

**Indicator/Action
Economics Survey:**
**Last
Actual:**
Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the October 31-November 1 FOMC meeting):</i> Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent	1.125%	<p>As was the August employment report, the September employment report will be riddled with noise. The difference, however, is that the noise in the August report was predictable noise – the August data in any given year are plagued by reporting issues and seasonal adjustment issues that tend to bias the initial estimate of job growth lower, and this year a short survey period amplified that noise. Taking all of this into account, our forecasts for the various components of the August report were pretty much spot on. The noise in the September report, however, will be random noise, reflecting the effects of Hurricanes Harvey and Irma in the states with the second (Texas) and fourth (Florida) highest employment levels in the U.S. As such, we have as little confidence in our forecasts of the September employment report (see below) as it is possible to have, which is to say none at all.</p> <p>The effects of the hurricanes should be far more visible in the establishment survey than in the household survey. In order to be counted as employed in the former, one must be physically present at work at some point during the survey period, which is not the case in the household survey. As such, we don't expect the unemployment rate to show any visible effects of the hurricanes, but we do expect a large drag on nonfarm employment, and won't be at all surprised if the BLS reports an outright decline in nonfarm employment for September. Moreover, to the extent nonfarm employment is held down, that will filter through to hours worked and average hourly earnings – job counts in industry groups with some of the longest work weeks and highest hourly earnings will have been particularly impacted by Harvey.</p> <p>None of this alters the ongoing labor market narrative – steady improvement that continues to pare down remaining slack and which will ultimately fuel faster wage growth. Keep that in mind as you filter through the noise in the September data.</p>
September ISM Manufacturing Index Monday, 10/2 Range: 55.0 to 59.0 percent Median: 58.0 percent	Aug = 58.8%	<u>Down</u> to 58.5 percent. We see some downside risk to our forecast – oddly large increases in a few components pushed the headline index up to its highest level since April 2011 in August, and there could be payback in the September data. Still, regional surveys suggest the headline ISM index will remain elevated.
August Construction Spending Monday, 10/2 Range: 0.0 to 0.6 percent Median: 0.4 percent	Jul = -0.6%	<u>Up</u> by 0.5 percent.
Sept. ISM Non-Manufacturing Index Monday, 10/2 Range: 54.0 to 58.1 percent Median: 55.5 percent	Aug = 55.3%	<u>Down</u> slightly to 55.2 percent.
August Trade Balance Thursday, 10/5 Range: -\$44.5 to -\$41.1 billion Median: -\$42.8 billion	Jul = -\$43.7 billion	<u>Narrowing</u> to -\$42.7 billion. Contrary to our expectations, the advance data on trade in goods showed a slight gain in exports and lower imports. If that carries over into the final data the total trade deficit will have narrowed in August.
August Factory Orders Thursday, 10/5 Range: 0.0 to 1.4 percent Median: 1.0 percent	Jul = -3.3%	<u>Up</u> by 1.0 percent. A jump in civilian aircraft orders will support the headline orders number, but of far more significance is that the beneath-the-headline details will show continued growth in core capital goods orders.
September Nonfarm Employment Friday, 10/6 Range: 10,000 to 209,000 jobs Median: 87,000 jobs	Aug = +156,000	<u>Up</u> by 87,000 jobs with private payrolls <u>up</u> by 73,000 jobs and government payrolls <u>up</u> by 14,000 jobs. The unusually wide range of estimates simply goes to our point on the degree to which the September data will be riddled with noise.
September Manufacturing Employment Friday, 10/6 Range: 0 to 27,000 jobs Median: 8,000 jobs	Aug = +36,000	<u>Up</u> by 6,000 jobs. Manufacturing employment was the one element of the August data we whiffed on in our forecast, but that's not why we didn't, and still don't, believe the initial estimate; we think that +36,000 to be more noise than reality.
September Average Weekly Hours Friday, 10/6 Range: 34.3 to 34.5 hours Median: 34.4 hours	Aug = 34.4 hours	<u>Down</u> to 34.3 hours. Our forecast incorporates our assessment of how the hurricanes impacted the industry mix of payroll employment as measured in the establishment survey but, again, the confidence level in our forecast is low.
September Average Hourly Earnings Friday, 10/6 Range: 0.1 to 0.4 percent Median: 0.3 percent	Aug = +0.1%	<u>Up</u> by 0.3 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 unchanged in September (up 3.8 percent year-on-year).
September Unemployment Rate Friday, 10/6 Range: 4.3 to 4.5 percent Median: 4.4 percent	Aug = 4.4%	<u>Unchanged</u> at 4.4 percent.

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial or other plan or decision.