ECONOMIC PREVIEW

REGIONS

Week of July 6, 2020

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 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%	This week's calendar of economic data releases is unusually light, and the primary focus will be Thursday's release of the weekly data on jobless claims. The weekly data on claims for Unemployment Insurance (UI) have been somewhat confusing, not to mention more than a bit concerning, over the past several weeks. Though well off the peak of 6.211 million (not seasonally adjusted) in the week ending April 4, initial claims remain disturbingly elevated, having settled into a range of between 1.4 and 1.5 million per week over the most recent four weeks. To put this in context, prior to February the run rate of initial claims over the prior two years had been just over 200,000 per week. Some are attributing persistently elevated initial claims to noise in the data, as some states remain behind in processing the wave of claims filed in the early stages of the pandemic, which has led many applicants to file multiple claims. While this could be playing a part, we're not willing to simply dismiss the initial claims numbers on this basis alone, even if we don't have a better explanation. That initial claims remain so elevated suggests a still unusually high pace of layoffs even as private sector payrolls have risen by a combined 7.999 million jobs over the past two months. Moreover, it could be that the next few weeks see initial claims rise as several states have rolled back reopening measures in response to a spike in the number of positive COVID-19 tests. In addition to initial claims remaining elevated, data on continuing claims, or, the number of people drawing UI benefits, show more than 30 million people drawing benefits from all sources – regular claims and the special pandemic-related programs. While the job growth seen over May and June is encouraging, the claims data suggest a still-fragile labor market.
June ISM Non-Manufacturing Index Monday, 7/6 Range: 46.0 to 55.1 percent Median: 49.3 percent	May = 45.4%	Up to 52.7 percent. As with the ISM's gauge of the manufacturing sector, we look for meaningful improvement in the key details beneath the headline non-manufacturing index, with much less distortion from slower supplier delivery times than has been the case over the past few months. Our forecast anticipates significant increases in the indexes of business activity, new orders, and employment, though the latter will likely remain below 50.0 percent. Our forecast anticipates our equally weighted composite of these three indexes, which at present we think to be a better indicator of economic activity than the headline index, will increase to 51.6 percent, up from 38.2 percent in May and an all-time low of 29.6 percent in April. Even if our above-consensus forecast for the headline index is on or near the mark, we'll raise the same question we raised about the ISM Manufacturing Index, i.e., is June's increase a one-off or the start of a stretch of sustained, albeit modest, growth? The recent jump in the number of positive COVID-19 tests makes this an even more pressing question. Though this could change in an instant, at least thus far it seems as though the manufacturing sector is less vulnerable to a renewed round of restrictions on economic activity than is the broad services sector.
June PPI: Final Demand Friday, 7/10 Range: 0.2 to 0.6 percent Median: 0.4 percent	May = +0.4%	Up by 0.4 percent, which would leave the headline PPI down 0.2 percent year-on-year.
June PPI: Core Friday, 7/10 Range: 0.0 to 0.2 percent Median: 0.1 percent	May = -0.1%	Up by 0.1 percent, which would leave the core PPI up 0.5 percent year-on-year.

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