



### Indicator/Action

### Economics Survey:

### Last

### Actual:

### Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the September 15-16 FOMC meeting):</i> 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%	If there is never another quarter like Q2 2020, it will be too soon. With the BEA and foreign counterparts last week reporting record declines in GDP, we're at least able to quantify the damage done to the economy by the COVID-19 virus and the efforts to stem its spread. The recent upturn in cases casts doubt on the vigor of the budding recovery, particularly with the looming hit to cash flows for many U.S. households. While the worst of the damage to the economy may be behind us, with the COVID-19 virus still in the driver's seat, the path ahead is anything but clear.
<b>July ISM Manufacturing Index</b> Range: 49.0 to 57.0 percent Median: 53.8 percent	Monday, 8/3	Jun = 52.6%	<u>Up</u> to 54.4 percent. When the ISM's headline index pushed back above the 50.0 percent mark, indicating expansion, in June, we questioned whether that was simply a bounce off of the bottom or the start of a period of sustained growth, even if at a moderate pace. We are, as our above-consensus forecast indicates, leaning toward the latter. Though the number of COVID-19 cases has remained elevated and new restrictions on some forms of activity have been imposed, thus far those restrictions have been targeted at segments of the services and, to a lesser extent, retail sectors, while the rebound in the industrial sector is becoming more entrenched. That of course could change, and quickly, but for now order books continue to grow which in turn is supporting employment and production. One downside risk to our forecast is that, with supply chains opening back up, the supplier delivery time index could fall by more than we anticipate and act as a drag on the headline index. So, as usual, we'll put more stock in our equally weighted composite of the indexes of new orders, employment, and production, which we expect to outperform the headline index
<b>June Construction Spending</b> Range: -1.2 to 3.9 percent Median: 1.0 percent	Monday, 8/3	May = -2.1%	<u>Up</u> by 1.6 percent on the back of a strong bounce back in residential construction while commercial construction continues to languish.
<b>June Factory Orders</b> Range: 3.5 to 7.7 percent Median: 5.0 percent	Tuesday, 8/4	May = +8.0%	<u>Up</u> by 6.2 percent.
<b>June Trade Balance</b> Range: -\$56.5 to -\$48.3 billion Median: -\$50.2 billion	Wednesday, 8/5	May = -\$54.6 billion	<u>Narrowing</u> to -\$49.9 billion, thanks mainly to a smaller deficit in the goods account. Global trade flows remain nowhere near normal, and it is likely that the monthly data will remain quite volatile in the near-term though, to the extent it persists, the recent weakness in the U.S. dollar will be a tailwind for U.S. exports.
<b>July ISM Non-Manufacturing Index</b> Range: 53.5 to 58.1 percent Median: 55.0 percent	Wednesday, 8/5	Jun = 57.1%	<u>Down</u> to 54.6 percent. As noted above, services and retail have been much more impacted by the upturn in COVID-19 cases, new restrictions on activity in segments of the services and retail sectors, and the pullback in consumer sentiment. While that won't be sufficient to drag the headline non-manufacturing index back below the 50.0 percent mark, our forecast does anticipate a lower reading than in June. Our equally weighted composite of the indexes of business activity, new orders, and employment will also drop relative to June while remaining above 50.0 percent.
<b>July Nonfarm Employment</b> Range: 0.500 to 3.300 million jobs Median: 1.898 million jobs	Friday, 8/7	Jun = +4.800 million jobs	<u>Up</u> by 1.338 million jobs, with private sector payrolls <u>up</u> by 1.152 million jobs and public sector payrolls <u>up</u> by 0.186 million jobs. We're not sure where to even start here, other than to say that, with zero being the lower bound, it is not possible for us to have less confidence in our forecast of the July labor market data than we do. That continuing claims for Unemployment Insurance were down by more than 2.2 million between the June and July reference weeks suggests an increase in nonfarm payrolls, but we do not think the claims data to be nearly as reliable a gauge of labor market conditions as has historically been the case. So, while we do expect nonfarm payrolls rose in July, our forecast anticipates a much smaller increase than that seen in June. The upturn in COVID-19 cases along with the pullback in consumer sentiment and new restrictions on activity in services and retail figure to hurt job growth. Keep in mind that of the 7.999 private sector jobs added over May and June, 70 percent came in three industry groups – retail trade, leisure and hospitality services, and education and health services, and we look for hiring in the first two of these groups to have slowed meaningfully in July. The ISM Non-Manufacturing Index (see above) will be an early indicator of whether our forecast of restrained hiring in the broad services sector is too dour. That we look for public sector payrolls to increase reflects nothing more than seasonal adjustment noise, reflecting a generous July seasonal factor for the education component of state and local government coupled with a much smaller decline in unadjusted payrolls in this segment, as teachers had fallen off of payrolls earlier than normal this year.

# ECONOMIC PREVIEW



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<b>July Manufacturing Employment</b> Range: 49,000 to 480,000 jobs Median: 268,000 jobs	Friday, 8/7	Jun = +356,000 jobs	<u>Up</u> by 222,000 jobs.
<b>July Average Weekly Hours</b> Range: 34.4 to 34.6 hours Median: 34.5 hours	Friday, 8/7	Jun = 34.5 hours	<u>Unchanged</u> at 34.5 hours. As with average hourly earnings, average weekly hours have bounced around considerably over recent months thanks to sharp swings in the mix of jobs. If job gains in lower hour, lower wage industries such as leisure and hospitality services and retail trade are stronger than our forecast anticipates, those mix issues will be present in the July data, meaning our forecast for average weekly hours will be too high while the decline in average hourly earnings will be larger than our forecast anticipates.
<b>July Average Hourly Earnings</b> Range: -1.5 to 0.0 percent Median: -0.5 percent	Friday, 8/7	Jun = -1.2%	<u>Down</u> by 0.6 percent, which would nonetheless leave them up 4.1 percent year-on-year. Our calls on job growth, hours worked, and hourly earnings yield a 0.4 percent increase in aggregate private sector wage and salary earnings (down 4.0 percent year-on-year).
<b>July Unemployment Rate</b> Range: 9.7 to 11.5 percent Median: 10.5 percent	Friday, 8/7	Jun = 11.1%	<u>Up</u> to 11.3 percent. Admittedly, the risk to our forecast is to the downside, and almost all other analysts expect the jobless rate to have fallen in July. Aside from referring you back to the comment on our degree of confidence in our forecasts of the July labor market data on Page 1, we'll point to the employment details of the Census Bureau's <i>Household Pulse Survey</i> . As our regular readers know from our weekly summaries of the Census survey, the number of people reporting they had worked in the most recent week fell significantly between the June and July reference periods for the BLS's household and establishment surveys. Though the link between the BLS data on household and establishment employment and the <i>Household Pulse Survey</i> is not a direct link, the Census survey did anticipate the stronger than expected gains in the BLS measures in June. Even if our forecast proves to be off base, it is likely that the rate of improvement in the labor market, including the speed at which the unemployment rate has fallen, figures to slow from the pace set in May and June, and declines in the unemployment rate will be harder to come by in the months ahead.

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