

It was early March Madness at the Federal Reserve as team Yellen exerted a full court press to pull interest rate hike expectations forward. They succeeded. Yellen capped a flurry of Fed speak this week with her speech today saying that a fed funds rate hike on March 15 will likely be appropriate. Interest rates increased through the week and U.S. equity markets remained stable after strong recent gains, giving the Fed the green light for a near-term rate hike. The Fed goes into their pre-meeting communication blackout period tomorrow, so we will not hear anything more from team Yellen. The last major data point to digest before the March 14/15 FOMC meeting will be the February employment report, due out 7:30 am central time on Friday, March 10. A solid job gain for the month of February, of at least 120,000 net new jobs, plus a reasonable gain in average hourly earnings, after January's weak increase, would seal the deal.

Economic data this week was mixed, and suggests that the curse of weak Q1 GDP may be back with us this year. We will likely be revising our estimate of first quarter real GDP growth downward in our upcoming March U.S. Economic Outlook. However, this does not change our view that the U.S. economy is gaining momentum.

The income and consumer spending numbers for January are consistent with weaker-than-expected real GDP growth. Nominal income was good, gaining 0.4 percent for the month, supported by moderate growth in wages and salaries, and strong growth in rents. However, inflation was hotter than expected and ate up the gain. The personal consumption expenditure price index gained

0.4 percent for the month. Consumer spending was challenged by the reset in auto sales after the December surge and warmer-than-normal temperatures. After adjusting for inflation, real consumer spending fell by 0.3 percent in January, which will be a drag on Q1 GDP.

U.S. auto sales were unchanged at a 17.6 million unit pace in February with strong dealer incentives. This is a good number, and sales are holding up better than expected, but total Q1 sales will likely step down from Q4.

The value of construction put in place fell by 1.0 percent in January as total public construction dropped by 5.0 percent. Private nonresidential was unchanged. Private residential increased by 0.5 percent, despite the small dip in housing starts for the month.

Now for the good economic news. The ISM Manufacturing Index for February increased to a strong 57.7 percent. Nine out of 10 sub-indexes were above 50 and most increased in February. The new orders index was robust at 65.1 percent. Production was not far behind at 62.9. Employment was solid at 54.2. Anecdotal comments were positive. Seventeen out of 18 industries reported growth in February; only furniture reported contraction.

The ISM Non-Manufacturing Index increased to a strong 57.6 percent in February. All 10 sub-indexes were positive. Most industries reported growth.

Unemployment insurance claims through February are trending down to exceptionally low levels. Initial claims for unemployment insurance for the week ending February 25 fell by 19,000 to hit 223,000, the lowest level since March 31, 1973.

Survey	Last Actual	Comerica Economics Commentary
<b>Fed Funds Rate (Effective)</b> <i>(after the FOMC meeting of 3/14-3/15)</i>	<b>0.66 %</b> <b>(Feb)</b>	We believe that the Federal Reserve will raise the fed funds rate effective range by 25 basis points on March 15.
<b>January International Trade Gap (3/7, Tuesday)</b> Consensus: -\$47.0 bln	<b>-\$44.3 bln</b> <b>(Dec)</b>	<u>Widens</u> to -\$49.0 billion. The advance estimate of the January trade deficit for goods widened by \$4.9 billion. Services are expected to be net zero.
<b>February Nonfarm Payrolls (3/10, Friday)</b> Consensus: +185 k	<b>+227 k</b> <b>(Jan)</b>	<u>Up</u> by 190,000 jobs. Labor indicators, including unemployment insurance claims, remain solid.
<b>February Unemployment Rate (3/10, Friday)</b> Consensus: 4.7 percent	<b>4.8 %</b> <b>(Jan)</b>	<u>Down</u> to 4.7 percent. We expect the household survey of employment to bounce back.

To subscribe to our publications or for questions, contact us at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com). Archives are available at <http://www.comerica.com/economics>.

Follow us on Twitter: @Comerica\_Econ.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.

## February/March 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
27 <b>ADV DURABLE GOODS</b> <u>Total</u> <u>Ex-Transp</u> Nov   -4.7%   1.1% Dec   -0.8%   0.9% Jan    1.8%   -0.2%	28 <b>GROSS DOMESTIC PRODUCT</b> <u>Real GDP</u> <u>Price Index</u> '16Q2   1.4%   2.3% '16Q3   3.5%   1.4% '16Q4   1.9%   2.0% <b>CASE-SHILLER HPI COMP-20</b> <u>(SA)</u> Oct   190.5 Nov   192.2 Dec   194.0	March 1 <b>INCOME and SPENDING</b> <u>Income</u> <u>Spending</u> Nov    0.2%   0.2% Dec    0.3%   0.5% Jan    0.4%   0.2% <b>AUTO SALES</b> <u>(mln-SAAR)</u> Dec    18.4 Jan    17.6 Feb    17.6 <b>ISM MFG INDEX</b> Dec    54.5 Jan    56.0 Feb    57.7	2 <b>UNEMPLOYMENT CLAIMS</b> <u>(ths)</u> Nov   Dec   Jan   Feb 254   258   249   234 233   254   237   238 251   275   260   242 268   267   248   223 <b>CONSTRUCTION SPENDING</b> Nov    1.5% Dec    0.1% Jan   -1.0%	3 <b>ISM NON-MFG INDEX</b> Dec   56.6 Jan   56.5 Feb   57.6
TX MFG Survey Pending Home Sales	Richmond Fed Survey Consumer Confidence			
6	7 <b>TRADE BALANCE</b> <u>(bln)</u> Oct   -\$42.7 Nov   -\$45.7 Dec   -\$44.3	8	9	10 <b>EMPLOYMENT REPORT</b> <u>U. Rate</u> <u>Jobs (ths)</u> Nov   4.6%   +164 Dec   4.7%   +157 Jan   4.8%   +227
	Consumer Credit	ADP Employment Productivity and Costs		
13	14 <b>PRODUCER PRICE INDEX</b> <u>Total</u> <u>Core</u> Nov   0.5%   0.2% Dec   0.2%   0.1% Jan   0.6%   0.2%	15 <b>RETAIL SALES</b> <u>Total</u> <u>Ex-Autos</u> Nov   0.2%   0.3% Dec   1.0%   0.4% Jan   0.4%   0.8% <b>CONSUMER PRICE INDEX</b> <u>Total</u> <u>Core</u> Nov   0.2%   0.2% Dec   0.3%   0.2% Jan   0.6%   0.3%	16 <b>HOUSING</b> <u>(ths)</u> <u>Starts</u> <u>Permits</u> Nov   1,149   1,212 Dec   1,279   1,228 Jan   1,246   1,285	17 <b>IND PROD</b> <b>CAP UTIL</b> Nov   -0.2%   75.2% Dec   0.6%   75.6% Jan   -0.3%   75.3% <b>LEADING INDICATORS</b> Nov    0.2% Dec    0.5% Jan    0.6%
	NFIB FOMC Meeting	Business Inventories Empire State Survey FOMC Meeting	JOLTS Philly Fed Survey	U of M Consumer Sentiment (Prelim)
20	21	22 <b>EXISTING HOME SALES</b> <u>(ths)</u> Nov    5,600 Dec    5,510 Jan    5,690	23 <b>NEW HOME SALES</b> <u>(ths-SAAR)</u> Nov    575 Dec    535 Jan    555	24
CFNAI			Kansas City Fed Survey	Durable Goods (Advanced)