ECONOMIC PREVIEW

REGIONS

Week of March 31. 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on April 29-30)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Expectations, ours included, are high for the March employment report (see below), and we look for sizeable gains in jobs, aggregate hours worked, and aggregate earnings. In part, this reflects payback from the effects of harsh winter weather that depressed hours and earnings over the prior two months. What should not be overlooked, however, is the steady decline in initial claims for Unemployment Insurance benefits. Save for technical issues that artificially held down filings in September 2013, the four-week moving average of initial claims is now at its lowest level since October 2007. Recall the headline job change number is a net figure, i.e., total hiring less total separations (which includes layoffs), so fewer layoffs will boost net job growth as will what we expect to be a stepped up pace of hiring to the point that average monthly job gains should be over the 200,000 mark in the months ahead. This week brings the first batch of data for March, so rather than saying our expectations are high perhaps we should say our hopes are high. After all, the kick off of the March data marks the start of put up or shut up time. At least for us and others who have seen the disappointing tone of the economic data over the past several weeks as mainly a function of unusually harsh winter weather rather than a deterioration in the economy's underlying fundamentals. The March data should be relatively clean and if our premise is correct we should begin to see significantly better data. The report on March motor vehicle sales (due April 1) will be a key early test along with the ISM survey and the jobs report. Better data would leave us feeling more confident in our view that we are still on course for real GDP growth of around 3.0 percent for the year as a whole. Continued softness in the data would leave us feeling like April fools and scurrying to rework our 2014 growth outlook.
March ISM Manufacturing Index Range: 52.5 to 55.0 percent Median: 53.9 percent	Tuesday, 4/1	Feb = 53.2%	Up a bit to 53.7 percent. We look for the current production component to bounce back after having fallen sharply over the past two months as weather impeded supply chains. By the same token, though, delivery times will have improved which will work against the top-line index. More significantly, we look for a modest slippage in the new orders component, reflecting some unwanted inventory builds, and look for little change in the employment component.
February Construction Spending Range: -1.0 to 0.5 percent Median: 0.1 percent	Tuesday, 4/1	Jan = +0.1%	Up by 0.4 percent.
February Factory Orders Range: -0.5 to 1.6 percent Median: 1.2 percent	Wednesday, 4/2	Jan = -0.7%	Up by 1.1 percent with most of the increase coming from a 2.2 percent increase in orders for durable goods. Most of that increase was accounted for by increased orders for motor vehicles and nondefense aircraft as core capital goods orders fell. On the whole, then, February's orders data are not constructive for cap ex.
February Trade Balance Range: -$41.0 to -$35.5 billion Median: -$38.6 billion	Friday, 4/3	Jan = -$39.1 bil	Narrowing to -$38.4 billion.
March Nonfarm Employment Range: 100,000 to 275,000 jobs Median: 195,000 jobs	Friday, 4/4	Feb = +175,000	We look for total nonfarm payrolls to be up by 266,000 jobs, with broad based hiring pushing private sector payrolls up by 257,000 jobs. We also look for government sector payrolls to increase by 9,000 jobs.
March Manufacturing Employment Range: 0 to 15,000 jobs Median: 6,000 jobs	Friday, 4/4	Feb = +6,000	Up by 12,000 jobs.
March Average Weekly Hours Range: 34.2 to 34.4 hours Median: 34.4 hours	Friday, 4/4	Feb = 34.2 hrs	Up to 34.4 hours. Roughly 6.9 million people had their normal full-time schedules pared to part-time in February due to inclement weather, depressing the length of the average workweek. We look for this to have rebounded in March.
March Average Hourly Earnings Range: 0.0 to 0.3 percent Median: 0.1 percent	Friday, 4/4	Feb = +0.4%	Up by 0.2 percent. Combined with our expectations for hours worked and private sector job gains, this would yield a 1.0 percent increase in aggregate private sector earnings month-to-month, for a 4.0 percent year-over-year increase.
March Unemployment Rate Range: 6.5 to 6.9 percent Median: 6.6 percent	Friday, 4/4	Feb = 6.7%	Down to 6.6 percent.

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