ECONOMIC PREVIEW

REGIONS

Week of January 6, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the January 28-29 FOMC meeting):* Target Range Mid-point: 4.375 to 4.375 percent Median Target Range Mid-point: 4.375 percent	Range: 4.25% to 4.50% Midpoint: 4.375%	The flow of economic data returns to a more normal pace this week, capped off on Friday with the December employment report. Wednesday brings the release of the minutes of the December FOMC meeting, which will be interesting given Chair Powell having characterized the decision to cut the Fed funds rate a "closer call" than had been the case with the November rate cut. The minutes may also shed some light on how Committee members are thinking about the impacts of looming changes to fiscal, trade, regulatory, and immigration policy. Also, with Thursday designated as a National Day of Mourning in honor of former President Carter, the weekly data on unemployment insurance claims will be released on Wednesday.
November Factory Orders Monday, 1/6 Range: -0.7 to 0.6 percent Median: -0.4 percent	Oct = +0.2%	<u>Down</u> by 0.6 percent
December ISM Non-Manufacturing Index Tuesday, 1/7 Range: 49.9 to 57.0 percent Median: 53.5 percent	Nov = 52.1%	<u>Up</u> to 54.5 percent.
November Trade Balance Tuesday, 1/7 Range: -\$92.0 to -\$74.5 billion Median: -\$78.2 billion	Oct = -\$73.8 billion	<u>Widening</u> to -\$78.6 billion on a wider deficit in the goods account.
December Nonfarm Employment Friday, 1/10 Range: 120,000 to 200,000 jobs Median: 160,000 jobs	Nov = +227,000 jobs	<u>Up</u> by 182,000 jobs, with private sector payrolls up by 154,000 jobs and public sector payrolls up by 28,000 jobs. While it may seem that the December employment report should herald a "return to normal" after the two previous employment reports were significantly impacted by two major hurricanes and the Boeing strike, we're not so sure. After all, the initial estimate of November job growth fell well short of our above-consensus forecast, and it wasn't clear that the disruptions brough about by the hurricanes were fully reversed. That would suggest either a larger December increase in nonfarm payrolls than many are expecting, or that the initial estimate of November job growth will be revised higher. That, of course, gets us to the bad news, which is that when it comes to the monthly employment reports, a "return to normal" means a return to fretting over notably low survey response rates that diminish the reliability of the initial estimates of nonfarm payrolls, hours, and earnings in any given month, having to sift through a high volume of seasonal adjustment noise, and trying to peg the true underlying trend rate of job growth amid the high degree of noise that has become the norm for the monthly employment reports. Our forecast does incorporate an additional bit of payback for the disruptions caused by the hurricanes. At the same time, we think seasonal adjustment could end up being pretty much of a wash. For different reasons, we look for seasonal job losses in construction and leisure and hospitality services to be smaller than normal, which would boost seasonally adjusted job counts. At the same time, however, we look for smaller than typical seasonal increases in retail trade and warehousing and delivery services, which could easily lead to reported declines in the seasonally adjusted data. Each of these assumptions represents an avenue for our forecast to veer off course, even before addressing the uncertainty posed by the likelihood that a low collection rate to the December establishment survey will leave that much bigger of a hole for BLS to fill in with their own estimates. That said, our forecast would leave private sector job growth pretty much in line with the slowing trend rate in place prior to the many disruptions that plagued the October and November employment reports.
December Manufacturing Employment Friday, 1/10 Range: -10,000 to 15,000 jobs Median: 5,000 jobs	Nov = +22,000 jobs	<u>Up</u> by 9,000 jobs. That payrolls amongst producers of transportation equipment rose by 32,000 jobs in November while total manufacturing payrolls rose by just 22,000 jobs spoke volumes about the state of the factory sector. Still, while the Boeing strike accounted for most of the bounce in the transportation equipment industry group, we do not think the November employment report captured the full extent of the strike having been settled, particularly in accounting for the layoffs amongst suppliers to Boeing. At the same time, however, the ISM's December survey points to continued contraction in factory sector payrolls, and while the ISM's survey is not a great predictor of the BLS data, it could be that even if we are correct in our assessment of the resolution of the Boeing strike our forecast may still be too high.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

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December Average Weekly Hours Friday, 1/10 Range: 34.2 to 34.4 hours Median: 34.3 hours	Nov = 34.3 hours	Unchanged at 34.3 hours.
December Average Hourly Earnings Friday, 1/10 Range: 0.2 to 0.4 percent Median: 0.3 percent	Nov = +0.4%	Up by 0.3 percent, for a year-on-year increase of 4.0 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.4 percent increase in aggregate private sector wage and salary earnings, leaving them up 5.0 percent year-on-year.
December Unemployment Rate Friday, 1/10 Range: 4.1 to 4.4 percent Median: 4.2 percent	Nov = 4.2%	Down to 4.1 percent. There are signs that what had been uncommonly rapid growth in the labor force has cooled considerably, and if that continued into December it could be enough to push the unemployment rate down a notch. If we're wrong on this point, our forecast of the unemployment rate will obviously be too low.

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