ECONOMIC PREVIEW

REGIONS

Week of March 6, 2023

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 21-22FOMC meeting):* Target Range Mid-point: 4.875 to 5.125 percent Median Target Range Mid-point: 4.875 percent	Range: 4.50% to 4.75% Midpoint: 4.625%	Amid signs that inflation pressures are proving more persistent, not only here in the U.S. but across Europe and Asia as well, than had been thought to be the case, this week's labor market indicators – the January JOLTS data on Wednesday and the February employment report on Friday – are unlikely to soothe those already on edge. At least if our forecasts of job growth and average hourly earnings are closer to the mark than the consensus forecasts. What is less clear, at least to us, is the extent to which signs of an uptick in inflation in the January data are genuine or simply reflect the considerable degree of seasonal adjustment noise that in almost every single release for the month of January made the data look stronger than was actually the case. And, even if not mainly reflecting noise in the data, the January inflation data could be no more than an upward blip amid a downward trend, as the economic data never move in straight lines – in either direction. With many market participants already pricing in a more aggressive policy stance on the part of the FOMC, the volatility seen in equity prices and yields on U.S. Treasury securities over the past two weeks is likely to persist through this month's FOMC meeting.
January Factory Orders Monday, 3/6 Range: -3.6 to -0.5 percent Median: -1.8 percent	Dec = +1.8%	<u>Down</u> by 2.1 percent. Orders for durable goods plummeted in January, reflecting a sizable decline in civilian aircraft orders, but core capital goods orders posted a solid gain after having softened notably over prior months. That increase, however, was helped along by generous seasonal adjustment and, as such, we're not attaching too much weight to it, particularly given how many firms have scaled back cap ex plans over the past several months amid a highly uncertain economic backdrop. We continue to expect flagging business investment in equipment and machinery to be a drag on real GDP growth in the quarters ahead.
January Trade Balance Wednesday, 3/8 Range: -\$71.0 to -\$64.1 billion Median: -\$68.9 billion	Dec = -\$67.4 billion	<u>Narrowing</u> to -\$68.6 billion on a wider deficit in the goods account.
February Nonfarm Employment Friday, 3/10 Range: 100,000 to 325,000 jobs Median: 203,000 jobs	Jan = +517,000 jobs	<u>Up</u> by 266,000 jobs, with private sector payrolls <u>up</u> by 259,000 jobs and public sector payrolls <u>up</u> by 7,000 jobs. Anyone looking for a respite from what we believe to have been a high degree of noise in the employment data will have to come back in another month, as we think the February data will also be somewhat noisy. Low response rates to the BLS's establishment survey have made the initial estimate of job growth in any given month less reliable than has typically been the case. Additionally, the initial estimate of January job growth was significantly bolstered by generous seasonal adjustment, and we think there will be a similar effect on the February data given unusually mild "winter" weather that prevailed last month. In January, the numbers of people either absent from work or working only part-time due to adverse weather were much lower than is typical for the month, and we expect that to again have been the case in February, particularly as weather effects have historically been much more pronounced in the February data than in the January data. Construction, leisure and hospitality services, and transportation are some of the industry groups in which atypically mild winter weather may result in estimates of February job growth being overstated in the seasonally adjusted data. It is also worth noting that the January survey period ended very early in the month, so it could be that some job growth that took place in January will have been pushed into the February data. None of this is to argue that the labor market is not strong, our point is simply that it's hard to assess the true state of the labor market given the high degree of noise in the data and impossible to do so if you do not even attempt to account for this noise. Other labor market indicators, such as trackers of job openings produced by private sector firms, suggest the demand for labor is slowing, though this is not yet apparent in the BLS data on job growth and job vacancies. Our sense, however, is that the various labor market indicators will converge as 2023 wears on.
February Manufacturing Employment Friday, 3/10 Range: 2,000 to 15,000 jobs Median: 10,000 jobs	Jan = +19,000 jobs	<u>Up</u> by 14,000 jobs.

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February Average Weekly Hours Range: 34.5 to 34.7 hours Median: 34.6 hours	Friday, 3/10	Jan = 34.7 hours	<u>Down</u> to 34.5 hours. On a not seasonally adjusted basis, average weekly hours rose in January, in contrast to the usual January decline. That unusual increase in the raw data was amplified in the seasonally adjusted data, pushing the average length of the workweek up by three-tenths of an hour, a huge change as average weekly hours go. We think, however, that we'll see the opposite effect in the February data – absent the usual February increase in average hours in the raw data, the seasonally adjusted estimate will be pushed lower. If we're correct on this point, it will in turn weigh on growth in aggregate wage and salary earnings (see below). This, however, would be little more than payback for the January data having been made to look stronger than was the case, with the "true" pace of private sector earnings growth somewhere between the January and February estimates.
February Average Hourly Earnings Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 3/10	Jan = +0.3%	<u>Up</u> by 0.5 percent, for a year-on-year increase of 4.9 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.1 percent increase in aggregate private sector wage and salary earnings, leaving them up 7.5 percent year-on-year.
February Unemployment Rate Range: 3.3 to 3.5 percent Median: 3.4 percent	Friday, 3/10	Jan = 3.4%	<u>Down</u> to 3.3 percent.

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