ECONOMIC PREVIEW

REGIONS

Week of July 1, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on July 30-31)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	It's the age-old conundrum – if the BLS issues an employment report and there is no one around to read it, does it make a sound? Or something like that. Either way, we may find out with the release of the June employment report on July 5, or, what for many will be the middle of a four day weekend. Still, the BLS may be on to something here, given the prevailing uncertainty in the markets as to the course of the Fed's large-scale asset purchases and the recent bent towards interpreting each piece of economic data not on the basis of what it means for the economy but instead what it means for the Fed's balance sheet. This simply reflects a fundamental divide. While the Fed thinks in terms of the journey towards the final destination, the markets are focused only on the final destination, and far more intensely now that the Fed has devoted so much time to outlining the journey. The recent round of Fed speak seems to have calmed the markets, at least for now, but you may as well learn to live with what we expect will remain a highly volatile environment for "a considerable time."
June ISM Manufacturing Index Range: 48.5 to 51.4 percent Median: 50.2 percent	Monday 7/1	May = 49.0%	Up to 50.4 percent led by increases in the current production and new orders components.
May Construction Spending Range: 0.0 to 0.9 percent Median: 0.6 percent	Monday 7/1	Apr = +0.4%	Up by 0.8 percent mainly due to a larger gain in residential construction outlays than seen in April as we look for another decline in public construction outlays.
May Factory Orders Range: 0.2 to 4.9 percent Median: 2.1 percent	Tuesday 7/2	Apr = +1.0%	Up by 2.3 percent. Orders for durable goods were up by better than three percent while orders for nondurable goods (a larger share of overall orders) posted a smaller gain. The past two months have seen durable goods orders increase at a faster rate than have shipments, a sign that manufacturing employment and output should turn up over coming months.
May Trade Balance Range: -\$45.0 to -\$38.8 billion Median: -\$40.0 billion	Wednesday 7/3	Apr = -\$40.3 bil	Narrowing to -\$39.6 billion, which is to some extent a reflection of weakness in import prices holding down the dollar volume of imports. A softer global environment likely limited growth in U.S. exports.
June Nonfarm Employment Range: 125,000 to 200,000 jobs Median: 166,000 jobs	Friday 7/5	May = +175,000	Up by 182,000 jobs, with private sector payrolls up by 188,000 jobs. We look for an increase in construction jobs to carry payrolls in the goods producing industries higher despite a slight decline in manufacturing payrolls, with job gains in private sector services on par with those seen over recent months.
June Manufacturing Employment Range: -5,000 to 5,000 jobs Median: 0 jobs	Friday 7/5	May = -8,000	Down by 2,000 jobs.
June Average Weekly Hours Range: 34.4 to 34.6 hours Median: 34.5 hours	Friday 7/5	May = 34.5 hrs	Unchanged at 34.5 hours.
June Average Hourly Earnings Range: 0.0 to 0.2 percent Median: 0.2 percent	Friday 7/5	May = 0.0%	Up by 0.2 percent, or perhaps we should say "rounded up" by 0.2 percent as the mix of jobs seen over the past several months along with those added in June puts this right on the line between a 0.1 percent and a 0.2 percent increase. Taken together, our expectations for private sector payrolls, average weekly hours, and average hourly earnings yield a 0.3 percent increase in aggregate private sector earnings, which translates into an over-the-year increase of 4.2 percent.
June Unemployment Rate Range: 7.4 to 7.6 percent Median: 7.5 percent	Friday 7/5	May = 7.6%	Down to 7.5 percent. One wild card here is the annual influx of young adults into the labor force that occurs each May and, to a far greater extent, June. Over recent years this influx has been significantly smaller than normal but this May saw the largest increase in 16-to-19 year olds in the labor force of any May since 2008 and the largest increase in employment amongst this age group of any May since 2006 (these are not seasonally adjusted data). So, depending on the size of these inflows in June relative to the seasonal adjustment factors, this effect could be good for one-tenth of a point on the unemployment rate in either direction. Still, the more relevant metrics from the household survey remain the number of long-term unemployed and the number working part-time for economic reasons. Both measures remain stubbornly elevated and are truer, albeit more distressing, gauges of the degree of labor market slack than the headline unemployment rate.

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