

## Indicator/Action Economics Survey:

## Last Actual:

## Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the December 10-11 FOMC meeting):</i> Target Range Mid-point: 1.625 to 1.625 percent Median Target Range Mid-point: 1.625 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	A month ago, our reaction to the September employment report was that the report did not need to be great, it just needed to not be terrible and, happily, it cleared that low bar. In contrast, the October employment report had a free pass to be terrible. The free pass came in the form of the GM strike as, in keeping with BLS reporting practices, the 46,000 striking GM workers were not counted as employed in October, while any associated layoffs by downstream suppliers would also deduct from October's job count. As such, the bar for the October employment report was set quite low. It came as a pleasant surprise that, rather than living down to expectations, the October employment report blew past them to the upside. Total nonfarm payrolls rose by 128,000 jobs, and prior estimates of job growth in August and September were revised up by a net 95,000 jobs for the two-month period. To be sure, October estimates of job growth, average weekly hours, and average hourly earnings were all biased lower due to the GM strike, but these effects will be reversed in the November data. Other indicators, however, point to a still-solid labor market. Job growth remains broad based across private sector industries, while the weekly data on claims for Unemployment Insurance show no signs of rising layoffs. At the same time, consumers' assessments of labor market conditions remain near post-recession highs, and large numbers of people continue to flock into the labor force each month. In short, the labor market looks to be on much firmer footing than looked to be the case a month ago. This should allay concerns, which of late have been mounting, that the broader economy is being dragged toward recession by the struggling industrial sector.
<b>September Factory Orders</b> Range: -1.0 to 0.3 percent Median: -0.5 percent	Monday, 11/4 Aug = -0.1%	<u>Down</u> by 0.4 percent. The preliminary data show a 1.1 percent decline in durable goods orders, which will more than offset what we expect will be a modest increase in orders for nondurable goods. As in any month, pay particular attention to core capital goods orders, which have weakened materially of late. As this series is an early signal of business investment as measured in the GDP data, Q4 is setting up as a second consecutive quarter of contraction in business investment in equipment & machinery, something rarely seen outside of recessionary periods.
<b>September Trade Balance</b> Range: -\$55.0 billion to -\$52.0 billion Median: -\$52.5 billion	Tuesday, 11/5 Aug = -\$54.9 billion	<u>Narrowing</u> to -\$52.2 billion. The advance data on trade in goods show a smaller deficit in the goods account, which will pull the overall trade deficit down. Global trade flows have been all over the map (sorry, couldn't resist) over the past several months, reflecting the effects of trade disputes, tariffs (actual and expected), and slower global economic growth. More recently, trade flows have begun to drop off sharply, with both exports from and imports into the U.S. having declined in September. Absent a meaningful resolution of trade disputes that would perk up global economic growth, the data on trade will remain highly uneven over coming months.
<b>October ISM Non-Manufacturing Index</b> Range: 52.5 to 54.8 percent Median: 53.5 percent	Tuesday, 11/5 Sep = 52.6%	<u>Up</u> to 53.4 percent.
<b>Q3 Nonfarm Productivity</b> Range: 0.1 to 1.4 percent Median: 0.8 percent SAAR	Wednesday, 11/6 Q2 = +2.3% SAAR	<u>Up</u> at an annualized rate of 1.1 percent. Real output in the nonfarm business sector grew at an annualized rate of 2.1 percent in Q3, slightly outperforming top-line real GDP growth. As in any given quarter, however, the mystery here will be the measure of aggregate hours worked used to estimate productivity growth. We know from the monthly employment reports that growth in aggregate private sector hours worked has slowed over the past two quarters. At the same time, growth in aggregate hours worked as measured in the productivity data has been significantly slower than reported in the monthly employment data. Our forecast assumes this disparity will be smaller in the Q3 data, but it's hard to have a lot of conviction in that call and, in turn, our forecast for Q3 productivity growth. As always, we'll be more focused on the longer-term trend rate of productivity growth, which we measure with the 8-quarter moving average of the quarterly growth rates. Trend productivity growth has clearly picked up over recent quarters. The recent drop-off in business investment, however, poses a material downside risk to the acceleration in productivity growth, which in turn has negative implications for the economy's longer-term "speed limit." This will become increasingly apparent when the recent run of rising labor force participation comes to an end.
<b>Q3 Unit Labor Costs</b> Range: 1.6 to 3.0 percent Median: 2.2 percent SAAR	Wednesday, 11/6 Q2 = +2.6% SAAR	<u>Up</u> at an annualized rate of 2.3 percent.

*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.*