ECONOMIC PREVIEW

REGIONS

Week of June 3, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on June 18-19)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Revisions to the initial estimate and more complete source data combined to push the BEA's estimate of Q1 real GDP growth down to 2.4 percent (annualized) from the previous estimate of 2.5 percent. Though not a material change, the underlying details put the economy on a firmer course in Q2. Inventory accumulation by nonfarm businesses was considerably smaller than the BEA had assumed, thus inventories should add to, rather than deduct from, real GDP growth in Q2. Also, the downward revision to government spending, particularly defense spending, suggests the fiscal drag from the sequestration spending cuts hit faster and more furiously than we assumed would be the case. If so, this would diminish, but not eliminate, the effects of fiscal drag on Q2 growth. For this week, though, the focus will be on the May employment report and the reaction in the financial markets will be based less on what it means for the economy and more on what it may mean for the course of the Fed's asset purchases.
May ISM Manufacturing Index Range: 50.0 to 51.9 percent Median: 50.5 percent	Monday 6/3	Apr = 50.7%	Up to 51.4 percent as we look for a bump up in new orders along with an increase in the current production component. Though not a factor in the headline index, we'll be watching to see if the string of increases in export orders continues.
April Construction Spending Range: -5.1 to 1.3 percent Median: 0.9 percent	Monday, 6/3	Mar = -1.7%	Up by 1.1 percent.
April Trade Balance Range: -$43.0 to -$38.9 billion Median: -$41.0 billion	Tuesday, 6/4	Mar = -$38.8 bil	Widening to -$42.6 billion. The sharp decline in imports of goods in March was more technical than fundamental and we look for that to be at least partially reversed in the April data, offsetting a modest gain in U.S. exports.
Q1 Nonfarm Productivity – Revised Range: 0.3 to 1.0 percent Median: 0.7 percent SAAR	Wednesday, 6/5	Q1 pre = +0.7%	Up at an annualized rate of 0.4 percent. Nonfarm business output grew at a slower rate than initially estimated which means productivity growth should be revised downward.
Q1 Unit Labor Costs – Revised Range: -1.5 to 0.8 percent Median: 0.5 percent SAAR	Wednesday, 6/5	Q1 pre = +0.5%	Up at an annualized rate of 0.8 percent, above the initial estimate due to the downward revision to productivity growth. We remain far from the point of seeing significant and sustained upward pressure on unit labor costs.
April Factory Orders Range: 0.7 to 2.7 percent Median: 1.6 percent	Wednesday, 6/5	Mar = -4.9%	Up by 1.4 percent as durable goods orders rebounded after March's tumble while we look for little change in orders for nondurable goods.
May Nonfarm Employment Range: 140,000 to 200,000 jobs Median: 170,000 jobs	Friday, 6/7	Apr = +165,000	Up by 182,000 jobs, with private sector payrolls up by 191,000 jobs and payrolls in the government sector down by 9,000 jobs. The extra week (five instead of the normal four) between the April and May surveys adds a slight upward bias here. Aside from that, we look for the May report to fall in line with those of recent months showing steady, though frustratingly slow, gains in payroll employment. Still, we'll settle for a less than stellar headline providing the underlying details are more favorable than in the report for April, when hiring was narrowly concentrated in jobs with below average hours and earnings, dragging down aggregate hours and earnings. We're expecting more from the May data.
May Manufacturing Employment Range: -5,000 to 6,000 jobs Median: 2,000 jobs	Friday, 6/7	Apr = unchanged	Up by 6,000 jobs.
May Average Weekly Hours Range: 34.4 to 34.5 hours Median: 34.4 hours	Friday, 6/7	Apr = 34.4 hrs	Up to 34.5 hours.
May Average Hourly Earnings Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 6/7	Apr = +0.2%	Up by 0.2 percent which, when combined with our expectations for private sector hours and employment, yields a 0.6 percent increase in aggregate private sector earnings. On a year-over-year basis, this translates into a 4.4 percent increase, which would be the largest such increase since last June.
May Unemployment Rate Range: 7.4 to 7.6 percent Median: 7.5 percent	Friday, 6/7	Apr = 7.5%	Unchanged at 7.5 percent, though what have been wide swings in the labor force over recent months add uncertainty to our call here. Of more interest to us will be the data on the numbers of long-term unemployed and those working part-time for economic reasons which, at least to us, are more useful indicators of the degree of labor market slack.

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