ECONOMIC PREVIEW

REGIONS

Week of September 28 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%	A foolish consistency may be the hobgoblin of little minds but internal consistency is a necessary (though clearly not sufficient) condition of any credible forecast. We offer this as context for our low expectations for the August employment report (see below). We think the August data will be riddled with noise and will, if we are correct, provide a misleadingly weak snapshot of the state of the labor market.
July Advance Trade Balance: Goods Monday, 8/28 Range: -\$67.3 to -\$63.5 billion Median: -\$65.1 billion	Jun = -\$64.0 billion	Widening to -\$65.6 billion on what we expect to be slower growth in U.S. exports and a rebound in imports after two consecutive monthly declines.
August Consumer Confidence Tuesday, 8/29 Range: 118.0 to 123.0 Median: 120.0	Jul = 121.1	Down to 120.3; given how resilient consumers have been in the face of uneven economic data and political turmoil over the past few months, it almost seems as though we're due for a bigger payback than our forecast anticipates.
Q2 Real GDP – 2nd Estimate Wednesday, 8/30 Range: 2.6 to 3.1 percent Median: 2.8 percent SAAR	Q2 = +2.6% SAAR (first estimate)	Up at an annualized rate of 3.1 percent. Revised and more complete source data will yield faster growth in consumer spending and business investment and a larger inventory build than incorporated into the BEA's initial estimate
Q2 GDP Price Index – 2nd Estimate Wednesday, 8/30 Range: 1.0 to 1.0 percent Median: 1.0 percent SAAR	Q2 = +1.0% SAAR (first estimate)	Up at an annualized rate of 1.0 percent.
July Personal Income Thursday, 8/31 Range: 0.2 to 0.5 percent Median: 0.3 percent	Jun = 0.0%	Up by 0.2 percent. In a repeat of June, we look for a decline in investment income to offset a solid gain in labor earnings. The June report showed a sizeable decline in dividend income following Costco's special dividend in May, but this still left dividend income far above trend and we look for a further decline in July. If we're wrong on this, our forecast for growth in total personal income will be too low.
July Personal Spending Thursday, 8/31 Range: 0.3 to 0.5 percent Median: 0.4 percent	Jun = +0.1%	Up by 0.4 percent. One caveat – the Quarterly Services Survey data suggest upward revisions to Q2 consumer spending, thus making it harder to peg the monthly change for July. We look for both the total and core PCE deflators to be up 0.1 percent, for year-on-year increases of 1.5 and 1.4 percent, respectively.
August ISM Manufacturing Index Friday, 9/1 Range: 55.0 to 57.5 percent Median: 56.3 percent	Jul = 56.3%	Down to 56.0 percent. While we look for slight dips in the components for supplier delivery times and employment, our call on the headline index is nonetheless consistent with an ongoing broad based expansion in the factory sector.
July Construction Spending Friday, 9/1 Range: 0.1 to 1.5 percent Median: 0.6 percent	Jun = -1.3%	Up by 0.9 percent, but this is predicated on at least a partial rebound in public sector outlays after a precipitous decline in June. Data on the residential sector will show further divergence between single family and multi-family outlays.
August Nonfarm Employment Friday, 9/1 Range: 160,000 to 205,000 jobs Median: 182,000 jobs	Jul = +209,000	Up by 179,000 jobs with private payrolls up by 146,000 jobs and government payrolls up by 33,000 jobs. We have little confidence in our forecast given what we expect to be a very noisy report, and caution against putting too much stock in the August data. On top of August typically having one of the lowest response rates of any month, which tends to bias estimates of job growth lower, the reference week this August ended before the middle of the month, which should bias estimates of job growth and average hourly earnings lower. Our public sector call assumes seasonal adjustment noise around the start of the school year. Any downward bias from calendar effects and a low response rate will be reversed in the September data, but will no doubt generate far more angst this week than will be warranted.
August Manufacturing Employment Friday, 9/1 Range: -10,000 to 14,000 jobs Median: 6,000 jobs	Jul = +16,000	Down by 6,000 jobs. The motor vehicle industry is another source of noise in the data. We think that seasonal adjustment overcompensated for widespread job cuts and extended seasonal shutdowns in July; we look for reversal in the August data.
August Average Weekly Hours Friday, 9/1 Range: 34.4 to 34.5 hours Median: 34.5 hours	Jul = 34.5 hours	Down to 34.4 hours. If we're correct about the manufacturing sector, this will in turn hold down average weekly hours, which had in essence rounded up to 34.5 hours in June and July and could easily tip in the other direction in August.
August Average Hourly Earnings Friday, 9/1 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jul = +0.3%	Up by 0.1 percent, for a 2.5 percent year-on-year increase. Our calls on job gains, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings down by 0.2 percent (up 4.4 percent year-on-year).
August Unemployment Rate Friday, 9/1 Range: 4.2 to 4.4 percent Median: 4.3 percent	Jul = 4.3%	Up to 4.4 percent. The start of the school year can distort the labor force data for August/September but the timing varies from year to year, making it difficult to get the seasonal adjustment correct, so this is yet another potential source of noise.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203

Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com