ECONOMIC PREVIEW

REGIONS

Week of October 1, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 7-8 FOMC meeting):* Target Range Midpoint: 2.125 to 2.125 percent Median Target Range Midpoint: 2.125 percent	Range: 2.00% to 2.25% Midpoint: 2.125%	Though the FOMC no longer says so, the stance of monetary policy does indeed remain "accommodative," even if less so with each successive funds rate hike. The Committee wisely chose to remove this passage from their post-meeting policy statement now rather than later, i.e., when the funds rate would be higher, which could have sent misleading signals to market participants about the path of monetary policy. There should be no such confusion at present, as Chairman Powell made clear in his post-meeting press conference. The FOMC will continue increasing the funds rate at a gradual pace, moving faster only if warranted by the inflation data.
September ISM Manufacturing Index Monday, 10/1 Range: 58.0 to 61.3 percent Median: 60.1 percent	Aug = 61.3%	Down to 60.6 percent. The headline index has been surprising us to the upside over the past few months so there's bound to be payback at some point. Even if that comes with the September data, the headline index will remain comfortably above the 50.0 mark, indicating growth in the factory sector. We'll look to the components for new orders, current production, and order backlogs for signs that what has been a steady and broad based expansion in the manufacturing sector has further to run.
August Construction Spending Monday, 10/1 Range: 0.0 to 0.7 percent Median: 0.5 percent	Jul = +0.1%	Up by 0.2 percent.
Sep. ISM Non-Manufacturing Index Wednesday, 10/3 Range: 57.5 to 59.5 percent Median: 58.0 percent	Aug = 58.5%	Up to 58.9 percent. The NMI fell sharply in July, dragged down by the largest decline in the "business activity" component since November 2008. We think the rebound seen in the August data will be extended in the September data.
August Factory Orders Thursday, 10/4 Range: 0.8 to 2.8 percent Median: 2.1 percent	Jul = -0.8%	Up by 2.7 percent. Durable goods orders surged in August thanks to rising orders for civilian aircraft, and this ensures a sizeable increase in total orders. Of far more importance in any given month is the behavior of core capital goods orders, and while orders slumped in August this came after a run of solid increases. We still see considerable upside room for core capital goods orders over coming months.
August Trade Balance Friday, 10/5 Range: -\$54.0 to -\$47.9 billion Median: -\$53.0 billion	Jul = -\$50.1 billion	Widening to -\$53.2 billion. Trade in goods continues to be skewed by tariffs, those already imposed and those that could potentially be imposed over coming months. While this worked to the advantage of U.S. exports in Q2, we are now seeing the flip side of that and exports of goods have fallen off sharply. One mitigating factor in the August data is that broadcast rights for the World Cup, which boosted imports of services in June and July, will drop from the data. As such, our forecast anticipates a larger surplus in the services account, which in turn will limit the increase in the total trade deficit as the deficit in the goods account spikes.
September Nonfarm Employment Friday, 10/5 Range: 150,000 to 210,000 jobs Median: 190,000 jobs	Aug = +201,000	Up by 168,000 jobs, with private sector payrolls up by 162,000 jobs and public sector payrolls up by 6,000 jobs. We look for the pace of hiring to slow after stronger than expected hiring in August. Keep in mind that there were calendar effects in play in the August data, as there were five weeks between the July and August survey periods rather than the normal four weeks. We think this will bias measured September job growth lower. Moreover, it is possible that Hurricane Florence impacted the September data, though if this is the case the impact won't be nearly as pronounced as was the case last September after Florida and Texas had been hit by hurricanes, resulting in a net gain of only 14,000 jobs. Even if we are correct on these points, the trend rate of hiring remains robust, which is what matters.
September Manufacturing Employment Friday, 10/5 Range: 5,000 to 20,000 jobs Median: 15,000 jobs	Aug = -3,000	Up by 18,000 jobs.
September Average Weekly Hours Friday, 10/5 Range: 34.4 to 34.4 hours Median: 34.5 hours	Aug = 34.5 hours	Unchanged at 34.5 hours. This is another element of the data that could be impacted by Hurricane Florence, so there is some downside risk to our forecast, and, in turn to our forecast of growth in aggregate wage and salary earnings (see below).
September Average Hourly Earnings Friday, 10/5 Range: 0.2 to 0.4 percent Median: 0.3 percent	Aug = +0.4%	Up by 0.3 percent, yielding a year-on-year increase of 2.7 percent. Our calls on employment, hours worked, and hourly earnings would yield a 0.4 percent increase in aggregate private sector earnings, good for a year-on-year increase of 5.4 percent.
September Unemployment Rate Friday, 10/5 Range: 3.8 to 3.9 percent Median: 3.8 percent	Aug = 3.9%	Down to 3.8 percent. There should be sizeable increases in both the labor force and household employment that reflect seasonal adjustment noise. Even so, we look for the headline unemployment rate to print at 3.8 percent – the unrounded rate in August was 3.853 percent, which rounded up to 3.9 percent, so the bar here is fairly low.

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