

# ECONOMIC PREVIEW



Week of April 3, 2017

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the FOMC meeting on May 2-3):</i> Target Range Midpoint: 0.875 to 0.875 percent Median Target Range Midpoint: 0.875 percent		0.875%	After a couple sparse weeks, the data docket is more crowded this week and next. More data, however, does not necessarily mean more guidance as to the economy's course, as the headline numbers are likely to be all over the map thanks to ongoing seasonal adjustment issues. Beneath the headlines, however, the underlying trends continue to point to steady, moderate growth that is becoming more broad based.
<b>March ISM Manufacturing Index</b> Range: 56.0 to 59.0 percent Median: 57.2 percent	Monday, 4/3	Feb = 57.7%	<u>Down</u> to 56.4 percent. Our forecast does not reflect a downgrade of our view on the manufacturing sector, which has seen notable improvement over recent months. Instead, we think that after a rapid advance over recent months the ISM index could be due for a bit of retrenchment, particularly the gauges of new orders and current production. Still, our call is consistent with ongoing expansion in the factory sector.
<b>February Construction Spending</b> Range: 0.4 to 2.5 percent Median: 1.0 percent	Monday, 4/3	Jan = -1.0%	<u>Up</u> by 0.8 percent.
<b>February Trade Balance</b> Range: -\$47.0 to -\$44.0 billion Median: -\$44.8 billion	Tuesday, 4/4	Jan = -\$48.5 billion	<u>Narrowing</u> to -\$44.2 billion. As anticipated, the advance report showed a smaller deficit on the goods account as imports reversed January's spike; combined with a wider surplus on the services account, this will yield a smaller overall trade deficit.
<b>February Factory Orders</b> Range: 0.5 to 1.1 percent Median: 0.9 percent	Tuesday, 4/4	Jan = +1.2%	<u>Up</u> by 0.9 percent mainly on an increase in orders for durable goods. As always, the most important data point is core capital goods orders which, after having turned higher since last October, fell slightly in February. We think there is more room to the upside for this barometer of business investment spending, but growing uncertainty over the outlook for fiscal and regulatory policy could take a toll.
<b>March ISM Non-Manufacturing Index</b> Range: 56.5 to 58.0 percent Median: 57.0 percent	Wednesday, 4/5	Feb = 57.6%	<u>Down</u> to 57.1 percent.
<b>March Nonfarm Employment</b> Range: 150,000 to 220,000 jobs Median: 178,000 jobs	Friday, 4/7	Feb = +235,000	<u>Up</u> by 153,000 jobs with private payrolls <u>up</u> by 144,000 jobs and government payrolls <u>up</u> by 9,000 jobs. As we've noted elsewhere, we saw the headline job growth numbers on the past two monthly employment reports as being somewhat inflated by seasonal adjustment noise which, if true, means subsequent months will bring payback. Our forecast for March job growth reflects such payback, most of which will be centered on the goods producing industries after the February report showed the largest monthly job gain for this segment since March 2000. It is worth noting that March's winter storm coincided with the establishment survey week, but any impact from this storm is more likely to be evident in the data on hours worked than on job counts. And, if our call here is on or close to the mark, that will sway our view of the labor market exactly as much as the lofty headline numbers on the January and February reports did, which is not at all. Our focus, as always, will be on the underlying trend rate of job growth, which remains quite healthy, noisy headline numbers notwithstanding.
<b>March Manufacturing Employment</b> Range: -5,000 to 20,000 jobs Median: 17,000 jobs	Friday, 4/7	Feb = +28,000	<u>Up</u> by 6,000 jobs.
<b>March Average Weekly Hours</b> Range: 34.3 to 34.4 hours Median: 34.4 hours	Friday, 4/7	Feb = 34.4 hours	<u>Down</u> to 34.3 hours. As noted above, we expect the biggest impact of the winter storm during the survey week will be seen in hours worked. If so, this is not cause for concern as the April data will bring a reversal. What is concerning, however, is that even at 34.4 hours the workweek would remain well shy of where it would be if we were truly at or close to full employment. In our view, this is an overlooked and underappreciated source of labor market slack.
<b>March Average Hourly Earnings</b> Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 4/7	Feb = +0.2%	<u>Up</u> by 0.3 percent, for a 2.8 percent year-on-year increase. Our calls on wages, hours worked, and job growth would leave aggregate private sector earnings up by 0.1 percent, for a year-over-year increase of 4.3 percent. Our forecast of only a modest monthly gain in aggregate private sector earnings stems directly from our call on hours worked; if the workweek is longer than we anticipate, then growth in aggregate private sector earnings will be stronger than we anticipate.
<b>March Unemployment Rate</b> Range: 4.6 to 4.8 percent Median: 4.7 percent	Friday, 4/7	Feb = 4.7%	<u>Unchanged</u> at 4.7 percent.

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