ECONOMIC PREVIEW

REGIONS

Week of July 5, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 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%	While the ISM Non-Manufacturing Index is the only top-tier release scheduled in this holiday-shortened week, there are a couple of other releases to watch for. Wednesday brings the May Job Openings and Labor Turnover Survey, better known as the JOLTS report, which sheds further light on the dynamics of the labor market. Recall that the April JOLTS report showed roughly 9.3 million open jobs, almost on par with the number of unemployed people. To be sure, there is more than simple math in play, as skills mismatches, geographic mismatches, and factors such as lingering health concerns and childcare obligations are all contributing to open jobs going unfilled. Though the disparity is the greatest in leisure and hospitality services, job opening rates in each of the main industry groups are well above pre-pandemic rates, and there is little reason to think the May data will show anything different. Much has been made of the rising quits rate in recent months, which many interpret as a sign of increased confidence amongst workers, i.e., people who think they can easily find a new job would be more likely to leave their current job. While that may be the case, the data on monthly labor force flows show greater numbers of people with jobs exiting the labor force completely, which would more likely be a signal of greater numbers of retirements. Also on tap for Wednesday is the release of the minutes of the June FOMC meeting. It seems like only yesterday that markets and analysts were swooning over a shift in the FOMC's dot plot which implied the Fed funds rate might be increased by 50 basis points in 2023. While the markets seem to have come to terms with this shift, many analysts have yet to do so and continue to refer to a suddenly "hawkish" FOMC, with some going as far to describe a "super hawkish" turn on the part of the Committee. To the extent the FOMC did take a turn, hawkish, super hawkish, or otherwise, as their June meeting, the meeting minutes should lay out their rationale for doing so. Is it a matter of members thinking that, given the degree of improvement in economic and labor market conditions seen to date and the further improvement expected in the quarters ahead, it would be appropriate to begin dialing back on the degree of monetary accommodation? Or, is elevated concern over inflation leading some members to think the time to begin raising the funds rate is sooner rather than later – recall the June dot plot indicates that 7 of the 18 Committee members thought at least one rate hike by year-end 2022 would be appropriate. Also, recall that in his post-meeting press conference Chairman Powell referred to the June meeting as the "talking about talking about tapering meeting." As such, the minutes to the June FOMC meeting should give some sense of the discussion around tapering the pace of the Fed's monthly asset purchases.
June ISM Non-Manufacturing Index Tuesday, 7/6 Range: 62.0 to 65.4 percent Median: 63.8 percent	May = 64.0%	<u>Down</u> to 63.8 percent. As with their survey of the manufacturing sector, the ISM's survey of the broader services sector shows ongoing expansion but at a slower pace than would be the case were it not for supply chain and logistics bottlenecks, rising input costs, and difficulty finding/keeping labor. We do not expect the ISM's June survey will show meaningful relief from the constraints weighing on growth, and the details we'll be watching most closely will be new orders and supplier delivery times. And, even though it does not enter into the calculation of the headline index, the prices paid index will bear watching, particularly after the prices paid index in the ISM's June manufacturing survey jumped to its highest level since 1979. The tone of comments from survey respondents will also be worth noting, as comments over the past few months have revealed growing frustrations over rising input costs and the inability to keep pace with what has been robust growth in demand.

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