ECONOMIC PREVIEW

REGIONS

Week of August 12, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on September 17-18)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The week ahead is heavy on data but light on data that will do much to alter perceptions – ours, the markets' or the FOMC's – of the economy's path over the second half of 2013. If we had to pick one data point to focus on it would be Friday's release of the data on housing permits and starts, if only to help lend perspective to June's sharp decline in starts.
July Retail Sales Range: 0.1 to 0.5 percent Median: 0.3 percent	Tuesday, 8/13	June = +0.4%	<u>Up</u> by 0.3 percent, a soft headline number that reflects a modest drag from auto sales.
July Retail Sales Ex-Auto Range: 0.2 to 0.7 percent Median: 0.4 percent	Tuesday, 8/13	June = 0.0%	<u>Up</u> by 0.4 percent. Sales of building materials and gasoline lent some support but we expect a mixed read on the discretionary components. We look for a 0.3 percent increase in control (or, core) retail sales, which gets Q3 off to a slow start as this would leave nominal core sales up by just 1.8 percent (annualized) over their Q2 average, though we do expect a better performance in August.
June Business Inventories Range: 0.0 to 0.5 percent Median: 0.3 percent	Tuesday, 8/13	May = +0.1%	Total business inventories were <u>up</u> by 0.1 percent while total business sales <u>rose</u> by just 0.1 percent as a decline in manufacturing shipments offset higher wholesale and retail sales. Based on the monthly inventory data we look for the BEA to mark down their estimate of nonfarm business inventory accumulation when they revise the data on Q2 real GDP. On the flip side, however, relatively low levels of stocks should support current quarter production.
July Producer Price Index Range: 0.0 to 0.5 percent Median: 0.3 percent	Wednesday, 8/14	June = +0.8%	<u>Up</u> by 0.3 percent, for a year-over-year increase of 2.4 percent.
July PPI – Core Range: 0.1 to 0.3 percent Median: 0.2 percent	Wednesday, 8/14	June = +0.2%	<u>Up</u> by 0.2 percent, which translates into an over-the-year increase of 1.4 percent.
July Consumer Price Index Range: -0.1 to 0.3 percent Median: 0.2 percent	Thursday, 8/15	June = +0.5%	<u>Up</u> by 0.2 percent, which translates into a year-over-year increase of 2.0 percent.
July CPI – Core Range: 0.1 to 0.2 percent Median: 0.2 percent	Thursday, 8/15	June = +0.2%	<u>Up</u> by 0.2 percent, for a 1.7 percent over-the-year increase as inflation pressures remain somewhat muted. Core inflation measured by the CPI remains well above core inflation measured by the PCE deflator, the Fed's preferred measure.
July Industrial Production Range: -0.2 to 0.4 percent Median: 0.3 percent	Thursday, 8/15	June = +0.3%	<u>Up</u> by 0.3 percent.
July Capacity Utilization Rate Range: 77.6 to 78.1 percent Median: 77.9 percent	Thursday, 8/15	June = 77.9%	<u>Up</u> to 78.0 percent.
July Housing Starts Range: 840,000 to 950,000 units Median: 903,000 units SAAR	Friday, 8/16	June = 836,000	<u>Up</u> to an annualized rate of 945,000 units, with increases in both single family and multi-family starts. We will be particularly interested in multi-family starts after a sharp and broad-based (geographically) decline in June – the key question is whether June's decline was a one-off occurrence or the start of a slower trend rate of multi-family starts. We look for total housing permits to come in at an annualized rate of 970,000 units with a solid increase in single family permits.
Q2 Nonfarm Productivity Range: -0.4 to 1.6 percent Median: 0.5 percent SAAR	Friday, 8/16	Q1 = +0.5%	<u>Down</u> at an annualized rate of 0.4 percent. Real nonfarm business output grew at an annualized rate of 2.6 percent during Q2 while aggregate private sector payroll hours rose at an annualized rate of 2.1 percent. While this would suggest rising productivity, what must also be accounted for is the large jump in aggregate hours on the part of the self-employed. It is a bit perilous trying to map this data point into the productivity number, so admittedly there could be some upside risk to our forecast. Either way, the broader point is that productivity growth is well past its cyclical peak which should be supportive of hiring over coming months.
Q2 Unit Labor Costs Range: -2.4 to 2.4 percent Median: 1.5 percent SAAR	Friday, 8/16	Q1 = -4.3%	<u>Up</u> at an annualized rate of 2.4 percent. A nonthreatening increase that will be smaller should productivity growth top our estimate. We are not yet at the point where profit margins are under significant stress from rising labor costs.

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