

# ECONOMIC PREVIEW



Week of May 29, 2017

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the June 13-14 FOMC meeting):</i> Target Range Midpoint: 0.875 to 1.125 percent Median Target Range Midpoint: 1.125 percent		0.875%	The minutes to the May FOMC meeting show the Committee remains on track to deliver another 25-basis Fed funds rate hike at their June meeting. While there is some uncertainty around whether the FOMC will deliver another rate hike later in the year, we continue to expect a September rate hike to be followed by details on how the Fed's balance sheet will be unwound and when that will begin.
<b>April Personal Income</b> Range: 0.3 to 0.5 percent Median: 0.4 percent	Monday, 5/1	Mar = +0.2%	<u>Up</u> by 0.4 percent. A solid gain in private sector wage and salary earnings, the product of a sizeable increase in employment and a longer workweek, will underpin growth in total personal income with support from rental income and interest income. Our forecast would leave personal income up 4.3 percent year-on-year.
<b>April Personal Spending</b> Range: 0.3 to 0.6 percent Median: 0.4 percent	Tuesday, 5/30	Mar = 0.0%	<u>Up</u> by 0.4 percent. You can look at the April spending data one of two ways, or even both ways if you just can't make up your mind. Spending on both goods and services will bounce back from what was a weak March, which is of course a good thing. The flip side, however, is that even with the rebound, the level of spending in April will be only modestly above the Q1 average, which sets a soft tone for Q2 growth in consumer spending and thus poses a downside risk to our forecast of 3.0 percent growth in real consumer spending for Q2.
<b>May Consumer Confidence</b> Range: 115.0 to 121.4 Median: 120.0	Tuesday, 5/30	Apr = 120.3	<u>Down</u> to 119.1 – a barrage of not so upbeat news stories and dimmer prospects for fiscal policy changes may have taken a slight toll on confidence. What is more meaningful, however, is whether the Conference Board's survey shows consumers remain upbeat about the labor market, which we think will be the case.
<b>May ISM Manufacturing Index</b> Range: 53.0 to 56.3 percent Median: 54.8 percent	Thursday, 6/1	Apr = 54.8%	<u>Up</u> to 55.2 percent, with most of the support coming from the components for new orders and current production. While the motor vehicle industry group is slowing, conditions across much of the rest of the manufacturing sector continue to improve.
<b>April Construction Spending</b> Range: 0.2 to 1.0 percent Median: 0.5 percent	Thursday, 6/1	Mar = -0.2%	<u>Up</u> by 0.5 percent.
<b>Q1 Nonfarm Productivity (rev.)</b> Range: -0.6 to 0.2 percent Median: -0.5 percent SAAR	Thursday, 6/1	Q1 pre = -0.6% SAAR	<u>Up</u> at an annual rate of 0.1 percent. Real nonfarm business output grew at an upwardly revised annual rate of 1.7 percent in Q1. This will result in an upward revision to productivity, but the trend rate of productivity growth remains anemic.
<b>Q1 Unit Labor Costs (rev.)</b> Range: 2.2 to 3.0 percent Median: 2.9 percent SAAR	Thursday, 6/1	Q1 pre = +3.0% SAAR	<u>Up</u> at an annualized rate of 2.4 percent. The flip side of the upward revision to productivity will be a downward revision to growth in unit labor costs, with the trend rate showing moderate growth in labor compensation costs.
<b>April Trade Balance</b> Range: -\$47.5 to -\$43.0 billion Median: -\$45.8 billion	Friday, 6/2	Mar = -\$43.7 billion	<u>Widening</u> to -\$45.9 billion.
<b>May Nonfarm Employment</b> Range: 150,000 to 218,000 jobs Median: 182,000 jobs	Friday, 6/2	Apr = +211,000	<u>Up</u> by 184,000 jobs with private payrolls <u>up</u> by 171,000 jobs and government payrolls <u>up</u> by 13,000 jobs. Beneath the headlines, we'll be watching the hiring diffusion index for signs that hiring remains broad based across industry groups.
<b>May Manufacturing Employment</b> Range: 2,000 to 19,000 jobs Median: 5,000 jobs	Friday, 6/2	Apr = +6,000	<u>Up</u> by 4,000 jobs. Beneath the top-line number, watch for employment in motor vehicle manufacturing, which we expect to drift lower over coming months, thus acting as a drag on growth in overall manufacturing employment.
<b>May Average Weekly Hours</b> Range: 34.3 to 34.4 hours Median: 34.4 hours	Friday, 6/2	Apr = 34.4 hours	<u>Unchanged</u> at 34.4 hours.
<b>May Average Hourly Earnings</b> Range: 0.1 to 0.4 percent Median: 0.2 percent	Friday, 6/2	Apr = +0.3%	<u>Up</u> by 0.1 percent, for a 2.5 percent year-on-year increase. The dreaded calendar effect strikes again, as the 15 <sup>th</sup> of May fell outside of the survey week which should bias hourly earnings growth lower. If this is the case, it will be nothing but noise, but nonetheless a weak print would get way more attention than it deserves. Our calls on wages, hours worked, and job growth would leave aggregate private sector earnings up by 0.3 percent, for a year-over-year increase of 4.3 percent.
<b>May Unemployment Rate</b> Range: 4.3 to 4.5 percent Median: 4.4 percent	Friday, 6/2	Apr = 4.4%	<u>Down</u> to 4.3 percent barring sharply faster labor force growth. One caveat: the annual inflow of younger job seekers can materially skew the household survey data, but the timing of the school year can shift this effect between the May and June household data from one year to the next, so we could see that in play here.

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