



### Indicator/Action Economics Survey:

### Last Actual:

### Regions' View:

#### Fed Funds Rate: Target Range Midpoint

(After the FOMC meeting on July 28-29):

Target Range Midpoint: 0.125 to 0.125 percent

Median Target Range Midpoint: 0.125 percent

0.125%

Let's see if we have this right – the FOMC need only be “reasonably confident” inflation will move towards its target rate, but needs “decisive evidence” that growth can be sustained. We find it increasingly difficult to understand why this is in doubt, even after the Q1 stumble. This week's data will add to a body of evidence of sustainable growth, even if “decisive” is in the eye of the beholder.

#### May Existing Home Sales

Range: 5.045 to 5.330 million units

Median: 5.250 million units, SAAR

Monday, 6/22 Apr = 5.040 mil

Up to an annualized sales rate of 5.330 million units. Our estimate includes some payback for what was an oddly large April decline in sales in the South region. More fundamentally, pending home sales have been quite strong, registering double-digit year-over-year increases over the past few months that suggest a strong May for existing home sales (pending home sales reflect contract signings which are booked as existing home sales upon closing). Beneath the headline sales number, we look for distress sales to have fallen with nondistress sales posting a healthy gain (year-over-year changes), extending a trend we've highlighted over the past several months. It will be worth watching the inventory data in the May report, as notably low inventories of existing homes for sale have acted as a constraint on sales over the past several months. The NAR's inventory data are not seasonally adjusted and May is typically a month in which inventories don't change much, but it could be improving market conditions and accelerating house price appreciation drew out more prospective sellers.

#### May Durable Goods Orders

Range: -2.5 to 1.5 percent

Median: -0.5 percent

Tuesday, 6/23 Apr = -1.0%

Down by 2.2 percent. We look for a sharp decline in orders for nondefense aircraft, but, then again, the connection between the dollar volume of orders reported in the monthly durable goods data and changes in Boeing's order book has become quite flimsy over the past several months. Still, the rest of the report should be decent, and we look for ex-transportation orders to be up 0.8 percent.

#### May New Home Sales

Range: 505,000 to 545,000 units

Median: 520,000 units, SAAR

Tuesday, 6/23 Apr = 517,000

Up to an annualized rate of 522,000 units. Inventories of “physical” new homes (i.e., those either under construction or already completed) remain not too far off of historical lows, so in order for our call to be on or near the mark sales of units on which construction has not yet started will have to come close to April, when such units accounted for over one-third of all new home sales. Another data point to watch is the split between higher and lower priced homes – over the past year sales of homes priced at or above \$300,000 have accounted for an atypically high share of total new home sales, meaning builders have made up for in margin what they have missed on volume. To us, this is an interesting trend and one that could change fairly quickly should builders make a run at first-time buyers – given the extent to which rents have risen in many markets, this could be a feasible move for builders. Finally, the new home sales data are prone to large revision but based on the April sales number originally reported, our call would put the 12-month average at 477,000 units, continuing a trend of steady but by no means spectacular improvement consistent with our baseline forecast.

#### Q1 Real GDP (3<sup>rd</sup> estimate)

Range: -0.4 to 0.0 percent

Median: -0.2 percent SAAR

Wednesday, 6/24 2<sup>nd</sup> est = -0.7%

0.0 percent (annualized, of course). Data on consumer spending, inventories, trade, and commercial construction suggest an upward revision to the BEA's second estimate, which showed a contraction in real GDP in Q1. Still, from down an annualized 0.7 percent to unchanged is more or less a rounding error in a \$16.2 trillion economy. Thus far, Q2 real GDP growth is tracking around 3.0 percent (annualized) but keep in mind pending changes in the BEA's seasonal adjustment process (set for release next month with the initial estimate for Q2) mean the quarter-to-quarter patterns in GDP growth could look materially different.

#### Q1 GDP Price Index (3<sup>rd</sup> estimate)

Range: -0.1 to -0.1 percent

Median: -0.1 percent SAAR

Wednesday, 6/24 2<sup>nd</sup> est = -0.1%

Down at an annualized rate of 0.1 percent, matching prior estimates.

#### May Personal Income

Range: 0.2 to 0.6 percent

Median: 0.5 percent

Thursday, 6/25 Apr = +0.4%

Up by 0.4 percent, led by a solid gain in private sector wage and salary earnings. On a year-over-year basis, we look for total personal income to be up 4.2 percent with private sector wages and salaries up 5.6 percent.

#### May Personal Spending

Range: 0.4 to 0.9 percent

Median: 0.7 percent

Thursday, 6/25 Apr = 0.0%

Up by 0.7 percent. Consumer durables will get a lift from furniture, appliances, and motor vehicles (even allowing for a high share of fleet sales). Significantly higher gasoline prices will be a key, but by no means the only, support for spending on nondurables. One caveat here – trend spending is neither as weak as implied by the April number nor as strong as implied by the May number, so don't get too caught up in celebrating the “return” of the American consumer.

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