ECONOMIC PREVIEW

REGIONS

Week of July 15, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on July 30-31)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Volatility happens. Deal with it. You don't have to embrace it, you don't even have to like it, but you do have to learn to live with it, at least for the next few months. That may be a handy point to keep in mind as we move through what will not only be a data intensive week but a week which also includes the release of the latest Beige Book (Wednesday) and Chairman Bernanke's semi-annual monetary policy testimony (Wednesday before the House and Thursday before the Senate). Consider how the markets have responded to Chairman Bernanke the last few times out then refer to the first two sentences above. While Chairman Bernanke's prepared remarks are unlikely to break any new ground the Q&A periods could bring more pertinent insights into looming policy issues. The markets will also have some data to digest this week. We look for a solid gain in retail sales as confident consumers continue to spend, though the upturn in gasoline prices is something to watch. Inventory data will be a downer for Q2 growth, but as long as business and consumer spending hold up lean inventories bode well for output growth in Q3. Though not the Fed's preferred measure, the CPI may nonetheless allay concerns within the FOMC over disinflation. Despite the recent rise in mortgage rates, we look for a sizeable increase in housing starts but the NAHB's survey of homebuilder confidence (out Tuesday) will offer a timelier look at how builders are reacting to higher mortgage rates.
June Retail Sales Range: 0.4 to 1.0 percent Median: 0.7 percent	Monday, 7/15	May = +0.6%	Up by 0.8 percent. Motor vehicle sales will lend a big push to the headline number – not only were unit auto sales at their highest monthly sales rate since November 2007 but average transaction prices were up sharply. In other words, demand is sufficiently strong that auto makers are not relying on generous incentives to push sales. Elsewhere, we look for sales at furniture stores, electronics stores, and restaurants to rebound from declines in May.
June Retail Sales Ex-Auto Range: 0.2 to 0.8 percent Median: 0.4 percent	Monday, 7/15	May = +0.3%	Up by 0.4 percent, and we also expect a 0.4 percent increase in control (or, core) retail sales, leaving annualized growth in core sales in Q2 a bit below Q1's pace, consistent with our call of slower growth in real consumer spending in Q2.
May Business Inventories Range: -0.3 to 0.5 percent Median: 0.1 percent	Monday, 7/15	Apr = +0.3%	Total business inventories were down by 0.2 percent as wholesale inventories fell sharply with manufacturing inventories flat and retail inventories up slightly. Total business sales rose by 1.2 percent. Though well below consensus, our expectations for inventory accumulation during Q2 were apparently not low enough, and inventories will be more of a drag on Q2 real GDP growth than we had anticipated but should be constructive for growth in Q3.
June Consumer Price Index Range: 0.2 to 0.5 percent Median: 0.3 percent	Tuesday, 7/16	May = 0.1%	Up by 0.5 percent with a boost from the seasonal adjustment of gasoline prices – gasoline prices have not followed typical seasonal patterns for much of the year, including June. Instead of the typical decline, retail pump prices rose modestly in June, and this will be amplified in the CPI data, helping push the overall CPI higher even as broader inflation pressures remain fairly tame. On a year-over-year basis, the CPI will be up by 1.7 percent.
June CPI – Core Range: 0.1 to 0.2 percent Median: 0.2 percent	Tuesday, 7/16	May = 0.2%	Up by 0.2. On a year-over-year basis, the core CPI will be up by 1.6 percent, well ahead of core inflation as measured by the core PCE deflator, the Fed's preferred measure. Either way, core inflation should perk up over the year's second half.
June Industrial Production Range: 0.0 to 0.4 percent Median: 0.3 percent	Tuesday, 7/16	May = 0.0%	Up by 0.3 percent.
June Capacity Utilization Rate Range: 77.6 to 77.8 percent Median: 77.7 percent	Tuesday, 7/16	May = 77.6%	Up slightly to 77.7 percent.
June Housing Starts Range: 913,000 to 985,000 units Median: 950,000 units SAAR	Wednesday, 7/17	May = 914,000	Up to an annualized rate of 985,000 units with sizeable gains in both single family and multi-family starts. We look for total housing permits to rise to an annual rate of 1.015 million units due mainly to a jump in single family permits.
June Index of Leading Indicators Range: 0.0 to 0.5 percent Median: 0.3 percent	Thursday, 7/18	May = +0.1%	Up by 0.3 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com