

ECONOMIC PREVIEW



Week of January 1, 2018

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint (After the January 30-31 FOMC meeting): Target Range Midpoint: 1.375 to 1.375 percent Median Target Range Midpoint: 1.375 percent</p>	<p>Range: 1.25% to 1.50% Midpoint: 1.375%</p>	<p>The December employment report highlights this week's slate of data releases. Our above-consensus forecast reflects what we expect will prove to have been another strong month for holiday-related hiring in transportation/warehousing and retail trade. The place to look for signs of this, however, will not be in the seasonally adjusted data but instead in the not seasonally adjusted data.</p> <p>Holiday-related hiring in these industry groups begins in October and goes through December. The unadjusted data for October and November (subject to revision, of course) show holiday hiring in transportation/warehousing on course to set another new record in 2017. That this would be the sixth consecutive year in which holiday hiring in this sector hit a new record high comes as no surprise whatsoever as it simply reflects the increasing prominence of online shopping. What does come as a surprise is the strength of holiday-related hiring in retail trade. The unadjusted data for November show largest gain in retail payrolls for the month of November since 2012, and anecdotal reports suggest a stronger than normal December for retail hiring. Consumers hit the physical stores harder this holiday season than has been the case over the past several years and 2017 should easily be the strongest year for holiday-related retail hiring since 2013.</p> <p>To the extent we are correct on holiday-related hiring in December, it would bias the seasonally adjusted data higher, which would be reflected in the headline job growth number, hence our above-consensus forecast. The flip side, however, is that post-holiday job cuts in these industry groups would be larger than has been the case for several years. As such, the seasonal adjustment factors won't adequately compensate for them, setting the stage for a soft headline print on the January employment report. Oh well, we'll cross that bridge if and when we come to it.</p>
<p>December ISM Manufacturing Index Wednesday, 1/3 Range: 56.5 to 60.5 percent Median: 58.2 percent</p>	<p>Nov = 58.2%</p>	<p><u>Down</u> to 57.8 percent. We look for some of the components, such as new orders, current production, and supplier delivery times, to settle back from lofty levels, but our forecast would still be consistent with steady expansion in the factory sector. We also look for new export orders to have risen for a 22nd consecutive month.</p>
<p>November Construction Spending Wednesday, 1/3 Range: 0.1 to 1.0 percent Median: 0.7 percent</p>	<p>Oct = +1.4%</p>	<p><u>Up</u> by 0.4 percent.</p>
<p>November Trade Balance Friday, 1/5 Range: -\$54.0 to -\$44.0 billion Median: -\$48.1 billion</p>	<p>Oct = -\$48.7 billion</p>	<p><u>Widening</u> to -\$50.2 billion thanks to a larger deficit in the goods account despite a jump in exports of U.S. produced goods. After acting as a modest support for Q3 real GDP growth, trade is on course to be a drag on Q4 growth.</p>
<p>November Factory Orders Friday, 1/5 Range: 0.6 to 2.9 percent Median: 1.4 percent</p>	<p>Oct = -0.1%</p>	<p><u>Up</u> by 1.7 percent. Durable goods orders were pushed higher by civilian aircraft orders and higher crude oil prices will have helped boost orders for nondurable goods.</p>
<p>December ISM Non-Manufacturing Index Friday, 1/5 Range: 56.5 to 58.6 percent Median: 57.6 percent</p>	<p>Nov = 57.4%</p>	<p><u>Up</u> to 57.6 percent</p>
<p>December Nonfarm Employment Friday, 1/5 Range: 160,000 to 232,000 jobs Median: 189,000 jobs</p>	<p>Nov = +228,000</p>	<p><u>Up</u> by 202,000 jobs with private payrolls <u>up</u> by 193,000 jobs and government payrolls <u>up</u> by 9,000 jobs. Our forecast would put growth in total nonfarm employment at over 2.1 million jobs for 2017 as a whole.</p>
<p>December Manufacturing Employment Friday, 1/5 Range: 10,000 to 30,000 jobs Median: 20,000 jobs</p>	<p>Nov = +31,000</p>	<p><u>Up</u> by 22,000 jobs.</p>
<p>December Average Weekly Hours Friday, 1/5 Range: 34.4 to 34.5 hours Median: 34.5 hours</p>	<p>Nov = 34.5 hours</p>	<p><u>Unchanged</u> at 34.5 hours. We have referred to a still-short workweek as an underappreciated form of labor market slack. Steadily rising hours would be a sure sign of meaningful labor market tightening.</p>
<p>December Average Hourly Earnings Friday, 1/5 Range: 0.2 to 0.4 percent Median: 0.3 percent</p>	<p>Nov = +0.2%</p>	<p><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 yield a 0.4 percent increase in aggregate private sector wage and salary earnings (up 4.5 percent year-on-year).</p>
<p>December Unemployment Rate Friday, 1/5 Range: 4.0 to 4.2 percent Median: 4.1 percent</p>	<p>Nov = 4.1%</p>	<p><u>Unchanged</u> at 4.1 percent. One source of uncertainty here is that the December data will incorporate the annual revisions to the household survey data, covering the seasonally adjusted data going back five years.</p>

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