



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%

An active week of data releases that will offer up more mixed messages on the state of the U.S. economy also includes Fed Chair Yellen's Humphrey-Hawkins testimony (House on Wednesday, Senate on Thursday). Two days of testimony will yield no clear answers on the timing of the initial hike in the Fed funds rate.

June Retail Sales

Range: -0.2 to 0.8 percent

Median: 0.3 percent

Tuesday, 7/14 May = +1.2%

Up by 0.1 percent. As headline retail sales have swung between soft and solid over recent months, the narrative accompanying the data has swung between "what's wrong with U.S. consumers?" and "U.S. consumers are back, baby!" This week we expect to be hearing the former rather than the latter, though as always we'll do our best to tune it out. Upon the release of the May data we noted retail sales were neither as weak as they were reported to be in April nor as strong as they were reported to be in May, with the truth lying somewhere in the middle. That's pretty much where our June call leaves us. Two factors that boosted retail sales in May – motor vehicle sales at an annual rate of 17.8 million units and a double-digit increase in retail gasoline prices – were not replicated in June. While motor vehicle sales again topped the 17 million mark (annual rate) in June, they were nonetheless lower than in May so motor vehicle sales will act as a drag on total retail sales. Gasoline prices posted a much smaller gain in June so will provide less support for top-line sales. Also, it is highly unlikely May's outsized gains in sales at general merchandise or apparel stores were repeated in June. Though on the soft side, our calls on headline and control sales yield annualized gains of 8.0 percent and 4.5 percent, respectively, for Q2 as a whole and growth in real consumer spending (including services) for Q2 will come in around 3.0 percent. So, anticipating the "what's wrong with U.S. consumers?" narrative this week, our answer in advance is "nothing, really."

June Retail Sales – Ex-Auto

Range: 0.2 to 0.9 percent

Median: 0.6 percent

Tuesday, 7/14 May = +1.0%

Up by 0.3 percent, and we look for control retail sales to also be up 0.3 percent.

May Business Inventories

Range: 0.0 to 0.4 percent

Median: 0.2 percent

Tuesday, 7/14 Apr = +0.4%

We look for total business inventories to be up by 0.2 percent with total business sales up by 0.6 percent.

June PPI – Final Demand

Range: -0.2 to 0.4 percent

Median: 0.3 percent

Wednesday, 7/15 May = +0.5%

Up by 0.3 percent, which yields a year-on-year decline of 0.8 percent.

June Core PPI – Final Demand

Range: 0.0 to 0.2 percent

Median: 0.1 percent

Wednesday, 7/15 May = +0.4%

Up by 0.1 percent, for an over-the-year increase of 0.7 percent.

June Industrial Production

Range: -0.2 to 0.5 percent

Median: 0.2 percent

Wednesday, 7/15 May = -0.2%

Up by 0.2 percent, as we look for higher utilities outlays and a modest gain in manufacturing output to counter a further decline in mining output.

June Capacity Utilization Rate

Range: 77.8 to 78.5 percent

Median: 78.1 percent

Wednesday, 7/15 May = 78.1%

Up to 78.2 percent.

June Consumer Price Index

Range: 0.1 to 0.4 percent

Median: 0.3 percent

Friday, 7/17 May = +0.4%

Up by 0.3 percent, with gasoline (which itself will add around one-tenth of a point to the headline number), rents, and medical care the prime supports. Year-over-year, the total CPI will be up by just 0.2 percent.

June Core CPI

Range: 0.1 to 0.3 percent

Median: 0.2 percent

Friday, 7/17 May = +0.1%

Up by 0.2 percent with a year-on-year increase of 1.8 percent. With energy prices still holding sway over headline inflation, core inflation remains the better signal of underlying inflation pressures and core CPI inflation remains notably steady.

June Housing Starts

Range: 1.030 to 1.230 million units

Median: 1.123 million units SAAR

Friday, 7/17 May = 1.036 mil

Up to an annual rate of 1.078 million units with both single and multi-family starts rising. One downside risk to our call – each of the last two Junes has seen a suspiciously large decline in multi-family starts in the South region, easily the largest of the four Census regions. We think these reported declines are no more than noise, but if they turn up again this year starts will come in well below our forecast. We look for total housing permits to fall to an annual rate of 1.092 million units, but remember May's permit total was inflated by the expiration of a tax credit in New York. More significantly, we look for single family permits to top the 700,000 annual rate, which has not happened since January 2008.

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