ECONOMIC PREVIEW

REGIONS

Week of March 6, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on March 14-15):* Target Range Midpoint: 0.625 to 0.875 percent Median Target Range Midpoint: 0.625 percent	0.625%	The minutes of the late-January FOMC meeting noted that "many participants" felt it might be appropriate to raise the Fed funds rate "fairly soon." There has been considerable confusion and debate over the meaning of "fairly soon," and while New York Fed President Dudley offered that "fairly soon" meant "in the relatively near future," this didn't exactly clear the matter up. It now seems that "fairly soon" could well mean March, as in the March FOMC meeting. Over the past week several FOMC members have gone out of their way to make it clear that the next funds rate hike should come "sooner rather than later" with one noting a rate hike would be given "serious consideration" at the March meeting. Fed Chairwoman Yellen did nothing to dispel this notion in what will be the last public comments by an FOMC member prior to the March meeting and the market-implied probability of a March rate hike has soared. The more hawkish talk comes even though the minutes of the late-January FOMC meeting betray no sense of urgency on inflation, the latest *Beige Book* shows wage and price pressures remain largely subdued, and Q1 real GDP growth is tracking at less than 2.0 percent. It could be that the FOMC is discounting soft Q1 growth in anticipation of faster growth down the road thanks to changes in regulatory and fiscal policy, as market participants seem to be doing. It is worth noting that a March rate hike would simply keep the FOMC on course for the three hikes implied by the December 2016 edition of the "dot plot," which helps explain why the equity markets seem to be taking the hawkish talk in stride. As to whether the FOMC still sees three funds rate hikes this year or now feels a steeper trajectory of rate hikes is in order, we'll know, well, fairly soon, as the March meeting will see the release of updated FOMC economic projections and an updated dot plot.
January Factory Orders Monday, 3/6 Range: 0.8 to 1.9 percent Median: 1.1 percent	Dec = +1.3%	Up by 1.2 percent. Durable goods orders were up big, but this mostly reflects orders for civilian aircraft as core capital goods orders took a pause from their recent run-up. After rising by over 3.0 percent in December on sharply higher oil prices, orders for nondurable goods posted a more modest increase in January.
January Trade Balance Tuesday, 3/7 Range: -$49.6 to -$45.7 billion Median: -$47.5 billion	Dec = -$44.3 billion	Widening to -$48.4 billion. Advance data show a spike in imports, reflecting in part the Lunar New Year impacting the timing of shipments from China, and a slight decline in U.S. exports. While the spike in imports will unwind in the February/March data, trade will still be a modest drag on Q1 real GDP growth.
Q4 Nonfarm Labor Productivity: Rev. Wednesday, 3/8 Range: 1.3 to 1.8 percent Median: 1.5 percent SAAR	Q4 (1st estimate) = +1.3% SAAR	Up at an annualized rate of 1.5 percent. Growth in real nonfarm business output was revised slightly higher, which in turn should lead to a slight upward revision in productivity growth. Of far more significance, not to mention concern, is that this still leaves the trend rate of productivity growth at less than 1.0 percent.
Q4 Unit Labor Costs: Revised Wednesday, 3/8 Range: 1.2 to 1.8 percent Median: 1.5 percent SAAR	Q4 (1st estimate) = +1.7% SAAR	Up at an annualized rate of 1.5 percent. The slight downward revision here is simply the flip side of the modest upward revision to productivity growth, and the trend rate of growth remains easily below what we would see at full employment.
February Nonfarm Employment Friday, 3/10 Range: 175,000 to 247,000 jobs Median: 196,000 jobs	Jan = +227,000	Up by 197,000 jobs with private payrolls up by 181,000 jobs and government payrolls up by 16,000 jobs. The seasonal adjustment noise that boosted reported job growth for January should be largely absent from the February data, and what remains should be a still-solid trend rate of job growth.
February Manufacturing Employment Friday, 3/10 Range: -3,000 to 13,000 jobs Median: 10,000 jobs	Jan = +5,000	Up by 9,000 jobs.
February Average Weekly Hours Friday, 3/10 Range: 34.4 to 34.4 hours Median: 34.4 hours	Jan = 34.4 hours	Unchanged at 34.4 hours. The average workweek is still well shy of what we would see in a labor market stretched to capacity. The relatively short workweek is an often overlooked indicator of how much slack remains in the labor market.
February Average Hourly Earnings Friday, 3/10 Range: 0.2 to 0.3 percent Median: 0.2 percent	Jan = +0.1%	Up by 0.2 percent, for a 2.7 percent year-on-year increase. Our calls on wages, hours worked, and job growth would leave aggregate private sector earnings up by 0.4 percent, for a year-over-year increase of 4.2 percent.
February Unemployment Rate Friday, 3/10 Range: 4.6 to 4.8 percent Median: 4.7 percent	Jan = 4.8%	Down to 4.7 percent.

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