ECONOMIC PREVIEW

REGIONS

Week of July 10, 2023

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 25-26 FOMC meeting):* Target Range Mid-point: 5.375 to 5.375 percent Median Target Range Mid-point: 5.375 percent	Range: 5.00% to 5.25% Midpoint: 5.125%	Though on the surface the labor market continues to look fairly solid, our view is that cracks are beginning to emerge from beneath the surface. Despite rising in June, the trend in aggregate private sector hours worked has softened considerably over recent months. At the same time, job growth has become increasingly concentrated amongst a smaller group of industries. Moreover, June saw a pronounced increase in the number of those working part-time due to slack business conditions. To be sure, the unemployment rate remains notably low and the number of job vacancies, though trending downward, nonetheless remains easily above the combined number of those who are unemployed and those not in the labor force who want a job. Additionally, the data on continuing claims for unemployment insurance suggest those who are losing jobs are finding new ones in fairly short order. It will take more time to have a stronger sense of whether the cracks emerging in the labor market are obstacles that can be navigated around or will morph into a sinkhole large enough to swallow up the labor market and, in turn, take a bite out of the broader economy.
June Consumer Price Index Wednesday, 7/12 Range: 0.1 to 0.4 percent Median: 0.3 percent	May = +0.1%	Up by 0.3 percent, which would yield a year-on-year increase of 3.1 percent. That headline inflation will have fallen by almost two hundred basis points in the past two months is far less impressive than it may sound given that this is largely a function of favorable base effects and moderating food and energy prices. Moreover, that deceleration has not extended to core inflation, while both headline and core inflation remain well ahead of the FOMC's 2.0 percent target rate. Gasoline provided a modest boost to headline inflation in June, and our forecast anticipates a second straight 0.2 percent increase in food prices. Market-based measures show sharp declines in prices for used motor vehicles in June, and while those won't be reflected in the CPI data, we do look for a modest decline after the implausibly large 4.4 percent increases shown for both April and May, which had an undue impact on core goods prices. Outside of used vehicles, core goods prices were flat in both April and May, and we don't look for much movement in the June data. Our forecast anticipates 0.5 percent increases in both primary and owners' equivalent rents that would leave the year-on-year changes around 8.0 percent which, given that rents account for over forty percent of the core CPI, is helping sustain core CPI inflation. The CPI remains slow to pick up what has been a notable softening in market rents, but that should come in the months ahead. While we look for lodging rates to be down on a seasonally adjusted basis, the risks to this call are to the upside. Core services outside of housing remain the primary source of inflation pressures, but if we are correct in expecting consumer spending on discretionary services to slow markedly after the summer months, so too should core inflation.
June Consumer Price Index: Core Wednesday, 7/12 Range: 0.2 to 0.4 percent Median: 0.3 percent	May = +0.4%	Up by 0.3 percent, yielding a year-on-year increase of 5.0 percent.
June Producer Price Index Thursday, 7/13 Range: -0.1 to 0.4 percent Median: 0.2 percent	May = -0.3%	Unchanged, which would leave the headline PPI up 0.4 percent year-on-year.
June Producer Price Index: Core Thursday, 7/13 Range: -0.1 to 0.4 percent Median: 0.2 percent	May = +0.2%	Unchanged, which would leave the core PPI up 2.5 percent year-on-year.

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