ECONOMIC PREVIEW

REGIONS

Week of June 2. 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on June 17-18)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The "things are really awful" crowd was out in full force last week, with revised data showing real GDP declined at an annual rate of 1.0 percent in Q1 followed by a report of declining consumer spending in April. It does strike us as a bit incongruous, though, that a lot of the same people who seize on any piece of bad data as an opportunity to scream about just how bad things are turn around and dismiss any piece of good data as part of the ongoing plot to hide the terrible truth from an unknowing public – so the good news is contrived but the bad news is genuine? Whatever. This week should tilt towards the conspiracy approach as most of the data will show the economy further distancing itself from the winter doldrums, the exception will be a forgettable report on worker productivity.
May ISM Manufacturing Index Range: 54.0 to 56.0 percent Median: 55.5 percent	Monday, 6/2	Apr = 54.9%	Up to 55.6 percent.
April Construction Spending Range: -0.1 to 1.2 percent Median: 0.7 percent	Monday, 6/2	Mar = +0.2%	Up by 0.6 percent.
April Factory Orders Range: -0.5 to 1.0 percent Median: 0.5 percent	Tuesday, 6/3	Mar = +0.9%	Up by 0.9 percent as a modest gain in orders for nondurable goods supplements the 0.8 percent increase in orders for durable goods. While April's gain in durable goods orders was mainly a result of a jump in orders for defense capital goods, both orders for and shipments of core capital goods came in easily above their Q1 averages, pointing to faster growth in business investment in Q2.
April Trade Balance Range: -$43.0 to -$38.0 billion Median: -$40.6 billion	Wednesday, 6/4	Mar = -$40.4 bil	Widening to -$41.2 billion.
Q1 Nonfarm Productivity – Rev. Range: -3.1 to -1.9 percent Median: -2.6 percent SAAR	Wednesday, 6/4	Q1 pre = -1.7%	Declining at an annualized rate of 3.1 percent. The significant downward revision stems from the revisions to the Q1 GDP data, which show real nonfarm business output declined at an annualized rate of 1.1 percent compared to the initial estimate of 0.3 percent growth, and we look for a slight upward revision to hours worked. With the productivity data we always caution to look at the underlying trend rather than the volatile quarter-to-quarter changes, but that won't help here as an already weak trend rate of productivity growth will now look even weaker.
Q1 Unit Labor Costs – Rev. Range: 0.5 to 5.7 percent Median: 4.8 percent SAAR	Wednesday, 6/4	Q1 pre = +4.2%	Rising at an annualized rate of 5.4 percent, the steep upward revision here is but the flip side of the downward revision to productivity growth.
May Nonfarm Employment Range: 110,000 to 250,000 jobs Median: 219,000 jobs	Friday, 6/6	Apr = +288,000	We look for total nonfarm payrolls to be up by 232,000 jobs, with broad based hiring pushing private sector payrolls up by 228,000 jobs. We also look for government sector payrolls to increase by 4,000 jobs.
May Manufacturing Employment Range: 5,000 to 15,000 jobs Median: 10,000 jobs	Friday, 6/6	Apr = +12,000	Up by 9,000 jobs.
May Average Weekly Hours Range: 34.4 to 34.5 hours Median: 34.5 hours	Friday, 6/6	Apr = 34.5 hrs	Unchanged at 34.5 hours.
May Average Hourly Earnings Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 6/6	Apr = 0.0%	Up by 0.2 percent which along with our calls on employment and hours worked yields a 0.4 percent increase in aggregate private sector earnings, for a year-over-year increase of 4.0 percent.
May Unemployment Rate Range: 6.2 to 6.5 percent Median: 6.4 percent	Friday, 6/6	Apr = 6.3%	Up to 6.4 percent. Even for data series typically characterized by a high degree of month-to-month volatility, the labor force and household employment have swung wildly over recent months, making it that much harder to get a read on May's unemployment rate. Moreover, May is typically the first month in which younger people seeking summer jobs come into the labor force, though May's inflow is no match for that seen in June. After having been well below average since the Great Recession, summer inflows increased sharply in 2013 and another large inflow this year could confound the seasonal adjustment factors. All in all, we look for a sufficiently large rebound in the labor force in May to nudge the unemployment rate higher after April's outsized decline.

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