ECONOMIC PREVIEW

REGIONS

Week of September 1. 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on September 16-17)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	An obscure macroeconomist once observed "no man is an island, nor is any economy" (well, okay, maybe no obscure macroeconomist actually ever said that before, but now one has). It is starting to feel more and more as though that is about to be put to the test. While the U.S. economy spent Q2 snapping back from a most curious contraction in Q1, the Euro Zone economy was busy doing, well, pretty much nothing at all as real GDP stagnated and the economy veered ominously towards outright deflation. While the U.S. economy seems to have settled into a faster underlying trend rate of growth – albeit with plenty of work yet to do – the Euro Zone continues to struggle under the weight of structural rigidities, weak demographics, and monstrously bad policy, and now mounting tensions with a major trading partner have been added for good measure. To be sure, Europe isn't the only concern – Asia is looking shaky and who knows how the Emerging Markets will fare when the Fed begins down the road of policy normalization. All of which raises the following question – if the rest of the world sinks, can the U.S. manage to stay afloat? Let's hope we don't have to find out.
August ISM Manufacturing Index Range: 55.0 to 58.5 percent Median: 57.0 percent	Tuesday, 9/2	Jul = 57.1	Falling slightly to 56.8 percent, as we look for the employment and new orders components to give back some of July's sizeable gains. Still, this would leave the headline index at a level consistent with solid growth in the factory sector.
July Construction Spending Range: -0.5 to 2.5 percent Median: 0.8 percent	Tuesday, 9/2	Jun = -1.8%	Up by 1.4 percent as June's declines in residential and public construction outlays are reversed.
July Factory Orders Range: 0.5 to 20.0 percent Median: 10.8 percent	Wednesday, 9/3	Jun = +1.1%	Up by 11.4 percent on the wings of the 22.6 percent increase in orders for durable goods that resulted in a better than 300 percent increase in aircraft orders. The rest of the July report will be much more, um, grounded.
July Trade Balance Range: -\$46.4 to -\$41.0 billion Median: -\$42.6 billion	Thursday, 9/4	Jun = -\$41.5 bil	Widening to -\$42.7 billion.
Q2 Nonfarm Productivity – 2nd est Range: 2.3 to 3.0 percent Median: 2.5 percent SAAR	Thursday, 9/4	Q2 1st est = +2.5%	Up at an annualized rate of 2.3 percent. While Q2 real GDP growth was revised slightly higher, the underlying details show output in the nonfarm business sector grew at a 5.0 percent rate, a small downward revision from the initial estimate. As such, Q2 productivity growth will be revised modestly lower.
Q2 Unit Labor Costs – 2nd est Range: 0.2 to 1.0 percent Median: 0.6 percent SAAR	Thursday, 9/4	Q2 1st est = +0.6%	Up at an annualized rate of 1.0 percent, with the upward revision partly due to the slower rate of productivity growth and partly due to the upward revision in worker compensation we expect based on the QCEW data.
August Nonfarm Employment Range: 195,000 to 300,000 jobs Median: 220,000 jobs	Friday, 9/5	Jul = +209,000	We look for total nonfarm payrolls to be up by 236,000 jobs, with private sector payrolls up by 222,000 jobs and government payrolls up by 14,000 jobs. We will caution the first estimate for August is prone to large upward revision – over the past five years the average revision to the August number between the first and third estimates has been plus 77,000 jobs. One reason is, next to January, August tends to see the lowest initial response rate to the establishment survey of any month. So, check back November 7 (the third estimate for August will turn up in the October employment report) to see how close we came on our call for August. In any event, we look for another month of solid and broad based job growth.
August Manufacturing Employment Range: 10,000 to 30,000 jobs Median: 20,000 jobs	Friday, 9/5	Jul = +28,000	Up by 12,000 jobs with a larger gain in jobs across durable goods industries being partially offset by further job losses in the nondurable goods industries. We think July's gain was at least partly inflated by seasonal adjustment issues, so our call for August would put factory job gains back in line with the underlying trend.
August Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.5 hours	Friday, 9/5	Jul = 34.5 hrs	Unchanged at 34.5 hours.
August Average Hourly Earnings Range: 0.2 to 0.3 percent Median: 0.2 percent	Friday, 9/5	Jul = +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 4.2 percent.
August Unemployment Rate Range: 6.0 to 6.2 percent Median: 6.1 percent	Friday, 9/5	Jul = 6.2%	Down to 6.1 percent.

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