ECONOMIC PREVIEW

REGIONS

Week of November 4, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 6-7 FOMC meeting):* Target Range Mid-point: 4.625 to 4.875 percent Median Target Range Mid-point: 4.625 percent	Range: 4.75% to 5.00% Midpoint: 4.875%	Uncertainty over the outcome of the election has become somewhat of a catch-all explanation for all sorts of occurrences over the past few months, having been used to help account for instances of misses on corporate earnings, slowing growth in consumer spending, lackluster home sales, capital expenditures having been sidelined, and the general ineptitude of the Las Vegas Raiders thus far this season. Some of these are more plausible than others, and while you'll no doubt have your own thoughts on that, we'll start to know for sure in the weeks ahead. How many weeks ahead, though, remains to be seen. One thing we and most others do not expect to be impacted by the election is the FOMC cutting the Fed funds rate by twenty-five basis points at this week's meeting. The path forward for the FOMC, however, has become much less clear. While there is little doubt the labor market is cooling, there are reasons to think that core inflation, even if not meaningfully reaccelerating, may prove to be much stickier than many had been anticipating. While not ruling out further funds rate cuts, this would suggest only limited room for additional cuts over coming quarters.
September Factory Orders Monday, 11/4 Range: -0.9 to 0.1 percent Median: -0.5 percent	Aug = -0.2%	Down by 0.7 percent. We know from the advance data that civilian aircraft orders were a significant drag on top-line orders. As always, the most important line item in the report on factory orders will be orders for core capital goods (nondefense capital goods excluding aircraft & parts). Though core capital goods orders have been somewhat rangebound for the better part of the past two years, we expect more clear patterns to emerge in the months ahead.
September Trade Balance Tuesday, 11/5 Range: -\$87.9 to -\$72.2 billion Median: -\$84.1 billion	Aug = -\$70.4 billion	Widening to -\$83.4 billion on a significantly wider deficit in the goods account. The advance data on trade in goods show a spike of imports of both consumer goods and capital goods in September, which many attributed to firms pulling imports forward out of concern that a widespread strike by dock workers would halt the flow of goods in subsequent months. While that is certainly a plausible explanation, one would have expected a corresponding surge in inventories of consumer and capital goods, but there is little evidence of that in the inventory data for the month of September available at this point, and the BEA does not seem to have incorporated such a surge in their advance estimate of Q3 GDP. Either way, the wider trade deficit knocked six-tenths of a percentage point off top-line real GDP growth in Q3. While it would be reasonable to assume that, had firms pulled imports forward into September in anticipation of a port strike, the Q4 data would bring a reversal and the subsequent narrowing in the trade deficit would be a support for Q4 real GDP growth. But, the prospect of another, and potentially more protracted, port strike in mid-January may sustain imports at higher levels than would otherwise be the case which would, in turn, weigh on real GDP growth.
October ISM Non-Manufacturing Index Tuesday, 11/5 Range: 52.0 to 55.8 percent Median: 53.8 percent	Sep = 54.9%	Down to 52.7 percent.
Q3 Nonfarm Labor Productivity Thursday, 11/7 Range: 1.6 to 3.3 percent Median: 2.5 percent SAAR	Q2 = +2.5% SAAR	Up at an annualized rate of 3.1 percent. The initial estimate for Q3 shows real output in the nonfarm business sector grew at an annual rate of 3.5 percent, easily outpacing the 2.8 percent annualized growth in real GDP. Though there is always uncertainty around the data on aggregate hours worked as measured in the productivity accounts, we nonetheless expect a solid advance in labor productivity growth in Q3. Our forecast would put the eight-quarter moving average, which we see as the most reliable gauge of the underlying trend rate of growth, at 2.4 percent, marking a sixth straight quarter of improvement and easily ahead of the pre-pandemic trend rate. Though measured productivity growth tends to be quite volatile from quarter to quarter, we nonetheless look for further improvement in the trend rate over coming quarters, which would support faster wage growth without pressuring profit margins. Such further improvement, however, is anything but a given, particularly if the path of business fixed investment is altered by changes in the policy landscape.
Q3 Unit Labor Costs Thursday, 11/7 Range: 0.1 to 2.8 percent Median: 1.2 percent SAAR	Q2 = +0.4% SAAR	Up at an annualized rate of 0.6 percent.

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