ECONOMIC PREVIEW

REGIONS

Week of June 9, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on June 17-18)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	In what has thus far been a topsy turvy year, at least in the fun and fast paced world of economic data, the May employment report was a welcome relief. Not only was the headline job growth number in line with expectations, it was also in line with the trend established over recent months, with job gains north of 200,000 per month in each of the past four months. Almost halfway through the year, there just haven't been many reports about which we could say one, let alone both, of those things. The May employment report also marks a milestone of sorts, though as milestones go, this one is pretty much void of meaning. As of May, the level of total nonfarm employment is now back above the peak reached prior to the Great Recession. Even if we don't nag about details such as May's reading not having been adjusted for changes in the size of the economy or the population, let's face it, it took a preposterously long time for us to get back to the unadjusted number, and we are nowhere near the level of employment that would have prevailed had the recession not occurred in the first place. Then again, in today's world there seems to be no achievement too small to celebrate, which fits in perfectly with our own rule that is there is never a reason not to open a fine bottle of red wine, so if you can't come up with a reason of your own to celebrate, the employment "milestone" will do. There most assuredly will be no celebrating the May employment report at the Fed. Despite the stepped up pace of job growth of late, there are plenty of signs of what remains an elevated degree of labor market slack. Neither will there be any worries over inflation stemming from the May data, as hourly earnings growth remains stuck in low gear and will remain so until there has been far more progress made in paring down the labor market slack. We do expect the pace of job growth to accelerate further in the months ahead, but until there is evidence of meaningful and sustained growth in earnings, any enthusiasm on the part of the Fed over the labor market will be somewhat tempered.
May Retail Sales Range: 0.1 to 0.8 percent Median: 0.5 percent	Thursday, 6/12	Apr = +0.1%	Up by 0.8 percent, with an assist from motor vehicles as unit sales posted their best month since 2007. To be sure, May's pace of motor vehicle sales is not sustainable, as favorable calendar effects, enticing incentives, and solid fleet sales helped lift overall sales. Still, even with some give back in June motor vehicle sales will underpin healthy growth in real consumer spending in Q2. Aside from motor vehicle sales, the May retail sales report should show moderate gains across most categories, though sales at apparel stores and department stores may be in for some payback after solid gains over the prior months.
May Retail Sales – Ex-Auto Range: 0.2 to 0.7 percent Median: 0.4 percent	Thursday, 6/12	Apr = 0.0%	Up by 0.5 percent, and we look for control retail sales to have risen by 0.4 percent. Pending revisions to the lackluster April figures, our call on May control sales would leave them growing at an annualized rate of 4.7 percent in Q2 on a nominal basis, which would be the fastest quarterly growth since Q1 2013.
April Business Inventories Range: 0.1 to 0.5 percent Median: 0.4 percent	Thursday, 6/12	Mar = +0.4%	We look for total business inventories to rise by 0.5 percent, with total business sales up by 0.6 percent. Inventory accumulation is off to a faster start in Q2 and should add to real GDP growth, in contrast to Q1 when a sharply slower pace of inventory accumulation acted as a material drag on real GDP growth.
May PPI – Final Demand Range: -0.1 to 0.3 percent Median: 0.1 percent	Friday, 6/13	Apr = +0.6%	Up by 0.2 percent, which yields an over-the-year increase of 2.4 percent. This would mark the first instance of back-to-back months in which the over-the-year change tops 2.0 percent since Q1 2012, the difference of course being then inflation was slowing while now it seems to be picking up pace.
May PPI – Core Final Demand Range: -0.1 to 0.3 percent Median: 0.1 percent	Friday, 6/13	Apr = +0.6%	Up by 0.2 percent, for a year-over-year increase of 2.3 percent, the fastest rate of core PPI inflation (using the newly constructed series) since February 2012.

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