ECONOMIC PREVIEW

REGIONS

Week of July 31, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 19-20 FOMC meeting):* Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent	1.125%	An unclear inflation outlook adds uncertainty as to the timing of the next Fed funds rate hike, but the FOMC does not seem at all hesitant to begin paring down the Fed's balance sheet. The balance sheet is a more direct way to address the ongoing easing in financial conditions that clearly has the FOMC's attention. Still, the modest pace at which the balance sheet is to be pared down would be unlikely to negate further weakening of the U.S. dollar and further increases in equity prices.
June Personal Income Tuesday, 8/1 Range: 0.1 to 0.5 percent Median: 0.4 percent	May = +0.4%	Up by 0.1 percent. Costco's special dividend payout led to an outsized increase in dividend income that offset weak labor earnings and pushed total personal income higher in May. The June report will show a much larger gain in labor earnings, but the Costco dividend will wash from the data, acting as a material drag on top-line income growth. Beneath the noise in the May/June data, personal income continues to trend higher, but at a slower pace than seen earlier in the expansion.
June Personal Spending Tuesday, 8/1 Range: 0.0 to 0.2 percent Median: 0.1 percent	May = +0.1%	Up by 0.1 percent. We look for spending on goods to have fallen, in line with the weak June retail sales data, but modest growth in spending on services will push total consumer spending slightly higher. Keep in mind that price effects are holding down growth in nominal spending on goods. We look for the PCE deflator to be unchanged and the core PCE deflator to be up by 0.1 percent, resulting in year-on-year increases of 1.3 percent and 1.4 percent, respectively.
July ISM Manufacturing Index Tuesday, 8/1 Range: 55.0 to 57.7 percent Median: 56.5 percent	Jun = 57.8%	Down to 56.3 percent. The headline index hit an almost three-year high in June on sizeable increases in the sub-indexes for new orders, current production, employment, and supplier delivery times. Our July forecast anticipates some retrenchment in these components but is nonetheless consistent with an ongoing, broad based expansion in the manufacturing sector.
June Construction Spending Tuesday, 8/1 Range: -0.4 to 0.7 percent Median: 0.4 percent	May = 0.0%	Down by 0.4 percent.
June Factory Orders Thursday, 8/3 Range: 0.8 to 3.2 percent Median: 2.7 percent	May = -0.8%	Up by 2.9 percent, thanks almost entirely to a surge in civilian aircraft orders. Orders for core capital goods, the most important single line item in the report, came in flat in June after a run of modest advances.
July ISM Non-Manufacturing Index Thursday, 8/3 Range: 55.0 to 57.3 percent Median: 57.0 percent	Jun = 57.4%	Down to 56.9 percent.
June Trade Balance Friday, 8/4 Range: -$46.7 to -$43.5 billion Median: -$45.4 billion	May = -$46.5 billion	Narrowing to -$44.5 billion thanks to rising U.S. exports. The combination of firmer global economic growth and a softer U.S. dollar could provide a boost to exports in the months ahead, assuming U.S. trade policy doesn't get in the way.
July Nonfarm Employment Friday, 8/4 Range: 160,000 to 220,000 jobs Median: 181,000 jobs	Jun = +222,000	Up by 168,000 jobs with private payrolls up by 179,000 jobs and government payrolls down by 11,000 jobs. We expect a trend-line increase in private sector payrolls but some payback for an inflated estimate of government payrolls in June.
July Manufacturing Employment Friday, 8/4 Range: -3,000 to 10,000 jobs Median: 4,000 jobs	Jun = +1,000	Up by 2,000 jobs. Data pertaining to the manufacturing sector are likely to be quite noisy for a spell thanks to shifts in motor vehicle production as sales recede from their cyclical peak. Seasonal adjustment factors are designed to capture the annual plant retoolings in early July but cannot account for the cuts in production of smaller, more fuel efficient autos now being widely implemented. The first place that could show up is in the estimate of manufacturing payrolls in the July employment report, so we have little confidence in our forecast here.
July Average Weekly Hours Friday, 8/4 Range: 34.4 to 34.5 hours Median: 34.5 hours	Jun = 34.5 hours	Down to 34.4 hours. Hours barely rounded up to 34.5 in June, with gains confined to a small number of industry groups. The mix of jobs we anticipate for July should push the length of the workweek back down to 34.4 hours.
July Average Hourly Earnings Friday, 8/4 Range: 0.2 to 0.4 percent Median: 0.3 percent	Jun = +0.2%	Up by 0.3 percent, for a 2.4 percent year-on-year increase. Our calls on job gains, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up just 0.2 percent (up 4.1 percent year-on-year) as a seemingly small change in average weekly hours acts as a big drag on total labor earnings.
July Unemployment Rate Friday, 8/4 Range: 4.3 to 4.4 percent Median: 4.3 percent	Jun = 4.4%	Unchanged at 4.4 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com