ECONOMIC PREVIEW

REGIONS

Week of November 9, 2020

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 15-16 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%	If there is a common theme in the recent economic data, it is that the U.S. economy has come a long way from the depths of the brief but violent contraction triggered by the pandemic and the effort to stem its spread, but at the same time there is a long way to go before the economy is fully healed. The October employment report reinforces this theme. Total nonfarm employment rose by 638,000 jobs in October, a total held down by public sector payrolls having declined by 268,000 jobs. This decline includes 147,000 temporary jobs associated with the 2020 Census running off the books, with the remaining portion nothing more than seasonal adjustment noise that led to the reported decline in state and local government payrolls. The real story of the October employment report is that private sector payrolls rose by 906,000 jobs, a much larger increase than had been expected, with job growth broad based across the main industry groups. The unemployment rate fell to 6.9 percent in October, continuing a much faster than anticipated descent from the peak rate of 14.7 percent in April. Still, even with October's impressive gain, the level of nonfarm employment remains 10.090 million jobs below that of February, a gap that will not close any time soon. The number of permanent job losers stood at 3.68 million in October, almost three times higher than the pre-pandemic level, and a number that will almost surely rise higher in the months ahead. Additionally, the duration of unemployment continues to climb, with the median duration rising to 19.3 weeks in October. The rising duration of unemployment suggests that increasing numbers of what began as temporary layoffs are morphing into permanent job losses, and there is ample evidence showing that the longer one is out of work, the lower their odds of landing another job. In the balance between "come a long way" and "long way to go," the reality is that the economy is further along at this point than we expected would be the case during the darkest days of April. Despite uncertainty on the public health front and the policy front, it seems clear that the economy will continue to heal in the months ahead. The pace at which it will do so, however, is anything but clear.
October Consumer Price Index Thursday, 11/12 Range: 0.1 to 0.2 percent Median: 0.1 percent	Sep = +0.2%	Up by 0.1 percent, for a year-on-year increase of 1.3 percent. Gasoline should be a neutral factor, as a modest decline in prices on a not seasonally adjusted basis will be erased by seasonal adjustment. September saw the second largest increase in prices for used motor vehicles in life of the series, which dates back to 1953, and this added two-tenths of a point to the change in both the total and core indexes. While our forecast anticipates a much smaller increase in October, there is clearly upside risk here. Our forecast also anticipates the pronounced deceleration in rent growth seen over recent months will persist which, given the weighting, takes considerable steam out of core CPI inflation. Though not to the same extent seen over the prior few months, we look for a further decline in prices for food consumed at home, though this will be countered by a further increase in prices for food consumed away from home. In short, at present there are few sources of meaningful inflation pressure, and this could remain the case for some time to come.
October Consumer Price Index: Core Thursday, 11/12 Range: 0.0 to 0.3 percent Median: 0.2 percent	Sep = +0.2%	Up by 0.1 percent, which would translate into an over-the-year increase of 1.7 percent.
October PPI: Final Demand Friday, 11/13 Range: 0.0 to 0.5 percent Median: 0.2 percent	Sep = +0.4%	Up by 0.1 percent, for a year-on-year increase of 0.3 percent.
October PPI: Core Friday, 11/13 Range: 0.2 to 0.5 percent Median: 0.3 percent	Sep = +0.4%	Up by 0.2 percent, which would yield a year-on-year increase of 1.2 percent.

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