ECONOMIC PREVIEW

REGIONS

Week of November 3, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on December 16-17)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The FOMC may have voted to end the Fed's monthly asset purchases, but don't consider "QE" dead, think of it as just having been put on the shelf as it will forever on be part of the Fed's monetary policy tool kit. Let's just hope they never have occasion to ever actually use it again. And, given reinvestment of proceeds from maturing assets will, at least for now, continue, the Fed's balance sheet is still getting further away from normal, it is just getting further away from normal at a slower rate. That does constitute progress, right?
October ISM Manufacturing Index Range: 55.0 to 57.2 percent Median: 56.4 percent	Monday, 11/3	Sep = 56.6%	Down to 56.2 percent. This would mark a second consecutive month-to-month decline which, rather than signaling an impending downturn, reflects growth in the manufacturing sector settling into a more sustainable pace. We do think the turbulent spell in the financial markets and some not so flattering global growth headlines over recent weeks will have impacted new orders in many industry groups but any such slowing should be transitory.
September Construction Spending Range: 0.2 to 1.4 percent Median: 0.7 percent	Monday, 11/3	Aug = -0.8%	Up by 0.7 percent.
September Trade Balance Range: -\$42.0 to -\$38.6 billion Median: -\$40.0 billion	Tuesday, 11/4	Aug= -\$40.1 bil	Widening to -\$41.6 billion. Lower prices will hold down the volume of petroleum imports but at the same time imports of non-petroleum goods should bounce up significantly as merchants begin prepping for the holiday sales season. With some modest growth in U.S. exports, the net result will be a slightly wider trade gap.
September Factory Orders Range: -1.0 to 1.0 percent Median: -0.5 percent	Tuesday, 11/4	Aug = +1.8%	Down by 0.6 percent due to the decline in orders for durable goods.
Q3 Nonfarm Productivity – prelim Range: 0.5 to 2.0 percent Median: 0.9 percent SAAR	Thursday, 11/6	Q2 = +2.3%	Up at an annualized rate of 1.6 percent. Nonfarm business output rose by 4.35 percent, annualized, in Q3, well ahead of growth in aggregate private sector hours worked. Still, on our preferred 8-quarter moving average basis productivity growth remains anemic, at just 0.7 percent.
Q3 Unit Labor Costs – prelim Range: 0.1 to 1.7 percent Median: 0.8 percent SAAR	Friday, 10/3	Q2 = -0.1%	Up at an annualized rate of 0.4 percent. Compensation growth slowed in Q3 which, coupled with our call on productivity growth, would yield but a modest increase in unit labor costs.
October Nonfarm Employment Range: 140,000 to 300,000 jobs Median: 228,000 jobs	Friday, 11/7	Sep = +248,000	We look for total nonfarm payrolls to be up by 258,000 jobs, with private sector payrolls up by 262,000 jobs and government payrolls down by 4,000 jobs. We also expect a second installment of upward revision to the August headline number and look for job growth to have remained broad based.
October Manufacturing Employment Range: 5,000 to 14,000 jobs Median: 10,000 jobs	Friday, 11/7	Sep = +4,000	Up by 9,000 jobs.
October Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.6 hours	Friday, 11/7	Sep = 34.6 hrs	Unchanged at 34.6 hours. As we wrote in this space last month, we were expecting the workweek to lengthen at some point, as happened in September. So, the first question is whether September's increase will survive revision and, if it does, the second question is whether the longer workweek persisted into October. If it seems we are attaching outsized significance to such a seemingly small change, recall each one-tenth of an hour change in the length of the average workweek is equivalent to over 300,000 private sector jobs in terms of the economy's productive capacity and has a powerful effect on aggregate earnings.
October Average Hourly Earnings Range: 0.2 to 0.3 percent Median: 0.2 percent	Friday, 11/7	Sep = 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. This would translate into an over-the-year increase of 4.95 percent, the largest such increase since March 2012. To illustrate our point about the significance of a one-tenth of an hour change in the workweek, should average weekly hours have dipped back to 34.5 hours the monthly change in aggregate earnings would be just 0.1 percent.
October Unemployment Rate Range: 5.8 to 6.1 percent Median: 5.9 percent	Friday, 11/7	Sep = 5.9%	Down to 5.8 percent. The other relevant details from the household survey will center on the number of those working-part time for economic reasons and the number of long-term unemployed, both well below their cyclical peaks but nonetheless far above levels that could be considered normal. These are amongst the indicators of an elevated, even if diminishing, degree of labor market slack.

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