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## *U.S. Consumers: Something Is Up, Or, Is Something Up?*

It's always something with U.S. consumers. They're either upbeat or downbeat, tapped out or flush with cash, spendthrift or miserly, living for today or worried about tomorrow. At least if you take the word of analysts or believe media accounts in the wake of each and every data release pertaining to consumer finances/spending. Depending on whether spending in a given period was weaker or stronger than anticipated by a "consensus" forecast, the reactions to the data releases mainly consist of sweeping generalizations as to the state of U.S. consumers. Of late, those generalizations have tended to be rather negative; we've seen increased references to "cash strapped" consumers over the past several weeks even as the data show significantly faster growth in consumer spending in recent months than was seen in this year's first quarter.

The problem with these sweeping generalizations is that they are, well, sweeping generalizations which, while convenient for those employing them, are useful only if one accepts the premise that what applies to one particular subset of consumers applies to all consumers. That premise, however, is clearly false; the reality is that, at any given time, one can find groups of consumers who would fall into every single one of the buckets we delineate in the above paragraph. Those buckets aside, it does seem clear that there are divides across household income lines, which is apparent in the various data series on consumer confidence and consumer spending. Growing numbers of lower-to-middle income households have felt increasing financial stress, reflecting the cumulative effects of rising prices and higher interest rates, while higher-income households have been far more insulated against these forces and, as such, have maintained their spending to a greater degree than have lower-to-middle income households. Even amongst upper-income households, however, there are signs that discretionary services spending has softened of late.

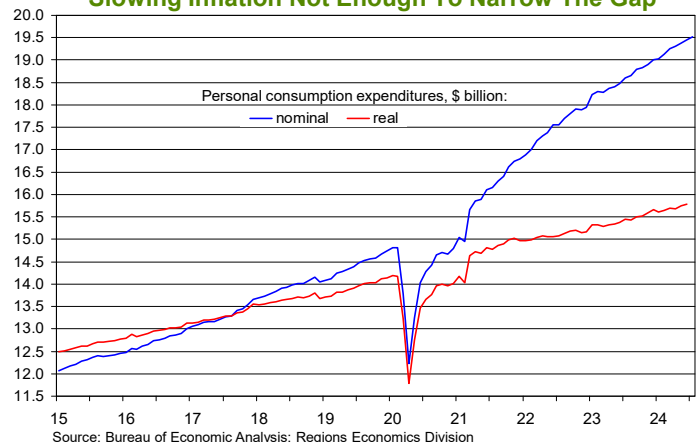
That plays into an increasingly common theme in takes on the state of U.S. consumers which is reinforced by the latest earnings releases amongst retailers and amongst providers of discretionary consumer services. Just as there is a divide amongst consumers, recent earnings results show an increasing divide amongst sellers of consumer goods and services. Amongst retailers, off-price and value retailers have outperformed department stores, specialty retailers, and providers of luxury goods of late, a divide drawn out in Q2 earnings results. Still, results have not been uniform within these broad categories, as evidenced by a large discount retailer posting weak Q2 results and offering weak guidance, though this seems to have just as much to do with theft/inventory issues than it does with the state of its customer base. As for providers of discretionary consumer services, a common theme of recent earnings releases was that volumes remained healthy, but margins

had come under increased pressure, reflecting the extent to which still-healthy volumes were driven by discounting.

The common theme is that more consumers have become more value-driven, seeking ways to stretch budgets which have become increasingly stressed by the cumulative effects of a prolonged period of elevated inflation. The key words here are "cumulative effects," as many observers seem unable to reconcile financial stress and decelerating inflation. This is not a new topic for us, as we've been making these points for as long as many others have been wondering why, with inflation easing, consumers don't feel better than they do. The obvious answer, at least to us, is that slowing inflation does not mean prices are falling, it simply means that prices are rising at a slower pace. As such, smaller monthly increases on the back of the cumulative price increases seen over recent years are still adding to the degree of financial stress being felt by many lower-to-middle income households. This is especially the case for those households which have exhausted whatever saving buffers they had built up in the early phases of the pandemic when substantial financial transfers to the household sector were a staple of pandemic relief efforts.



### Slowing Inflation Not Enough To Narrow The Gap



We've often used the above chart to illustrate our point about the cumulative effects of higher prices over the past few years. The blue line shows the current dollar level of personal consumption expenditures, while the red line shows the real (i.e., inflation adjusted) level of expenditures. Note that after the severe distortions triggered by the pandemic, the level of real consumer spending is basically back on the long-term trend path it was on prior to the pandemic, which obviously isn't the case with the level of nominal consumer spending. One way to think about the above chart is to think of the gap between the blue and red lines as the cumulative effects of rising prices. Even if at a slowing pace, that gap continues to widen.

In the first few quarters after the onset of the pandemic, sizable financial transfers to the household sector enabled households across the lower income groups to spend more, pare down debt, and build up savings, patterns that were bolstered as a recovering labor market fostered notably faster growth in labor earnings across industry groups and labor skill levels. As time wore on and inflation persisted, however, savings buffers began to wear thin, and at a faster rate for many lower income households than in the aggregate. For many lower-to-middle households with no remaining savings buffers, rising prices for necessities such as food, shelter, and energy, have left less and less room for discretionary spending. This has, in turn, fostered a growing feeling of financial stress which has persisted even as the rate of inflation has slowed. This is evident in cuts of survey data on consumer confidence/sentiment across income levels.

Some are taking the decelerating pace of growth in spending on discretionary services such as travel, tourism, recreation, dining out, and entertainment as evidence that financial stress is working its way up the income distribution. That more higher income households are carrying higher credit card balances may be seen as further such evidence. Without discounting these concerns, it could also be that there is increasingly less pent-up demand for such services which, in turn, is contributing to the slowing pace of growth in spending seen over recent months. Recall that in the early phases of the pandemic much of the services sector was either shut down or operating at only limited capacity which, combined with the significant financial transfers to the household sector, drove an increasing share of total consumer spending to the goods sector. As the economy reopened, particularly the services sector, there was naturally going to be a period of “catch-up” spending on discretionary services, an effect reinforced by households across lower and middle income buckets still having saving buffers at their disposal.

At some point, though, the impulse of any such catch-up spending was bound to ebb so, in that sense, at least some slowing in growth in discretionary services spending should not be surprising. We’d argue the effects of diminished pent-up demand has also been weighing on goods spending for some time, which would follow from the shift in spending patterns – away from services, towards goods – seen in the early phases of the pandemic. This is, at least to some extent, reflected in the marked deceleration in goods price inflation that took hold in 2023 which has given way to outright goods price deflation over the past several months. Those patterns have taken hold in prices for discretionary services such as air fares, lodging rates, and rental car rates. Whether due to increasing financial stress amongst a wider range of households or largely sated pent-up demand, demand for travel services has softened, leading providers to resort to discounting to drive volumes. As we have noted in our analysis of the monthly data on the Consumer Price Index (CPI) and the PCE Deflator, it was most unusual to see declines in these areas on a not seasonally adjusted basis during the summer months, normally times of peak demand.

That consumers are, at least thus far, responding to lower prices for discretionary services could suggest that the softer demand that triggered this discounting was more a matter of diminishing pent-up demand than of growing financial stress amongst a wider range of households. Either way, slowing growth in discretionary services spending would be consistent with a slowing pace of

growth in overall spending which, to some extent, should not be surprising. The relevant questions, however, are the extent to which consumer spending will slow, what is behind this slowdown, and what it is telling us about conditions in the broader economy.

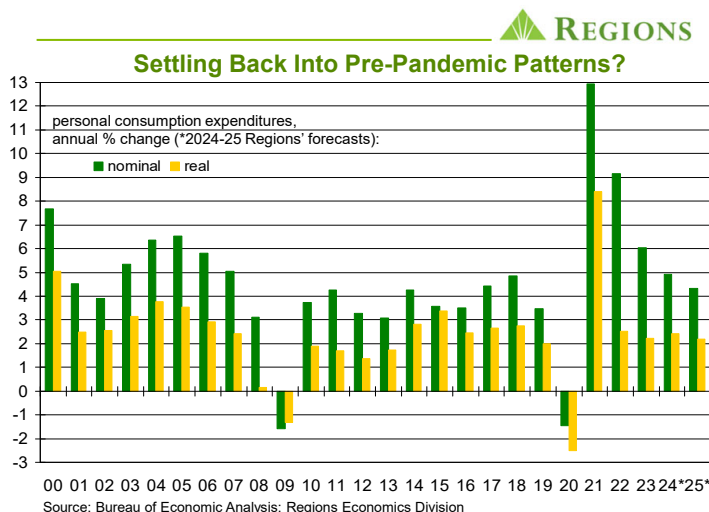
To be sure, anyone looking at the recent data releases may, with good reason, be wondering “what slowdown?” For instance, the BEA’s second estimate of Q2 GDP puts growth in real consumer spending at an annual rate of 2.9 percent, up from the initial estimate of 2.3 percent and even further ahead of the 1.5 percent growth rate logged in Q1. Moreover, the monthly data on personal income and spending show real consumer spending – combined spending on goods and services – rose by 0.4 percent in July, meaning that even if real spending were flat over the final two months of the quarter, real consumer spending would grow at an annual rate of 3.0 percent for Q3. As is often the case in the wild and fast-paced world of economic data, however, the details of the data paint a different picture than do the headline numbers.

Q1 growth in consumer spending was significantly impaired by weak spending on goods, in part reflecting motor vehicle sales being frozen out by atypically harsh winter weather. Jumping ahead, recall that a cyberattack on dealer network software led to a steep decline in motor vehicle sales in June. This was largely reversed in July, which pushed spending on consumer durable goods up sharply, meaning that at least some payback in the August data is all but assured. We’ll also, yet again, note that seasonal adjustment often distorts patterns in goods spending as reported in the monthly retail sales data, which in turn impacts the GDP data. For instance, control retail sales – retail sales excluding restaurant, motor vehicle, gasoline, and building materials sales – are a direct input into the GDP data, accounting for roughly one-quarter of the GDP measure of total consumer spending. Recall that control retail sales were reported to have risen by 0.9 percent in June but, as we pointed out at the time, that was no more than a gift from seasonal adjustment as the not seasonally adjusted data showed an unusually large June decline in control retail sales. As it is the seasonally adjusted measure that feeds into the GDP data, this contributed to the rebound in goods spending in Q2.

Though goods spending accounts for only about one-third of total consumer spending, that goods spending is prone to wide swings from month-to-month means that changes in goods spending can, and often do, have an outsized impact on the reported change in total consumer spending. To that point, we think it more telling that growth in real services spending slowed meaningfully in Q2 and, at least based on the July data, is set to slow further in Q3. With services spending comprising roughly two-thirds of all consumer spending, simple math dictates that this will be a drag on growth in total consumer spending in Q3, particularly if we are correct in anticipating some August payback for the jump in spending on consumer durable goods seen in the July data. Allowing for the usual month-to-month swings, our September baseline forecast anticipates growth in real consumer spending to slow sequentially over the final two quarters of 2024.

That does not, however, mean we expect a pronounced and sustained deceleration in spending growth, let alone an outright contraction. Instead, we expect growth in real consumer spending to settle back into fairly narrow range that prevailed over the 2000-2019 period, the obvious exceptions being the declines seen

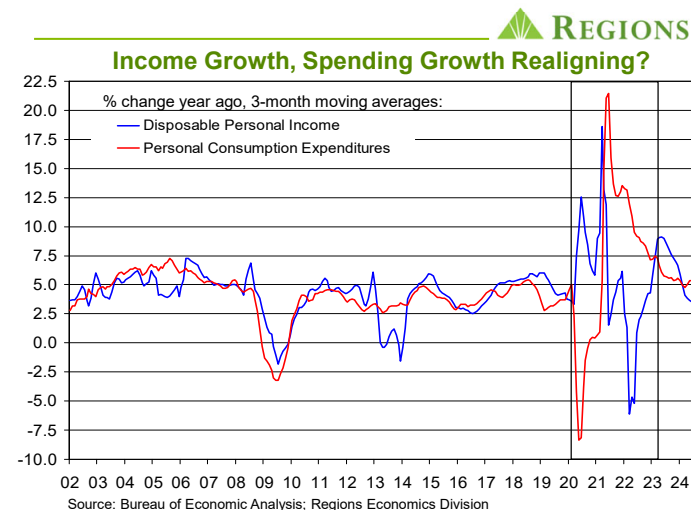
during the past two recessions, as illustrated in the chart below. Over the 2000-2019 period, real consumer spending posted average annual growth of 2.4 percent; our September baseline forecast anticipates full-year growth of 2.4 percent for 2024 and growth of 2.2 percent in 2025. One obvious difference, however, is that we expect growth in nominal spending in each year to be above the 4.3 percent average annual growth seen over the 2000-2019 period, reflecting the cumulative effects of higher prices over the past few years. In that sense, then, this chart is telling the same story as told by the chart on Page 1.



Our expectations for the path of consumer spending are in keeping with our expectations for the broader economy. We have argued that with the significant distortions in patterns in economic activity brought about by the pandemic and the policy response to it now having largely run their course, we should see a return to pre-pandemic norms. This would entail real GDP growth falling back in line with the 2.4 percent average rate that prevailed over the decade-plus expansion that ended with the onset of the pandemic, and metrics such as growth in real consumer spending and growth in nonfarm employment similarly falling back in line with pre-pandemic norms. Our sense is that this “normalization” is mainly behind the decelerating pace of activity seen across much of the economy, including the labor market, but the added weights of elevated inflation and higher interest rates have many concerned that what we are seeing is far less benign than the economy normalizing, potentially ending with the economy in recession.

If we are correct in our view, one implication would be that growth in consumer spending falls back in line with the longer-term average rate that prevailed prior to the pandemic. This, in turn, would imply that the rate of growth in consumer spending will be more closely aligned with the rate of growth in disposable (after-tax) personal income than has been the case over the past few years, restoring what for years prior to the onset of the pandemic had been a fairly stable relationship. This does highlight the importance of labor market conditions, given that labor earnings are far and away the largest component of personal income. As the pace of job growth has slowed, so too has the pace of growth in aggregate labor earnings and, in turn, the pace of growth in after-tax personal income. It should be noted, however, that despite having slowed, growth in aggregate labor earnings has

continued to run ahead of inflation, as has been the case over this entire period of elevated inflation.



Thus far, the slowing pace of job growth has been a function of less hiring as opposed to rising layoffs. A slowing hiring rate was to have been expected following the frenzied pace of hiring as jobs shed during the pandemic were added back, and in that sense is consistent with the premise of the economy normalizing. Should we see a sharp, broadly based (across industry groups), and sustained increase in layoffs, however, that would be a sign of something less benign than normalization. A more pronounced deterioration in labor market conditions would, in turn, lead to a sharper slowdown in consumer spending than we now anticipate.

It is worth noting that there are additional supports for consumer spending. Though having drifted up from the all-time low seen in late-2021, monthly debt service burdens (principal and interest payments as a share of disposable income) remain well below pre-pandemic norms, while household net worth is at an all-time high, including housing equity positions that, in the aggregate, are stronger than at any time since the early-1980s. And, for all of the screaming headlines about the level of credit card debt topping the \$1 trillion mark, the reality is that outstanding credit card debt is equivalent to just over eight percent of disposable personal income excluding transfer payments. This would, absent the pandemic-related distortions in income flows, reflect an all-time low, and suggests considerable untapped borrowing capacity, as is also apparent in credit card utilization rates. Clearly, these are aggregate figures which mask distributional issues, i.e., lower-income households with higher levels of credit card debt are facing more cumbersome debt service burdens and have less unutilized borrowing capacity. There are obviously pockets of financial stress within the household sector which, while a drag on the pace of growth, is not sufficient to bring about a decline in consumer spending. Absent a more pronounced deterioration in labor market conditions than we anticipate, we see that as being unlikely.

*Seasonal Patterns Normalizing, Or Settling Into New Normal?*

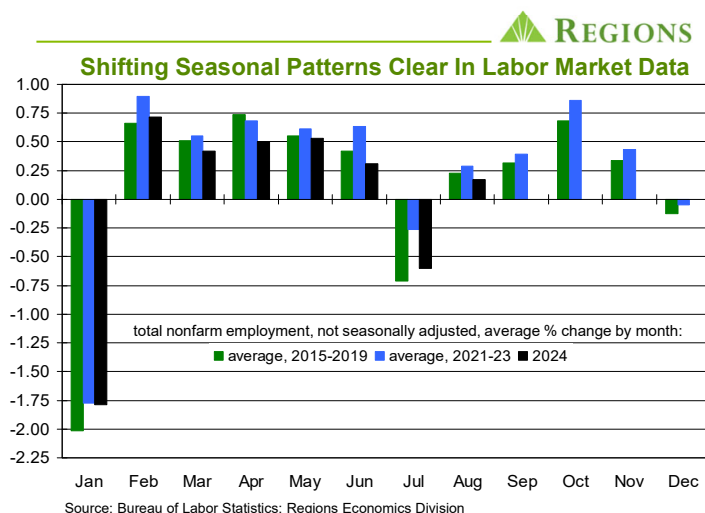
The question of whether the pace of economic activity is finally normalizing after the significant disruptions/distortions triggered



by the pandemic and the policy response to it or whether something less benign is underway and will end in recession is one that analysts, market participants, and central bankers are all trying to answer. There is, however, no quick or easy answer to that question and, while our view is that it is the former, not the latter, the reality is that it will take some time to know the answer. In the interim, however, it seems that each and every economic data release is being interpreted as though it provides a definitive answer which, given the mixed signals being sent by the various data releases, is contributing to volatility in the financial markets. This is something that may not change any time soon.

Further complicating the task of trying to extract the signals being sent by the economic data is that the pandemic significantly altered what for decades had been fairly stable seasonal patterns in economic activity, thus making it far more difficult to adequately account for these patterns when seasonally adjusting the data. This is a point we began raising early on after the onset of the pandemic, and while the degree to which seasonal adjustment has been thrown off track has lessened, the reality is that seasonal patterns in economic activity have still not returned to what prior to the pandemic would have been considered normal.

The question now is whether, or to what degree, these differences in seasonal patterns will persist or whether patterns in economic activity will ultimately revert to pre-pandemic norms. There is no uniform answer that applies to every single data series, and to the extent that post-pandemic patterns do become the “new normal,” seasonal adjustment will ultimately adapt. That, however, will take time, and that means that in the interim the possibility that the seasonally adjusted data are sending false signals that make it more difficult to extract the signal being sent by the data from the noise. To the extent that the economy is in a transitional phase, which at present clearly seems to be the case, added noise from seasonal adjustment would only further complicate the task of understanding what lies on the other side.



In the chart above, we use the not seasonally adjusted data on total nonfarm employment to illustrate these points. That there are such distinct swings in activity during any given calendar year illustrates the point of seasonal adjustment. That these seasonal patterns have changed since the onset of the pandemic can be seen in the differences between the green bars and the blue bars;

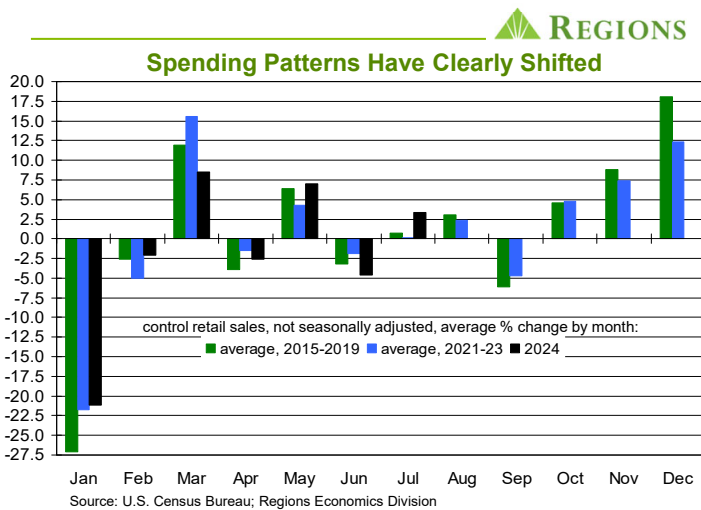
the green bars show the average changes for each month over the five years prior to the pandemic while the blue bars show the averages over the 2021-2023 period. For most methods of seasonal adjustment, it is the data from the most recent years that have the biggest impact in determining seasonal factors; we’ve tossed out the data from 2020 given how drastic, for obvious reasons, the month-to-month swings in the data were. We also show the percentage changes in total nonfarm employment for each month thus far in 2024. Note that from February through June the monthly increase (percentage change basis) in 2024 was smaller than the average over the 2021-2023 period and in most cases smaller than the pre-pandemic average, which is consistent with the slowing underlying trend rate of job growth we’ve been pointing to over the past several months.

One driver of seasonal patterns in the nonfarm employment data is the school year, with teachers and support staff coming onto and dropping off of job counts as the school year starts/ends. This is where it helps to recall one difference between how employment is counted in the establishment and household surveys; in the former, one must be physically present at work at some point during the survey period to be counted as employed, which is not the case in the household survey. That the timing of the school year varies not only across geographical entities but also from one year to the next makes it most difficult to properly account for this in seasonal adjustment. To that point, this year saw the smallest August increase in the education segment of local government since 2017, which would have contributed to the smaller increase in not seasonally adjusted total nonfarm employment this August and which was likely overcompensated for in the seasonally adjusted data. To the extent this was the case, the September data will likely bring payback.

Such calendar-related swings are fairly easy to identify and account for when analyzing the data. What is, and over the next few months will likely be, more difficult is segregating the extent to which underlying activity is changing from the effects of seasonal adjustment. More specifically, note from the chart that we are into a part of the year in which job growth tends to pick up, including what tends to be a sizable increase in the month of October. Seasonal adjustment is geared for these larger gains, but the flip side of that is that any shortfall from “typical” gains in September and October will be treated most harshly by seasonal adjustment, which is pertinent given that we are clearly in a period in which trend job growth is slowing. As such, the headline job growth numbers, reported on a seasonally adjusted basis, could look much weaker than will actually be the case. The point is not that job growth isn’t slowing, but rather that it will likely be more difficult to discern the extent to which that is truly the case.

Consumer spending is another segment of the economy which has seen shifts in seasonal patterns, though it helps to recall that some of these shifts were in the works prior to the pandemic. For instance, the growing prominence of online shopping and targeted promotional campaigns had already begun to impact shopping patterns around the back-to-school and the holiday shopping seasons. Distortions in income flows and shopping patterns brought on by the pandemic and the policy response to it have made it even more difficult to properly seasonally adjust the monthly retail sales data, which historically has been one of the more volatile and heavily revised data series. Similar to the above

chart showing total nonfarm employment, the chart below shows the average percentage change in not seasonally adjusted control retail sales by month over the same time periods delineated above.



There are plenty of factors that can contribute to outsized swings in unadjusted control retail sales, such as the shifting timing of holidays such as Easter and Labor Day from year-to-year and the breakdown of weekdays/weekend days in any given month, which can change from one year to the next. The chart above also helps illustrate a point that is often lost, which is that an outsized change in the unadjusted data, in either direction, in one month often brings about an opposite, even if not necessarily equal, change in the following month. For instance, the percentage increase in not seasonally adjusted control retail sales this May was, with the exception of 2020, the largest may increase since 2018. This almost surely played a hand in one of the largest June declines on record which, in turn, was followed by an outsized July increase.

The broader point is that while it is always important to go beyond the headline numbers on top of any given economic data release, it is even more so now. To the extent the high frequency economic data releases are being relied on to help resolve the question of whether we are seeing the economy normalize or something less benign, one wants to be on guard against overreacting to changes that may be amplified by seasonal adjustment noise. Though the degree to which seasonal adjustment issues are impacting the data has lessened since the early phases of the pandemic, it isn't clear to us that seasonal adjustment has entirely caught up with the shifts in seasonal patterns that have yet to be unwound. This is something that should be accounted for when trying to plot out the path the economy is traveling down.

### August Employment Report

Total nonfarm employment rose by 142,000 jobs in August, below the 165,000 gain expected by the consensus forecast and further below the increase of 208,000 jobs our forecast anticipated. Prior estimates of job growth in June and July were revised down by a net 86,000 jobs for the two-month period, with the bulk of that coming from the second estimate of June job growth. Average hourly earnings rose by 0.4 percent, while the average length of the workweek rose by one-tenth of an hour. Between the gain in employment, growth in average hourly earnings, and the longer

workweek, aggregate private sector earnings rose by 0.8 percent in August, leaving them up 5.0 percent year-on-year. Hiring was more broadly based across the private sector in August, with the one-month hiring diffusion index rising to 53.4 percent. After having risen to 4.3 percent in July, the unemployment rate fell to 4.2 percent in August, largely reflecting a reversal of most of the sharp increase in the number of those reporting to have been on temporary layoff in July. The broader U6 rate, which also accounts for underemployment, rose to 7.9 percent in August on an increase in the number of people working part-time for economic reasons.

One factor behind the slowing pace of job growth is that hiring amongst the three industry groups which had been the biggest drivers of overall job growth since last year – health care/social services, leisure and hospitality services, and government – has slowed. For instance, payrolls in health care and social services rose by 44,000 jobs in August, the smallest monthly increase in over two years. Recall that these industry groups were laggards in adding back jobs shed during the pandemic, that they have largely caught up makes it no surprise that hiring in these industry groups has now slowed, which is one reason to think job growth will settle into a range more consistent with August's increase.

The August employment report did nothing to settle the question of whether what we are seeing is normalization or something less benign. That our preferred gauge of trend job growth, the running twelve-month change in not seasonally adjusted nonfarm payrolls (a measure which, by the way, gets around any issues related to seasonal adjustment), has fallen back in line with the average that prevailed over the five years prior to the pandemic settles nothing, as that trend rate will almost surely slip further in the months ahead. We do think it relevant to once again note that, thus far, the slowing trend rate of job growth has been a function of less hiring as opposed to rising layoffs. To that point, the not seasonally adjusted weekly data on claims for unemployment insurance benefits show initial claims below 200,000 in each of the past three weeks, a notably low number that leaves initial claims at their lowest level since last October. To be sure, diminished hiring will, given growth in the labor force, put upward pressure on the jobless rate, but any such increase will be far more moderate in the absence of rising layoffs than would otherwise be the case. That said, the weekly data – not seasonally adjusted – on initial claims is what we at present consider to be the most reliable and the most important labor market indicator at our disposal.

In the wake of the July employment report, we put considerable emphasis on what we saw as an unusually high degree of noise in the July data. In hindsight, too much emphasis, and thus perhaps deflecting attention from the bigger issue of the slowing trend rate of job growth and how much further that may go. As to the ongoing issues we've been pointing to as clouding the signals being sent by the monthly employment reports, such as notably low collection rates to the establishment survey and curiously sharp divides across age/gender lines in the household survey, those are still with us. Though we clearly missed the mark in terms of what to expect from the August employment report, the data are in line with what for months has been our take on the labor market, i.e., cooling but not collapsing. The question, however, is whether cooling gives way to collapse or whether we settle into a slower, more sustainable pace of job growth. While we expect the latter, it will take time for that question to be answered.

# ECONOMIC OUTLOOK



REGIONS

September 2024

Q1 '24 (a)	Q2 '24 (p)	Q3 '24 (f)	Q4 '24 (f)	Q1 '25 (f)	Q2 '25 (f)	Q3 '25 (f)	Q4 '25 (f)		2021 (a)	2022 (a)	2023 (a)	2024 (f)	2025 (f)
1.4	3.0	1.8	1.9	2.0	1.8	2.1	2.3	Real GDP <sup>1</sup>	5.8	1.9	2.5	2.6	2.0
1.5	2.9	2.8	1.9	2.0	2.0	2.3	2.2	Real Personal Consumption <sup>1</sup>	8.4	2.5	2.2	2.4	2.2
4.4	4.6	2.2	2.0	2.9	3.0	3.0	3.5	Real Business Fixed Investment <sup>1</sup>	5.9	5.2	4.5	3.7	2.8
1.6	10.8	2.1	1.0	2.3	2.8	2.7	3.2	Equipment <sup>1</sup>	6.4	5.2	-0.3	2.4	2.7
7.7	2.6	5.1	5.1	5.0	4.7	4.7	4.7	Intellectual Property and Software <sup>1</sup>	10.4	9.1	4.5	4.6	4.8
3.4	-1.6	-3.7	-2.7	-0.6	-0.3	-0.1	1.4	Structures <sup>1</sup>	-3.2	-2.1	13.2	4.1	-1.2
16.0	-2.0	-4.9	-0.3	2.5	-0.9	1.3	0.9	Real Residential Fixed Investment <sup>1</sup>	10.7	-9.0	-10.6	3.9	-0.1
1.8	2.7	-0.3	1.3	1.2	1.6	1.2	1.1	Real Government Expenditures <sup>1</sup>	-0.3	-0.9	4.1	2.8	1.2
-960.3	-1,010.2	-1,028.5	-1,018.9	-1,022.6	-1,030.9	-1,038.6	-1,041.3	Real Net Exports <sup>2</sup>	-933.8	-1,051.0	-928.1	-1,004.5	-1,033.3
1,062	1,007	978	981	985	989	995	999	Single Family Housing Starts, ths. of units <sup>3</sup>	1,131	1,006	949	1,007	992
345	334	350	323	320	302	303	306	Multi-Family Housing Starts, ths. of units <sup>3</sup>	474	546	473	338	308
5.3	4.7	3.4	2.7	2.5	2.5	2.4	2.5	CoreLogic House Price Index <sup>5</sup>	15.3	13.1	4.0	4.0	2.5
15.3	15.7	15.5	15.4	15.6	15.6	15.8	15.9	Vehicle Sales, millions of units <sup>3</sup>	14.9	13.8	15.5	15.5	15.7
3.8	4.0	4.2	4.2	4.3	4.3	4.4	4.4	Unemployment Rate, % <sup>4</sup>	5.4	3.6	3.6	4.1	4.3
1.8	1.7	1.5	1.3	1.1	0.9	0.8	0.8	Non-Farm Employment <sup>5</sup>	2.9	4.3	2.3	1.6	0.9
1.3	1.0	2.7	3.2	3.8	2.5	2.6	2.7	Real Disposable Personal Income <sup>1</sup>	3.2	-5.9	4.1	1.5	2.9
2.4	2.6	2.3	2.3	2.1	2.0	2.1	2.2	GDP Price Deflator <sup>5</sup>	4.6	7.1	3.6	2.4	2.1
2.6	2.6	2.3	2.3	2.0	2.0	2.2	2.2	PCE Deflator <sup>5</sup>	4.2	6.5	3.7	2.4	2.1
3.2	3.2	2.6	2.4	2.1	2.0	2.4	2.5	Consumer Price Index <sup>5</sup>	4.7	8.0	4.1	2.9	2.2
2.9	2.6	2.6	2.6	2.2	2.1	2.2	2.3	Core PCE Deflator <sup>5</sup>	3.6	5.2	4.1	2.7	2.2
3.8	3.4	3.2	2.9	2.5	2.4	2.6	2.6	Core Consumer Price Index <sup>5</sup>	3.6	6.2	4.8	3.3	2.5
5.38	5.38	5.34	4.85	4.59	4.34	4.09	3.82	Fed Funds Target Rate Range Mid-Point, % <sup>4</sup>	0.13	1.73	5.07	5.24	4.21
4.16	4.44	3.97	3.85	3.89	3.92	3.97	4.09	10-Year Treasury Note Yield, % <sup>4</sup>	1.44	2.95	3.96	4.11	3.97
6.75	7.00	6.53	6.33	6.28	6.22	6.19	6.24	30-Year Fixed Mortgage, % <sup>4</sup>	2.96	5.34	6.81	6.65	6.23
-3.4	-3.6	-3.5	-3.3	-3.3	-3.3	-3.2	-3.1	Current Account, % of GDP	-3.7	-3.9	-3.3	-3.4	-3.2

a = actual; f = forecast; p = preliminary

Notes: 1 - annualized percentage change 2 - chained 2017 \$ billions 3 - annualized rate 4 - quarterly average 5 - year-over-year percentage change

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