ECONOMIC PREVIEW

REGIONS

Week of June 10, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on June 18-19)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The May employment report was a spinner's delight – no matter what spin one wants to attach to it, the report has numbers to suit their needs. For those looking to attach a positive spin, there is the 175,000 increase in total nonfarm employment, above the consensus estimate that had been beaten down by fear and some soft data of late. Aggregate private sector earnings logged a 4.3 percent year-over-year gain in May and April aggregate earnings were revised higher due to an upward revision in average weekly hours. May also saw a sizeable increase in the labor force, up by 420,000, which helped nudge the labor force participation rate higher. For those inclined towards a less positive spin, the unemployment rose to 7.6 percent, manufacturing employment declined, and job gains were heavily concentrated in service producing industries in which hours and earnings are below average, while the numbers of long-term unemployed and those working part-time for economic reasons remain significantly elevated. As for us, the May employment report was in line with our expectations though not as bad as we feared might be the case. More significantly, the May employment report answers none of the questions looming over the economy and Fed policy, particularly the course of the Fed's large scale asset purchases. This week's data probably won't help much along those lines either, but the broader story, at least as we read the data, is that current quarter growth will be slower than the 2.4 percent real GDP growth seen in Q1, but we look for this slowdown to be transitory with growth accelerating in Q3 and more so in Q4.
May Retail Sales Range: 0.1 to 0.7 percent Median: 0.4 percent	Thursday, 6/13	Apr = +0.1%	<u>Up</u> by 0.5 percent. We look for motor vehicle sales to provide more support for retail sales than implied by the previously reported increase in unit sales. With fleet sales down, more motor vehicles were sold on the retail level (the monthly retail sales report captures the dollar volume of retail vehicle sales). In addition, the mix of vehicles sold will also provide support, as higher priced light trucks accounted for over half of all vehicles sold on the retail level in May – another manifestation of the rebounding housing market. Elsewhere, the May retail sales report will be a mixed bag. We look for lower gasoline sales while weaker pricing will help hold down reported sales in other categories.
May Retail Sales Ex-Auto Range: 0.0 to 0.7 percent Median: 0.3 percent	Thursday, 6/13	Apr = -0.2%	<u>Up</u> by 0.3 percent. We look for core (or, control) retail sales to post a 0.4 percent increase but, after a modest decline in April (pending revision), annualized growth in core sales in Q2 is running at half the pace seen in Q1. This is consistent with our expectation that growth in real consumer spending in Q2 will fall well short of the 3.4 percent (annualized) growth posted in Q1.
April Business Inventories Range: 0.2 to 0.4 percent Median: 0.3 percent	Thursday, 6/13	Mar = unchanged	Total business inventories were <u>up</u> by 0.2 percent with total business sales <u>down</u> by 0.1 percent thanks to a decline in manufacturing shipments.
May Producer Price Index Range: -0.1 to 0.7 percent Median: 0.1 percent	Friday, 6/14	Apr = -0.7%	<u>Up</u> by 0.1 percent, which translates into an over-the-year increase of 1.4 percent.
May PPI – Core Range: 0.1 to 0.2 percent Median: 0.1 percent	Friday, 6/14	Apr = +0.1%	<u>Up</u> by 0.2 percent, for an over-the-year increase of 1.8 percent.
Q1 Current Account Balance Range: -$117.8 to -$105.0 billion Median: -$110.0 billion	Friday, 6/14	Q4 = -$110.4 bil	<u>Narrowing</u> to -$105.2 billion due to a smaller trade deficit.
May Industrial Production Range: -0.2 to 0.5 percent Median: 0.2 percent	Friday, 6/14	Apr = -0.5%	<u>Up</u> by 0.2 percent, with motor vehicle production providing support for manufacturing output.
May Capacity Utilization Rate Range: 77.6 to 78.1 percent Median: 77.9 percent	Friday, 6/14	Apr = 77.8%	<u>Up</u> to 77.9 percent.

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