ECONOMIC PREVIEW

REGIONS

Week of December 2, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 17-18 FOMC meeting):* Target Range Mid-point: 4.375 to 4.625 percent Median Target Range Mid-point: 4.375 percent	Range: 4.50% to 4.75% Midpoint: 4.625%	After a holiday-shortened week, the flow of economic data picks up this week, with the highlight being the November employment report. Our above-consensus forecast (see Page 2) reflects what we expect to be payback for the considerable degree of noise in the October data, but beneath that payback lies a fairly uninspiring forecast reflecting the slowing trend rate of job growth. To that point, we've seen several analysts setting lines in the sand for November job growth, as in nonfarm payrolls rising more than X jobs ("X" being a placeholder here, not ten jobs, just to be clear) would keep the FOMC on hold at their December meeting. We've not, however, seen a single one of these thresholds set high enough to account for what will likely be a considerable amount of noise in the headline job growth number. Even if our forecast is on or near the mark, it will not change our view that, though not collapsing, the labor market is clearly cooling, and the trend rate of job growth slowing.
November ISM Manufacturing Index Monday, 12/2 Range: 47.0 to 49.4 percent Median: 47.6 percent	Oct = 46.5%	Up to 48.1 percent. Though the ISM's gauge shows the manufacturing sector having been in contraction for two years, excepting the odd outlier of March 2024, October's print nonetheless stands out, with the headline index sinking to its lowest point since July 2023. Though the headline index is expected to remain below the 50.0 percent break between contraction and expansion, we expect the November survey to at least show some improvement in the details on production, new orders, and inventories. While likely not evident, at least to a significant degree, in the November survey, it could be that an uncertain global trade outlook pulls orders, production, and inventory accumulation forward, which could push the headline index above that 50.0 percent break over the next few months. More fundamentally, we think a more favorable policy mix in terms of capital spending along with what for some time has been deferred cap ex spending will drive more meaningful improvement in conditions in the factory sector. The ISM's survey and the monthly data on core capital goods orders would be the first places we'd see signs of any such improvement. Though not entering into the calculation of the headline index, the prices paid index nonetheless remains worth watching. Despite the protracted slump in the factory sector, the ISM's survey shows prices for non-labor inputs continuing to push higher over the past several months, an indicator that underlying inflation pressures have not been totally quelled. Moreover, though often discussed in terms of the potential impact on prices at the retail level, that roughly one-half of all imports into the U.S. are either raw inputs or intermediate capital goods used by producers of goods or service providers means expanded tariffs could put further upward pressure on prices of non-labor inputs. It is obviously too soon to know whether, or to what extent, this will prove to be the case, but this does loom as a downside risk to profit margins and/or an upside risk to inflation as we move through 2025.
October Construction Spending Monday, 12/2 Range: -0.3 to 0.5 percent Median: 0.2 percent	Sep = +0.1%	Down by 0.2 percent
October Factory Orders Wednesday, 12/4 Range: -0.2 to 1.3 percent Median: 0.3 percent	Sep = -0.5%	Up by 0.2 percent
Nov. ISM Non-Manufacturing Index Wednesday, 12/4 Range: 54.1 to 57.5 percent Median: 55.5 percent	Oct = 56.0%	Down to 55.6 percent, consistent with continued steady expansion in the broad services sector. As with the ISM's survey of the manufacturing sector, the prices paid index in the survey of the services sector shows continued steady upward pressure on prices of non-labor inputs, the difference being rising input prices are more broadly based across firms and industry groups in the services sector, as is to be expected given the ongoing expansion compared to the ongoing slump in the factory sector. The breadth and intensity of rising input prices across the services sector will remain something to watch in the months ahead.
October Trade Balance Thursday, 12/5 Range: -$82.0 to -$74.0 billion Median: -$75.0 billion	Sep = -$84.4 billion	Narrowing to -$74.6 billion. The advance data on trade in goods show a surprising drop in both exports and imports in October, with the net result being a smaller deficit in the goods account. We think this will be short-lived, however, as concerns over a potential mid-January port strike and potentially expanded tariffs could drive pre-emptive builds in inventories, some of which would be fueled by imports, over the next few months. If so, this figures to result in wider trade deficits.

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Indicator/Action Economics Survey:	Last Actual:	Regions' View:
November Nonfarm Employment Friday, 12/6 Range: 155,000 to 274,000 jobs Median: 200,000 jobs	Oct = +12,000 jobs	Up by 274,000 jobs, with private sector payrolls up by 246,000 jobs and public sector payrolls up by 28,000 jobs. It's like déjà vu all over again. Well, kind of. In our preview of the November 2023 employment report, we wrote that there were "three elements of the data that should be accounted for in assessing the November employment report – the return of striking workers, seasonal adjustment, and revisions to prior estimates of job growth." We will point to those same three factors as impacting the November 2024 employment report, the obvious difference being that this November's report will also reflect some degree of reversal of the effects of Hurricanes Helene and Milton that weighed on the October employment report. Though BLS noted that the establishment survey is not equipped to isolate the effects of factors such as hurricanes and strikes, the household survey showed that, due to adverse weather, 512,000 people did not work at all during the October survey week while 1.409 million people worked part-time rather than full-time hours, each easily the highest on record for the month of October. We think a conservative estimate is that the hurricanes took 100,000 jobs off total nonfarm payrolls in October, and a good portion of these jobs will come back on the books in the November data. The same is true of those not counted as employed in the October data due to the Boeing strike, which by our count took roughly 41,000 jobs off nonfarm payrolls. With the strike having been settled ahead of the November survey period those jobs will come back on the books. As a side note, last November it was the return of striking UAW workers and striking actors/writers. If our estimate is even close to the mark, that'd be around 150,000 jobs added to the November headline job growth before accounting for any, you know, actual job growth, and in that sense our forecast isn't all that inspiring. One reason for that is we've expected seasonal hiring in retail trade and warehousing/delivery services to be somewhat lackluster this holiday season. If we're correct on this point, seasonal adjustment will punish any such shortfall. Going back to last November once again, the not seasonally adjusted data showed smaller than normal November increases in hiring in these two sectors, with the result being declines in both in the seasonally adjusted data. We won't be at all surprised to see a repeat of that in this November's data, though there could be somewhat of an offset in the seasonally adjusted data in leisure and hospitality services and construction. More broadly, our forecast reflects the slowing trend rate of job growth we've been pointing to for some time. As for the potential of impacts from revisions, for almost two years now we've pointed to notably low survey collection rates as significantly impairing the initial estimate of nonfarm job growth in any given month. That effect was magnified in the October data; the initial collection rate to the establishment survey was only 47.4 percent, the lowest rate in any month since January 1991. BLS noting that collection rates in areas impacted by the hurricanes were similar to rates in areas not affected is far more telling than BLS probably realizes. In any event, a collection rate that low opens the door for an unusually large revision to the initial estimates for October and, as such, injects considerable uncertainty into any forecast of November job growth.
November Manufacturing Employment Friday, 12/6 Range: 20,000 to 42,000 jobs Median: 30,000 jobs	Oct = -46,000 jobs	Up by 42,000 jobs.
November Average Weekly Hours Friday, 12/6 Range: 34.3 to 34.3 hours Median: 34.3 hours	Oct = 34.3 hours	Unchanged at 34.3 hours. Though a rebound in manufacturing payrolls would be supportive of an increase in average weekly hours, additional hiring in lower-hour sectors such as retail trade and health care will act as an offset.
November Average Hourly Earnings Friday, 12/6 Range: 0.2 to 0.4 percent Median: 0.3 percent	Oct = +0.4%	Up by 0.4 percent, for a year-on-year increase of 4.0 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.6 percent increase in aggregate private sector wage and salary earnings, leaving them up 5.1 percent year-on-year.
November Unemployment Rate Friday, 12/6 Range: 4.0 to 4.3 percent Median: 4.2 percent	Oct = 4.1%	Down to 4.0 percent. The October household survey data were clearly impacted by the hurricanes, helping account for the large declines in the size of the labor force and the level of household employment. Though we expect a stronger rebound in the latter than in the former, we can't profess a high degree of confidence in that call.

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