ECONOMIC PREVIEW

REGIONS

Week of August 31, 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 0.375 percent Median Target Range Midpoint: 0.125 percent		0.125%	74,000 jobs. On its own merits, little more than a rounding error, equivalent to roughly 0.05 percent of total nonfarm employment. Yet, in conjunction with the August employment report, 74,000 jobs looms as a very large number. Over the past six years, the average revision to the August change in nonfarm payrolls between the initial print and the third estimate (issued in November) is a positive 74,000 jobs. Think of the implications if this pattern holds this year with the August employment report taking on added significance ahead of the September FOMC meeting with a Fed funds rate hike still on the table. In light of the recent turbulence in global financial markets, a headline print in the vicinity of 140,000 to 150,000 jobs would seemingly squash whatever chance there still is of a funds rate hike. Sure, if we're aware of this "quirk" in the August data, rest assured the data dependent FOMC is also aware of it but, really, "just wait – that August employment number will be revised higher" wouldn't necessarily be the best way to get already antsy financial markets to come to terms with a funds rate hike.
August ISM Manufacturing Index Range: 51.0 to 54.0 percent Median: 52.8 percent	Tuesday, 9/1	Jul = 52.7%	Up slightly to 53.0 percent. The late-August turbulence in global financial markets will likely not register in this round of the ISM survey, though it could well be evident in the September survey. But, for all the recent worries, the reality is a stronger U.S. dollar and a soft global growth environment have been weighing on the factory sector for over a year now, yet the manufacturing sector continues to put up steady growth, even if at a moderate pace. We expect the August ISM Manufacturing Index to show more of the same.
July Construction Spending Range: 0.4 to 1.4 percent Median: 0.8 percent	Tuesday, 9/1	Jun = +0.1%	Up by 0.9 percent.
Q2 Nonfarm Productivity – Revised Range: 2.0 to 3.3 percent Median: 2.5 percent SAAR	Wednesday, 9/2	Q2 pre = +1.3%	Up at an annual rate of 3.3 percent. Revised Q2 GDP data show much faster growth in nonfarm business output than initially estimated. This points to a large upward revision to productivity growth, but the underlying trend remains anemic.
Q2 Unit Labor Costs – Revised Range: -1.5 to 1.4 percent Median: -0.7 percent SAAR	Wednesday, 9/2	Q2 pre = +0.5%	Down at an annual rate of 1.3 percent, which is simply a byproduct of the upward revision to productivity growth. As with productivity growth, the underlying trend rate of growth in unit labor costs remains notably soft.
July Factory Orders Range: -0.4 to 1.1 percent Median: 0.7 percent	Wednesday, 9/2	Jun = +1.8%	Up by 1.1 percent thanks to a strong showing for durable goods orders. Details on core capital goods orders and shipments provide a more constructive backdrop for Q3 capital spending, which will support current quarter real GDP growth.
July Trade Balance Range: -\$45.9 to -\$41.0 billion Median: -\$44.5 billion	Thursday, 9/3	Jun = -\$43.8 bil	Widening to -\$45.9 billion with exports remaining soft and imports kicking up. We're looking for trade to be a modest drag on Q3 real GDP growth.
August Nonfarm Employment Range: 120,000 to 250,000 jobs Median: 220,000 jobs	Friday, 9/4	Jul = +215,000	Up by 232,000 jobs with private payrolls up by 211,000 jobs and government payrolls up by 22,000 jobs. Per our comments above, we're projecting the August payroll numbers we think we will ultimately get, even if not this Friday. Our call on government payrolls reflects the typical start of the school year effects, though some of this may spill over into the September report. As has been the case over recent months, we expect the service industries to drive total job growth with but a modest increase in payrolls in the goods producing industries.
August Manufacturing Employment Range: 4,000 to 8,000 jobs Median: 5,000 jobs	Friday, 9/4	Jul = +15,000	Up by 4,000 jobs – we think July's reported increase was somewhat propped up by seasonal adjustment and do not expect the hiring reported in the nondurable goods industries in July to have been repeated in August.
August Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.5 hours	Friday, 9/4	Jul = 34.6 hrs	Down to 34.5 hours, and we won't be at all surprised if the initial print for July is revised down to 34.5 hours as well. With payrolls in mining & natural resources and manufacturing (non-auto) under pressure average hours are being held down.
August Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.2 percent	Friday, 9/4	Jul = +0.2%	Up by 0.2 percent which, along with our calls on job growth and average weekly hours, yields a scant 0.1 percent increase in aggregate private sector earnings (but, up 4.5 percent year-on-year). For some time, growth in aggregate hours had been offsetting meager gains in average hourly earnings but, of late, not so much.
August Unemployment Rate Range: 5.2 to 5.5 percent Median: 5.3 percent	Friday, 9/4	Jul = 5.3%	Down to 5.2 percent. In recent years August has seen little change in either the labor force or household employment. We expect the same this year, with the net result a slight drop in the jobless rate (July's unrounded rate was 5.261 percent).

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