ECONOMIC PREVIEW

REGIONS

Week of December 31, 2012

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on January 29-30)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Let's see now, the U.S. economy is poised to simultaneously hit the debt ceiling and tumble over the fiscal cliff as it continues to amble down an unsustainable fiscal path. Sure, they may not have delivered a deal that would right the nation's fiscal course and eliminate the unnecessary, unproductive uncertainty that has been hanging over the economy, but our nation's leaders have not left us totally empty handed – they've at least given us the mother of all mixed metaphors. And if that isn't confusing enough, now we get dueling reports on holiday spending, with Master Card data showing just a trivial increase in holiday spending from last year while Gallup reports the last two weeks have seen the strongest spending in four years. At least here we can make some sense of the seeming disparity in holiday sales reports – aside from data covering different time frames, Master Card data pertain only to purchases made with credit cards while Gallup data pertain to all purchases. It could be that the holiday season has not led to any material change in the patterns apparent in the data over the past several months. Consumers have been fairly restrained when it comes to credit card utilization but have been willing to dip into savings to help finance current consumption. To the extent this has remained the case over the holiday season, it would help resolve the differences between the Master Card and Gallup reports. We continue to look for total holiday sales to post a decent but not so inspiring gain of about 4.5 percent when all is said and done.
December ISM Manufacturing Index Range: 49.5 to 51.0 percent Median: 50.2 percent	Wednesday, 1/2	Nov = 49.5%	Up to 50.3 percent which, as it turns out, is the average reading over the past six months, showing a basic lack of conviction in the manufacturing sector that we expect to have continued in December.
November Construction Spending Range: 0.0 to 1.1 percent Median: 0.7 percent	Wednesday, 1/2	Oct = +1.4%	Up by 0.8 percent.
November Factory Orders Range: -1.7 to 0.9 percent Median: 0.1 percent	Friday, 1/4	Oct = +0.8%	Down by 0.4 percent. Orders for durable goods rose in November, including the key core capital goods metric. Price effects, however, should push orders for nondurable goods down, and we think that decline will drag total orders lower.
December Nonfarm Employment Range: 120,000 to 195,000 jobs Median: 145,000 jobs	Friday, 1/4	Nov = +146,000	Up by 184,000 jobs, with private sector payrolls up by 178,000 and a slight increase in government payrolls. A good portion of the seasonal retail hiring was pushed into November, but we are looking for construction payrolls to show improvement in December which will have acted as an offset as hiring in private sector services remained steady. We will be curious to see if, contrary to last month's statement by the BLS that Hurricane Sandy had no material impact, there will be storm related revisions to previously released November employment data. That prospect interjects an added element of uncertainty to the December data.
December Manufacturing Employment Range: -10,000 to 15,000 jobs Median: unchanged	Friday, 1/4	Nov = -7,000	Up by 4,000 jobs.
December Average Hourly Earnings Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 1/4	Nov = +0.2%	Up by 0.2 percent.
December Average Weekly Hours Range: 34.4 to 34.4 hours Median: 34.4 hours	Friday, 1/4	Nov = 34.4 hrs	Unchanged at 34.4 hours. Our expectations for private sector employment, hours worked, and average hourly earnings leave us with a 0.4 percent increase in aggregate private sector earnings in December, but this translates into an over-the-year gain of just 3.28 percent, the smallest such gain since August 2010. Still, after slowing sharply during the second and third quarters of 2012, private sector earnings growth picked up pace during the year's final quarter.
December Unemployment Rate Range: 7.7 to 7.8 percent Median: 7.7 percent	Friday, 1/4	Nov = 7.7%	Up to 7.8 percent, as we look for at least partial reversals of November's sharp declines in both the civilian labor force and household employment. Whether or not those materialize, however, we're still a long way from 6.5 percent, and don't expect to be there any time soon, certainly not this time next year.

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