ECONOMIC PREVIEW

Week of June 24, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 30-31 FOMC meeting):* Target Range Mid-point: 5.375 to 5.375 percent Median Target Range Mid-point: 5.375 percent	Range: 5.25% to 5.50% Midpoint: 5.375%	While many of this week's data releases will help refine the outlook for Q2 real GDP growth, market participants will be keenly focused on Friday's release of the May read on the PCE Deflator (see Page 2). As with the CPI, the total and core PCE Deflator will show the smallest monthly increases to date in 2024. While market participants will no doubt extrapolate this into what it might mean for the path of the Fed funds rate, FOMC members will almost surely reiterate their message that one month's data isn't enough to reassure them that inflation is slowing to a degree sufficient to open the door for Fed funds rate cuts.
June Consumer Confidence Tuesday, 6/25 Range: 97.8 to 106.0 Median: 100.0	May = 102.0	Up to 102.4, though it's hard to have a high degree of, well, confidence in that call given how measures of consumer confidence/sentiment have been all over the map of late. Typically, falling gasoline prices and rising stock prices would be associated with rising consumer confidence, particularly with still-healthy labor market conditions. At the same time, however, many households are feeling the weight of the cumulative effects of elevated inflation and high interest rates, which is clearly weighing on their overall outlook, and the Conference Board's survey shows them feeling less upbeat on labor market conditions over the past two months. All of this suggests little change, in either direction, in the headline confidence index for June.
May New Home Sales Wednesday, 6/26 Range: 609,000 to 675,000 units Median: 649,000 units SAAR	Apr = 634,000 units SAAR	Down to an annual rate of 609,000 units. On a not seasonally adjusted basis, we look for sales of 54,000 units, down from 55,000 units in April. Our premise here is basically the same premise behind our forecasts of May housing permits and starts, both of which were far below the consensus forecasts and both of which were much closer to the mark than were the consensus forecasts. Builders reported a drop-off in buyer traffic and interest in May, not unexpected given that mortgage rates hovering at just over seven percent exacerbated affordability constraints. That, coupled with what has been a meaningful run-up in spec inventories of new homes for sale over recent months, led many builders to pull back starts in May while becoming more aggressive in using incentives to facilitate sales. Recall that the unadjusted data show a drop in single family housing starts in May, with that drop being amplified by seasonal adjustment. That latter point was generally overlooked in the reaction to the housing starts data, but we expect to see the same effect in the new home sales data. The reality is that seasonal adjustment will work against the headline sales number if, as we expect, unadjusted sales slip a bit, and while that has nothing at all to do with how many new homes will have been sold in May, it will have a great deal to do with how the May data are perceived. To be sure, it never pays all that much to apply reason to a forecast of new homes, one of the flightiest and most heavily revised data series out there but, as always, our markers to watch will be not seasonally adjusted sales and spec inventories. We believe there to still be a significant degree of pent-up demand for home purchases, and if the recent dip in mortgage rates can be extended, June could be a much better month for builders.
May Durable Goods Orders Thursday, 6/27 Range: -3.2 to 0.6 percent Median: 0.0 percent	Apr = +0.6%	Down by 1.6 percent. Nondefense aircraft will be a sizable drag on top-line orders, but we see some risk that softer motor vehicle orders could add to the drag from the transportation category with vehicle sales having settled into a fairly narrow range and inventories having normalized. Either way, as always with the data on durable goods orders, our main focus will be on orders for core capital goods, which have been more or less rangebound since the start of 2023, as has been reflected by the listless nature of business investment in equipment and machinery in the GDP data. We have for some time been pointing to the second half of this year as when we expect core capital goods orders, and in turn the GDP measure of investment, to break out of this range, meaning that the clock is about to start running on our call. We've suggested the drive to enhance labor productivity would be a catalyst for an upturn in investment in equipment and machinery, but it could be that less binding labor supply constraints than had been anticipated has dimmed the sense of urgency around enhancing productivity growth. To the extent that has been the case, we would not expect that to remain the case much longer.
May Durable Goods Orders: Ex-Trnsp. Thursday, 6/27 Range: -0.3 to 0.6 percent Median: 0.2 percent	Apr = +0.4%	We look for ex-transportation orders to be up by 0.2 percent and for core capital goods orders (nondefense capital goods excluding aircraft and parts) to be up by 0.3 percent.

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May Advance Trade Balance: Goods Thursday, 6/27 Range: -$100.4 to -$93.0 billion Median: -$96.0 billion	Apr = -$99.4 billion	Narrowing to -$97.4 billion.
Q1 Real GDP: 3rd estimate Thursday, 6/27 Range: 1.3 to 1.5 percent Median: 1.4 percent SAAR	Q1: 2nd est. = +1.3% SAAR	Up at an annualized rate of 1.4 percent.
Q1 GDP Price Index: 3rd estimate Thursday, 6/27 Range: 3.0 to 3.1 percent Median: 3.0 percent SAAR	Q1: 2nd est. = +3.0% SAAR	Up at an annualized rate of 3.0 percent.
May Personal Income Friday, 6/28 Range: 0.3 to 0.6 percent Median: 0.4 percent	Apr = +0.3%	Up by 0.5 percent. We look for growth in aggregate wage and salary earnings to bounce back from a soft April print, which we think had more to do with a somewhat suspect April employment report than with actual earnings growth. Either way, faster growth in labor earnings will be the main fuel for growth in total personal income. It is worth watching nonfarm proprietors' income, a proxy for small business profits which has been little changed over the past several months. We've attributed this to waning pricing power providing less cover for rising input costs, but this flatlining has implications for hiring and loan demand. We look for growth in asset-based income to be little changed from April, but the composition should be different, with more support from interest income and less support from dividend income than seen in April.
May Personal Spending Friday, 6/28 Range: 0.1 to 0.5 percent Median: 0.3 percent	Apr = +0.2%	Up by 0.4 percent. In keeping with the report on May retail sales, the PCE data are likely to show only a modest gain in spending on goods, though in part this reflects price effects that will hold down growth in nominal spending. The flip side, however, is that growth in real goods spending should be a bit firmer. We look for a stronger gain in services spending than seen in April. While many are pointing to the decline in restaurant sales shown the May retail sales data as evidence of faltering services spending, we will instead note that the unadjusted retail sales data show restaurant sales rose by 4.9 percent, which turned into a 0.4 percent decline after seasonal adjustment. Moreover, the BEA uses a different measure of restaurant spending than that used by Census in the retail sales data, and our sense is that the BEA's seasonally adjusted measure will not be as soft as was shown in the retail sales data. Of more potential impact is the weakness in prices for discretionary travel services – air fares, lodging, and rental car rates – shown in the May CPI report. As we noted in our analysis of the CPI report, the declines shown for air fares and lodging reflected smaller than normal May increases in the unadjusted data being turned into declines in the seasonally adjusted data. Either way, that weakness is hard to square with reports of robust travel, including record Memorial Day air passenger volumes, with one possible explanation being that providers of travel services dangled price concessions as a means of propping up volume. Either way, services spending poses some downside risk to our forecast of total consumer spending for May.
May PCE Deflator Friday, 6/28 Range: 0.0 to 0.2 percent Median: 0.0 percent	Apr = +0.3%	Unchanged, yielding a year-on-year increase of 2.6 percent. We look for the core PCE Deflator to be up by 0.1 percent, which would translate into a year-on-year increase of 2.6 percent.

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