ECONOMIC PREVIEW

REGIONS

Week of April 6, 2020

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the April 28-29 FOMC meeting):* Target Range Mid-point: 0.000 to 0.125 percent Median Target Range Mid-point: 0.125 percent	Range: 0.00% to 0.25% Midpoint: 0.125%	We are only beginning to get the regular economic data for the month of March. While the March data that we have seen thus far are not good, they do not come close to capturing the full effects of the abrupt and widespread shutdown of much of the U.S. economy that took place in March, most of which came in the back half of the month. That is true of the March employment report, even with the reported loss of 701,000 nonfarm jobs. Leisure & hospitality services took the brunt of this hit, with payrolls in this broad industry group falling by 459,000 jobs, of which 414,700 came from restaurants letting workers go. Job losses were broad based, albeit nowhere near as severe, across other private sector industry groups. Still, as unsettling as the decline in nonfarm employment in March may be, it comes nowhere near capturing the full extent of layoffs over the back half of the month – the unadjusted data show just under nine million claims for Unemployment Insurance were filed over the last two weeks of March, or, after the BLS's establishment survey period. As such, they were not incorporated into the March employment report, but will be incorporated into the April report, as will what are likely to remain elevated numbers of layoffs through the April establishment survey period. One interesting detail in the March employment report is that 46.8 percent of March job losers reported they were on layoff, the highest share on record in the life of this series, which began in 1967. Moreover, BLS noted reporting issues led to this share being significantly understated, as many people on layoff due to the coronavirus were instead reported to have been absent from work. In addition to holding down the count of people on layoff, this reporting issue also held down the unemployment rate, which BLS noted would have been roughly one percentage point higher than the 4.4 percent rate reported. The share of March job losers reporting a permanent job loss did rise slightly in March but nonetheless was in line with the average seen over recent months. That such large numbers of March job losers were on temporary layoff offers some hope that once economic activity begins to normalize, many of these people will be able to return to work in fairly short order, but this of course depends on their employers making it to that point. Clearly, this won't be the case for many companies, but it nonetheless illustrates the importance of using policy to help preserve as much of the basic economic infrastructure as possible in what will become an even more challenging environment over coming weeks.
March PPI: Final Demand Thursday, 4/9 Range: -0.9 to 0.0 percent Median: -0.3 percent	Feb = -0.6%	<u>Down</u> by 0.7 percent, which would yield an over-the-year increase of 0.2 percent.
March PPI: Core Thursday, 4/9 Range: -0.4 to 0.2 percent Median: 0.0 percent	Feb = -0.3%	<u>Unchanged</u>, which would leave the core PPI up by 1.2 percent year-on-year.
March Consumer Price Index Friday, 4/10 Range: -0.7 to 0.0 percent Median: -0.3 percent	Feb = +0.1%	<u>Down</u> by 0.4 percent, yielding a year-on-year increase of 1.5 percent. Not seasonally adjusted gasoline prices were down big in March, reflecting steep declines in crude oil prices and demand falling off sharply. The decline in unadjusted prices will be amplified by seasonal adjustment, thus pushing seasonally adjusted gasoline prices down by double-digits. This alone will deduct four-tenths of a point from the change in the total CPI. As may be expected under the circumstances, there is scant evidence of pricing power across most sectors of the economy. As with the rest of the data for the month of March, however, the extent to which the abrupt halt in a wide swath of economic activity over the back half of the month will be captured in the March CPI data remains to be seen. It also remains to be seen how the April CPI data will account for prices of services, such as eat-in restaurants, lodging, flying, and entertainment, just to name a few, for which demand will for weeks have been virtually nonexistent. In other words, the CPI data will be prone to the same timing and measurement issues that will plague much of the regular economic data in the months ahead.
March Consumer Price Index: Core Friday, 4/10 Range: -0.4 to 0.2 percent Median: 0.1 percent	Feb = +0.2%	<u>Unchanged</u>, which would translate into an over-the-year increase of 2.2 percent.

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