ECONOMIC PREVIEW

REGIONS

Week of January 2, 2017

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on January 31-February 1):* Target Range Midpoint: 0.625 to 0.625 percent Median Target Range Midpoint: 0.625 percent		0.625%	As 2017 starts we're only beginning to find out how 2016 ended, at least when it comes to the economic data. The December employment report is the highlight of a holiday-shortened week that also includes reads on manufacturing, construction spending, trade, and the first glance at consumer spending by way of the report on December motor vehicle sales. We don't look for this week's slate of data to change the view of Q4 2016 real GDP growth, which continues to track right around 2.0 percent (the BEA's initial estimate isn't due until January 27). Also on tap this week is the release of the minutes to the December FOMC meeting (Wednesday, 2:00 EST). Recall that the FOMC's projections for growth and inflation released after their December meeting were pretty much unchanged while the "dot plot" implied an additional Fed funds rate hike in 2017 relative to the prior set of projections. We'll be looking to see if the minutes shed any light on the discussions that led to this seeming divergence in the FOMC's projections, particularly to the extent any participants may have been swayed by potential changes in the fiscal and regulatory policy landscape in 2017.
December ISM Manufacturing Index Range: 52.5 to 55.0 percent Median: 53.7 percent	Tuesday, 1/3	Nov = 53.2%	Up to 53.6 percent. The manufacturing sector heads into 2017 facing a host of questions revolving around the outlook for business capital spending, the strength of foreign demand, the impact of a stronger U.S. dollar, and whether or not the U.S. will actually have a coherent trade policy, let alone one that helps stimulate U.S. exports as opposed to choking them off. The answers to these questions will determine whether the increased momentum seen in the factory sector over the latter months of 2016 will be sustained, if not built on, through 2017.
November Construction Spending Range: -0.5 to 1.0 percent Median: 0.5 percent	Tuesday, 1/3	Oct = +0.5%	Up by 0.4 percent.
Dec. ISM Non-Manufacturing Index Range: 55.0 to 58.0 percent Median: 56.5 percent	Thursday, 1/5	Nov = 57.2%	Down to 56.3 percent. This simply reflects an unwinding of a portion of November's outsized increase in the index, and our call would still be consistent with solid expansion in the non-manufacturing segment of the economy as 2016 wound down.
November Trade Balance Range: -$46.0 to $39.0 billion Median: -$42.0 billion	Thursday, 1/5	Oct = -$42.6 bil	Widening to -45.7 billion as exports continue to unwind from Q3's soybean fueled spike and imports climb further. Trade is likely to be a bigger drag on Q4 real GDP growth than had been anticipated.
November Factory Orders Range: -3.0 to 2.0 percent Median: -2.2 percent	Thursday, 1/5	Oct = +2.7%	Down by 2.2 percent, reflecting the steep decline in orders for new civilian aircraft that dragged down total durable goods orders. Of more significance than the headline number here is what should be another increase in orders for core capital goods.
December Nonfarm Employment Range: 140,000 to 221,000 jobs Median: 175,000 jobs	Friday, 1/6	Nov = +178,000	Up by 183,000 jobs with private payrolls up by 174,000 jobs and government payrolls up by 9,000 jobs. We think seasonal adjustment noise could lead to an inflated estimate of hiring in the goods producing industries. Our call would mean 2016 saw the addition of 2.165 million nonfarm jobs, with private sector payrolls up by 1.951 million jobs.
December Manufacturing Employment Range: -5,000 to 8,000 jobs Median: 0 jobs	Friday, 1/6	Nov = -4,000	Up by 4,000 jobs.
December Average Weekly Hours Range: 34.4 to 34.5 hours Median: 34.4 hours	Friday, 1/6	Nov = 34.4 hrs	Unchanged at 34.4 hours.
December Average Hourly Earnings Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 1/6	Nov = -0.1%	Up by 0.4 percent, for a 2.9 percent year-on-year increase. The calendar effect that plagues the hourly earnings data returns with a vengeance in the December data, overstating the strength of wage growth. Our call would leave average hourly earnings up 2.6 percent in 2016 on an annual average basis, better of course than 2015 but still below growth consistent with full employment.
December Unemployment Rate Range: 4.6 to 4.8 percent Median: 4.7 percent	Friday, 1/6	Nov = 4.6%	Up to 4.7 percent. We look for the decline in the labor force reported for November to have been more than fully offset in the December data. While we expect a sizeable increase in household employment, an even larger increase in the labor force will nudge the unemployment rate higher.

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