ECONOMIC PREVIEW

REGIONS

Week of March 5, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 20-21 FOMC meeting):* Target Range Midpoint: 1.625 to 1.625 percent Median Target Range Midpoint: 1.625 percent	Range: 1.25% to 1.50% Midpoint: 1.375%	Fed Chairman Powell roiled the financial markets last week when, in the first phase of his Congressional testimony, he noted that his "personal outlook for the economy has strengthened since December" (audible gasp). Naturally this set off speculation that the FOMC would raise the Fed funds rate four times this year rather than the three hikes implied by the December dot plot. To be sure, in the second phase of his testimony Mr. Powell took care to point out that "there's no evidence that the economy is currently overheating." As if on cue, on that same day the read on inflation as measured by the PCE deflator as of January – the last before the March FOMC meeting – showed headline PCE inflation running at 1.7 percent and core PCE inflation running at 1.5 percent. We've noted elsewhere that inflation only becomes a story when it accelerates at a faster pace than the FOMC is anticipating. As of now, there is no evidence that is the case.
February ISM Non-Manufacturing Index Monday, 3/5 Range: 57.9 to 60.5 percent Median: 59.0 percent	Jan = 59.9%	Down to a still-strong 59.2 percent.
January Factory Orders Tuesday, 3/6 Range: -2.8 to -0.3 percent Median: -1.2 percent	Dec = +1.7%	Down by 1.4 percent. Orders for durable goods plummeted in January, and while this mostly reflected a sizeable decline in civilian aircraft orders, ex-transportation orders were soft. We do not expect this to persist, but that that won't make the January report look any better.
January Trade Balance Wednesday, 3/7 Range: -\$55.9 to -\$52.0 billion Median: -\$54.1 billion	Dec = -\$53.1 billion	Widening to -\$55.2 billion. The advance data show both exports from and imports into the U.S. fell in January following two months of solid increases. The decline in exports, however, was far bigger and, as such, the overall trade deficit will widen despite the modestly larger surplus we expect in the services account.
Q4 Nonfarm Productivity: 2nd estimate Wednesday, 3/7 Range: -0.6 to 0.4 percent Median: -0.1 percent SAAR	Q4 1st est. = -0.1% SAAR	Down at an annualized rate of 0.3 percent. Revised data show real output in the nonfarm business sector grew at a 3.2 percent rate, matching the initial estimate. At the same time, however, the revised employment data show aggregate hours worked grew faster in Q4 than had initially been estimated. The net result will be a more pronounced decline in labor productivity than initially estimated.
Q4 Unit Labor Costs: 2nd estimate Wednesday, 3/7 Range: 1.9 to 2.7 percent Median: 2.1 percent SAAR	Q4 1st est. = +2.0% SAAR	Up at an annualized rate of 2.2 percent. The upward revision to growth in unit labor costs is simply the flip side of the downward revision to productivity growth.
February Nonfarm Employment Friday, 3/9 Range: 180,000 to 237,000 jobs Median: 202,000 jobs	Jan = +200,000	Up by 227,000 jobs with private payrolls up by 213,000 jobs and government payrolls up by 14,000 jobs. The February data should, at least to some extent, reflect the reversal of two factors that weighed on the January data – atypically harsh winter weather and an early cutoff to the BLS's survey period.
February Manufacturing Employment Friday, 3/9 Range: 8,000 to 28,000 jobs Median: 15,000 jobs	Jan = +15,000	Up by 18,000 jobs.
February Average Weekly Hours Friday, 3/9 Range: 34.3 to 34.5 hours Median: 34.5 hours	Jan = 34.3 hours	Unchanged at 34.5 hours. The sharp decline in hours worked in January reflected transitory factors (i.e., the "bomb cyclone" and the flu) as opposed to structural factors and, as such, we should see a reversal of that decline in the February data. That said, the workweek is still shorter than would be the case in a labor market being stretched to capacity, which we have characterized as an underappreciated form of labor market slack.
February Average Hourly Earnings Friday, 3/9 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jan = +0.3%	Up by 0.2 percent, for a 2.8 percent year-on-year increase. We've noted elsewhere that there was far less to reported growth in hourly earnings in January than met the eye. While a reversal of calendar effects would set the stage for a larger increase (month-to-month) in the February data, we think this will be offset by the longer workweek. And, though it rarely gets even a passing mention, growth in aggregate earnings is of far more relevance than the change a single component (i.e., hourly earnings). Our calls on job gains, hours worked, and hourly earnings would yield a 1.0 percent increase in aggregate private sector wage and salary earnings, leaving them up 4.9 percent year-on-year.
February Unemployment Rate Friday, 3/9 Range: 4.0 to 4.1 percent Median: 4.0 percent	Jan = 4.1%	Unchanged at 4.1 percent.

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