ECONOMIC PREVIEW

REGIONS

Week of December 5, 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%	Completely forget it is the best thing anyone can do with the November employment report. Barring that, at least don't get too attached to the numbers contained in that report, as they could look meaningfully different a month from now. The response rate to the BLS's November establishment survey was just 49.4 percent, the lowest response rate since January 1991. As such, BLS had to rely on their own estimates to fill in the considerable gaps in the survey data, raising the possibility, if not likelihood, of material revisions to the initial estimates of nonfarm payrolls, hours worked, and average hourly earnings. Moreover, the November data are riddled with seasonal adjustment noise, and while to some extent it was a wash, this much noise makes it hard to have much faith in the estimates. For instance, the not seasonally adjusted data show employment at restaurants rose by 2,000 jobs in November but, as restaurant payrolls typically decline in November, the seasonally adjusted data show restaurant payrolls rose by 62,100 jobs. And, oh by the way, that "runaway" growth in average hourly earnings was largely confined to warehousing/distribution and retail trade which, to the extent we can trust the data, could reflect nothing more than a push to add seasonal workers. So, we find the November employment report to be a flimsy basis on which to be drawing firm conclusions, particularly those of the "the FOMC will have to hike the Fed funds rate to infinity" variety of which there has been no shortage since the release of the November employment report.
October Factory Orders Monday, 12/5 Range: 0.1 to 1.0 percent Median: 0.7 percent	Sep = +0.3%	Up by 0.8 percent.
November ISM Non-Manufacturing Index Monday, 12/5 Range: 51.4 to 55.6 percent Median: * percent	Oct = 54.4%	Down to 53.2 percent. While the ISM's survey has shown the expansion in the services sector continuing at a steady pace and remaining notably broad based, we won't be surprised if that began to change in November. One element of the data which does not figure into the calculation of the headline index but is nonetheless worth watching is the prices paid index. Recall that the prices paid index in the manufacturing survey has been below the fifty percent threshold in each of the past two months, indicating falling prices for non-labor inputs, but at the same time the prices paid index in the services survey has shown continued rapid price increases. We think it a matter of when, not if, that changes, and as the prices paid index in the services survey begins to fall from its current elevated level, that will be a telling sign that the expansion in the services sector is losing steam.
October Trade Balance Tuesday, 12/6 Range: -\$81.4 to -\$70.5 billion Median: -\$80.0 billion	Sep = -\$73.3 billion	Widening to -\$79.6 billion. The advance data on trade in goods show a surprisingly large deficit in the goods account, reflecting a steep decline in exports while imports notched a moderate advance. While the surplus in the services account will provide a bit of an offset, the overall trade deficit widened in October. Unlike Q3, when a sharply narrower trade deficit more than accounted for the 2.9 percent growth in real GDP, the October data suggest trade will be a drag on Q4 real GDP growth.
Q3 Nonfarm Productivity: 2nd estimate Wednesday, 12/7 Range: 0.3 to 0.9 percent Median: 0.5 percent SAAR	Q2: 1st est. = +0.3% SAAR	Up at an annualized rate of 0.9 percent. The revised GDP data show real output in the nonfarm business sector grew at an annualized rate of 3.3 percent in Q3, up from the initial estimate of 2.8 percent growth. Along with what should be modestly slower growth in aggregate hours worked relative to the initial estimate, that should yield an upward revision to the estimate of Q3 productivity growth. Not quite a "productivity miracle" rate of growth but nonetheless preferable to the sharp contraction in productivity seen over the first half of this year.
Q3 Unit Labor Costs: 2nd estimate Wednesday, 12/7 Range: 2.5 to 3.5 percent Median: 3.2 percent SAAR	Q2: 1st est. = +3.5% SAAR	Up at an annualized rate of 2.9 percent, with a faster rate of productivity growth taking some of the upward pressure off of growth in Q3 unit labor costs.
November PPI: Final Demand Friday, 12/9 Range: 0.0 to 0.3 percent Median: 0.2 percent	Sep = +0.2%	Unchanged, which would leave the index up 7.0 percent year-on-year.
November PPI: Core Friday, 12/9 Range: -0.1 to 0.3 percent Median: 0.2 percent	Sep = 0.0%	Up by 0.2 percent, which would yield a year-on-year increase of 5.9 percent.

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