ECONOMIC PREVIEW

REGIONS

Week of October 31, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on November 1-2):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.375%	With no action at this week's meeting, the focus will be on the FOMC's words. With the markets apparently having come to terms with a December funds rate hike, the Committee need not be overly assertive in their post-meeting policy statement. The trick will be to sell the markets on the notion of a "dovish hike" and this week would be a good time for the FOMC to start rehearsing their pitch.
September Personal Income Range: 0.2 to 0.4 percent Median: 0.4 percent	Monday, 10/31	Aug = +0.2%	Up by 0.4 percent. Private sector wage & salary earnings posted a large gain in September which will underpin solid growth in total personal income, with rental and interest income also chipping in. Our call would leave total personal income up 3.4 percent year-on-year, with private sector wages/salaries up 4.4 percent.
September Personal Spending Range: 0.2 to 0.6 percent Median: 0.5 percent	Monday, 10/31	Aug = 0.0%	Up by 0.5 percent. Thanks in large part to a jump in motor vehicle sales, spending on consumer durables posted a large advance, while we expect spending on household services to have posted a trend-like increase.
October ISM Manufacturing Index Range: 50.5 to 53.0 percent Median: 51.7 percent	Tuesday, 11/1	Sep = 51.5%	Up to 52.1 percent. We look for new orders and current production to have built on the increases seen in the September survey, with slight improvement in the employment component.
September Construction Spending Range: 0.0 to 0.8 percent Median: 0.5 percent	Tuesday, 11/1	Aug = -0.7%	Up by 0.4 percent, but only if state and local government construction outlays snap out of their recent funk, as residential construction outlays are likely to post a modest decline.
Q3 Nonfarm Labor Productivity Range: 0.8 to 2.8 percent Median: 1.8 percent SAAR	Thursday, 11/3	Q2 = -0.6%	Up at an annualized rate of 2.6 percent. No, it doesn't herald a new "productivity miracle" but after three consecutive quarterly declines we won't begrudge anyone wanting to celebrate a decent productivity growth number. Just don't expect a repeat in Q4 and, even with Q3 growth, the underlying trend remains abysmal.
Q3 Unit Labor Costs Range: -1.7 to 2.2 percent Median: 1.2 percent SAAR	Thursday, 11/3	Q2 = +4.3%	Up at an annualized rate of 0.7 percent. Though Q3 growth will be tame, the underlying trend in unit labor costs is consistent with the mild acceleration seen in other measures of growth in wages/compensation costs.
Oct. ISM Non-Manufacturing Index Range: 53.5 to 57.2 percent Median: 56.0 percent	Thursday, 11/3	Sep = 57.1%	Down to 55.8 percent. After a surprisingly large increase in September we expect the non-manufacturing index to settle back a bit, but our call would still be consistent with solid growth outside of the manufacturing sector.
September Factory Orders Range: -0.2 to 0.5 percent Median: 0.2 percent	Thursday, 11/3	Aug = +0.2%	Up by 0.2 percent.
September Trade Balance Range: -$44.0 to -$36.4 billion Median: -$38.7 billion	Friday, 11/4	Aug = -$40.7 bil	Narrowing to -$37.6 billion. After having surged in July and August soybean exports dipped in September, but exports of consumer and capital goods increased, the surplus in services widened, and imports fell. The net result will be a smaller overall trade deficit. The spike in U.S. exports added 1.2 points to top-line real GDP growth in Q3, but this will likely reverse in Q4.
October Nonfarm Employment Range: 135,000 to 200,000 jobs Median: 174,000 jobs	Friday, 11/4	Sep = +156,000	Up by 164,000 jobs with private payrolls up by 168,000 jobs and government payrolls down by 4,000 jobs. Our call is consistent with an underlying trend rate of job growth that is slowing but more than sufficient to absorb remaining labor market slack. One thing that has caught our eye, however, is over the past several months the net two-month revision to the initial estimate of job growth has been negative, not exactly an encouraging sign for the direction of the economy.
October Manufacturing Employment Range: -9,000 to 5,000 jobs Median: 1,000 jobs	Friday, 11/4	Sep = -13,000	Up by 3,000 jobs.
October Average Weekly Hours Range: 34.4 to 34.4 hours Median: 34.4 hours	Friday, 11/4	Sep = 34.4 hrs	Unchanged at 34.4 hours.
October Average Hourly Earnings Range: 0.2 to 0.3 percent Median: 0.3 percent	Friday, 11/4	Sep = +0.2%	Up by 0.3 percent, for an over-the-year increase of 2.6 percent. Along with our calls on employment and hours, this would leave aggregate private sector earnings up 0.4 percent (up 4.1 percent year-on-year).
October Unemployment Rate Range: 4.9 to 5.0 percent Median: 4.9 percent	Friday, 11/4	Sep = 5.0%	Down to 4.9 percent. While we won't be surprised to see a reverse of the surge in the labor force reported in September, that wouldn't be a sign that we've "run out of workers" but instead a reminder of how jumpy the monthly household data are.

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