ECONOMIC PREVIEW

REGIONS

Week of March 2, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(after the FOMC meeting on March 17-18)* Target Range Midpoint: 0.125 to 0.150 percent Median Target Range Midpoint: 0.125 percent		0.125%	"Flexibility" is the new "patient," at least where the FOMC is concerned. The main takeaway from Fed Chair Yellen's Congressional testimony of last week, well, other than that she talks to, you know, Democrats, is that the FOMC will be patient as far as the timing of the initial hike in the Fed funds rate, but they will no longer tell us they will be patient. In her testimony Dr. Yellen paved the way for the FOMC to strike the word "patient" from their forward guidance at their March meeting. As she stressed, however, rather than locking in a mid-year hike in the funds rate, this change will give the FOMC the flexibility to decide at any given meeting from mid-year on whether or not the time is right.
January Personal Income Range: 0.2 to 0.5 percent Median: 0.4 percent	Monday, 3/2	Dec = +0.3%	Up by 0.4 percent with the largest contribution from private sector wage and salary earnings. Transfer payments should also post a sizeable increase, reflecting cost of living adjustments for certain entitlement programs
January Personal Spending Range: -0.3 to 0.1 percent Median: -0.1 percent	Monday, 3/2	Dec = -0.3%	Unchanged. Once again, measured nominal spending will be distorted by the effects of sharply lower gasoline prices but real, i.e., inflation adjusted, spending will be up big, setting a firm tone for real consumer spending growth in Q1.
February ISM Manufacturing Index Range: 51.0 to 54.0 percent Median: 53.2 percent	Monday, 3/2	Jan = 53.5%	Down to 52.1 percent. We think there will be a lot of noise in this month's report due to weather and issues tied to the west coast port situation, both of which could have a pronounced effect on the production and new orders components.
January Construction Spending Range: -0.3 to 0.6 percent Median: 0.3 percent	Monday, 3/2	Dec = +0.4%	Unchanged, as we look for gains in private sector construction, particularly residential construction, outlays to be negated by a pullback in public sector outlays after a large increase in December.
Q4 Nonfarm Productivity – 2nd estimate Range: -3.2 to -1.5 percent Median: -2.4 percent SAAR	Thursday, 3/5	Q4 1st est = -1.8%	Down at an annualized rate of 3.2 percent, as growth in nonfarm business output was revised lower and hours worked revised higher. Unit labor costs will be up at an annualized rate of 4.1 percent.
January Factory Orders Range: -2.9 to 1.5 percent Median: -0.3 percent	Thursday, 3/5	Dec = -3.4%	Up by 0.9 percent with rising durable goods orders offsetting a (price induced) decline in orders for nondurable goods. As already reported, core capital goods orders rose in January, ending the recent string of declines.
January Trade Balance Range: -$47.0 to -$39.0 billion Median: -$42.0 billion	Thursday, 3/5	Dec = -$46.6 bil	Narrowing to -$40.8 billion. November and December export shipments appear to have been sharply curtailed by the issues at the west coast ports, which we expect to have less impact in the January data. Another factor that drove the trade gap wider in December – an unusually large increase in the quantity of imported oil that swamped the impact of lower prices – should be reversed in the January data. The port saga impacted the trade gap and, in turn, real GDP growth in Q4, and this could be the case again in Q1 2015.
February Nonfarm Employment Range: 220,000 to 267,000 jobs Median: 240,000 jobs	Friday, 3/6	Jan = +257,000	Up by 262,000 jobs with private payrolls up by 269,000 jobs and government payrolls down by 7,000 jobs. While weather likely had an impact on the data, we think that will be more evident in hours worked (see below) than payroll counts. We do not see the average pace of 336,000 jobs over the past three months as sustainable but our call would leave job growth right in line with the 12-month average. We also look for job growth to have remained notably broad based.
February Manufacturing Employment Range: 7,000 to 25,000 jobs Median: 10,000 jobs	Friday, 3/6	Jan = +22,000	Up by 16,000 jobs.
February Average Weekly Hours Range: 34.5 to 34.6 hours Median: 34.6 hours	Friday, 3/6	Jan = 34.6 hrs	Down to 34.5 hours, but we see this as a one-off dip brought about by harsh weather in some parts of the U.S. If we are correct, the one-tenth of an hour decline in the length of the workweek will shave two-tenths of a percent off of growth in aggregate private sector earnings in February (see below).
February Average Hourly Earnings Range: 0.1 to 0.5 percent Median: 0.2 percent	Friday, 3/6	Jan = +0.5%	Up by 0.3 percent which, combined with our calls on job gains and hours worked will yield a 0.2 percent increase in aggregate private sector earnings. But, the year-over-year increase would be 5.3 percent, far outpacing inflation. More and more, growth in labor earnings is fueling faster growth in personal income despite growth in average hourly earnings not yet being up to speed.
February Unemployment Rate Range: 5.5 to 5.7 percent Median: 5.6 percent	Friday, 3/6	Jan = 5.7%	Down to 5.5 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com