

This Economic Update may include opinions, forecasts, projections, estimates, assumptions and speculations (the "Contents") based on currently available information which is believed to be reliable and on past, current and projected economic, political and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Update. The Contents of this Economic Update reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Update or with respect to any results arising therefrom. The Contents of this Economic Update shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial or other plan or decision.

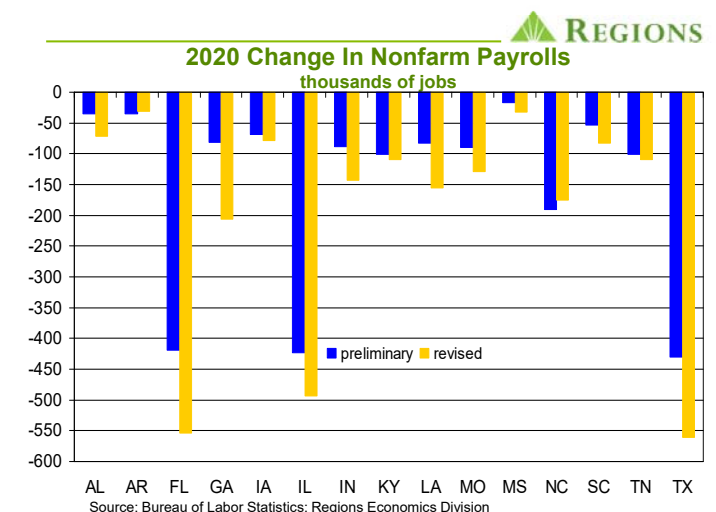
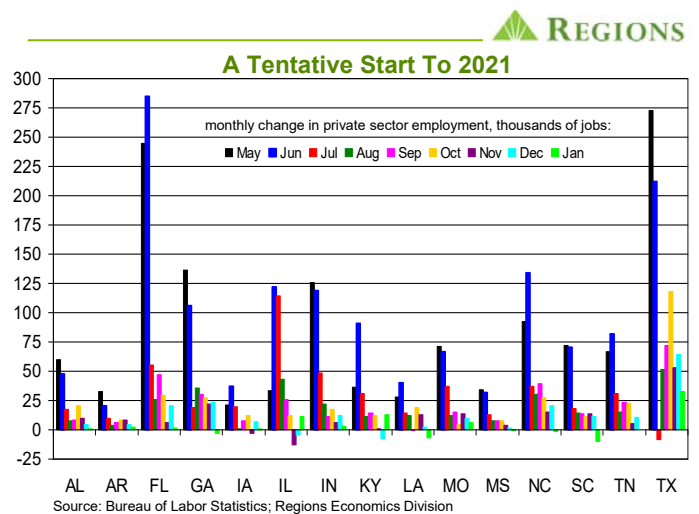
January 2021 Nonfarm Employment: Regions Footprint

The Bureau of Labor Statistics (BLS) has released the state-level employment data for January 2021, which incorporate the annual benchmark revisions to recent historical data. Total nonfarm employment within the Regions footprint rose by 45,000 jobs in January, with private sector payrolls up by 50,700 jobs and public sector payrolls down by 5,700 jobs. Job growth got off to a slow, and tentative, start in 2021, with Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee seeing declines in private sector payrolls. Keep in mind that the surge in COVID-19 cases that began around mid-November 2020 and which carried over into early-2021 led many state and local governments to impose new restrictions on activity, which impacted labor market conditions as 2021 kicked off. We know from the national data, however, that labor market conditions improved in February, and this should be reflected in the state level data when the BLS releases the February data on March 26. With that release being right around the corner, the focus here will be on the results of the annual benchmark revisions to previous estimates of 2020 nonfarm employment. The short version is that, with a few notable exceptions, those revisions were most unkind to the Regions footprint, across states and across the major industry groups.

The preliminary 2020 data showed total nonfarm employment within the Regions footprint declined by 2,216,500 jobs, with leisure and hospitality services accounting for 1,012,500 jobs of the decline in total nonfarm payrolls. The revised data, based on the complete universe of employer payroll tax returns, show a much more severe decline in employment within the footprint, with total nonfarm employment now reported to have fallen by 2,930,600 jobs in 2020, or, the decline in nonfarm employment is 714,100 jobs larger than what was reported in the preliminary data. With the exceptions of Arkansas and North Carolina, where the declines were slightly smaller than originally reported, the revised data show larger declines in nonfarm employment in each state than had been reported in the preliminary data. Florida, Georgia, and Texas fared the worst, in terms of the absolute size of the revisions. The revised data show total nonfarm payrolls declined by 554,000 jobs in Florida in 2020, compared to the preliminary estimate of 419,200 jobs,

Georgia's decline, originally put at 81,200 jobs, is now reported to have been 206,600 jobs, and the decline of 430,800 jobs in Texas reported in the preliminary data is now put at 560,600 jobs. When expressing the size of the revision as a percentage of the 2020 average level of employment, Louisiana (-3.88 percent), Georgia (-2.81 percent), Indiana (-1.83 percent), and Alabama (-1.78 percent) fare the worst, while Tennessee (-0.29 percent), Kentucky (-0.44 percent), and Iowa (-0.62 percent) saw the smallest revisions of the states with downward revisions. By way of comparison, the revision for the U.S. as a whole was -0.03 percent of 2020 average employment.

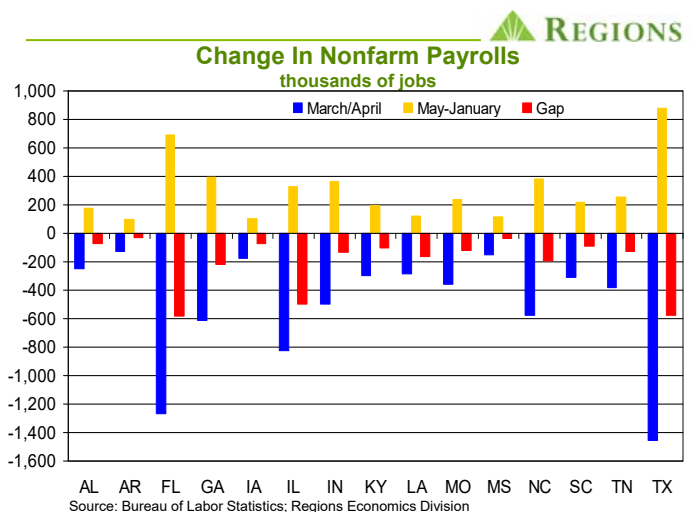
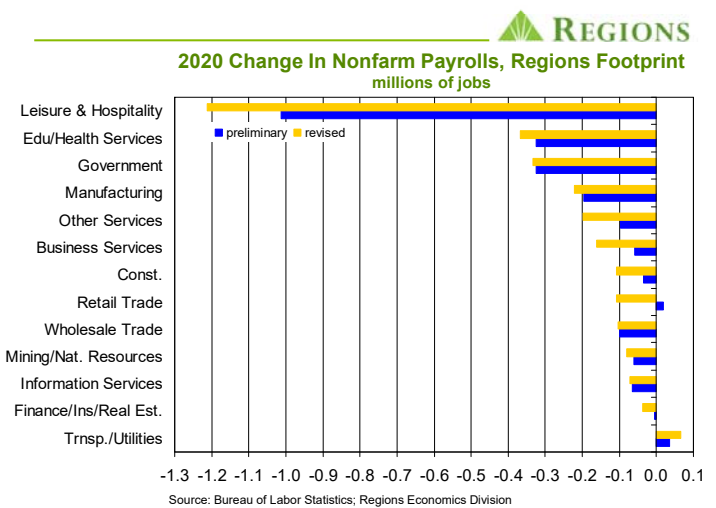
Just as the downward revisions to the preliminary estimates of 2020 nonfarm employment were geographically broad based, they were also broad based across the major industry groups. It is perhaps not surprising that employment in the broad transportation and utilities



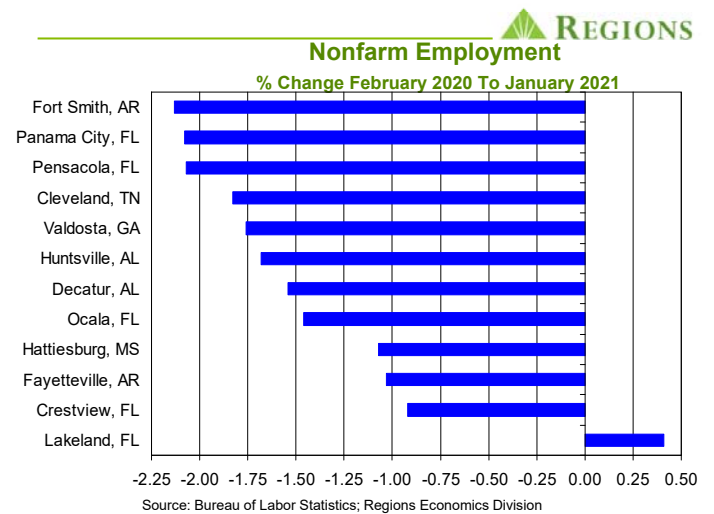
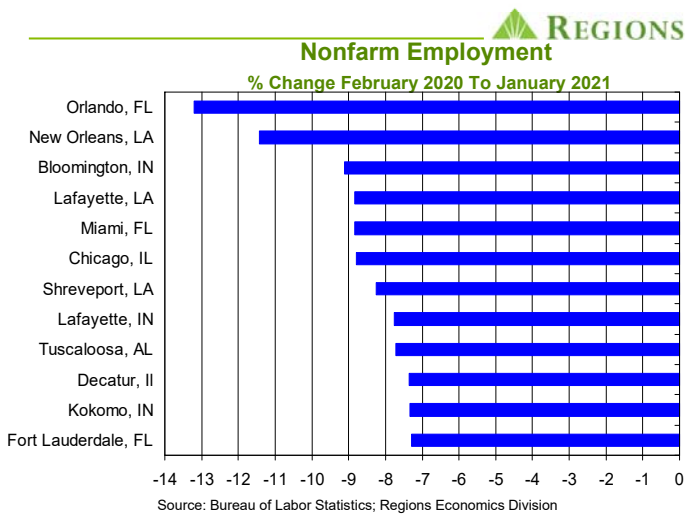
industry group rose in 2020, reflecting hiring in transportation, warehousing, and delivery operations fueled in large measure by the increased incidence of online shopping during the pandemic. Within the Regions footprint, payrolls in transportation and utilities rose by 65,400 jobs in 2020, up from the preliminary estimate of an increase of 36,500 jobs. Those job gains, however, were highly concentrated in Texas (up by 27,400 jobs) and North Carolina (up by 20,500 jobs) while Florida saw payrolls in the broad industry group contract by 12,800 jobs. Each of the remaining broad industry groups saw payrolls decline in 2020, and in each instance the revised data show a larger decline than had been reported in the preliminary data. The largest downward revision came in leisure and hospitality services; what was initially reported as a decline of 1,012,500 jobs for the footprint as a whole is now shown to be a decline of 1,211,900 jobs. Florida saw leisure and hospitality services decline by 271,900 jobs in 2020, a larger decline than initially reported (197,000 jobs), but it helps to recall that the job loss numbers in this or any other industry group include some recovery over the final months of 2020. For instance, Florida saw leisure and hospitality services payrolls drop by a combined 569,100 jobs in March and April but added back 293,200 of these jobs by year-end 2020. Scaling the size of the downward revision to average 2020 employment shows Kentucky, Mississippi, and Louisiana saw the largest downward revisions to prior estimates of employment in leisure and hospitality services.

The revised data show that within the Regions footprint, retail trade payrolls declined by 108,500 jobs in 2020, less satisfying but at least more credible than the initial estimate showing retail trade payrolls rose by 19,100 jobs in 2020. To some extent, the decline in retail trade payrolls is the flip side of the increase in payrolls amongst transportation, warehousing, and delivery operations, and it is useful to keep in mind that the pandemic was not the catalyst for but instead an accelerant of the shift in shopping patterns in favor of online shopping. That said, retail trade accounts for over eleven percent of total nonfarm employment within the Regions footprint. In terms of the number of jobs, leisure and hospitality services and retail trade saw the largest downward revisions, but when scaled to average 2020 employment it was the mining and natural resources sector that fared the worst, with a downward revision equivalent to 5.9 percent of average 2020 employment. This downward revision, however, is almost entirely accounted for by the downward revision to the data for Texas.

The revised data show the pandemic and the efforts to stem its spread left a deeper hole in labor markets across the Regions footprint and at the same time show a slower recovery than had previously been reported. Initially, it was reported that nonfarm employment within the Regions footprint had fallen by a two-month total of 7.262 million jobs as the economy shut down last March and April, but that between May and December 4.824 million jobs had been added back, leaving a deficit in the level of nonfarm employment of 2.439 million jobs. The revised data put the combined March-April job losses at 7.557 million, with 4.538 million jobs added over the May-December period, for a remaining deficit of 3.019 million jobs. Put differently, as of January 2021, the level of nonfarm payrolls for the footprint as a whole was 5.1 percent below the pre-pandemic peak, smaller than the 6.5 percent shortfall for the U.S. as a whole. At 8.2 percent, Louisiana had the largest remaining gap of the in-footprint states, followed by Illinois (8.1 percent) and Florida (6.4 percent), with Arkansas (2.5 percent), Mississippi (3.2 percent), and Alabama (3.5 percent) facing the smallest remaining gaps. Amongst the individual industry groups, it is no surprise that leisure and hospitality services faces the largest gap, with the level of employment as of January 2021 18.5 percent below the pre-pandemic peak, with the smallest gap in finance, where payrolls remain 1.6 percent of their pre-pandemic peak. The remaining gap in leisure and hospitality services will narrow significantly as the economy more fully reopens in the months ahead.



As was the case with the state-level data, the revisions to the preliminary estimates of 2020 nonfarm employment were much larger than normal on the metro area level. In a typical year, the revisions on the state and metro area levels tend to be larger than is the case on the national level, but it is the magnitude of the gaps in the revisions to the 2020 data that stands out. This, however, is understandable in light of the degree to which data collection in general has been impaired since the onset of the pandemic. For the group of in-footprint metro areas which we track and provide regular data updates for, the decline in nonfarm employment in 2020 was much larger than had previously been estimated, with a downward revision equivalent to 1.2 percent of average 2020 employment. One notable outlier is the Lakeland-Winter Haven FL metro area; while the preliminary data showed nonfarm payrolls fell by 4,900 jobs in 2020, the revised data show an increase of 2,400 jobs, and while that may not seem a big deal, this makes it the only in-footprint metro area to post an increase in nonfarm employment in 2020. The revisions were considerably less kind to the Orlando FL metro area, where what was originally reported as a decline of 130,400 jobs is now shown in the revised data to be a decline of 167,200 jobs which translated into a 12.5 percent decline in nonfarm employment in 2020, the largest amongst the in-footprint metro areas. As of January 2021, the level of nonfarm employment in the Orlando metro area was 13.2 percent below the pre-pandemic peak, the largest gap amongst our group of in-footprint metro areas, followed by the 11.4 percent gap in the New Orleans LA metro area. The charts below show the in-footprint metro areas with the largest and smallest, respectively, differences in nonfarm employment between February 2020 and January 2021 as reflected in the revised employment data.



The rate at which the remaining gaps in nonfarm employment narrow should pick up in the months ahead as more and more people are vaccinated against the COVID-19 virus and the economy more fully reopens. The reality, however, is that not all of the jobs lost during the pandemic will come back while other factors, such as firms relying on automation to a greater degree and the diminishing odds that the growing ranks of the long-term unemployed will find new jobs, will also act as drags on the recovery in the labor market. While the level of real GDP should return to the pre-pandemic peak no later than Q2 2021, it could be that the level of nonfarm does not return to its pre-pandemic peak until at least late-2022. We of course will continue to track the labor market data in the months ahead. 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 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>