



GDPNow FORECAST REDUCTION FROM LAST WEEK'S VARIOUS ECONOMIC RELEASES

Good morning everyone. Thank you for joining us once again here at Seifried & Brew for our weekly briefing. I am Jamie Sumner, chief analyst. For this week's briefing, we want to just review over some of the economic items that came out last week. We had a plethora of information spill out last week so we just want to look over just a few of those releases.

The first one we want to look at is the [NFIB Small Business Economic Trends](#) (Slide 2). So this looks at what small businesses are looking at into the future as far as their optimism in different categories. So as you can see here with the optimism index, back in November we've had a huge pick up after the election. So we had a lot of optimism come into play. Since then, as you can see, we begin to have a downward trajectory since then. That is just a spillover from the fact that we haven't really seen any items come to fruition with inside the fiscal policies or tax policies or healthcare. So we're starting to see that optimism peter out but we are still much more optimistic than we were back in 2015 and 2016.

When we look at the individual categories inside that index (Slide 3) we can see month over month changes. [Plans to Increase Employment](#) for instance actually fell by 3 percentage points between May and June, down to 15%. However, when we look at [Plans to Make Capital Outlays](#), we saw that actually increase so that's a positive. The overall [Plan to Increase Inventories](#) is up; that is another positive here. However, the [Expected Real Sales Higher](#) actually declined by 5 percentage points to 17%. So that's a slight deterioration there. This is not what we want to see when we're looking into the GDP. Also, the [Expected Economy to Improve](#) also came down by 6 percentage points. So when we look at this overall, we see this slight deterioration month over month. And back from where they increased in November we see that longer-term deterioration.

Looking at inflation here (Slide 4) we can see the [Producer Price Index](#) which came out. We look at it month over month on this top graph and we can see the final demand. That's both goods and services that picked up slightly. But when we look at it on a 12-month change it did come down a little bit. We have this little peak back here in April and then it starts to pull back down. So, prices on the producer side showing a little deterioration in here.

And then we look at the [Federal Reserve Bank of Atlanta Business Inflation Expectations](#) (Slide 5) and we can see a similar case where we see the expectations falling down in here. We're at that, about a 1.6% inflation over the next 12 months. So when we look at this, this is showing that inflation really isn't an issue in here.

We look at the [Consumer Price Index \(CPI\)](#) and other index for inflation (Slide 6) and we can see the all items just continues to come down. And we are now at a 1.6% in here on all items. The less food and energy just a little higher than that 1.6% for the all items. But overall both items have this downward trajectory from where we were back in February. So inflation not an issue in here.

[Retail sales](#) (Slide 7) came out down 0.2% month over a month. When we look at June to May this is an advanced number. It will be revised but it was down to 0.2%. Not boding well for this release coming up next week for the GDP. As we know retail sales works into that consumer segment which makes up about 70% of the economy. So we don't like to see this downward trajectory. In fact, when we look at May, the overall total was negative at 0.1%. And then we look at June. It advanced at 0.2% negative. So two of the three months out of the quarter showed those negative changes month over month. Not really what we want to see here.



We roll all this up into (Slide 8) the **GDP Now** put out by the Atlanta Fed and we begin to see this continued downward trajectory and their expectations. Now they're looking at a **second quarter GDP**. They're forecasting at a 2.4% in here. As we approach the data release which is just next week on the 28th, next Friday, we begin to get more realistic numbers. So we have this here at 2.4%. Probably close to where it's going to come in for the GDP. Bloomberg economists last week, the survey they put out, the estimate is at a 2.8% GDP in the second quarter, so a 2.8%. So overall we've come down from our previous expectations but we are still higher than that first quarter number.

That's what we have for you this week. Next week we're going to look at some of the information coming out and then the following week we'll look at what that advance release for the GDP numbers for the second quarter will be. I hope you guys have a great week this week. Looking forward to talking to you next week.

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