ECONOMIC PREVIEW

REGIONS

Week of November 28, 2022

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 13-14 FOMC meeting):* Target Range Mid-point: 4.375 to 4.375 percent Median Target Range Mid-point: 4.375 percent	Range: 3.75% to 4.00% Midpoint: 3.875%	Topped off by the November employment report (see Page 2), this week also brings the release of the October Job Openings and Labor Turnover Survey (JOLTS) on Wednesday. After unexpectedly rising in September, job openings likely fell in October but will nonetheless remain far, far above pre-pandemic levels. Also on Wednesday, Federal Reserve Chair Powell speaks at a Brookings Institution event and will likely once again stress that there is no quick pivot anywhere on the horizon.
November Consumer Confidence Tuesday, 11/29 Range: 97.5 to 103.0 Median: 99.9	Oct = 102.5	Down to 100.2 reflecting further dimming of consumers' assessments of labor market conditions amid ongoing concerns over elevated inflation and higher interest rates. The Conference Board's monthly survey is more aligned to perceptions of labor market conditions than is the University of Michigan's measure of consumer sentiment, and a series of high profile announcements of layoffs/hiring freezes is likely having an effect. We expect this will be reflected in further narrowing of the "jobs plentiful/jobs hard to get" spread. Recall that in the October survey a higher share of respondents saw jobs as harder to get while a smaller share saw jobs as being plentiful, and we expect that to again have been the case in the November survey. That said, the spread still remains wider than the average over the two years leading up to the pandemic, when labor market conditions were notably tight. As such, we're likely not yet at the point where worries over their job and income prospects will lead consumers to scale back spending, particularly as the holiday shopping season is in full swing. That could, however, easily change as we get into 2023.
October Advance Trade Balance: Goods Wednesday, 11/30 Range: -$93.5 to -$87.9 billion Median: -$90.4 billion	Sep = -$92.2 billion	Narrowing to -$89.6 billion.
Q3 Real GDP: 2nd estimate Wednesday, 11/30 Range: 2.4 to 3.3 percent Median: 2.8 percent SAAR	Q2: 1st est. = +2.6% SAAR	Up at an annualized rate of 3.1 percent. We expect revised and more complete source data to show consumer spending, business fixed investment, and net exports were stronger than the BEA incorporated into their initial estimate of Q3 GDP. That said, a sharply narrower trade deficit will still account for the bulk of Q3 real GDP growth and though not as uninspired as the BEA initially estimated (annualized "growth" of 0.079 percent), real private domestic demand softened further in Q3.
Q3 GDP Price Index: 2nd estimate Wednesday, 11/30 Range: 4.1 to 4.1 percent Median: 4.1 percent SAAR	Q2: 1st est. = +4.1% SAAR	Up at an annualized rate of 4.1 percent.
October Personal Income Thursday, 12/1 Range: 0.0 to 1.0 percent Median: 0.4 percent	Sep = +0.4%	Up by 0.9 percent. Growth in private sector labor earnings, nonfarm proprietors' income, and transfer payments will be the primary drivers of growth in top-line personal income. One source of growth in transfer payments is that a number of state governments are transferring surplus funds, which originally came from the federal government via various pandemic-related programs, to residents. With payments in California beginning in October, we expect some impact in the personal income data.
October Personal Spending Thursday, 12/1 Range: 0.5 to 1.1 percent Median: 0.8 percent	Sep = +0.6%	Up by 1.0 percent. Surprisingly strong motor vehicle sales will support growth in spending on consumer durable goods, while higher gasoline prices will add further support for growth in nominal spending. We'll be particularly interested in how services spending held up in October, as thus far it has been more resilient than we had expected. With growth in nominal spending easily outpacing the advance in the PCE Deflator, real personal spending will post a healthy gain, setting the stage for faster Q4 growth in overall consumer spending.
October PCE Deflator Thursday, 12/1 Range: 0.3 to 0.4 percent Median: 0.4 percent	Sep = +0.3%	Up by 0.4 percent, for a year-on-year increase of 6.1 percent. We look for the core PCE Deflator to also be up by 0.4 percent, which would yield a year-on-year increase of 5.1 percent. Recall that slower rent growth and a sharp decline in prices for health care services weighed on core CPI inflation in October, but slower rent growth will have a much more muted effect on the PCE Deflator and the methodological change in the CPI measure of health care inflation does not apply to the PCE Deflator. As such, the gap between core CPI inflation and core PCE inflation, which in June was wider than at any point since April 1980, will continue to narrow, and as further moderation in rent growth is picked up in the CPI data in the months ahead, core CPI inflation will decelerate more rapidly than will core PCE inflation.

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November ISM Manufacturing Index Thursday, 12/1 Range: 47.0 to 50.8 percent Median: 49.8 percent	Oct = 50.2%	Down to 49.6 percent. Over the past several months the ISM's monthly survey has suggested the expansion in the manufacturing sector has become slower and less broadly based. We expect the November survey to show that expansion has given way to contraction, with the headline index dipping below the 50.0 percent mark. While we expect new orders to have contracted in November, which would be the fifth contraction in the past six months, we will note that the November seasonal factor for the new orders index is the most generous of any month of 2022. As such, the seasonally adjusted new orders index will look much better than is actually the case, thus posing some upside risk to our forecast. Either way, the broader story remains the same, which is that waning demand, domestic and foreign, and order backlogs having been considerably pared down point to diminished employment and output in the manufacturing sector in the months ahead. Recall that the prices paid index and the supplier delivery times index both fell below 50.0 percent in October. We expect both to have fallen further in November, which is an indication of growing disinflationary pressures in the goods sector of the economy.
October Construction Spending Thursday, 12/1 Range: -0.8 to 1.1 percent Median: -0.3 percent	Sep = +0.2%	Down by 0.3 percent.
November Nonfarm Employment Friday, 12/2 Range: 136,000 to 270,000 jobs Median: 200,000 jobs	Oct = +261,000 jobs	Up by 244,000 jobs, with private sector payrolls up by 222,000 jobs and public sector payrolls up by 22,000 jobs. The November data could be meaningfully impacted by seasonal adjustment noise, but the net effects may end up being close to a wash. For instance, the not seasonally adjusted data should show fewer layoffs in construction and leisure and hospitality services than is typically the case in November, and at the same time fewer jobs added in retail trade and transportation/warehousing/delivery than is typically the case in November – while seasonal hiring in these two industry groups begins in October, it peaks in November. If so, the seasonally adjusted data will make the first two industry groups look stronger and the latter two industry groups look weaker than was actually the case. Even if we are correct in expecting dueling seasonal adjustment in the details of the November data, the more relevant point is that the pace of job growth is slowing, in part reflecting layoffs in sectors such as technology and finance, and in part reflecting a slower pace of hiring in other industry groups as the economy slows. Though slowing, job growth nonetheless remains broadly based across private sector industry groups; should this change, it would be an ominous signal for the health of the broader economy.
November Manufacturing Employment Friday, 12/2 Range: 15,000 to 25,000 jobs Median: 20,000 jobs	Oct = +32,000 jobs	Up by 17,000 jobs.
November Average Weekly Hours Friday, 12/2 Range: 34.4 to 34.5 hours Median: 34.5 hours	Oct = 34.5 hours	Unchanged at 34.5 hours.
November Average Hourly Earnings Friday, 12/2 Range: 0.2 to 0.4 percent Median: 0.3 percent	Oct = +0.4%	Up by 0.3 percent, for a year-on-year increase of 4.6 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.4 percent increase in aggregate private sector wage and salary earnings, leaving them up 7.5 percent year-on-year.
November Unemployment Rate Friday, 12/2 Range: 3.5 to 3.8 percent Median: 3.7 percent	Oct = 3.7%	Down to 3.6 percent.

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