

# ECONOMIC PREVIEW



Week of May 1, 2017

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the May 2-3 FOMC meeting):</i> Target Range Midpoint: 0.875 to 0.875 percent Median Target Range Midpoint: 0.875 percent		0.875%	In a crowded week of data releases, the FOMC meeting should be a relatively low key affair, with no one expecting a change in the Fed funds rate target range. What will be worth watching, however, is how the Committee characterizes current economic conditions on the heels of a lousy Q1 GDP report.
<b>March Personal Income</b> Range: 0.0 to 0.4 percent Median: 0.3 percent	Monday, 5/1	Feb = +0.4%	<u>Up</u> by 0.3 percent. Solid gains in rental income and interest income (we still have to get used to saying that) will help offset a below-trend increase in private sector labor earnings. Our forecast would leave total income up 4.7 percent year-on-year.
<b>March Personal Spending</b> Range: 0.0 to 0.4 percent Median: 0.2 percent	Monday, 5/1	Feb = +0.1%	<u>Up</u> by 0.1 percent. The weak March retail sales report points to only a tepid gain in spending on goods. While higher utilities outlays will support spending on services, this will be largely offset by weakness, some of which is price related, in spending on dining out, medical care, and recreational services. The March data will have been incorporated into the Q1 GDP report, from which we know Q1 was a notably soft quarter for consumer spending though not reflective of the underlying trend.
<b>April ISM Manufacturing Index</b> Range: 56.0 to 57.0 percent Median: 56.5 percent	Monday, 5/1	Mar = 57.2%	<u>Down</u> to 56.4 percent, as we look for the employment and new orders components to give back some of the sizeable gains of recent months. Still, our forecast is consistent with ongoing expansion in the manufacturing sector.
<b>March Construction Spending</b> Range: -0.4 to 0.6 percent Median: 0.4 percent	Monday, 5/1	Feb = +0.8%	<u>Up</u> by 0.6 percent.
<b>April ISM Non-Manufacturing Index</b> Range: 54.5 to 56.5 percent Median: 56.0 percent	Wednesday, 5/3	Mar = 55.2%	<u>Up</u> slightly to 55.4 percent. We don't expect significant changes in most of the underlying components but expect the employment component to rebound from its March dip, which should be enough to push the headline index slightly higher.
<b>Q1 Nonfarm Productivity (prelim.)</b> Range: -0.2 to 0.5 percent Median: 0.0 percent SAAR	Thursday, 5/4	Q4 2016 = +1.3% SAAR	<u>Up</u> at an annual rate of 0.2 percent. This would leave the trend rate of productivity growth at a sorry 0.6 percent. While business investment is firming, it will take some time before this is reflected in faster productivity growth.
<b>Q1 Unit Labor Costs (prelim.)</b> Range: 2.0 to 3.3 percent Median: 2.5 percent SAAR	Thursday, 5/4	Q4 2016 = +1.7% SAAR	<u>Up</u> at an annualized rate of 2.9 percent. Faster growth in unit labor costs is the flip side of the slowdown in productivity growth, and our forecast does not imply meaningfully tighter labor market conditions.
<b>March Trade Balance</b> Range: -\$46.0 to -\$43.5 billion Median: -\$44.7 billion	Thursday, 5/4	Feb = -\$43.6 billion	<u>Widening</u> to -\$44.2 billion.
<b>March Factory Orders</b> Range: -0.3 to 0.7 percent Median: 0.4 percent	Thursday, 5/4	Feb = +1.0%	<u>Up</u> by 0.5 percent. Orders for core capital goods have put together a string of six consecutive monthly advances. Modest advances, but advances nonetheless, which supports our outlook for gradually improving business capital spending.
<b>April Nonfarm Employment</b> Range: 165,000 to 267,000 jobs Median: 188,000 jobs	Friday, 5/5	Mar = +98,000	<u>Up</u> by 183,000 jobs with private payrolls <u>up</u> by 176,000 jobs and government payrolls <u>up</u> by 7,000 jobs. The weather wreaked havoc on the first three monthly reports for 2017, but the April report should be fairly clean with top-line job growth more in line with the underlying trend rate. One potential source of noise in the April data is retail trade. The evolving retail landscape notwithstanding, March's decline in retail payrolls was oddly large, likely reflecting seasonal adjustment noise tied to this year's late Easter, so there could be payback in the April data.
<b>April Manufacturing Employment</b> Range: 0 to 18,000 jobs Median: 10,000 jobs	Friday, 5/5	Mar = +11,000	<u>Up</u> by 8,000 jobs. One thing to watch is employment amongst motor vehicle producers. Rising inventories of smaller fuel efficient autos have led to cuts in production, and we think this could be a drag on growth in manufacturing payrolls.
<b>April Average Weekly Hours</b> Range: 34.3 to 34.4 hours Median: 34.4 hours	Friday, 5/5	Mar = 34.3 hours	<u>Up</u> to 34.4 hours. Weather held down hours worked in March so the April data will bring payback which, along with a larger increase in payrolls amongst goods producing industries, should push average weekly hours up one-tenth of an hour.
<b>April Average Hourly Earnings</b> Range: 0.2 to 0.3 percent Median: 0.3 percent	Friday, 5/5	Mar = +0.2%	<u>Up</u> by 0.3 percent, for a 2.7 percent year-on-year increase. Our calls on wages, hours worked, and job growth would leave aggregate private sector earnings up by 0.7 percent, for a year-over-year increase of 4.4 percent.
<b>April Unemployment Rate</b> Range: 4.5 to 4.6 percent Median: 4.6 percent	Friday, 5/5	Mar = 4.5%	<u>Up</u> to 4.6 percent. We don't expect another increase in household employment on the order of those seen in February and March which, along with a slightly larger increase in the labor force, should nudge the jobless rate up slightly.

*This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial or other plan or decision.*