ECONOMIC PREVIEW

REGIONS

Week of April 1, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on April 30-May 1)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The BEA's final estimate puts Q4 2012 real GDP growth at an annualized rate of 0.4 percent. In contrast, Q1 is shaping up to be a better quarter, with real GDP growth of around 2.5 percent. That does not mean the economy is immune to tighter fiscal policy, it simply means the effect of higher tax rates will be seen over time while the sequestration spending cuts have yet to fully kick in. We expect these effects materialize during Q2, though to what extent remains to be seen. The higher frequency indicators of consumer sentiment have turned down of late, which could translate into slower growth in consumer spending during Q2. While initial jobless claims may seem a good real-time indicator as to how fiscal policy changes are impacting the labor market, we will caution the claims data may be noisy over the next few weeks, the result of trying to seasonally adjust data around floating holidays, in this case Easter. Still, the impacts of the spending cuts could be visible soon, perhaps by the April employment report.
March ISM Manufacturing Index Range: 53.5 to 55.5 percent Median: 54.0 percent	Monday, 4/1	Feb = 54.2%	Down to 53.5 percent. Both the current production and new orders components jumped in February and we look for a bit of pullback to result in a decline in the March headline index. Nonetheless, the ISM data will show the manufacturing sector continues to expand at a moderate pace. We will also be watching to see if the recent momentum in new export orders (not included in the calculation of the headline index) was sustained in March.
February Construction Spending Range: 0.5 to 2.6 percent Median: 1.0 percent	Monday 4/1	Jan = 2.1%	Up by 1.2 percent due to a rebound in private construction spending as public construction spending falls further.
February Factory Orders Range: 1.4 to 3.7 percent Median: 2.9 percent	Tuesday, 4/2	Jan = -2.0%	Up by 2.9 percent. Durable goods orders rose sharply mainly due to rising orders for transportation goods as orders for core capital goods gave back some of January's gains. Price effects will contribute to a small gain in orders for nondurable goods.
February Trade Balance Range: -$47.0 to -$42.2 bil Median: -$44.6 bil	Friday, 4/5	Jan = -$44.4 bil	Narrowing modestly to -$44.2 billion.
March Nonfarm Employment Range: 170,000 to 223,000 jobs Median: 185,000 jobs	Friday, 4/5	Feb = +236,000	Up by 213,000 jobs, with private sector payrolls rising by 225,000 jobs and government payrolls down by 12,000 jobs. It is too soon to see any significant effects of the sequestration spending cuts in the employment data, whether those effects come in the form of job losses or reduced hours worked along with diminished earnings. That could come in April, but for now the March report should show healthy gains in both goods producing (construction, manufacturing, and mining) and private service producing industries.
March Manufacturing Employment Range: 3 to 15,000 jobs Median: 10,000 jobs	Friday, 4/5	Feb = +14,000	Up by 12,000 jobs.
March Average Weekly Hours Range: 34.4 to 34.5 hours Median: 34.5 hours	Friday, 4/5	Feb = 34.5 hrs	Unchanged at 34.5 hours.
March Average Hourly Earnings Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 4/5	Feb = +0.2%	Up by 0.2 percent. Our calls on private sector employment, hours, and hourly earnings would yield a 0.4 percent increase in aggregate private sector earnings (up 3.9 percent year-over-year). For Q1 as a whole, this would put annualized growth in aggregate earnings at 5.7 percent, decidedly better than the pace of earnings growth seen over the past few quarters. Continued steady improvement in labor market conditions would support healthier earnings growth in the months ahead, but, again, it remains to seen whether and to what extent the sequestration spending cuts will impact employment and earnings.
March Unemployment Rate Range: 7.6 to 7.8 percent Median: 7.7 percent	Friday, 4/5	Feb = 7.7%	Unchanged to 7.7 percent. We look for a bigger gain in household employment and an increase in the labor force to basically negate each other, leaving the unemployment rate unchanged. Of the two series, we have less conviction in our call on the labor force, both direction and magnitude, and it wouldn't take much of a swing here to push the unemployment rate away from 7.7 percent.

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