ECONOMIC PREVIEW

REGIONS

Week of June 12, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the June 13-14 FOMC meeting):* Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent	0.875%	We expect a 25-basis point hike in the Fed funds target range mid-point at this week's FOMC meeting and, while we expect the revised dot plot to signal an additional rate hike by year-end, the markets are attaching a lower probability to a third funds rate hike this year. Decelerating inflation and dwindling odds of a policy fueled pick-up in growth have led to – stop us if you've heard this one before – wider divergence in how market participants and the FOMC assess the future path of monetary policy.
May PPI – Final Demand Tuesday, 6/13 Range: -0.2 to 0.2 percent Median: 0.0 percent	Apr = +0.5%	Down by 0.2 percent, which translates into a 2.1 percent year-on-year increase.
May Core PPI Tuesday, 6/13 Range: -0.1 to 0.2 percent Median: 0.1 percent	Apr = +0.4%	Up by 0.1 percent, which would leave the core PPI up 1.9 percent year-on-year.
May Consumer Price Index Wednesday, 6/14 Range:-0.1 to 0.2 percent Median: 0.0 percent	Apr = +0.2%	Unchanged. The weighted sum of our forecasts of the component parts comes out to -0.044 percent, so we can easily see the total CPI being down one-tenth. Gasoline will be a drag on the headline CPI; the increase in unadjusted pump prices was far smaller this May than is typical for the month, so seasonally adjusted gasoline prices will be down by almost 7.0 percent. This will knock two-tenths of a point off the change in the headline index. Elsewhere, the swing factors will be prices for cell phone service plans and apparel. We look for the drag from sharply lower cell phone service prices to have largely run its course, and apparel prices should pop up after steep declines in the prior two months. Our forecast would leave the CPI up 2.0 percent year-on-year.
May Core Consumer Price Index Wednesday, 6/14 Range: 0.1 to 0.2 percent Median: 0.2 percent	Apr = +0.1%	Up by 0.2 percent, leaving the core CPI up 1.9 percent year-on-year. We'll be watching core goods prices and rents most carefully. Declines in core goods prices should begin to abate, if not in the May data then over coming months. Slowing rent growth will have a more pronounced impact on the CPI than on the PCE deflator.
May Retail Sales Wednesday, 6/14 Range: -0.2 to 0.4 percent Median: 0.1 percent	Apr = +0.4%	Up by 0.1 percent. Motor vehicles and gasoline will weigh down headline retail sales. Unit motor vehicle sales slipped in May, though a shift in the sales mix (more SUVs/light trucks) will mitigate the decline in sales revenue. Gasoline will be weak on a seasonally adjusted basis. Elsewhere, the retail sales report will be a mixed bag.
May Retail Sales: Ex-Auto Wednesday, 6/14 Range: -0.2 to 0.4 percent Median: 0.2 percent	Apr = +0.3%	Up by 0.2 percent.
May Retail Sales: Control Wednesday, 6/14 Range: 0.1 to 0.5 percent Median: 0.3 percent	Apr = +0.2%	Up by 0.3 percent. Despite the drag from motor vehicle sales, growth in real consumer spending in Q2 will be much stronger than was the case in Q1, underpinned by steadily improving labor market conditions and elevated consumer confidence.
April Business Inventories Wednesday, 6/14 Range: -0.2 to 0.3 percent Median: -0.1 percent	Mar = +0.2%	Total business inventories will be down by 0.2 percent, while total business sales will be unchanged.
May Industrial Production Thursday, 6/15 Range: -0.1 to 0.5 percent Median: 0.1 percent	Apr = +1.0%	Unchanged. We look for manufacturing output to be flat as lower motor vehicle assemblies will act as a drag; in turn, manufacturing will be a drag on total IP. Mining output should be up, and a big enough gain here could tip the headline index higher.
May Capacity Utilization Rate Thursday, 6/15 Range: 76.9 to 76.9 percent Median: 76.7 percent	Apr = 76.7%	Unchanged at 76.7 percent.
May Housing Permits Friday, 6/16 Range: 1.196 to 1.275 million units Median: 1.250 million units SAAR	Apr = 1.228 million SAAR	Down to an annualized rate of 1.196 million units. Our forecasts of the seasonally adjusted annualized numbers of permits and starts are built off of our forecasts of the not seasonally adjusted data. This is a better way to see the underlying trends, which show slow but steady growth in single family activity and falling, albeit still at a gradual pace, multi-family activity. Granted, there is always a good deal of noise in the residential construction data, so while our forecasts for a given month may be off the mark, we're confident in our assessment of the broader trends. On a not seasonally adjusted basis, we look for 108,400 total permits to have been issued in May.
May Housing Starts Friday, 6/16 Range: 1.170 to 1.250 million units Median: 1.218 million units SAAR	Apr = 1.172 million SAAR	Up to an annualized rate of 1.191 million units on higher single family starts and flat multi-family starts. We look for 110,500 not seasonally adjusted starts, which would put the running 12-month total at 1.198 million units, the highest since April 2008.

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