

A March 15 fed funds rate hike cleared the last hurdle this morning upon the release of a solid February employment report.

The official count of payroll jobs for February showed a net gain of 235,000, consistent with a variety of other strong labor market indicators. The household survey bounced back with 447,000 net new jobs, bringing the unemployment rate back down to 4.7 percent. Average hourly earnings were not as strong as we expected, increasing by 0.2 percent for the month, and 2.8 percent over the previous 12 months. The average workweek was unchanged at 34.4 hours.

Initial claims for unemployment insurance increased by 20,000 for the week ending March 4, to hit 243,000, still a good number. Continuing claims fell by 6,000 for the week ending February 25, to hit 2,058,000.

The U.S. international trade gap widened significantly in January to -\$48.5 billion. Imports were up \$5.3 billion while exports gained \$1.1 billion. This is a negative for Q1 GDP, and may contribute to the continued pattern of weaker-than-expected Q1 GDP results.

Nonfarm labor productivity increased at a 1.3 per-

cent annual rate in 2016Q4. On the one hand the modest gain is a function of strong hiring. On the other hand, it continues a long trend of weak productivity growth that constrains GDP growth.

We expect the Federal Reserve to announce a 25 basis point increase in the fed funds rate range on Wednesday, March 15. The Fed will also release a new “dot plot” and economic projections on Wednesday, and Janet Yellen will have a press conference. With a fed funds rate hike next week a near certainty, the focus is now on forward guidance. If the Fed hikes on Wednesday they will have begun a pattern of raising interest rates every other meeting, and on meetings with scheduled press conferences. So analysts will be looking for clues in the policy announcement, in the dot plot and in Janet Yellen’s answers to reporters’ questions about the pacing of interest rate hikes for the remainder of this year. The December 2016 dot plot was consistent with three rate hikes for 2017. We could see the March dot plot shift upward, to be consistent with four rate hikes in 2017. The minutes of the March 14/15 FOMC meeting should prove interesting when they are released on April 5.

Survey	Last Actual	Comerica Economics Commentary
Fed Funds Rate (Effective) <i>(after the FOMC meeting of 3/14-3/15)</i>	0.66 % (Feb)	We believe that the Federal Reserve will raise the fed funds rate range by 25 basis points on March 15, and do it again on June 14.
February PPI (3/14, Tuesday) Consensus: 0.1 percent	0.6 % (Jan)	<u>Up</u> by 0.1 percent. Crude oil prices were down a little in February.
Feb. PPI Ex-Food, Energy & Trade (3/14, Tuesday) Consensus: 0.2 percent	0.2 % (Jan)	<u>Up</u> by 0.2 percent.
February Retail Sales (3/15, Wednesday) Consensus: 0.1 percent	0.4 % (Jan)	<u>Up</u> by 0.1 percent. Auto sales were unchanged in February.
February Retail Sales Ex-Auto (3/15, Wednesday) Consensus: 0.1 percent	0.8 % (Jan)	<u>Up</u> by 0.1 percent. Held in check by the slow pace of income tax refunds through February.
February CPI (3/15, Wednesday) Consensus: 0.0 percent	0.6 % (Jan)	<u>Unchanged</u> . A small gain in core inflation will be offset by a dip in energy prices.

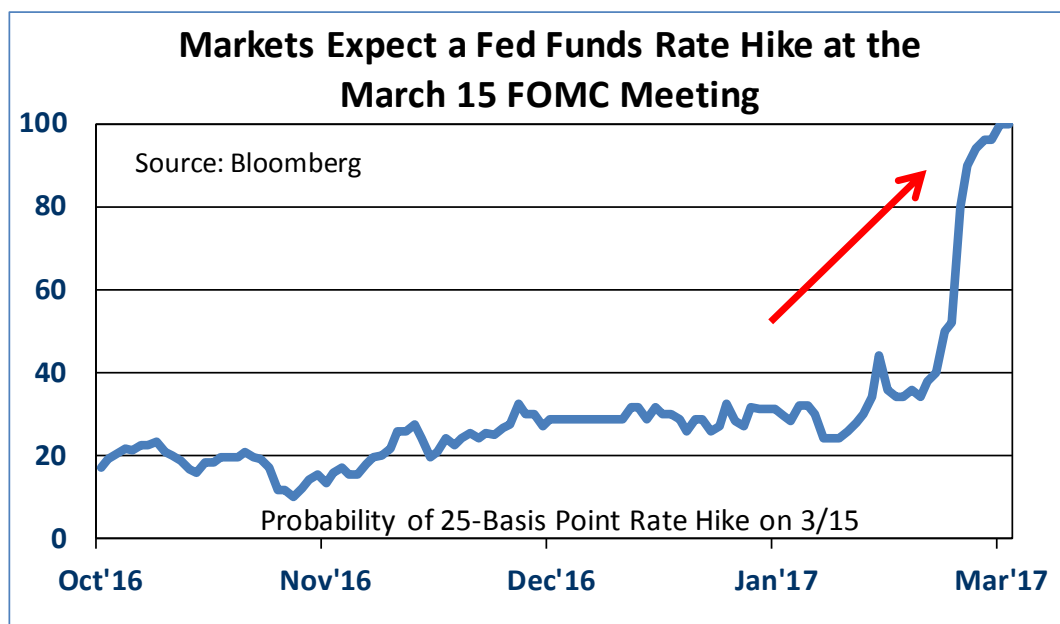
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Survey	Last Actual	Comerica Economics Commentary
February CPI Ex. Food & Energy (3/15, Wednesday) Consensus: 0.2 percent	0.3 % (Jan)	<u>Up</u> by 0.2 percent. Easing after a stronger gain in January.
February Housing Starts (3/16, Thursday) Consensus: 1,262 k	1,246 k (Jan)	<u>Up</u> to a 1,260 k unit annual rate. Both single- and multifamily starts are looking range-bound.
February Housing Permits (3/16, Thursday) Consensus: 1,260 k	1,285 k (Jan)	<u>Down</u> to a 1,250 k unit annual rate. Range-bound residential construction will keep supply tight in most markets, putting upward pressure on prices.
February Industrial Production (3/16, Thursday) Consensus: 0.2 percent	-0.3 % (Jan)	<u>Up</u> by 0.2 percent. Non-auto manufacturing output looks good, but auto-related will be flat.
February Capacity Utilization (3/16, Thursday) Consensus: 75.5 percent	75.3 % (Jan)	<u>Up</u> to 75.5 percent.
February Leading Indicators (3/17, Friday) Consensus: 0.4 percent	0.6 % (Jan)	<u>Up</u> by 0.4 percent. Supported by improving manufacturing conditions and gains in stock prices.

Chart of the Week



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March 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
6	7	8	9	10
	TRADE BALANCE (bln) Nov -\$45.5 Dec -\$44.3 Jan -\$48.5 Consumer Credit	ADP Employment Productivity and Costs	UNEMPLOYMENT CLAIMS (ths) Dec Jan Feb Mar 258 249 234 243 254 237 238 275 260 242 267 248 223 237	EMPLOYMENT REPORT U. Rate Jobs (ths) Dec 4.7% +155 Jan 4.8% +238 Feb 4.7% +235
13	14	15	16	17
	PRODUCER PRICE INDEX Total Core Nov 0.5% 0.2% Dec 0.2% 0.1% Jan 0.6% 0.2% NFIB FOMC Meeting	RETAIL SALES Total Ex-Autos Nov 0.2% 0.3% Dec 1.0% 0.4% Jan 0.4% 0.8% CONSUMER PRICE INDEX Total Core Nov 0.2% 0.2% Dec 0.3% 0.2% Jan 0.6% 0.3% Business Inventories Empire State Survey FOMC Meeting	HOUSING (ths) Starts Permits Nov 1,149 1,212 Dec 1,279 1,228 Jan 1,246 1,285 JOLTS Philly Fed Survey	IND PROD CAP UTIL Nov -0.2% 75.2% Dec 0.6% 75.6% Jan -0.3% 75.3% LEADING INDICATORS Nov 0.2% Dec 0.5% Jan 0.6% U of M Consumer Sentiment (Prelim)
20	21	22	23	24
CFNAI		EXISTING HOME SALES (ths) Nov 5,600 Dec 5,510 Jan 5,690	NEW HOME SALES (ths-SAAR) Nov 575 Dec 535 Jan 555 Kansas City Fed Survey	ADV DURABLE GOODS Total Ex-Transp Nov -4.7% 1.1% Dec -0.8% 0.9% Jan 1.8% -0.2%
27	28	29	30	31
TX MFG Survey	CASE-SHILLER HPI COMP-20 (SA) Oct 190.5 Nov 192.2 Dec 194.0 Richmond Fed Survey Consumer Confidence	Pending Home Sales	GROSS DOMESTIC PRODUCT Real GDP Price Index '16Q2 1.4% 2.3% '16Q3 3.5% 1.4% '16Q4 1.9% 2.0%	INCOME and SPENDING Income Spending Nov 0.2% 0.2% Dec 0.3% 0.5% Jan 0.4% 0.2% U of M Consumer Sentiment (Final)