ECONOMIC PREVIEW

REGIONS

Week of February 1, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on January 26-27):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.125%	Still more monetary "stimulus," this time in the form of negative interest rates. Let's see, (further) distortions in capital flows, asset values, and currency values with no effect on the real economy, and other central banks feeling obliged to follow – what could possibly go wrong? Thanks so much, Bank of Japan.
January ISM Manufacturing Index Range: 47.0 to 50.1 percent Median: 48.2 percent	Monday, 2/1	Dec = 48.2%	Down to 47.6 percent. We look for deterioration in production, employment, and new orders to drag the top-line index lower. One thing to watch is whether the increase in new export orders reported in December was sustained in January.
December Construction Spending Range: -0.5 to 1.0 percent Median: 0.6 percent	Monday, 2/1	Nov = -0.4%	Up by 0.4 percent.
December Personal Income Range: 0.0 to 0.4 percent Median: 0.2 percent	Monday, 2/1	Nov = +0.3%	Up by 0.3 percent. Growth in proprietors' income, rental income, and transfer payments will offset what should be only modest growth in labor earnings. Total personal income will be up 4.3 percent year-on-year, far outpacing inflation.
December Personal Spending Range: -0.2 to 0.2 percent Median: 0.1 percent	Monday, 2/1	Nov = +0.3%	Unchanged. We look for a modest gain in spending on services, but spending on goods will be down, though for nondurable goods price effects continue to muddle the data. The net result will be no change in total spending in December.
January ISM Non-Mfg. Index Range: 53.0 to 56.1 percent Median: 55.1 percent	Wednesday, 2/3	Dec = 55.3%	Down to 55.1 percent, which is still consistent with healthy expansion in the services sector, but the steady drift lower – this would be the fourth consecutive monthly decline in the non-manufacturing index – clearly merits attention.
Q4 Nonfarm Productivity Range: -2.6 to -0.5 percent Median: -1.6 percent SAAR	Thursday, 2/4	Q3 = +2.2%	Down at an annual rate of 2.6 percent. Nonfarm business output grew at a paltry annual rate of 0.1 percent, well below growth in aggregate hours worked, pushing productivity lower. This would put trend productivity growth at just 0.3 percent.
Q4 Unit Labor Costs Range: 1.9 to 5.8 percent Median: 3.8 percent SAAR	Thursday, 2/4	Q3 = +1.8%	Up by 5.8 percent. The rise in unit labor costs is simply the flip side of the decline in productivity. Our call would leave the 8-quarter moving average at 3.0 percent, but this considerably overstates the rate at which labor costs are rising for firms.
December Factory Orders Range: -5.0 to 2.0 percent Median: -2.3 percent	Thursday, 2/4	Nov = -0.2%	Down by 2.6 percent on sharply lower orders for durable goods. While the reported decline in nondefense aircraft orders is highly suspect, the details on core capital goods send a discouraging signal on business investment spending.
December Trade Balance Range: -\$45.5 to -\$40.0 billion Median: -\$42.8 billion	Friday, 2/5	Nov = -\$42.4 bil	Widening to -\$46.2 billion.
January Nonfarm Employment Range: 150,000 to 265,000 jobs Median: 190,000 jobs	Friday, 2/5	Dec = +292,000	Up by 166,000 jobs with private payrolls up by 178,000 jobs and government payrolls down by 12,000 jobs. Three things in play here: 1) we feel December's job gains to have been significantly overstated by favorable seasonal adjustment so look for either payback in the January data or revisions to the December data; 2) seasonal hiring in retail trade, distribution, and delivery will be unwound in January, but it is unclear whether the significant shifts in holiday hiring trends in recent years will be adequately captured by seasonal adjustment; 3) the results of the annual benchmark revisions are incorporated into the January data, which may give a different look to the underlying trends. Together these factors add significant uncertainty to any estimate of job growth in January, ours included.
January Manufacturing Employment Range: -6,000 to 5,000 jobs Median: -1,000 jobs	Friday, 2/5	Dec = +8,000	Down by 6,000 jobs.
January Average Weekly Hours Range: 34.5. to 34.6 hours Median: 34.5 hours	Friday, 2/5	Dec = 34.5 hrs	Unchanged at 34.5 hours.
January Average Hourly Earnings Range: 0.1 to 0.4 percent Median: 0.3 percent	Friday, 2/5	Dec = unchanged	Up by 0.3 percent which translates into a 2.2 percent year-on-year increase. Our calls on private sector payrolls, hours worked, and hourly earnings would leave aggregate private sector earnings up 0.4 percent (up 4.1 percent year-on-year).
January Unemployment Rate Range: 4.8 to 5.1 percent Median: 5.0 percent	Friday, 2/5	Dec = 5.0%	Unchanged at 5.0 percent. There is also uncertainty in the household data as the January data incorporate new population controls which means the December 2015 and January 2016 data are not strictly comparable. As such, we'll hold at 5.0 percent but won't be surprised by a move in either direction.

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