ECONOMIC PREVIEW

REGIONS

Week of August 17, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 15-16 FOMC meeting):* Target Range Mid-point: 3.375 to 3.875 percent Median Target Range Mid-point: 3.625 percent	Range: 3.50% to 3.75% Midpoint: 3.625%	Last week's report on July retail sales may not have been all that good but wasn't as lousy as it looked on the surface. Sure, as ringing endorsements go, that may not be much, but it's all we've got. Total retail sales fell by 0.6 percent in July with control retail sales, a direct input into the GDP data on consumer spending on goods, falling by 0.4 percent. The decline in total sales, however, is almost entirely accounted for by lower gasoline sales and lower sales amongst nonstore retailers. Not seasonally adjusted gasoline sales rose by less than is typical in the month of July, which translated into a decline in sales on a seasonally adjusted basis. As for sales by nonstore retailers, the vast majority of which consist of online sales, that the summer Amazon Prime Day(s) event fell in June this year as opposed to its typical July slot altered the timing of online sales but not necessarily the amount spent. This is easily seen in the not seasonally adjusted data in this category, with a larger than normal June increase giving way to a decline in July which was magnified in the seasonally adjusted data, to the point that the decline in sales by nonstore retailers more than fully accounted for the decline in control group sales. As such, we don't really see the July retail sales data as a warning sign as to the state of U.S. consumers, and that various spending trackers shown spending to have bounced back thus far in August supports our view. More so than this week's releases on July residential construction and industrial production, market participants will focus on the minutes of the July FOMC meeting, you know, the one that came before THAT press conference. The minutes may shed some light on just how good of a family fight the July FOMC meeting was, but to some extent the reaction to the minutes will be colored by what thus far have been fairly tame reads on price pressures on the consumer and producer levels in July. That said, Cleveland Fed President Hammack, a dissenter who favored a Fed funds rate hike at the July meeting, has not been at all swayed by the July inflation data released to date. In other words, it would be wrong to discount whatever hawkish sentiment may seep into the minutes of the July meeting, particularly with core inflation measured by the PCE Deflator still running at over a three percent pace.
July Housing Permits Tuesday, 8/18 Range: 1.344 to 1.400 million units Median: 1.374 million units SAAR	Jun = 1.374 million units SAAR	Down to an annual rate of 1.344 million units. On a not seasonally adjusted basis, we look for total permit issuance of 119,400 units, down 8.1 percent from June with declines in both single family and multi-family permits. That we expect a decline in multi-family permits has more to do with us expecting some payback from the jumps seen in the Midwest and Northeast regions in June, and our forecast would leave multi-family permits comfortably within the range that has held over the past several months. That we expect a decline in single family permits, however, is tied to what were already challenging market conditions becoming even more so in July. Builders saw sales erode further in July, meaning they made little, if any, progress in paring down elevated spec inventories. With an already elevated backlog of units permitted but not yet started, we expect to see single family permit issuance fade further over coming months. While our forecast would leave unadjusted single family permits down by just 0.4 percent year-on-year, if we're correct in expecting permit issuance to fade further, the over-the-year declines will get larger over coming months.
July Housing Starts Tuesday, 8/18 Range: 1.325 to 1.483 million units Median: 1.350 million units SAAR	Jun = 1.427 million units SAAR	Down to an annual rate of 1.339 million units. On a not seasonally adjusted basis, we look for total starts of 121,100 units, down 9.8 percent from June with declines in both single family and multi-family starts. Keep in mind, however, that June's count of housing starts was pushed higher by two factors. After weather related disruptions held down activity, particularly multi-family activity, in the South region in May, starts in the region bounced back in June. At the same time, the Midwest region saw a surge in multi-family starts, with the highest monthly total since October 1997 despite there having been nothing in the permits data to suggest such a surge. In that sense, our forecast for unadjusted July starts is pretty much in line with the average seen over May and June. What we think to be of far more relevance is that our forecast would leave not seasonally adjusted single family starts down 6.9 percent year-on-year and would leave the running twelve-month count of unadjusted single family starts, which we see as the best gauge of the trend rate, at 907,700 units, **Continued on Page Two**:

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July Housing Starts Tuesday, 8/18 Range: 1.325 to 1.483 million units Median: 1.350 million units SAAR	Jun = 1.427 million units SAAR	**Continued from Page One**: the lowest such total since September 2023. As noted above, already challenging market conditions became even more so in July, with mortgage interest rates pushing higher and difficult weather conditions intensifying the drags on sales from pressing affordability constraints and sour consumer sentiment. With many builders having difficulty in paring down elevated spec inventories, it seems likely that the pace of single family starts will slow further in the months ahead.
July Industrial Production Tuesday, 8/18 Range: -0.1 to 0.7 percent Median: 0.3 percent	Jun = +0.1%	Up by 0.7 percent. The data on aggregate hours worked by industry group from the monthly employment reports have always been a key input into our forecasts of industrial production, which for a number of years worked just fine for us but more recently, yeah, not so much. Yet, here we go again. On the surface, that aggregate hours worked in the manufacturing sector were up by a miniscule 0.04 percent in July would not bode well for an increase in manufacturing output. Digging a bit deeper, however, shows a distinct split between the durable goods and nondurable goods segments in aggregate hours worked amongst production workers, with the former rising by 0.4 percent and the latter falling by 0.5 percent. With producers of durable goods accounting for over sixty percent of total manufacturing payrolls and having added 18,000 jobs in July, we think the net result will be a modest increase in manufacturing output. At the same time, July's punishing heat likely drove a sizable increase in utilities output, while aggregate hours worked in the mining/natural resources sector rose by 0.5 percent despite payrolls having fallen by 2.000 jobs. Granted, the risks to our forecast seem weighted to the downside, but we're looking for more out of the July industrial production data than many others seem to be.
July Capacity Utilization Rate Tuesday, 8/18 Range: 76.1 to 76.7 percent Median: 76.3 percent	Jun = 76.1%	Up to 76.7 percent.
July Leading Economic Index Thursday, 8/20 Range: -0.2 to 0.2 percent Median: 0.1 percent	Jun = -0.2%	Up by 0.1 percent.

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