ECONOMIC PREVIEW

REGIONS

Week of August 3, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on September 16-17):* Target Range Midpoint: 0.125 to 0.125 percent Median Target Range Midpoint: 0.125 percent		0.125%	The July employment report tops this week's crowded data docket. Like much of the other top-tier data of late, July's employment report won't be a reason for the FOMC to not raise the Fed funds rate in September, which isn't quite the same as it being a reason for the FOMC to raise the Fed funds rate in September.
June Personal Income Range: 0.0 to 0.4 percent Median: 0.3 percent	Monday, 8/3	May = +0.5%	<u>Up</u> by 0.4 percent. Labor earnings will make but a small contribution to June's growth in total personal income, as aggregate private sector earnings logged a gain of just 0.2 percent. Instead, support for income growth in June came from interest, dividends, and rents along with faster growth in transfer payments than was seen in May. On an over-the-year basis, total personal income will be up 4.4 percent, by no means stellar but keep in mind inflation is running at well below 1.0 percent, so the bottom line is real income is growing at a healthy clip.
June Personal Spending Range: 0.0 to 0.4 percent Median: 0.2 percent	Monday, 8/3	May = +0.9%	<u>Up</u> by 0.1 percent. We know from the June retail sales data spending on goods was weak during the month – or, in the case of motor vehicles, just not as strong as in May. In any event, growth in total consumer spending in June will be due to growth in spending on services, which is not included in the retail sales data but which accounts for roughly two-thirds of all consumer spending.
July ISM Manufacturing Index Range: 52.0 to 54.2 percent Median: 53.8 percent	Monday, 8/3	Jun = 53.5%	<u>Down</u> to 53.1 percent. June's increase seemed a bit outsized, at least to us, particularly the employment, inventories, and supplier delivery components. We look for some settling back in the July data but our call is nonetheless consistent with continued growth in the factory sector, with energy still a drag. After two months of expanding, export orders fell in June so July's read will be of note.
June Construction Spending Range: 0.3 to 0.8 percent Median: 0.6 percent	Monday, 8/3	May = +0.8%	<u>Up</u> by 0.4 percent.
June Factory Orders Range: 0.9 to 2.0 percent Median: 1.7 percent	Tuesday, 8/4	May = -1.0%	<u>Up</u> by 1.7 percent thanks to a jump in durable goods orders resulting from a sizeable increase in orders for nondefense aircraft. As is the case each month, the most significant line item here will be new orders for core capital goods, which had been trending lower in recent months before rising in June.
June Trade Balance Range: -$46.7 to -$40.0 billion Median: -$42.7 billion	Wednesday, 8/5	May = -$41.9 bil	<u>Widening</u> to -$43.8 billion.
July Nonfarm Employment Range: 200,000 to 250,000 jobs Median: 221,000 jobs	Friday, 8/7	Jun = +223,000	<u>Up</u> by 236,000 jobs with private payrolls <u>up</u> by 230,000 jobs and government payrolls <u>up</u> by 6,000 jobs. One downside risk to our forecast is the possibility of renewed job cuts in the oil & gas industry. After a period of (relative) stability in crude oil prices, job losses in the oil & gas industry moderated in June. With oil prices turning lower in July, however, there will be further job cuts in the industry though we do not expect those to appear in the July employment data.
July Manufacturing Employment Range: 0 to 16,000 jobs Median: 5,000 jobs	Friday, 8/7	Jun = +4,000	<u>Up</u> by 12,000 jobs. We've built in some seasonal adjustment noise into our call here, as seasonal shutdowns in the auto industry were less widespread than normal, but the underlying trend remains on the soft side.
July Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.5 hours	Friday, 8/7	Jun = 34.5 hrs	Up to 34.6 hours. We expect a better performance from the goods producing sector, which admittedly includes possible seasonal adjustment issues in the manufacturing sector, to push the average workweek up by one-tenth of an hour.
July Average Hourly Earnings Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 8/7	Jun = 0.0%	<u>Up</u> by 0.3 percent, reflecting an evening out after hourly earnings were flat in June. This would leave hourly earnings up 2.2 percent, year-on-year. Our calls on job growth, average hourly earnings, and hours worked combine to yield a 0.8 percent increase in aggregate private sector earnings (up 5.1 percent, year-on-year). The downside main downside risk here is the workweek stays at 34.5 hours, in which case we would see a 0.5 percent increase in aggregate earnings.
July Unemployment Rate Range: 5.2 to 5.4 percent Median: 5.3 percent	Friday, 8/7	Jun = 5.3%	<u>Up</u> to 5.4 percent. Sure, it matters what the unemployment rate is and how it changes from month to month. But, it is also important to not lose sight of why the rate changes from month to month, particularly given the inherent volatility in the household survey data. It was a steep decline in the labor force, concentrated amongst males aged 16-to-24, that led to the unemployment rate falling to 5.3 percent in June. We look for that to have reversed, at least partially, in July and expect growth in the labor force to nudge the unemployment rate up.

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