

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate

(after the FOMC meeting on January 27-28)

Range: 0.00 to 0.25 percent

Median: 0.125 percent (mid-point of target range)

0.00% to 0.25%

As 2015 kicks off the books begin to close on the 2014 data, and the highlight this week is the December employment report. Relative to November's outsized increase in nonfarm employment, December's job gains may seem like a bit of a letdown, but December's gain is right in line with the underlying trend over the past year. We will note December is often a tricky month for forecasting the top-line job growth number as seasonal hiring can vary significantly from year to year, making the seasonal adjustment process somewhat of a wild card, which helps explain the wide range of estimates around the median forecast of a 240,000 increase (see below). And, as to the November number, over the past five years the average revision to the November number between the first and third estimates is a positive 68,000, so when all is said and done (to the extent all is ever said and done with the economic data) the final tally could be closer to 400,000 than to 300,000. As has been the case over the past several months, we expect job growth remained broad based in December.

We look for the unemployment rate to have held steady at 5.8 percent, though some key indicators are sending mixed messages. The four-week average of continuing claims for unemployment insurance rose between the November and December survey weeks, which would point to a higher unemployment rate. But, consumers' assessment of labor market conditions, as reported in the Conference Board's Consumer Confidence Index, improved, and this metric has been a reliable indicator of changes in the unemployment rate. Either way, however, a sub-six percent headline unemployment rate is masking what remains, to borrow the FOMC's phrase, significant underutilization of labor resources. Taken together, those unemployed, those working part-time for economic reasons, and those marginally attached to the labor force totaled more than 18 million people in November, down from the cyclical high of just under 27 million people but still around 5 million higher than would be consistent with a labor market in full health. This helps account for what thus far has been a lack of meaningful acceleration in growth of hourly earnings.

November Factory Orders

Range: -1.4 to 2.2 percent

Median: -0.4 percent

Tuesday, 1/6 Oct = -0.7%

Up by 0.2 percent as an increase in orders for nondurable goods offsets a decline in durable goods orders. Make that a surprising decline in durable goods orders. The spike in orders for nondefense aircraft reported by Boeing didn't quite make it into the Commerce Department's preliminary report on durable goods, and that report's details on core capital goods orders were also surprisingly weak. As such, we will be watching to see whether there will be revisions to the decline in durable goods orders reported in the preliminary data.

November Trade Balance

Range: -\$43.9 to -\$39.0 billion

Median: -\$42.0 billion

Wednesday, 1/7 Oct = -\$43.4 bil

Narrowing only slightly to -\$43.1 billion. We look for increases in both imports and exports, but also think the stronger U.S. dollar and softer global growth environment will have begun to act as a drag in U.S. exports, a drag that will become more pronounced over coming months.

December Nonfarm Employment

Range: 175,000 to 305,000 jobs

Median: 240,000 jobs

Friday, 1/9 Nov = +321,000

We look for total nonfarm payrolls to be up by 248,000 jobs, with private sector payrolls up by 254,000 jobs as hiring remained broad based across private sector industry groups. We look for government payrolls to be down by 6,000 jobs – total government sector payrolls have fallen every December since 2008.

December Manufacturing Employment

Range: 5,000 to 20,000 jobs

Median: 15,000 jobs

Friday, 1/9 Nov = +28,000

Up by 14,000 jobs.

December Average Weekly Hours

Range: 34.5 to 34.6 hours

Median: 34.6 hours

Friday, 1/9 Nov = 34.6 hrs

Unchanged at 34.6 hours. Note November was the third consecutive month for which the initial print on hours worked came in at 34.6 hours – both September and October were subsequently revised lower, will November be as well?

December Average Hourly Earnings

Range: 0.0 to 0.3 percent

Median: 0.2 percent

Friday, 1/9 Nov = +0.4%

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 annualized growth in aggregate private sector earnings of 5.6 percent in Q4, but this growth will be even faster should the much awaited pickup in average hourly earnings growth ever materialize.

December Unemployment Rate

Range: 5.6 to 5.8 percent

Median: 5.7 percent

Friday, 1/9 Nov = 5.8%

Unchanged at 5.8 percent.

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial or other plan or decision.