

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

|  |   |  |
|--|---|--|
| <b>Fed Funds Rate: Target Range Midpoint</b><br><i>(After the January 29-30 FOMC meeting):</i><br>Target Range Midpoint: 2.375 to 2.375 percent<br>Median Target Range Midpoint: 2.375 percent | Range:<br>2.25% to 2.50%<br>Midpoint:<br>2.375% | The effects of the partial government shutdown will not be too visible given the light schedule of releases in this holiday-shortened week. Going forward, it will be a mixed bag. Data provided by private sector entities, such as the Conference Board, the ISM, and the NAR, will be released as scheduled. As for data provided by government agencies, it depends on whether or not those agencies have already been funded (hence the "partial" in partial government shutdown). The Federal Reserve does not rely on Congressional appropriations, so all data provided by the Fed, such as the regional manufacturing surveys, consumer credit, and industrial production, will be released on schedule. The Labor Department, of which the Bureau of Labor Statistics is the main statistical arm, is funded, meaning we will get the monthly employment reports, initial jobless claims, the CPI, and the PPI as scheduled. Conversely, the Bureau of Economic Analysis (BEA) and the Census Bureau roll up into the Commerce Department, which is not funded. This means that as long as the partial shutdown is in place, we will not get data on GDP, new home sales, housing permits/starts, factory orders, retail sales, personal income and spending, the PCE deflator, and international trade, among others. This is obviously less than ideal, but having some data, particularly the monthly employment reports, is better than having no data at all. Given the heightened uncertainty over the course of the U.S. economy, however, the sooner we go back to having all of the data, the better. |
| <b>December ISM Manufacturing Index</b> Wednesday, 1/3<br>Range: 55.0 to 59.0 percent<br>Median: 58.0 percent  | Nov = 59.3%                                     | <u>Down</u> to 56.9 percent. Data from the various regional surveys show manufacturing activity cooled in December, including new orders, which is one of our main forward looking indicators. What will be key over coming months is determining whether any slowdown in new orders reflects the unwinding of what has been a transitory boost from uncertainty over trade policy or something more ominous.  |
| <b>November Construction Spending</b> Wednesday, 1/3<br>Range: -0.1 to 1.2 percent<br>Median: 0.3 percent  | Oct = -0.1%                                     | <u>Up</u> by 0.3 percent. As noted above, this release will be delayed due to the partial government shutdown. Going forward, our <i>Preview</i> will continue to include all of the top-tier releases as they are scheduled, even if their release is delayed.  |
| <b>December Nonfarm Employment</b> Friday, 1/4<br>Range: 160,000 to 215,000 jobs<br>Median: 180,000 jobs   | Nov = +155,000                                  | <u>Up</u> by 208,000 jobs, with private sector payrolls up by 202,000 jobs and public sector payrolls up by 6,000 jobs. The first thing we'll look for is the revision to the initial estimate for job growth in November – weather issues clearly impacted the initial estimate, and either that will be revised higher or measured hiring in December will be stronger than would have otherwise been the case. Another wild card in the December estimate will be seasonal hiring in warehousing/distribution and retail trade. It isn't clear to us that the seasonal adjustment factors have been able to keep up with what have been rapidly changing holiday hiring patterns in these industry groups, and this can easily push reported top-line job growth in either direction. As such, this is one place where the raw, i.e., not seasonally adjusted, data will be of more use than the adjusted data. Another thing to watch for is the 1-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups. Hiring was less dispersed across the private sector in November than in any month since January, which we think was a one-off occurrence; either way, we watch this metric closely as an indicator of patterns in overall economic activity. All in all, 2018 will go down as a strong year for the labor market, with average monthly job gains topping 200,000 jobs, which is extraordinary for this stage of an expansion.   |
| <b>December Manufacturing Employment</b> Friday, 1/4<br>Range: 10,000 to 35,000 jobs<br>Median: 23,000 jobs  | Nov = +27,000                                   | <u>Up</u> by 22,000 jobs.  |
| <b>December Average Weekly Hours</b> Friday, 1/4<br>Range: 34.4 to 34.5 hours<br>Median: 34.5 hours  | Nov = 34.4 hours                                | <u>Up</u> to 34.5 hours. As with top-line job growth, weather held down hours worked in November, which in turn had an adverse impact on growth in aggregate wage and salary earnings. Both of these effects will be reversed in the December data.  |
| <b>December Average Hourly Earnings</b> Friday, 1/4<br>Range: 0.2 to 0.4 percent<br>Median: 0.3 percent  | Nov = +0.2%                                     | <u>Up</u> by 0.3 percent, for a year-on-year increase of 3.0 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.7 percent increase in aggregate private sector wage and salary earnings, leaving them up 5.0 percent year-on-year.  |
| <b>December Unemployment Rate</b> Friday, 1/4<br>Range: 3.6 to 3.7 percent<br>Median: 3.7 percent  | Nov = 3.7%                                      | <u>Unchanged</u> at 3.7 percent. The jobless rate was basically a rounding error away from being 3.6 percent in November, which is also the case with our December forecast. As such, we won't be surprised either way. That said, the December estimate will incorporate the annual revisions to the household survey data, which introduces added uncertainty into our forecast.   |

*This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.*