ECONOMIC PREVIEW

REGIONS

Week of April 1, 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%	We'd like to say that it is somehow fitting that the report on February retail sales will be released on April Fools' Day, but, that would just be rude, so we won't say it. You see what we did there, right? Regardless of what the retail sales report brings, the March employment report is easily the most important release on this week's crowded docket, and we expect a trend-like increase in nonfarm employment.
February Retail Sales: Total Monday, 4/1 Range: -0.3 to 0.5 percent Median: 0.2 percent	Jan = +0.2%	Up by 0.3 percent. Though it is tempting to think that, after two months of retail sales data that we're still not sure we believe, the report on February retail sales would be a "clean" report but, when it comes to the retail sales data, there really is no such thing. Thanks to higher prices, gasoline should be supportive of top-line sales after having been a material drag in each of the prior two months. Elsewhere, we look for moderate but broad based growth across the major categories. Though we think that retail sales have firmed up thus far in 2019, the large decline in December retail sales will be the gift that keeps on giving – the level of retail sales in December was so far below the Q4 average that even with moderate growth so far this year, the Q1 average will be hard-pressed to get much above the Q4 average. That is particularly relevant for control retail sales, a direct input into the GDP data on consumer spending, and as a result Q1 growth in real consumer spending will be rather listless, which is a key reason we are looking for a one-handle on Q1 real GDP growth.
February Retail Sales: Ex-Auto Monday, 4/1 Range: -0.3 to 0.8 percent Median: 0.3 percent	Jan = +0.9%	Up by 0.4 percent.
February Retail Sales: Control Group Monday, 4/1 Range: -0.2 to 0.5 percent Median: 0.3 percent	Jan = +1.1%	Up by 0.3 percent.
March ISM Manufacturing Index Monday, 4/1 Range: 53.5 to 56.0 percent Median: 54.6 percent	Feb = 54.2%	Up to 54.7 percent. We look for modestly higher reads on the ISM's gauges of new orders and current production to push the headline index higher. One downside risk to our forecast is that supplier delivery times could pick up at a faster pace than we expect – this is hard to peg when growth is decelerating. Either way, the ISM data should show a continuation of the long-running expansion in the factory sector.
February Construction Spending Monday, 4/1 Range: -0.6 to 0.6 percent Median: -0.1 percent	Jan = +1.3%	Down by 0.6 percent. Our forecast anticipates that residential construction will be a material drag on overall construction outlays, though this mostly reflects weather related issues.
January Business Inventories Monday, 4/1 Range: 0.0 to 0.6 percent Median: 0.5 percent	Dec = +0.6%	We look for total business inventories to be up by 0.5 percent and for total business sales to be up by 0.1 percent. Though at this point there is not a lot of data to go on, it looks like inventories could actually be a modest support for Q1 real GDP growth. But, even if we're right on this point, what will have been a third consecutive quarter of sizable increases in business inventories sets the stage for meaningful payback, which we'll likely see in the Q2 GDP data. Of more significance, however, is the question of why we've seen such a large inventory build over recent quarters. While we think it mostly reflects firms trying to hedge against ongoing trade spats intensifying further, it could also reflect softening growth in final demand, and the latter would be a more worrisome explanation.
February Durable Goods Orders Tuesday, 4/2 Range: -2.6 to 0.8 percent Median: -1.0 percent	Jan = +0.3%	Down by 2.6 percent. The raw data show orders for civilian aircraft were much weaker in February than is typical for the month. This means the seasonally adjusted data should show a sizeable decline in this category, which will weigh on total orders. It is worth noting that in any given month, the headline number on the durable goods report is more noise than signal, as what are typically sharp swings in orders for civilian aircraft can easily bias the headline orders number. That could be even more the case over coming months given uncertainty over Boeing's 737-MAX, as any cancellations of existing orders will be deducted from durable goods orders in the month in which they occur. This simply reinforces our point that the details of the durable goods reports are always more meaningful than the headline numbers.
Feb. Durable Goods Orders: Ex-Transp. Tuesday, 4/2 Range: -0.4 to 0.8 percent Median: 0.1 percent	Jan = -0.2%	We look for ex-transportation orders to be up by 0.3 percent. As in any month, the most important number in the durable goods report will be core capital goods orders, which we look for to be up by 0.2 percent, but this would come on the heels of a 0.8 percent increase in January, so business investment in equipment & machinery still figures to be a support for top-line Q1 real GDP growth.

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March ISM Non-Manufacturing Index Wednesday, 4/3 Range: 56.5 to 60.0 percent Median: 58.0 percent	Feb = 59.7%	Down to 58.3 percent.
March Nonfarm Employment Friday, 4/5 Range: 145,000 to 255,000 jobs Median: 175,000 jobs	Feb = +20,000	Up by 179,000 jobs, with private sector payrolls up by 172,000 jobs and public sector payrolls up by 7,000 jobs. There was a considerable degree of noise in both the January and February employment reports, and the reported increase of just 20,000 jobs in February is no more reflective of the health of the labor market than is the reported increase of 311,000 jobs in January. There should be far less noise in the March report, which we expect to show job growth more in line with the trend rate. Beneath the headline job growth number, the metric we will be paying the most attention to is the hiring diffusion index, a measure of the breadth of hiring across private sector industry groups. One hallmark of the current expansion is how broad based hiring has been, and a significant and sustained narrowing in the base of hiring would tell us that the expansion is starting to run out of steam. We expect no such sign in the March data, but in light of all of the volatility in many of the top-tier data series, we're attaching more than the usual degree of significance to the details of the monthly employment reports, particularly the hiring diffusion index.
March Manufacturing Employment Friday, 4/5 Range: 5,000 to 18,000 jobs Median: 11,000 jobs	Feb = +4,000	Up by 13,000 jobs.
March Average Weekly Hours Friday, 4/5 Range: 34.4 to 34.5 hours Median: 34.5 hours	Feb = 34.4 hours	Up to 34.5 hours. Harsh weather in February meant that 1.9 million people worked part-time hours rather than their normal full-time hours, as reflected in the decline in average weekly hours. We look for this decline to have been reversed in March, and this one-tenth of an hour increase in the average workweek accounts for almost half of our forecasted increase in aggregate wage and salary earnings (see below).
March Average Hourly Earnings Friday, 4/5 Range: 0.1 to 0.3 percent Median: 0.2 percent	Feb = +0.4%	Up by 0.3 percent, for a year-on-year increase of 3.4 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 5.3 percent year-on-year.
March Unemployment Rate Friday, 4/5 Range: 3.7 to 3.8 percent Median: 3.8 percent	Feb = 3.8%	Unchanged at 3.8 percent.

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