ECONOMIC PREVIEW

REGIONS

Week of June 29, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on July 28-29):* Target Range Midpoint: 0.125 to 0.125 percent Median Target Range Midpoint: 0.125 percent		0.125%	The June employment report is the highlight of a holiday shortened week. We anticipate another month of solid and broad-based job growth marking a seventh consecutive month in which the running 12-month change in employment tops the 3 million jobs mark, a streak last seen in the 1990s. We also expect a two-tenths of a point drop in the unemployment rate, taking it to 5.3 percent which is more than anything a function of the typical month-to-month swings in the measured labor force. If you recall, the labor force rose by 397,000 persons in May, which pushed the jobless rate up to 5.5 percent. This was largely seen as a good thing as it was taken as a sign improving labor market conditions were luring more job seekers into/back into the labor force. Which would be all well and good were it actually the case but the underlying details told a different story. Each year May and June see an influx of summer job seekers aged 16-to-24; this year those 20-to-24 showed up in May in greater numbers than usual – the not seasonally adjusted data show the largest May increase amongst this age group in the life of the data that go back to 1948. This accounted for almost all of the reported increase in the total labor force in May. The number of summer job seekers in the 16-to-19 age group tends to be far larger than the 20-to-24 age group, but in each of the past two Junes the raw number of 16-to-19 year-old entrants into the labor force has been smaller than the year before, thus wreaking havoc on the seasonal adjustment factors, just as the 20-to-24 year-olds did in May (who said kids don't know how to have fun anymore). So, the bottom line is we expect more seasonal adjustment noise to yield a smaller than normal increase in the labor force in June, thus pushing the jobless rate down. In any event, regardless of where the jobless rate settles, the underlying theme of the labor market will remain the same – further improvement but with a still elevated degree of slack that will continue to be pared down only slowly.
June Consumer Confidence Index Range: 95.5 to 100.6 percent Median: 96.8 percent	Tuesday, 6/30	May = 95.4	Up to 96.8 as we expect modest gains in both the current conditions and expectations components. As always, though, our main interest will be the part of the survey focused on consumers' perceptions of labor market conditions.
June ISM Manufacturing Index Range: 52.0 to 54.5 percent Median: 53.1 percent	Wednesday, 7/1	May = 52.8%	Down to 52.6 percent. May's unexpectedly large increase means one of two things – the pace of activity in the factory sector is accelerating or there will have been some settling back in June. We think the latter, with little change in our view of the factory sector – modest growth on the whole with auto production a stand out while energy and, to a diminishing degree, exports remain drags.
May Construction Spending Range: -0.8 to 0.7 percent Median: 0.3 percent	Wednesday, 7/1	Apr = +2.2%	Down by 0.8 percent, reflecting payback after April saw outsized gains across the board in private and public construction. One wild card here is the May report will incorporate the benchmark revisions to the historical data.
May Factory Orders Range: -1.4 to 0.1 percent Median: -0.5 percent	Thursday, 7/2	Mar = -0.4%	Down by 0.7 percent as falling durable goods orders drag total orders down with them. As with each month, the single most relevant number in this release is the read on core capital goods orders, which will have risen in May.
June Nonfarm Employment Range: 200,000 to 250,000 jobs Median: 230,000 jobs	Thursday, 7/2	May = +280,000	Up by 234,000 jobs with private payrolls up by 228,000 jobs and government payrolls up by 6,000 jobs.
June Manufacturing Employment Range: 3,000 to 13,000 jobs Median: 5,000 jobs	Thursday, 7/2	May = +7,000	Up by 9,000 jobs.
June Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.5 hours	Thursday, 7/2	May = 34.5 hrs	Up to 34.6 hours. The past few months have seen the mix of jobs weigh on the length of the average workweek but we expect that in June average hours ticked back up to 34.6 hours.
June Average Hourly Earnings Range: 0.1 to 0.3 percent Median: 0.2 percent	Thursday, 7/2	May = +0.3%	Up by 0.2 percent which, together with our calls on job gains and hours worked, yields a 0.6 percent increase in aggregate wage and salary earnings (up 5.1 percent year-on-year). But, if we are wrong and the workweek held at 34.5 hours the gain in aggregate earnings will be considerably smaller.
June Unemployment Rate Range: 5.3 to 5.5 percent Median: 5.4 percent	Thursday, 7/2	May = 5.5%	Down to 5.3 percent, as noted above. The pool of "underutilized labor resources" – the numerator in the U6 rate calculation – will fall further but will likely remain above 17 million persons, or, almost 4 million higher than would be normal.

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