ECONOMIC PREVIEW

REGIONS

Week of July 16, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July31-August1 FOMC meeting):* Target Range Midpoint: 1.875 to 1.875 percent Median Target Range Midpoint: 1.875 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	Fed Chairman Powell goes before the Senate Banking Committee (Tuesday) and the House Financial Services Committee (Wednesday) for the semi-annual testimony on monetary policy. Though little new ground is likely to be broken, there will be a wide range of topics of discussion, including the economic outlook, potential impacts of trade policy, the yield curve, and the size of the Fed balance sheet.
June Retail Sales Monday, 7/16 Range: 0.2 to 0.8 percent Median: 0.5 percent	May = +0.8%	Up by 0.7 percent. Motor vehicle sales should be a big add to top-line retail sales for June, the operative word being "should." Not only were unit sales up by over 3.0 percent in June, but SUVs/light trucks accounted for 69.82 percent of total unit sales, the highest share on record, which matters here because the retail sales data measure the dollar volume of sales and SUVs/light trucks carry much higher sales prices than do automobiles. That said, the initial estimate of motor vehicle sales in the retail sales data in any given month tends to be fairly useless, or, to put it more politely, is prone to sizeable revision, particularly when there is a large change in unit sales. That lessens considerably our degree of confidence in our forecast for top-line retail sales. Furniture store sales sap even more confidence from our forecast, in the sense that after a 2.7 percent increase in April and a 2.4 percent decline in May (neither of which we buy, by the way), who the heck knows what to expect from the June data. Okay, fine, someone might know. Just not us. We look for sales at nonstore retailers to bounce back from a soft May, and expect apparel sales to be down after two large monthly gains, while gasoline should be a fairly neutral factor for top-line retail sales.
June Retail Sales: Ex-Auto Monday, 7/16 Range: 0.0 to 0.7 percent Median: 0.4 percent	May = +0.9%	Up by 0.4 percent.
June Retail Sales: Control Group Monday, 7/16 Range: 0.2 to 0.7 percent Median: 0.4 percent	May = +0.5%	Up by 0.4 percent. Our forecast would leave Q2 control retail sales, a direct input into the GDP data on consumer spending, up at an annualized rate of 6.1 percent, almost three times as fast as Q1 growth.
May Business Inventories Monday, 7/16 Range: 0.3 to 0.5 percent Median: 0.4 percent	Apr = +0.3%	We look for total business inventories to be up by 0.4 percent and for total business sales to be up by 1.6 percent.
June Industrial Production Tuesday, 7/17 Range: 0.2 to 0.9 percent Median: 0.6 percent	May = -0.1%	Up by 0.6 percent. A fire at a large auto parts plant led to a sharp decline in motor vehicle assemblies in May, which acted as a material drag on manufacturing output and, in turn, total industrial production. With motor vehicle assembly back on line, our forecast anticipates a sizeable increase in manufacturing output driving total industrial production higher in June, with an assist from higher mining output.
June Capacity Utilization Rate Tuesday, 7/17 Range: 77.9 to 78.5 percent Median: 78.3 percent	May = 77.9%	Up to 78.3 percent.
June Housing Permits Wednesday, 7/18 Range: 1.294 to 1.360 million units Median: 1.330 million units SAAR	May = 1.301 million units SAAR	Down to an annualized rate of 1.294 million units. Under the heading of "it just goes to show you, it's always something'" constructing our forecasts of the June permits and starts data was complicated by the spike in single family activity in the South region in April and May. The not seasonally adjusted data show permits and starts in the region jumped to levels last seen in mid-2007, with Florida accounting for much of the increases. We had been waiting for a post-hurricane jump in construction and this could be what the April and May data are showing, even if it did take longer to appear than we had thought it would. If so, that bounce will wear off, whether in June or later. The alternative explanation is that construction in Florida suddenly kicked into a higher gear, which we'd have a hard time believing given what have been persistent supply-side constraints. As such, our forecast anticipates some give-back in the South region, combined with less friendly seasonal adjustment factors than in May. On a not seasonally adjusted basis, we look for total permits of 124,800 units.
June Housing Starts Wednesday, 7/18 Range: 1.280 to 1.350 million units Median: 1.320 million units SAAR	May = 1.350 million units SAAR	Down to an annualized rate of 1.303 million units. The above discussion about patterns in the South region pertains to the starts data as well, with our forecast anticipating some payback in the June data for the strength seen in April and May. We look for total starts of 123,700 units on a not seasonally adjusted basis.
June Leading Economic Index Thursday, 7/19 Range: 0.2 to 0.7 percent Median: 0.4 percent	May = +0.2%	Up by 0.5 percent.

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