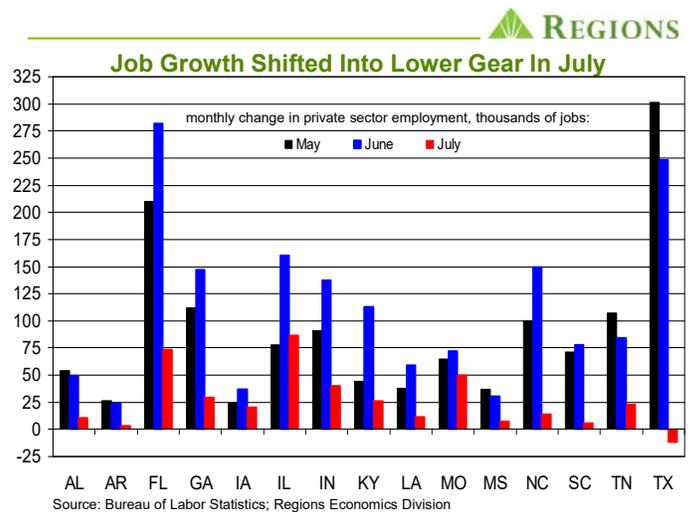


# ECONOMIC UPDATE

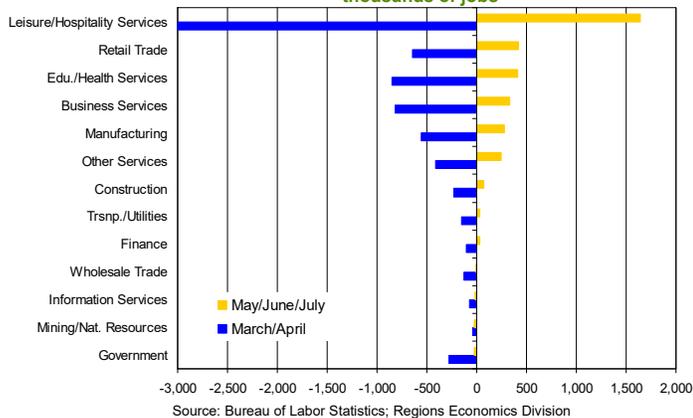
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## July 2020 Nonfarm Employment: Regions Footprint

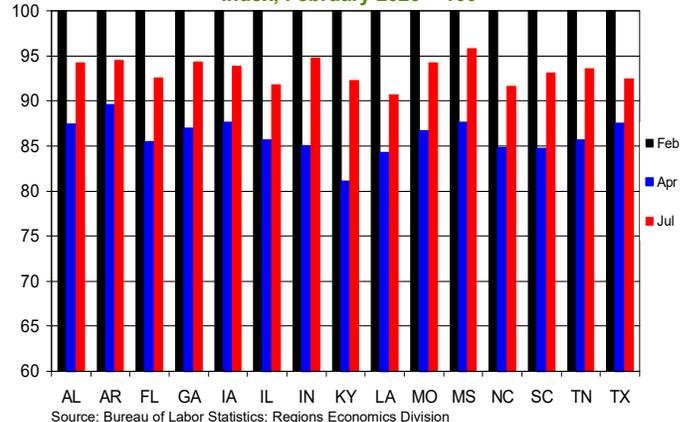
For the Regions footprint as a whole, total nonfarm employment rose by 535,100 million jobs in July, with private sector payrolls up by 393,000 jobs and public sector payrolls up by 142,100 jobs. What was originally reported as an increase of 1.663 million jobs in June is now reported to be an increase of 1.695 million jobs, consistent with the upward revision to the initial estimate of national job growth in June. But, as is the case nationally, the reported growth in public sector payrolls in July largely reflects seasonal adjustment noise, and it is very likely the August data will be similarly impacted, making private sector job growth a better marker of the progress being made in the labor market. As seen in the chart to the side, it is clear that job growth shifted into a lower gear in July, as was also the case nationally. To some extent, this was to have been expected, as the pace at which employment rose in May and June was bound to slow. What is more concerning, however, is that the slower pace of job growth in July also reflects the upturn in COVID-19 cases that began in late-June and carried through July. Note that Texas, which is one of the states in which the upturn in cases was the most pronounced, saw private sector payrolls decline in July, with job counts falling in 7 of the 12 main private sector industry groups.



## Change In Nonfarm Payrolls, Regions Footprint

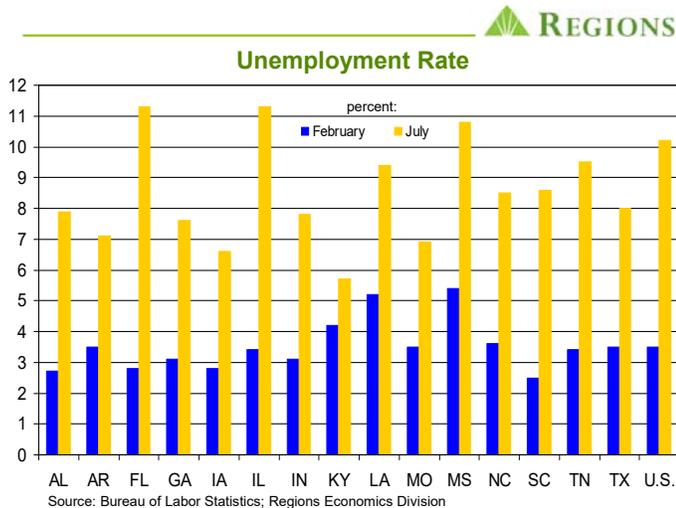


## Private Sector Employment Index, February 2020 = 100



As was the case in May and June, private sector job growth was concentrated amongst three industry groups in July – retail trade, leisure and hospitality services, and education and health services. That concentration, however, was significantly greater in July, as these three industry groups accounted for 76.7 percent of total private sector job growth within the Regions footprint (72.9 percent nationally). For the Regions footprint as a whole, employment declined in mining and natural resources, construction, wholesale trade, and information services in July. The decline in construction employment reflects a decline amongst commercial construction, as residential construction employment continued to advance in July. Note that despite having increased by 1.646 million jobs over the past three months, the level of employment in the leisure and hospitality services group remains roughly 1.35 million jobs below the level as of February. What we

have no way of knowing at this point, however, is the number of those 1.646 million jobs added over the last three months reflecting hiring, or, re-hiring, associated with the Paycheck Protection Program (PPP) and thus are vulnerable to being lost should demand not having recovered to a sufficient degree by time the PPP funds are exhausted. Either way, as of July, the level of employment in the leisure and hospitality industry group within the Regions footprint was 20.1 percent below the level as of February, the largest disparity of any of the private sector industry groups, with a 16.9 percent shortfall in the mining and natural resources industry group and a 9.0 percent disparity in information services. The smallest disparities are seen in finance (2.1 percent below), retail trade (3.6 percent below) and transportation/warehousing/utilities (4.2 percent below). As for the individual states, as of July private sector employment in Louisiana was 9.3 percent below the level as of February, 8.4 percent below in North Carolina, and 8.2 percent below in Illinois. The smallest disparity is seen in Mississippi (4.2 percent below), followed by Indiana (5.3 percent below) and Arkansas (5.5 percent below).

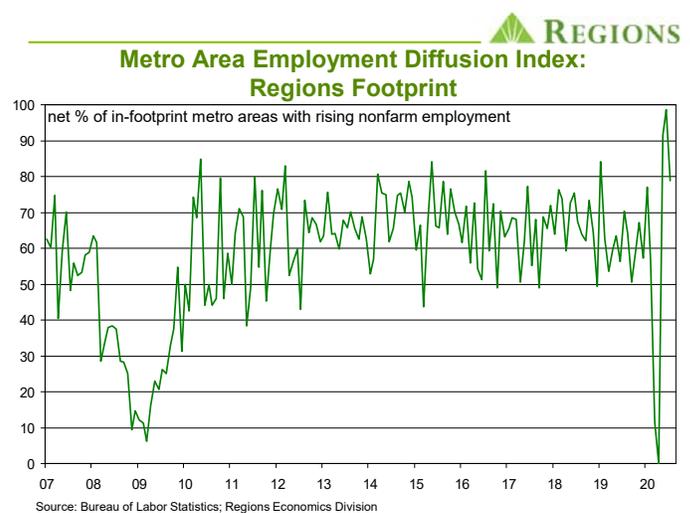


The jobless rate for the Regions footprint as a whole fell from 9.3 percent in June to 8.9 percent in July (the national jobless rate fell from 11.1 percent to 10.2 percent), but it was a very mixed bag amongst the individual states. Five states – Alabama, Florida, Kentucky, Mississippi, North Carolina – saw their unemployment rate rise, while Georgia saw its rate remain unchanged at 7.6 percent, and the remaining nine states saw their unemployment rate fall. Indiana saw the largest decline, with its jobless rate falling from 11.1 percent in June to 7.8 percent in July, while Illinois posted a decline from 14.5 percent in June to 11.3 percent in July. Still, as we routinely note, even in “normal” times, the household survey data on the state and metro area levels are inherently volatile from one month to the next, to the point that we put little stock in any given movement in any given month. For instance, both Illinois and Indiana reported significant declines in the size of their labor force in July, thus amplifying the decline in the

unemployment rate, while Florida and North Carolina each reported a significant increase in the size of their labor force in July, thus putting upward pressure in the unemployment rate. There are no clear patterns in labor force trends, either within a given state or across the states in the footprint, as is apparent in the movements in unemployment rates across the states. Additionally, BLS notes that measured unemployment rates are still being understated, though to a lesser degree than in prior months, by reporting errors. So, as with much of the economic data, the most meaningful comparison of the unemployment rate we can offer in any given month is where it stands in relation to the rate as of February 2020, which we show in the chart above.

The same broad patterns seen in the state-level July data on nonfarm employment hold in the metro area-level data, i.e., a much smaller increase in total nonfarm employment than in June with reported public sector job growth flattered by seasonal adjustment. To the earlier point about the likely effects of the upturn in COVID-19 cases, private sector employment declined in the Dallas, Fort Worth, Houston, and San Antonio metro areas in July, and also declined in an number of the larger Florida metro areas, including the Miami metro area.

Hiring was also less geographically dispersed in July, as seen in our Metro Area Employment Diffusion Index. Though still elevated, at 78.9 percent, the index declined from the lofty levels seen in May and June, indicating job growth in a smaller percentage of in-footprint metro areas in July. Like the deceleration in the pace of job growth, that the geographical breadth of job growth narrowed in July does not come as a surprise, nor will it be surprising to see the index dip further in the months ahead. How much further the employment diffusion index will fall, however, is anyone’s guess at this point. Though job growth was impressively broad based, across industry groups and across geographies, over the course of the recently-ended economic expansion, in the recovery from the pandemic-related recession industry composition and demographics will take on



even added significance in shaping job growth patterns across metro areas. Those metro areas more reliant on services and lacking a meaningful cluster of employment in areas such as manufacturing, construction, and transportation/warehousing/distribution, are likely to fare worse than those areas with exposure to these industry groups, and those with a larger public sector presence, particularly in the form of exposure to state and local government, are also likely to lag the overall recovery. As such, it could be that our Metro Area Employment Diffusion Index will ultimately settle into a lower range than that seen over the course of the prior cycle, though it will be some time before we have a definitive answer.

In addition to these monthly updates of the state level employment data, we continue to produce our regular Thursday updates of state level claims for Unemployment Insurance, and will continue to provide our regular monthly updates of state and metro area labor market, housing market, and personal income data, updates which can be found at either of the following sites:

<https://www.regions.com/about-regions/economic-update> or <http://lifeatregions/Finance/MonthlyEconomicReports.rf>

Private Sector Nonfarm Employment

monthly change, thousands of jobs

<u>STATE</u>	<u>May</u>	<u>June</u>	<u>July</u>	July level, % difference from February
Alabama	54.4	49.0	11.0	-5.82
Arkansas	26.2	23.6	3.7	-5.48
Florida	210.0	281.8	74.1	-7.43
Georgia	111.9	147.4	29.8	-5.72
Iowa	24.6	37.1	20.7	-6.12
Illinois	78.0	160.4	86.9	-8.19
Indiana	90.8	137.5	40.5	-5.26
Kentucky	44.3	112.5	26.2	-7.74
Louisiana	37.9	58.8	11.4	-9.29
Missouri	64.5	72.3	50.2	-5.80
Mississippi	37.2	30.8	7.7	-4.20
North Carolina	99.7	149.8	13.8	-8.43
South Carolina	71.3	78.0	6.1	-6.87
Tennessee	107.4	84.6	23.2	-6.40
Texas	301.5	248.0	-12.3	-7.59
U.S.	3,236.0	4,737.0	1,462.0	-9.06

Source: Bureau of Labor Statistics; Regions Economics Division