

ECONOMIC PREVIEW



REGIONS

Week of December 4, 2017

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the December 12-13 FOMC meeting):</i> Target Range Midpoint: 1.375 to 1.375 percent Median Target Range Midpoint: 1.375 percent		Range: 1.00% to 1.25% Midpoint: 1.125%	The November employment report (see below) should be largely free of the noise from Hurricanes Harvey and Irma that riddled the September and October reports. That is not to say, however, the November employment report will be free of noise. We see the potential for retail trade to act as a drag on reported November job growth, reflecting the ongoing shift in consumer spending patterns. As we discussed in detail in the November edition of our <i>Monthly Economic Outlook</i> , holiday-related hiring has traditionally led to spikes in retail trade payrolls from October through December, but recent years have seen progressively less holiday hiring in retail trade, reflecting the ongoing shift towards online shopping. Holiday hiring got off to a notably weak start this year, with the smallest October increase in not seasonally adjusted retail trade payrolls since 2009. If that weakness carried over into November – the month which far and away sees the largest increase in holiday related retail hiring – the seasonally adjusted data will likely show a sizeable drop in retail trade payrolls. To be sure, while recent years have seen less holiday related hiring in retail trade, they have seen stepped up holiday hiring in warehousing and transportation, and we do expect this to have been the case in November. Still, the drag from retail trade would dominate, posing some downside risk to forecasts of November job growth. Even if we are correct on this point, however, it won't at all alter our view of the underlying health of the labor market.
October Factory Orders Range: -0.8 to 0.3 percent Median: -0.3 percent	Monday, 12/4	Sep = +1.4%	<u>Down</u> by 0.4 percent thanks to a decline in durable goods orders. The detail on core capital goods orders will be weak, but we think this to be no more than a pause after a run of solid gains over the prior three months (including a better than two percent increase in September), as opposed to the start of a sustained pullback.
October Trade Balance Range: -\$47.7 to -\$44.2 billion Median: -\$46.6 billion	Tuesday, 12/5	Sep = -\$43.5 billion	<u>Widening</u> to -\$47.6 billion. As expected, the advance data on trade in goods show a jump in imports, which is not uncommon for the month of October as this is when retailers typically begin stocking up in advance of the holiday sales season (retail inventories spiked in October). What was unexpected, however, is the drop in U.S. exports of goods reported in the advance data for October, which is at odds with faster global growth and a more favorable exchange value of the U.S. dollar. This is clearly something to watch over coming months, but the October data suggest trade will be a drag on current quarter real GDP growth.
Nov. ISM Non-Manufacturing Index Range: 58.0 to 60.0 percent Median: 59.0 percent	Tuesday, 12/5	Oct = 60.1%	<u>Down</u> to 59.4 percent. The forecast anticipates the underlying components settling back a bit from October's lofty levels, but the headline index would nonetheless remain consistent with healthy expansion in nonmanufacturing industries.
Q3 Labor Productivity (revised) Range: 2.9 to 3.4 percent Median: 3.3 percent	Wednesday, 10/6	Q3 prelim = +3.0% SAAR	<u>Up</u> at an annualized rate of 3.2 percent. The revised GDP data show real nonfarm business output grew at an annualized rate of 4.1 percent in Q3, up from the initial estimate of 3.8 percent. This will push up the rate of labor productivity growth despite what we expect to be a modest upward revision to aggregate hours worked.
Q3 Unit Labor Costs (revised) Range: -0.2 to 0.3 percent Median: 0.2 percent	Wednesday, 10/6	Q3 prelim = +0.5% SAAR	<u>Up</u> at an annualized rate of 0.3 percent. If our forecast for stronger productivity growth is on the mark, that would yield a smaller increase in unit labor costs than initially estimated.
November Nonfarm Employment Range: 155,000 to 260,000 jobs Median: 198,000 jobs	Friday, 12/8	Oct = +261,000	<u>Up</u> by 183,000 jobs with private payrolls <u>up</u> by 172,000 jobs and government payrolls <u>up</u> by 11,000 jobs. As with the September data, there could be significant revisions to the initial October estimate, which injects uncertainty into our forecast.
November Manufacturing Employment Range: 10,000 to 35,000 jobs Median: 16,000 jobs	Friday, 12/8	Oct = +24,000	<u>Up</u> by 12,000 jobs.
November Average Weekly Hours Range: 34.3 to 34.4 hours Median: 34.4 hours	Friday, 12/8	Oct = 34.4 hours	<u>Unchanged</u> at 34.4 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.
November Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 12/8	Oct = 0.0%	<u>Up</u> by 0.3 percent, for a 2.7 percent year-on-year increase. Our calls on job gains, hours worked, and hourly earnings would yield a 0.5 percent increase in aggregate private sector wage and salary earnings (up 4.7 percent year-on-year).
November Unemployment Rate Range: 4.0 to 4.2 percent Median: 4.1 percent	Friday, 12/8	Oct = 4.1%	<u>Unchanged</u> at 4.1 percent.

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