 billion.
Q2 Real GDP – 1st estimate Range: 2.3 to 3.0 percent Median: 2.5 percent SAAR	Friday, 7/28	Q1 = +1.4% SAAR	Up at an annualized rate of 2.8 percent, with consumer spending, government spending, and inventory accumulation doing the heavy lifting. As we've noted before, the economy's trend rate of growth is somewhere between the soft Q1 growth rate and the firmer Q2 growth rate we expect. In other words, real GDP growth is pretty much where it has been for the past eight years. The initial Q2 report will incorporate the annual benchmark revisions to the GDP data for the past three years, reflecting methodological changes and revised source data.
Q2 GDP Price Index – 1st estimate Range: 0.8 to 1.9 percent Median: 1.4 percent SAAR	Friday, 7/28	Q1 = +1.9% SAAR	Up at an annualized rate of 1.3 percent.
Q2 Employment Cost Index Range: 0.4 to 0.7 percent Median: 0.6 percent	Friday, 7/28	Q1 = +0.8%	Up by 0.4 percent. Our low-end forecast incorporates a 0.4 percent increase in the wages component after Q1 saw the largest increase since Q4 2007. Rather than reflecting significantly tighter labor market conditions, Q1's jump in wages largely reflected minimum wage increases that led to outsized jumps in wages in retail trade and leisure & hospitality services that won't come close to being repeated in the Q2 data. One industry for which the ECI's measure of wage growth aptly reflects underlying labor market conditions is construction, where wages rose 0.9 percent in Q4 2016 and 1.0 percent in Q1 2017; we won't be surprised to see a similarly large increase in the Q2 data. We look for the benefits component of the ECI to have risen 0.5 percent in Q2. Our forecast would leave the total ECI as well as the wages and benefits components up 2.2 percent year-on-year.

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