ECONOMIC PREVIEW

REGIONS

Week of February 29, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on March 15-16):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.125%	The February employment report is this week's highlight but we'll be particularly interested in the ISM Non-Manufacturing Index. It simply isn't plausible to think weakness in the manufacturing sector won't spill over into the broader economy, but to what extent is an open question. Of late, there have been some worrisome signs and Thursday's report will hopefully help answer that question.
February ISM Manufacturing Index Range: 48.0 to 49.5 percent Median: 48.5 percent	Tuesday, 3/1	Jan = 48.2%	Up to 48.6 percent. Admittedly, we were surprised by the January reads on new orders and production, as both rose to above 50 percent. Those moves were either: a) the mark of a turnabout in conditions in the factory sector; or b) head fakes in the midst of an ongoing contraction in the factory sector. We'd like to believe the former but instead think it to be the latter and, as such, expect the headline index to rise slightly but remain in contractionary territory.
January Construction Spending Range: -0.3 to 1.0 percent Median: 0.5 percent	Tuesday, 3/1	Dec = +0.1%	Up by 0.8 percent.
Q4 Nonfarm Productivity: 2nd estimate Range: -3.4 to -2.1 percent Median: -3.1 percent SAAR	Thursday, 3/3	Q4 1st est = -3.0%	Down at an annualized rate of 2.1 percent. Output in the nonfarm business sector is now reported to have risen at an annualized rate of 1.0 percent in Q4, which in turn means productivity did not fall as much as initially estimated.
Q4 Unit Labor Costs: 2nd estimate Range: 3.3 to 4.9 percent Median: 4.5 percent SAAR	Thursday, 3/3	Q4 1st est = +4.5%	Up at an annualized rate of 3.8 percent. The flip side of a less severe decline in productivity growth is slower growth in unit labor costs than initially estimated.
February ISM Non-Mfg. Index Range: 52.0 to 54.1 percent Median: 53.0 percent	Thursday, 3/3	Jan = 53.5%	Down to 52.8 percent.
January Factory Orders Range: 0.8 to 2.3 percent Median: 1.5 percent	Thursday, 3/3	Dec = -2.9%	Up by 2.3 percent thanks to a spike in durable goods orders that simply reversed December's sharp decline. Higher core capital goods orders are encouraging but we'll need evidence of staying power before drawing any conclusions here.
January Trade Balance Range: -$44.7 to -$40.9 billion Median: -$43.2 billion	Friday, 3/4	Dec = -$43.4 bil	Widening to -$44.1 billion.
February Nonfarm Employment Range: 165,000 to 220,000 jobs Median: 195,000 jobs	Friday, 3/4	Jan = +151,000	Up by 188,000 jobs with private payrolls up by 182,000 jobs and government payrolls up by 6,000 jobs. We found the December and January reports to be highly suspect, i.e., significantly distorted by seasonal adjustment noise and shedding little light on the underlying health of the labor market. While we look for more trend-like job growth in the February data, it nonetheless feels as though the risks to our forecast are skewed to the downside, particularly considering the survey week coincided with the worst of the financial market turmoil. We cannot rule out substantial revisions to the data from the prior two months but, one way or another, the best thing we can hope for from the February report is clarity.
February Manufacturing Employment Range: -6,000 to 15,000 jobs Median: 0 jobs	Friday, 3/4	Jan = +29,000	Down by 6,000 jobs. January's reported increase in factory jobs quite honestly made no sense to us and is a prime example of why we were suspicious of the data. This is one area in which there could be a large revision to the January data.
February Average Weekly Hours Range: 34.5. to 34.6 hours Median: 34.6 hours	Friday, 3/4	Jan = 34.6 hrs	Down to 34.5 hours and, again, it will be worth watching to see if the longer workweek reported in the January data survives revision as this measure is highly sensitive to the mix of jobs.
February Average Hourly Earnings Range: 0.0 to 0.3 percent Median: 0.2 percent	Friday, 3/4	Jan = +0.5%	Up by 0.1 percent which translates into a 2.5 percent year-on-year increase. Our calls on private sector payrolls, hours worked, and hourly earnings would leave aggregate private sector earnings flat for the month (up 4.4 percent year-on-year). Aggregate earnings growth is one place where a seemingly small one-tenth of an hour change in the length of the workweek has huge implications.
February Unemployment Rate Range: 4.8 to 4.9 percent Median: 4.9 percent	Friday, 3/4	Jan = 4.9%	Unchanged at 4.9 percent, but we would not be surprised to see some payback for the outsized increases in the labor force and household employment – even accounting for the new population controls – seen in January. One risk to our call – in their monthly survey of consumer confidence the *Conference Board* queries respondents on their perceptions of job market conditions. Those perceptions deteriorated in January, which suggests the jobless rate could tick higher.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

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