



### 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%

The August employment report was full of mixed messages. The payroll survey brought a soft headline job growth number underpinned by better details, while the household survey brought a positive headline underpinned by softer details. Total nonfarm employment rose by a smaller than anticipated 169,000 jobs and previously released estimates for June/July were revised materially lower. Beneath the soft August headline the details were better, with the one-month hiring diffusion index (which measures the breadth of hiring across industries) rising to its highest level since February, indicating broad based hiring. Declining payrolls in the motion picture industry (down by 22,200 jobs), finance, and nonresidential construction weighed on overall job growth (to add insult to injury, the job losses in the motion picture industry did not come in time to prevent the production and release of *The Lone Ranger* and *White House Down*). August also saw a solid 4.6 percent year-over-year increase in aggregate private sector earnings.

The household survey showed the unemployment rate fell to 7.3 percent but that decline came for the wrong reason, as it is a function of a decline in the labor force. Much, but not all, of that decline is due to younger adults leaving summer jobs/job seeking to return to school, which this year and last happened earlier than normal and as such has not been properly accounted for by the seasonal adjustment factors. In that sense, the decline in the labor force is not concerning, but what is concerning is the ongoing decline in labor force participation amongst those in the 45-to-54 year-old age group. The broader U6 measure of unemployment/underemployment fell from 14.0 percent in July to 13.7 percent in August but this too is largely a function of younger adults having left the labor force to return to school.

The mixed messages in the August employment report bring no clarity to the debate within the FOMC over the course of the Fed's large scale asset purchases. While not ruling out a vote at the September meeting to begin dialing down the pace of asset purchases, the August employment report makes that a closer call. We continue to expect such a vote in September, though the tapering may be more symbolic than substantive in light of the August employment report. This week's slate of data won't bring much in the way of hard evidence to sway undecided FOMC members one way or the other. The retail sales data should show a stepped up pace of growth of consumer spending but the PPI data will reinforce the worries of those FOMC members who feel low inflation is symptomatic of a weak economy.

#### August Producer Price Index

Range: -0.2 to 0.4 percent

Median: 0.1 percent

Friday, 9/13 Jul = 0.0%

Up by 0.3 percent, for a year-over-year increase of 1.4 percent. The prices paid component of the ISM Manufacturing Index kicked up in August, reflecting some fairly broad based pricing pressures across industry groups. This factors into our calls on both the total PPI and the core PPI but, even so, pricing pressures remain fairly muted.

#### August PPI – Core

Range: 0.1 to 0.3 percent

Median: 0.2 percent

Friday, 9/13 Jul = +0.1%

Up by 0.2 percent, which translates into a 1.4 percent year-over-year increase.

#### August Retail Sales

Range: 0.1 to 0.8 percent

Median: 0.4 percent

Friday, 9/13 Jul = +0.2%

Up by 0.8 percent. Motor vehicle sales will provide a boost to the headline sales number but will not be the only bright spot, as we look for fairly broad based gains in other categories. After a soft start to Q3 spending growth picked up in August and we look for Q3 growth in real consumer spending to top the 1.8 percent growth seen in Q2.

#### August Retail Sales – Ex-Auto

Range: 0.0 to 0.7 percent

Median: 0.3 percent

Friday, 9/13 Jul = +0.5%

Up by 0.6 percent. We look for control (or, core) retail sales to also be up by 0.6 percent.

#### July Business Inventories

Range: 0.0 to 0.3 percent

Median: 0.2 percent

Friday, 9/13 Jun = 0.0%

Total business inventories were up by 0.3 percent with total business sales rising by 0.7 percent thanks mainly to a 1.1 percent gain in manufacturing shipments.

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