ECONOMIC PREVIEW

REGIONS

Week of March 29, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the April 27-28 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%	Consumer confidence and the ISM Manufacturing Index will launch the March economic data releases, with "launch" a fitting term for what we expect from the March data. In a typical year, March is very much a month of transition as the winter lull in economic activity gives way to an acceleration over the spring and summer months. There are, however, reasons to think that this year's March acceleration will look turbocharged compared to a typical March. One reason is that February's unusually harsh winter weather significantly suppressed a wide range of activity from homebuilding to factory production to consumer spending, and the March data will bring payback. This will only add to what already would have likely been a significant burst in activity as the economy moved further along the road to reopening, which would have been supportive of stepped-up hiring and consumer spending in the services sector. Moreover, the distribution of the third round of Economic Impact Payments in March came on top of an already elevated personal saving rate, thus adding even more fuel for growth in consumer spending. Higher frequency indicators of economic activity, including consumer spending, show a notable acceleration in March, and while the mapping between these relatively new indicators and the standard economic data series is far from precise, the expectations bar is set fairly high. To be sure, we may have set the bar a bit too high, but if we are wrong it will be a matter of degree, not direction, and the March employment report (see below) will be an early marker that will inform our view of the rest of the March data releases. As always, the real gauge of whether, or to what extent, this year's March acceleration is more pronounced than is typical will be the not seasonally adjusted data which, as our regular readers know, is always our basis for analysis. Keep in mind that the last month of any given quarter sets the base for growth in the following quarter. As such, if the March data are as strong as we expect, that would set the stage for Q2 real GDP growth to be even faster than Q1 growth will be.
March Consumer Confidence Tuesday, 3/30 Range: 93.0 to 100.4 Median: 96.5	Feb = 91.3	Up to 100.4, with our forecast anticipating meaningful increases in both the present conditions and expectations components. To be sure, we may have set the bar too high here, but if we're wrong it will be a matter of degree, not direction. As always, our main interest will be consumers' assessments of labor market conditions, which we look to have been more positive in March than in the prior three months.
March ISM Manufacturing Index Thursday, 4/1 Range: 58.2 to 63.0 percent Median: 61.0 percent	Feb = 60.8%	Up to 62.7 percent. Our forecast anticipates increases in the indexes for production, new orders, employment, and supplier delivery times will combine to push the top-line index higher, though inventories may be a drag. The the risk to our forecast is to the downside in light of the disruptions resulting from the shortage of semiconductor chips, with motor vehicle production hit particularly hard. With few worries on the demand side, any disruptions in production due to supply chain/logistics issues figure to be transitory but will, until they are resolved, be a source of upward pressure on prices of final goods, particularly in conjunction with already rising input costs. The ISM's gauge of input costs will bear watching after having hit a more than twelve-year high in the February survey.
February Construction Spending Thursday, 4/1 Range: -2.0 to 0.8 percent Median: -0.9 percent	Jan = +1.7%	Down by 1.8 percent.
March Nonfarm Employment Friday, 4/2 Range: 280,000 to 980,000 jobs Median: 613,000 jobs	Feb = +379,000 jobs	Up by 961,000 jobs, with private sector payrolls up by 918,000 jobs and public sector payrolls up by 43,000 jobs. February job growth surprised to the upside and would likely have been even stronger had it not been for unusually harsh winter weather. The number of people reporting they were not at work due to weather was the highest for any February since 2010, and not seasonally adjusted construction payrolls saw their largest February decline since 2010. Our forecast anticipates payback in the March data. We think, however, that further reopening of the economy will be the much larger driver of March job growth, particularly in leisure and hospitality services, where many firms are ramping up hiring in anticipation of a burst of demand in the months ahead. Granted, March is typically a strong month for job growth meaning that the seasonal adjustment factors will push down on whatever increase the unadjusted data bring, and, again, we may have set the bar too high. Nonetheless, we look for March job growth to be better than the consensus forecast expects.

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March Manufacturing Employment Friday, 4/2 Range: 8,000 to 40,000 jobs Median: 21,000 jobs	Feb = +21,000 jobs	Up by 36,000 jobs. The supply chain/logistics issues that are plaguing many industry groups pose a downside risk to growth in manufacturing payrolls, but these issues will eventually clear, setting the stage for further job growth in the factory sector in the months ahead.
March Average Weekly Hours Friday, 4/2 Range: 34.5 to 34.8 hours Median: 34.7 hours	Feb = 34.6 hours	Up to 34.7 hours. If, as we suspect, leisure and hospitality services will post the largest job gains across the broad private sector industry groups, that will hold down average weekly hours. But what we expect to be fairly strong hiring amongst the goods producing industries, in which the length of the workweek is well above average, will act as somewhat of an offset. It is also possible that March job growth falls short of our expectations, with firms opting to add hours for existing workers rather than taking on additional workers. If so, average weekly hours could come in higher than our forecast. As we've often noted, while one-tenth of an hour changes in the average length of the workweek may not seem all that meaningful, on a private sector employment base of over 122 million jobs these seemingly small changes in weekly hours punch well above their weight in terms of the impacts on aggregate private sector hours worked and aggregate private sector wage and salary earnings.
March Average Hourly Earnings Friday, 4/2 Range: -0.1 to 0.4 percent Median: 0.1 percent	Feb = +0.2%	Up by 0.1 percent, which would translate into a year-on-year increase of 4.6 percent. Our calls on job growth, hours worked, and hourly earnings yield a 1.2 percent increase in aggregate private sector wage and salary earnings (up 1.8 percent year-on-year). As with average weekly hours, the mix of jobs added in March will help govern the change in average hourly earnings. While we do expect a sizable increase in jobs amongst the goods producing industry groups, in which average hourly earnings are well above the overall private sector average, we expect a much larger increase in jobs in leisure and hospitality services, where the average hourly wage is more than 40 percent below the average private sector hourly wage. This mix should cap any increase in average hourly earnings in the March data, and an early March survey period also looms as a drag on measured hourly earnings growth.
March Unemployment Rate Friday, 4/2 Range: 5.9 to 6.2 percent Median: 6.0 percent	Feb = 6.2%	Down to 5.9 percent. While we anticipate an increase in labor force participation, our expectations of job growth would more than offset growth in the labor force and push the unemployment rate lower. Absent an unexpected retreat in labor force participation, it follows that if our forecast of job growth proves to be too high our forecast of the unemployment rate will be too low.

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