ECONOMIC PREVIEW

REGIONS

Week of September 28 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on October 27-28):* Target Range Midpoint: 0.125 to 0.375 percent Median Target Range Midpoint: 0.125 percent		0.125%	In addition to being a great ballplayer and by all accounts an even better man, the late Yogi Berra also dabbled in monetary policy. Sure, Mr. Berra's dictum "when you come to a fork in the road, take it" may not have been intended as a guide for central bankers, but the FOMC sure seems to have taken it to heart. Mixed messages of late have left the markets quite confused. But, Mr. Berra was the voice of clarity on this one too – a zero percent funds rate ain't over till it's over.
August Personal Income Range: 0.3 to 0.3 percent Median: 0.4 percent	Monday, 9/28	Jul = +0.4%	<u>Up</u> by 0.4 percent. Wage and salary earnings, in both the private and public sectors, will pace August's gain in total personal income, though we think the August employment report overstated the gain in private sector earnings. Rental income should continue a string of hefty gains that leave this series growing at better than 8 percent year-on-year. Our call would leave total personal income up 4.2 percent on a year-over-year basis, easily outpacing inflation.
August Personal Spending Range: 0.2 to 0.4 percent Median: 0.3 percent	Monday, 9/28	Jul = +0.3%	<u>Up</u> by 0.3 percent. Services, which account for roughly two-thirds of consumer spending, will be the main driver of August's gain in total spending. We continue to argue price effects are weighing down reported growth in nominal spending, so our focus will be on the inflation-adjusted spending data.
September Consumer Confidence Index Range: 92.0 to 100.8 Median: 97.0	Tuesday, 9/29	Aug = 101.5	<u>Down</u> to 97.1 – the heightened volatility in financial markets since mid-August was not captured in August's confidence data but we expect it to be reflected in the September data, hence our expected decline in the headline index.
September ISM Manufacturing Index Range: 49.8 to 52.0 percent Median: 50.7 percent	Thursday, 10/1	Aug = 51.1%	<u>Down</u> to 49.8 percent, leaving the headline index below 50.0 percent, the line that delineates between contraction and expansion in the factory sector, for the first time since November 2012. The two main factors we see as being in play here are export related weakness in non-auto manufacturing, and an ongoing inventory correction that is weighing down new orders and production. The latter should soon run its course but a weak global growth environment and what will likely be further appreciation in the U.S. dollar will be more lasting drags.
August Construction Spending Range: 0.2 to 0.8 percent Median: 0.7 percent	Thursday, 10/1	Jul = +0.7%	<u>Up</u> by 0.5 percent.
August Factory Orders Range: -2.4 to -0.4 percent Median: -1.3 percent	Friday, 10/2	Jul = +0.4%	<u>Down</u> by 0.9 percent due to a decline in orders for durable goods.
September Nonfarm Employment Range: 180,000 to 220,000 jobs Median: 200,000 jobs	Friday, 10/2	Aug = +173,000	<u>Up</u> by 197,000 jobs with private payrolls <u>up</u> by 208,000 jobs and government payrolls <u>down</u> by 11,000 jobs. The first order of business will be a potentially sizeable upward revision to the initial August print. After that, though, this report will look much like others of late, with services accounting for all of September's job gains – payrolls in the goods producing industries will have fallen as job cuts in manufacturing and energy offset rising construction payrolls.
September Manufacturing Employment Range: -5,000 to 8,000 jobs Median: 0 jobs	Friday, 10/2	Aug = -17,000	<u>Down</u> by 4,000 jobs.
September Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.6 hours	Friday, 10/2	Aug = 34.6 hrs	<u>Down</u> to 34.5 hours, though we are also looking for a downward revision to August's average hours worked. The mix of jobs going on the books over the past several months – services accounting for all job growth amidst net job losses in the goods producing industries – is simply not conducive to a longer workweek.
September Average Hourly Earnings Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 10/2	Aug = +0.3%	<u>Up</u> by 0.2 percent which along with our calls on job growth and average weekly hours leaves aggregate private sector earnings flat for the month (up 4.8 percent year-on-year). For some time, growth in aggregate hours had been offsetting modest gains in hourly earnings to drive faster growth in aggregate earnings but, of late, not so much. And, if average weekly hours for August are revised lower as we expect, so too will be growth in aggregate earnings, even with an upward revision to the number of people working. This is a telling illustration of the impact of a one-tenth of an hour change in the average workweek.
September Unemployment Rate Range: 5.0 to 5.2 percent Median: 5.1 percent	Friday, 10/2	Aug = 5.1%	<u>Unchanged</u> at 5.1percent.

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