ECONOMIC PREVIEW

REGIONS

Week of March 28, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on April 26-27):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.125%	Surely we can't be the only ones who see considerable potential for mischief in the March employment report being released on April Fools' Day. Will analysts analyze, and will traders trade on, the numbers that hit the wires at 8:30 or will everyone sit tight to see whether the folks at the BLS have decided to unleash their inner-pranksters and follow up by releasing the real numbers later in the morning? Surely that won't happen. Okay, it probably won't happen. We think. Then again, the data on job growth, hourly earnings, and hours worked have been very jumpy over recent months, and given the propensity for mean reversion in the economic data, it isn't out of the question that people will find themselves at 8:30 on Friday morning staring at the numbers and wondering . . .
February Personal Income Range: 0.0 to 0.3 percent Median: 0.1 percent	Monday, 3/28	Jan = +0.5%	Up by 0.1 percent. Despite strong job growth, the income details of the February employment report were decidedly weak due to declines in both hours worked and average hourly earnings. As such, we look for a decline in private sector labor earnings to be a drag on personal income growth, with support from rental income and transfers. Total personal income will be up 4.1 percent year-on-year.
February Personal Spending Range: -0.2 to 0.3 percent Median: 0.1 percent	Monday, 3/28	Jan = +0.5%	Up by 0.1 percent as price effects continue to weigh on nominal spending on goods while services spending will have been held down by lower utilities outlays. Nominal consumer spending should be up 4.0 percent year-on-year.
March Consumer Confidence Range: 91.5 to 96.0 Median: 93.5	Tuesday, 3/29	Feb = 92.2	Up to 95.2.
March ISM Manufacturing Index Range: 49.8 to 52.5 percent Median: 50.7 percent	Friday, 4/1	Feb = 49.5%	Up to 50.6 percent, which would end a five-month run of the headline index being below the 50 percent break between expansion and contraction in the factory sector. Other data have pointed to stabilization in manufacturing, and the ISM data for the prior two months show rebounds in new orders and current production. We think the March data will follow through on that. One area still lagging, however, is new export orders, which have continued to contract.
February Construction Spending Range: -0.3 to 0.5 percent Median: 0.1 percent	Friday, 4/1	Jan = +1.5%	Up by 0.3 percent. Solid gains in December and January were largely driven by spikes in public construction outlays, for which we expect some payback in the February data while private sector construction outlays push the total higher.
March Nonfarm Employment Range: 170,000 to 241,000 jobs Median: 200,000 jobs	Friday, 4/1	Feb = +242,000	Up by 193,000 jobs with private payrolls up by 197,000 jobs and government payrolls down by 4,000 jobs. Monthly job growth has been all over the map of late and our call on the headline number is more a reflection of it settling into what we think will be a slower trend rate for 2016 as a whole. To be sure, there is no guarantee such a deceleration began in March, but we look for a much smaller gain in services sector jobs and a slightly better gain in the goods sector relative to the February data. And, as always, mind the revisions – the initial February print has historically been revised up which, given how strong the initial February print was this year, has the potential to wreak havoc with the March number.
March Manufacturing Employment Range: -10,000 to 6,000 jobs Median: 0 jobs	Friday, 4/1	Feb = -16,000	Up by 6,000 jobs.
March Average Weekly Hours Range: 34.4. to 34.5 hours Median: 34.5 hours	Friday, 4/1	Feb = 34.4 hrs	Up to 34.5 hours. Hours worked took a surprise tumble in February which we think to be a mixture of weather (in the utilities sector) and further deterioration in industry conditions (in the mining sector). We look for half of February's decline in average weekly hours to have been reversed in March. For Q1 as a whole, however, growth in aggregate hours worked will again outpace real GDP growth, implying another quarter of declining worker productivity.
March Average Hourly Earnings Range: -0.2 to 0.3 percent Median: 0.2 percent	Friday, 4/1	Feb = -0.1%	Up by 0.3 percent which translates into a 2.2 percent year-on-year increase. Along with our calls on job gains and hours worked, this would mean a 0.7 percent increase aggregate private sector earnings (4.5 percent year-over-year).
March Unemployment Rate Range: 4.8 to 4.9 percent Median: 4.9 percent	Friday, 4/1	Feb = 4.9%	Unchanged at 4.9 percent. The participation rate has been rising over recent months, but this simply reflects further unwinding of the cyclical component of the longer-term decline. The structural component of that decline clearly remains and will at some point again dominate. How the two components mixed in March will determine whether the unemployment rate rose, fell, or stayed the same.

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