ECONOMIC PREVIEW

REGIONS

Week of July 13, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 28-29 FOMC meeting):* Target Range Mid-point: 3.625 to 3.625 percent Median Target Range Mid-point: 3.625 percent	Range: 3.50% to 3.75% Midpoint: 3.625%	Both the economic data calendar and the volume of Fed-speak pick up significantly this week. Sharply lower gasoline prices will weigh on both the June Consumer Price Index (CPI) and June retail sales, meaning that the core CPI and control group sales will be the more meaningful indicators. At the same time, however, the World Cup could impact the data on consumer prices and consumer spending, though any such effects will ultimately be reversed. This week also brings Fed Chair Kevin Warsh's first "Humphrey-Hawkins" testimony, as he appears before the House Financial Services Committee on Tuesday and before the Senate Banking Committee on Wednesday. We expect Chair Warsh to resist any attempts to get him to comment on the path of monetary policy, but his answers pertaining to the outlook for inflation and the role being played by AI will be of interest.
June Consumer Price Index Tuesday, 7/14 Range: -0.3 to 0.3 percent Median: -0.1 percent	May = +0.5%	Down by 0.2 percent, which would yield a year-on-year increase of 3.7 percent. On a seasonally adjusted basis, retail gasoline prices were down by around nine percent in June, which would knock three-tenths of a point off the monthly change in the headline CPI. We expect core goods prices to have been little changed in June, which would mean that the offsets from lower gasoline prices would come from the services sector. We'll note that our forecast is right on the border between a 0.1 and a 0.2 percent decline in the headline index, so if we've underestimated the pull from rising ex-housing services prices our forecast of the headline CPI will be too low. Part of the increase in ex-housing services prices is likely to come from demand tied to the World Cup, which likely pushed up air fares, lodging rates, rental car prices, and admissions prices, though Scotland not having made it to the knockout round of the World Cup means we dodged what likely would have been the largest increase in beer prices on record. To the extent demand tied to the World Cup boosted prices in these areas, those increases will ultimately reverse. More fundamentally, after posting outsized increases in April and May, which we think mostly reflected the CPI rent panel rolling over, we look for a more moderate increase in rents in the June data. We look for a more moderate increase in prices for health care services than that was seen in May. While we think the string of declines in health insurance premiums in the CPI data has run its course, we expect smaller increases in prices of dental services and outpatient hospital services to act as offsets. Though our forecast sees little change in core goods prices, two categories bear watching. We look for apparel prices to have fallen on a seasonally adjusted basis, in part because tariff pass-through seems to, at least for now, have run its course. Additionally, the CPI measure of prices of used motor vehicles has for some time underperformed wholesale measures, and we look for that to have continued in the June data. If we're wrong on either, or both, of these points, it could mean both the total and core CPI print a tenth higher than our forecast – our forecast of the core CPI is also on the border, in this case the border between a 0.2 and a 0.3 percent increase. On a final note here, the extent to which gas prices fell during the month meant they ended June well below the monthly average. Moreover, they continued to fall in the first part of July – as we write this, they are down over six percent on a monthly average basis compared to June. Even if the recent upturn in tensions in the Middle East pushes gas prices higher, any such increase is unlikely to fully unwind the drop in the monthly average. As such, gasoline prices will almost surely be a meaningful drag on the total CPI for July.
June Consumer Price Index: Core Tuesday, 7/14 Range: 0.1 to 0.4 percent Median: 0.2 percent	May = +0.2%	Up by 0.2 percent, which would translate into a year-on-year increase of 2.8 percent.
June Producer Price Index Wednesday, 7/15 Range: -0.6 to 0.7 percent Median: 0.0 percent	May = +1.1%	Down by 0.2 percent, which would yield a year-on-year increase of 6.1 percent.
June Producer Price Index: Core Wednesday, 7/15 Range: -0.1 to 0.6 percent Median: 0.3 percent	May = +0.4%	Up by 0.3 percent, for a year-on-year increase of 5.1 percent.

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June Retail Sales: Total Thursday, 7/16 Range: -0.4 to 0.1 percent Median: 0.3 percent	May = +0.9%	Up by 0.4 percent. We know gasoline will be a material drag on top-line and ex-auto retail sales, the question is just how material. Our forecast anticipates the sharp decline in gasoline prices will knock four-tenths of a point off the change in total retail sales, but the reality is that one just never knows with the retail sales data. As with the data on consumer prices, we think the June data on consumer spending could be impacted by the World Cup, though any such effects will be far more visible in the BEA's measure of total consumer spending as services spending is not captured in the retail sales data, the one exception being restaurant and bar sales. Okay, sure, the chartered bus trips to Buc-ees, which were so popular with fans visiting from abroad, could also make an impact on the June retail sales data. While it may seem the reported increase in unit sales of new motor vehicles would be a support for top-line retail sales, keep in mind that unit sales fell on a not seasonally adjusted basis, which would be more important for the retail sales data. That said, our forecast anticipates the retail sales data will show dealer revenue rising on a seasonally adjusted basis. A new wrinkle in the retail sales data is Amazon Prime Day(s) falling in June this year as opposed to July. In the past the retail sales data have not always squared with Prime Day results, part of which reflects seasonal adjustment, but the switch in the timing of the event this year is unlikely to be adequately accounted for by seasonal adjustment, and our forecast anticipates a sizable increase in sales by nonstore retailers, the vast majority of which consist of online sales. If we're wrong on this point, our above-consensus forecast of control group sales will be too high. To our earlier point, we do look for a hefty increase in restaurant/bar sales, though to the extent this was fueled by World Cup traffic there will ultimately be payback in the data. More broadly, seasonal adjustment may not be as favorable to the June data as our forecast anticipates; other than 2020, in the life of the current series, the only time not seasonally adjusted control group sales have increased in the month of June is 1994. While our forecast anticipates a smaller than typical June decline in control group sales, even if we're correct on that point, we think the risks from seasonal adjustment are to the downside of our forecast of seasonally adjusted control group sales. Either way, growth in Q2 spending on goods, nominal and real, should be meaningfully faster than was the case in Q1.
June Retail Sales: Ex-Auto Thursday, 7/16 Range: -0.6 to 0.7 percent Median: -0.1 percent	May = +0.8%	Up by 0.3 percent.
June Retail Sales: Control Group Thursday, 7/16 Range: 0.2 to 1.1 percent Median: 0.5 percent	May = +0.7%	Up by 0.8 percent.
May Business Inventories Thursday, 7/16 Range: 0.1 to 0.6 percent Median: 0.3 percent	Apr = +0.5%	We look for total business inventories to be up by 0.3 percent and for total business sales to be up by 2.1 percent.
June Housing Permits Friday, 7/17 Range: 1.293 to 1.440 million units Median: 1.440 million units SAAR	May = 1.410 million units SAAR	Down to an annual rate of 1.293 million units. Anything remotely close to our well-below-consensus forecast would imply a pretty meaningful deterioration in housing market conditions, but we'll note that on a not seasonally adjusted basis we look for total permit issuance of 122,300 units, up 1.2 percent from May. To be sure, we could be overestimating the extent to which seasonal adjustment will drag the headline permits number lower, but that's of no relevance whatsoever as the number that matters is the not seasonally adjusted count of permits. While our forecast anticipates a modest increase in single family permits from May, it would nonetheless leave them down year-on-year, and we do see downside risk in the months ahead as builders reassess 2H 2026 plans in light of the spring sales season being more or less a dud that did little to move spec inventories. Our forecast also anticipates a modest over-the-month increase in multi-family permits which would nonetheless leave them down 14.7 percent as multi-family permits jumped last June. If, as we expect, single family builders scale back plans for construction in the back half of 2026 that **Continued on Page Three**:

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June Housing Permits Friday, 7/17 Range: 1.293 to 1.440 million units Median: 1.440 million units SAAR	May = 1.410 million units SAAR	**Continued from Page Two**: could trigger an increase in multi-family activity. We would, however, expect any such effects to be fairly tame, particularly for the volatile multi-family segment, given what remains a much smaller but still sizable backlog of multi-family units under construction.
June Housing Starts Friday, 7/17 Range: 1.140 to 1.380 million units Median: 1.314 million units SAAR	May = 1.177 million units SAAR	<u>Up</u> to an annual rate of 1.289 million units. As comebacks go, this may not seem like much of one after a surprisingly weak headline print on May housing starts. But, as with our forecast of housing permits, our forecast of the headline print on June housing starts reflects what we expect to be somewhat harsh seasonal adjustment. Of far more relevance is that on a not seasonally adjusted basis, we look for total June starts of 120,700 units, up 12.8 percent from May's weak tally. Recall that the weak May starts number largely reflected multi-family starts tumbling, particularly in the South region, with weather effects playing a role. As such, we do look for quite a bit of payback in the June data, with multi-family starts rising sharply on both a not seasonally adjusted and a seasonally adjusted basis. Our forecast, however, looks for not seasonally adjusted single family starts to be basically unchanged from May, which would translate into a significant decline on a seasonally adjusted basis. Again, what matters here is the unadjusted count, and we'll go back to builders having to reassess construction plans after a weak spring sales season. Spec inventories remain elevated, the backlog of units permitted but not yet started remains substantial, and completions are taking longer than is typically the case. All of which we think adds up to a fairly listless single family construction outlook over the remainder of 2026.
June Industrial Production Friday, 7/17 Range: -0.5 to 0.6 percent Median: 0.2 percent	May = +0.1%	<u>Down</u> by 0.2 percent. We rely on the data on aggregate hours worked from the monthly employment reports as a key input into our forecasts of industrial production and the June data show significant weakness in hours worked in the manufacturing and mining sectors. The caveat, however, is that we think the initial June estimates of nonfarm employment and hours to be highly suspect given the ridiculously low initial response rate to the BLS's June establishment survey. Though we expect the industrial production data to show a decline in manufacturing output, we see the risks to our forecast as being tilted to the upside. One reason is that the sharp decline in aggregate hours worked in the manufacturing sector in June was concentrated amongst the nondurable goods producing industries, which would have less of an impact on the industrial production data, particularly given that continued strength in spending on business equipment should be supportive of growth in production. Aggregate hours worked in the mining sector fell sharply in June which, combined with the steep decline in energy prices, we expect to have pushed mining output lower in June but, again, we have little faith in the data on hours worked. We do expect a fairly healthy advance in utilities output from higher demand from both residential and commercial users.
June Capacity Utilization Rate Friday, 7/17 Range: 75.9 to 76.4 percent Median: 76.2 percent	May = 76.2%	<u>Down</u> to 76.0 percent, but if our forecast for industrial production proves to be too low, the same will be true of our forecast of capacity utilization.

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