ECONOMIC PREVIEW

REGIONS

Week of April 29, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the April 30-May 1 FOMC meeting):* Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent	Range: 2.25% to 2.50% Midpoint: 2.375%	With trade and inventories combining to add 1.7 percentage points to top-line real GDP growth in Q1, there is no doubt that we are in for some payback, most likely in the Q2 data. At the same time, growth in real consumer spending is by no means as weak as is implied by the Q1 GDP data, and a faster pace of growth in consumer spending in Q2 will mitigate the impact of any drags from trade and inventories. None of which does anything to alter our outlook of full-year real GDP growth of around 2.4 percent for 2019. Or, as Fed Chair Powell has stated on more than one occasion, the economy is in a good place, with solid growth and no hints of mounting inflation pressures. Which sets the stage for this week's FOMC meeting to be very uneventful. We look for a modest upgrade to the Committee's assessment of current conditions, and Chairman Powell's post-meeting press conference is likely to be heavy on questions of what it will take for the FOMC to change the Fed funds rate again. While Mr. Powell will likely lay out some clear markers, it remains unlikely that the funds rate will change, in either direction, any time soon.
March Personal Income Monday, 4/29 Range: 0.3 to 0.4 percent Median: 0.3 percent	Feb = +0.2%	Up by 0.3 percent. An increase in average weekly hours will help offset a middling gain in average hourly earnings to yield a solid increase in aggregate wage and salary earnings, the largest single component of personal income. Healthy advances in rental income and proprietors' income will support top-line income growth. On the flip side, we look for weakness in income from assets (interest and dividend income), and we expect a meaningful decline in farm income as the boost from temporary subsidies to compensate for the loss of income from exports fades from the data. Our forecast would leave total personal income up 4.1 percent year-on-year.
March Personal Spending Monday, 4/29 Range: 0.5 to 0.8 percent Median: 0.7 percent	Feb = N/A	Up by 0.8 percent. The BEA will release spending data for both February and March in this week's report, and we look for spending to have rebounded sharply in March after a tepid February performance. The data on control retail sales and motor vehicle sales suggest a strong increase in spending on goods in March, and gasoline will bolster top-line spending growth due to price effects. Though the Q1 GDP data show somewhat uninspired growth in real consumer spending, keep in mind that the level of spending in March will be easily above the Q1 average, setting a solid base for current quarter growth in consumer spending.
March PCE Deflator Monday, 4/29 Range: 0.2 to 0.4 percent Median: 0.3 percent	Feb = N/A	Up by 0.3 percent, for a year-on-year increase of 1.6 percent. We look for the core PCE deflator to be up by 0.1 percent, which would yield a year-on-year increase of 1.7 percent.
Q1 Employment Cost Index Tuesday, 4/30 Range: 0.6 to 0.8 percent Median: 0.7 percent	Q4 2018 = +0.7%	Up by 0.8 percent, with the wages component up by 0.9 percent and the benefits component up by 0.8 percent. There may be some downside risk to our forecast for wage growth as measured in the ECI – wage growth as measured in the ECI has been biased higher in Q1 in recent years, and our forecast assumes this will again be the case. Either way, the over-the-year comparisons will be the most meaningful signal on growth in total labor compensation costs, and our forecast would leave the total ECI up 2.9 percent year-on-year, with the wages component up 2.9 percent and the benefits component up 2.8 percent. The ECI is our, and much more importantly the FOMC's, preferred gauge of growth in labor costs, and the ECI is sending the same message being sent by other measures – while growth in labor costs is steadily accelerating, it is not doing so at a pace suggesting a labor market on the boil. We don't look for this message to change over the next few quarters.
April Consumer Confidence Tuesday, 4/30 Range: 123.0 to 130.0 Median: 126.0	Mar = 124.1	Up to 128.6; while labor market conditions and rising stock prices should have been a support for consumer confidence, an offset will come in the form of rising gasoline prices. On the whole, we look for consumer confidence to be modestly higher.
April ISM Manufacturing Index Wednesday, 5/1 Range: 54.4 to 56.5 percent Median: 55.0 percent	Mar = 55.3%	Down to 54.5 percent. While we do not believe that what has been a broad based and long-running expansion in the factory sector is nearing its end, we do think that a backlog of inventories will act as a near-term drag on that expansion. As such, our forecast anticipates modest give-backs in the new orders and current production components will push the headline index lower. We see the gauge of supplier delivery times as a downside risk to our forecast. Recall that in mid-year 2018, rapid growth in new orders and production put considerable stress on supply chains, leading to materially slower supplier delivery times. While this helped push the headline ISM index higher, easing supply backlogs will be a source of downward pressure on the headline index. If this happens more rapidly than we anticipate, the headline index will underperform our forecast.

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March Construction Spending Wednesday, 5/1 Range: -0.4 to 0.5 percent Median: 0.1 percent	Feb = +1.0%	Down by 0.2 percent.
Q1 Nonfarm Labor Productivity Thursday, 5/2 Range: 0.3 to 3.0 percent Median: 1.0 percent SAAR	Q4 2018 = +1.9% SAAR	Up at an annualized rate of 3.0 percent. Real output in the nonfarm business sector grew at an annualized rate of 4.1 percent in Q1, and our forecast of aggregate hours worked is biased lower thanks to a sharp decline in hours worked by the self-employed, though we're never all that confident in our forecasts of aggregate hours worked as measured in the productivity data. Our forecast would put trend productivity growth, which we measure by the 8-quarter moving average of the quarterly rates, at 1.7 percent, which would be the highest since Q2 2011.
Q1 Unit Labor Costs Thursday, 5/2 Range: -0.2 to 2.7 percent Median: 2.1 percent SAAR	Q4 2018 = +2.0% SAAR	Down at an annualized rate of 0.2 percent, reflecting faster productivity growth and a slightly slower pace of growth in hourly comp costs relative to Q4 2018. This would push the 8-quarter moving average of growth in unit labor costs down to 1.1 percent.
March Factory Orders Thursday, 5/2 Range: 0.5 to 2.5 percent Median: 1.3 percent	Feb = -0.5%	Up by 1.7 percent, led by a strong increase in durable goods orders, with higher oil prices supporting growth in orders for nondurable goods.
March Advance Trade Balance: Goods Friday, 5/3 Range: -\$75.8 to -\$70.0 billion Median: -\$74.0 billion	Feb = -\$72.0 billion	Narrowing to -\$70.4 billion. The trade data continue to be clouded by firms having pulled orders and shipments forward in anticipation of trade battles intensifying. The trade data should be increasingly noise-free as we move through Q2 and beyond.
April ISM Non-Manufacturing Index Friday, 5/3 Range: 56.8 to 58.2 percent Median: 57.3 percent	Mar = 56.1%	Up to 58.0 percent.
April Nonfarm Employment Friday, 5/3 Range: 120,000 to 250,000 jobs Median: 185,000 jobs	Mar = +196,000 jobs	Up by 226,000 jobs, with private sector payrolls up by 222,000 jobs and public sector payrolls up by 4,000 jobs. We think weather effects weighed on reported job growth in construction in Q1 and our forecast anticipates payback in the April data. Retail trade poses a downside risk to our forecast, however, depending on the timing of store closings. Either way, a hit or a miss on our forecast of top-line job growth is little more than noise. We'll be more interested in the hiring diffusion index, our favorite beneath the headlines labor market indicator. Job growth remaining notably broad based gives us confidence that the current expansion has longer to run.
April Manufacturing Employment Friday, 5/3 Range: 0 to 18,000 jobs Median: 10,000 jobs	Mar = -6,000 jobs	Up by 9,000 jobs.
April Average Weekly Hours Friday, 5/3 Range: 34.4 to 34.5 hours Median: 34.5 hours	Mar = 34.5 hours	Unchanged at 34.5 hours.
April Average Hourly Earnings Friday, 5/3 Range: 0.2 to 0.3 percent Median: 0.3 percent	Mar = +0.1%	Up by 0.3 percent, for a year-on-year increase of 3.3 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.5 percent increase in aggregate private sector wage and salary earnings, leaving them up 5.3 percent year-on-year.
April Unemployment Rate Friday, 5/3 Range: 3.7 to 3.8 percent Median: 3.8 percent	Mar = 3.8%	Unchanged at 3.8 percent, though if labor force growth does not rebound as our forecast anticipates, the jobless rate could fall by one-tenth of a point.

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