ECONOMIC PREVIEW

REGIONS

Week of March 3. 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on March 18-19)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Though not considered market moving data, the monthly report on personal income and spending nonetheless contains much valuable detail. The January report, due Monday, will merit more than the usual degree of attention as it will give us the first complete look at consumer spending in January. In the wake of a disappointing report on January retail sales many analysts were quick to mark down their estimates of Q1 real GDP growth, perhaps too quick. What we do not yet know is the extent to which consumers shifted, rather than cut, spending in January. We suspect harsh winter weather diverted spending away from goods and towards utilities – one component of household spending on services. Household services account for roughly two-thirds of consumer spending and are not covered by the retail sales report. Sure, spending on utilities is not nearly as fun as spending on a new pair of bell bottom jeans or the hottest new 8-track tape (which, as we understand it, is what the cool kids spend their money on these days) but, in terms of total consumer spending, it's all the same. As such, the January data will be a key component in shaping a view of Q1 real GDP growth.
January Personal Income Range: 0.0 to 0.8 percent Median: 0.2 percent	Monday, 3/3	Dec = 0.0%	Up by 0.2 percent. We look for modest growth in private sector labor earnings, rental income, and interest income but transfer payments will be somewhat of a wild card. January's data will reflect the running off of extended Unemployment Insurance benefits in late December and a smaller cost of living increase in Social Security payments than seen a year ago.
January Personal Spending Range: -0.4 to 0.3 percent Median: 0.1 percent	Monday, 3/3	Dec = 0.0%	Up by 0.3 percent largely due to higher utilities outlays. We look for the PCE deflator to be up 0.1 percent and the core PCE deflator to be up 0.2 percent; on an over-the-year basis, the total and core PCE deflators will both be up 1.1 percent.
February ISM Manufacturing Index Range: 49.5 to 53.7 percent Median: 52.0 percent	Monday, 3/3	Jan = 51.3%	Up to 53.5 percent. We look for a partial reversal of January's decline with the components for new orders and current production leading the way.
January Construction Spending Range: -1.5 to 0.4 percent Median: -0.3 percent	Monday, 3/3	Dec = +0.1%	Down by 1.4 percent, with declines across the board as we look for lower residential, commercial, and government construction outlays.
Q4 Nonfarm Productivity – Revised Range: 1.8 to 3.0 percent Median: 2.6 percent SAAR	Thursday, 3/6	Q4 pre = +3.2%	Up at an annualized rate of 1.8 percent, with the downward revision due to materially slower growth in nonfarm business output than previously estimated. We look for Unit Labor Costs to fall at an annualized rate of 0.4 percent.
January Factory Orders Range: -1.6 to 1.0 percent Median: -0.5 percent	Thursday, 3/6	Dec = -1.5%	Down by 0.3 percent as an increase in orders for nondurable goods will only partially offset the 1.0 percent drop in durable goods orders.
January Trade Balance Range: -$42.1 to -$36.0 billion Median: -$39.0 billion	Friday, 3/7	Dec = -$38.7 bil	Widening slightly to -$39.3 billion.
February Nonfarm Employment Range: 110,000 to 245,000 jobs Median: 150,000 jobs	Friday, 3/7	Jan = +113,000	Up by 153,000 jobs with private sector payrolls up by 162,000 and government payrolls down by 9,000. Once again weather will have an impact which we expect to be felt primarily in the goods producing sector.
February Manufacturing Employment Range: -5,000 to 10,000 jobs Median: 4,000 jobs	Friday, 3/7	Jan = +21,000	Up by 6,000 jobs.
February Average Weekly Hours Range: 34.2 to 34.5 hours Median: 34.4 hours	Friday, 3/7	Jan = 34.4 hrs	Unchanged at 34.4 hours.
February Average Hourly Earnings Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 3/7	Jan = +0.2%	Up by 0.2 percent which, along with our expectations for private sector job gains and hours worked yields a 0.3 percent increase in aggregate private sector earnings. This translates into an over-the-year increase of 3.6 percent.
February Unemployment Rate Range: 6.4 to 6.7 percent Median: 6.6 percent	Friday, 3/7	Jan = 6.6%	Down to 6.5 percent. We expect the data to reflect some of those who saw extended UI benefits expire in December leaving the labor force, which will help push the unemployment rate lower. If not in February, the unemployment rate will nonetheless soon be below the Fed's 6.5 percent threshold rate – one reason to expect a change in the Fed's forward guidance at the March FOMC meeting.

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