ECONOMIC PREVIEW

REGIONS

Week of September 30 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on September 17-18)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Ahead of the September employment report, the BLS released their preliminary estimate of the benchmark revision to the nonfarm employment data to be issued in February 2014 (along with the January 2014 employment report). Each year the BLS benchmarks its monthly survey to the universe of firms filing payroll tax returns, with March of each year serving as the reference month for the survey. As of March 2013, the BLS estimates the level of nonfarm employment will be 345,000 higher than had been previously reported. At 0.3 percent the revision is right in line with the average annual benchmark revision. So far, so good, right? Well, maybe not. Were it not for a definitional change that resulted in roughly 469,000 private household workers going from not being counted in the payroll survey to now being classified in the education & health services industry group, the benchmark revision would have showed 124,000 fewer jobs as of March 2013 than previously reported, with the bulk of this markdown coming from the trade, transportation, & utilities industry group (more precise details won't be available until February). The level change to the March 2013 job count likely won't have much impact on the monthly changes that have been reported, so what has felt like a frustratingly slow and uneven recovery in the labor market will continue to feel so. The September employment report won't change that, even should our above-consensus call be near the mark. The only remedy is a sustained period of faster economic growth which becomes harder to achieve with the "leadership" in Washington seemingly intent on throwing more hurdles in the economy's path.
September ISM Manufacturing Index Range: 53.0 to 57.2 percent Median: 55.2 percent	Tuesday 10/1	Aug = 55.7%	Down slightly to 55.4 percent, still indicative of steady expansion in the manufacturing sector but we simply look for the current production and new orders components to back down a bit from their sizeable jumps over the past two months.
August Construction Spending Range: -0.5 to 0.7 percent Median: 0.4 percent	Tuesday 10/1	Jul = +0.6%	Up by 0.3 percent with most of the gain coming from residential construction.
August Factory Orders Range: -0.5 to 1.2 percent Median: 0.2 percent	Thursday 10/3	Jul = -2.4%	Down by 0.3 percent. With durable goods orders up only nominally we look for a modest decline in orders for nondurable goods (which account for the majority of total orders) to pull the headline number slightly lower. Through August, Q3 core capital goods shipments were running below Q2's pace, calling into question how much support business spending provided for Q3 real GDP growth.
September Nonfarm Employment Range: 146,000 to 240,000 jobs Median: 178,000 jobs	Friday 10/4	Aug = +169,000	Up by 202,000 jobs with private sector payrolls up by 180,000 and government payrolls up by 22,000 with an assist from the education sector. We also look for the initial estimate for August to be revised higher.
September Manufacturing Employment Range: 5,000 to 10,000 jobs Median: 6,000 jobs	Friday 10/4	Aug = +14,000	Up by 6,000 jobs.
September Average Weekly Hours Range: 34.4 to 34.6 hours Median: 34.5 hours	Friday 10/4	Aug = 34.5 hrs	Unchanged at 34.5 hours.
September Average Hourly Earnings Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday 10/4	Aug = +0.2%	Up by 0.2 percent. Along with our expectations for hours worked and payroll counts, this translates into a 0.3 percent gain in aggregate private sector earnings, for a year-over-year increase of 4.2 percent.
September Unemployment Rate Range: 7.2 to 7.4 percent Median: 7.3 percent	Friday 10/4	Aug = 7.3%	Down to 7.2 percent. The kids may be all right, but once again they are the source of seasonal distortions in the household survey. An earlier start to the school year saw more young adults leave the labor force earlier than normal this year which contributed to the decline in the unemployment rate in August. In September the seasonal adjustment factors will compensate for larger declines than will actually occur in the unadjusted data on the labor force and household employment, pushing the seasonally adjusted counts artificially higher. The net result will be another decline in the unemployment rate. August and September illustrate the point of many FOMC members that there is less to the declining unemployment rate than meets the eye.

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