ECONOMIC PREVIEW

REGIONS

Week of April 5, 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%	Though falling a bit short of our above-consensus forecast, March job growth was notably strong, with total nonfarm payrolls up by 916,000 jobs while prior estimates of job growth in January and February were revised up by a net 156,000 jobs for the two-month period. Moreover, March job growth was notably broad based, with the one-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups, rising to 71.0 percent – in March 2020, the index plummeted to 12.5 percent. In any given year, March is a transitional month for the economy as the typical winter lull gives way to a pick-up in activity over the spring and summer months. This year, March hiring got added lifts from a reversal of the weather effects that held down hiring in February and further reopening of the economy. To that point, on a not seasonally adjusted basis, total nonfarm employment rose by 0.93 percent in March, the largest March increase since 1951. We think the March data are a preview of what lies ahead, with average monthly job gains of better than one million jobs a distinct possibility as more and more people get vaccinated against the COVID-19 virus and the economy continues to reopen. Still, to put these numbers in proper perspective, as of March the level of nonfarm employment remained 8.403 million jobs below that of February 2020, with payrolls in leisure and hospitality services down 3.134 million jobs from the pre-pandemic peak. At the same time, long-term unemployment is becoming a more serious issue, with those out of work for 27 weeks or more accounting for 43.4 percent of total unemployment in March, a share that will rise further in the months ahead, and this does not even account for the millions of people who have dropped out of the labor market completely since the onset of the pandemic. So, even if hiring is as robust in Q2 as we expect it will be, the labor market still has far to go before it will be considered fully healed.
February Factory Orders Range: -1.6 to 3.0 percent Median: -0.5 percent	Monday, 4/5	Jan = +2.6%	Up by 0.5 percent. Though orders for durable goods fell sharply, we look for growth in orders for nondurable goods, partly reflecting price effects, to push total orders higher.
March ISM Non-Manufacturing Index Range: 57.0 to 62.0 percent Median: 59.0 percent	Monday, 4/5	Feb = 55.3%	Up to 62.0 percent. After having been held down by February's unusually harsh winter weather, we look for activity in the broader services sector to have bounced back smartly in March. As was the case with the ISM's survey of the manufacturing sector, we look for increases in the sub-indexes measuring employment and new orders and slower supplier delivery times to push the headline index higher. Though it does not enter into the calculation of the headline index, pay attention to the prices paid index, which in February rose to its highest level since September 2008. As in the manufacturing sector, non-labor input price pressures are becoming more intense in the services sector, and it remains to be seen whether, or to what extent, rising input prices will ultimately make their way into the broader measures of inflation.
February Trade Balance Range: -\$73.5 to -\$69.2 billion Median: -\$70.4 billion	Wednesday, 4/7	Jan = -\$68.2 billion	Widening to -\$70.9 billion.
March PPI: Final Demand Range: 0.3 to 1.0 percent Median: 0.5 percent	Friday, 4/9	Feb = +0.5%	Up by 0.4 percent, which would yield a year-on-year increase of 3.8 percent. Base effects pushed PPI inflation higher in the February data, and that effect will be stronger in the March data and stronger still in the April data. On a month/month basis, the PPI declined by 0.5 percent last February, 0.5 percent last March, and 1.1 percent last April, and it won't take much for this year's April data to show a year-on-year increase of better than 5.0 percent. While these base effects will fade from the data in subsequent months, other indicators, including the ISM surveys, lead us to think there is a more lasting component to price pressures. If we are correct on this point, there may be a stronger mapping between the Producer Price Index and measures of retail-level inflation, such as the Consumer Price Index, than has been the case for some time. Firms facing higher input prices on a sustained basis can either get by on slimmer margins or attempt to pass along higher input costs along in the form of higher prices for intermediate and final goods, and our sense is that there is more pricing power now than has been the case over the past several years.
March PPI: Core Range: 0.1 to 0.6 percent Median: 0.2 percent	Friday, 4/9	Feb = +0.2%	Up by 0.3 percent, which would translate into an over-the-year increase of 2.7 percent.

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