ECONOMIC PREVIEW

REGIONS

Week of June 10, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the June 18-19 FOMC meeting):* Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent	Range: 2.25% to 2.50% Midpoint: 2.375%	We often note that the economic data do not move in smooth, straight lines. If there was nothing more to it, the surprisingly weak May employment report would not be as concerning as it is in the midst of a weakening industrial sector, softening freight markets, heightened trade tensions, and an inverted yield curve. It's all about the timing, right? In any event, if the FOMC is truly acting as a risk manager, the combination of mounting downside risks to growth and listless inflation gives the FOMC room to cut the Fed funds rate. We think that at this point, it is much more a matter of when, not if, they will do so.
May PPI: Final Demand Tuesday, 6/11 Range: 0.0 to 0.4 percent Median: 0.2 percent	Apr = +0.2%	Up by 0.1 percent, for a year-on-year increase of 2.1 percent.
May PPI: Core Tuesday, 6/11 Range: 0.1 to 0.3 percent Median: 0.2 percent	Apr = +0.1%	Up by 0.2 percent, which translates into a year-on-year increase of 2.3 percent.
May Consumer Price Index Wednesday, 6/12 Range: 0.1 to 0.2 percent Median: 0.1 percent	Apr = +0.3%	Up by 0.1 percent, which would leave the total CPI up 1.9 percent year-on-year. Our forecast yields an unrounded increase right on the border of 0.1 and 0.2, so neither would come as a surprise to us. Either way, there are few indications that inflation is poised to accelerate to any meaningful degree any time soon. Our forecast anticipates energy prices will be a modest drag on the total CPI, but that drag will be much more pronounced in the June data given the sharp decline in crude oil prices. Primary rents bear watching after oddly large increases in both March and April that we do not expect to be sustained. The two wild cards in the CPI data remain apparel prices and used motor vehicle prices. Methodological changes have resulted in considerable volatility in these series that can easily move the core CPI a tenth of a point.
May Consumer Price Index: Core Wednesday, 6/12 Range: 0.1 to 0.2 percent Median: 0.2 percent	Apr = +0.2%	Up by 0.2 percent, which would yield a year-on-year increase of 2.1 percent.
May Retail Sales: Total Friday, 6/14 Range: 0.3 to 2.0 percent Median: 0.6 percent	Apr = -0.2%	Up by 0.8 percent. As usual, no matter what headline number sits atop the report on May retail sales, we're not buying it, so the first order of business here will be assessing the revisions to the initial estimate of April retail sales. Pay particular attention to sales at motor vehicle dealers in both the revised April data and the initial May data. We look for a downward revision to the initial estimate for April and do not expect the initial estimate for May to come close to capturing all of the upside from what was a notably large increase in unit motor vehicle sales. Our forecast anticipates gasoline being a modest drag on total retail sales which will be more than offset by healthy gains across the other major categories. Whether this is apparent in the initial estimate of May retail sales or won't be apparent until next month, when the revised May data are reported, remains to be seen.
May Retail Sales: Ex-Auto Friday, 6/14 Range: 0.1 to 1.2 percent Median: 0.4 percent	Apr = +0.1%	Up by 0.5 percent.
May Retail Sales: Control Group Friday, 6/14 Range: 0.2 to 0.8 percent Median: 0.4 percent	Apr = 0.0%	Up by 0.6 percent. Our forecast would leave annualized growth in nominal Q2 control sales running at a 4.0 percent pace. As control retail sales are a direct input into the GDP data, this sets the stage for the Q2 GDP data to show much stronger growth in overall consumer spending than was the case in Q1.
May Industrial Production Friday, 6/14 Range: -0.8 to 0.5 percent Median: 0.2 percent	Apr = -0.5%	Down by 0.1 percent. Employment and aggregate hours worked by production workers in manufacturing fell in May, which we think will push output lower, and mining output likely dropped sharply. As such, even a decent gain in utilities output won't likely be enough to fend off another decline in total industrial production. A rebound in motor vehicle assemblies would pose an upside risk to our forecast.
May Capacity Utilization Rate Friday, 6/14 Range: 77.5 to 78.2 percent Median: 78.0 percent	Apr = 77.9%	Down to 77.8 percent.
April Business Inventories Friday, 6/14 Range: -0.1 to 0.6 percent Median: 0.3 percent	Mar = 0.0%	We look for total business inventories to be up by 0.5 percent and for total business sales to be down by 0.4 percent, with sales declining across the board in the retail, wholesale, and manufacturing sectors.

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