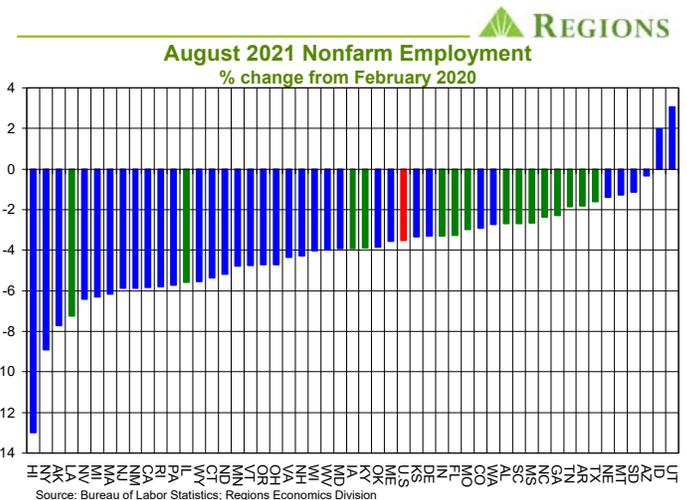
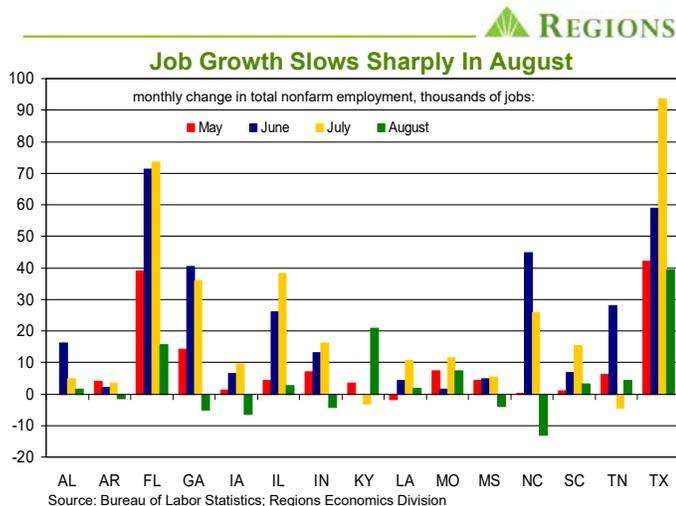


# ECONOMIC UPDATE

*This Economic Update may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Update. The Contents of this Economic Update reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Update or with respect to any results arising therefrom. The Contents of this Economic Update shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial or other plan or decision.*

## August 2021 Nonfarm Employment: Regions Footprint

As was the case nationally, job growth slowed dramatically across the Regions footprint in August. Total nonfarm employment within the Regions footprint rose by 61,700 jobs in August, with private sector payrolls up by 53,300 jobs and public sector payrolls up by 8,400 jobs. Revised data show total nonfarm employment within the footprint rose by 336,400 jobs in July and by 324,400 jobs in June. To some extent, a soft print on August job growth comes as no surprise and instead reflects the latest instance of the dreaded “August effect” that, in any given year, sees the initial estimate of August job growth significantly undershoot the final estimate. Nationally, over the past five years the initial estimate of August job growth has been revised upward by an average of 75,000 jobs between the first and third estimates, and there is no reason to expect this year differed from past years in that regard. If so, it would follow that we can expect an upward revision to the initial estimate of August job growth within the Regions footprint. That said, even a generous upward revision will leave August job growth well below the growth registered in June and July, which we attribute to two main factors – rising COVID case counts and ongoing supply chain and logistics bottlenecks. Both of these effects will likely weigh on September job growth, and the effects of Hurricane Ida, which stuck well after the end of the August survey period, will also be visible in the September data.



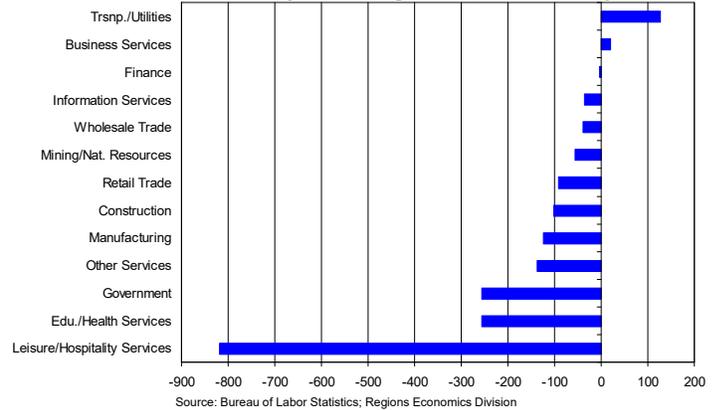
Nationally, as of August the level of total nonfarm employment was 5.333 million jobs below the pre-pandemic peak, or, a gap of 3.5 percent. Idaho and Utah remain the only states in which the level of nonfarm employment has surpassed the pre-pandemic peak, though in 11 of the 15 states within the Regions footprint the gap is smaller than is the case for the U.S. as a whole. As of August, the level of nonfarm employment across the footprint was 1.766 million jobs below the pre-pandemic peak, a gap of 3.0 percent. It comes as no surprise that, on a number of jobs basis, Florida, Illinois, and Texas account for the bulk of the remaining shortfall in total nonfarm employment across the Regions footprint, as these states easily have the highest levels of nonfarm employment within the footprint. On a percentage basis, the largest remaining gaps in nonfarm employment are in Louisiana (7.2 percent below the pre-pandemic peak), Illinois (5.6 percent below), and Iowa (3.9 percent below), with the smallest gaps in Texas (1.6 percent below), Arkansas (1.8 percent below), and Tennessee (1.9 percent below).

Amid a surge in COVID case counts during August, various indicators of consumer spending show consumers pulled back in areas such as travel, tourism, dining out, recreation, and entertainment, and this is consistent with the August labor market data. Within the Regions footprint, there were significant declines in employment in leisure and hospitality services and retail trade. With COVID case counts remaining elevated into September, it is unlikely that either of these sectors will see a rebound in employment. We will, however, note that the seasonal adjustment factors applied to the raw data for September will be on the friendly side, which would make the seasonally adjusted employment data for these two industry groups look better than will actually be the case. In addition to COVID-related pullbacks

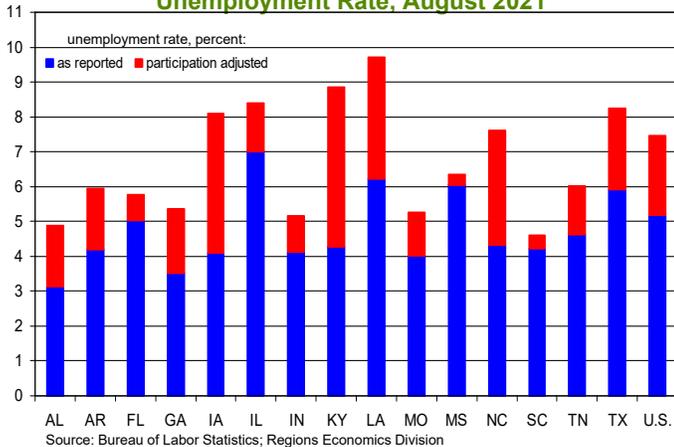
in activity, August job growth was also weighed down by ongoing supply chain and logistics bottlenecks. For instance, manufacturing payrolls have been held down by many motor vehicle producers curtailing production due to the global semiconductor chip shortage; though manufacturing payrolls within the footprint rose in August, the increase was much smaller than those seen over the prior two months. Additionally, supply chain issues have led to a deceleration in the pace of single family residential construction, compounding the effects of listless commercial construction such that August was the fourth time in the past five months in which construction payrolls declined.

As noted above, the level of nonfarm employment within the Regions footprint as of August was 1.766 million jobs below the pre-pandemic peak; of this shortfall, leisure and hospitality services account for 819,100 jobs. Education and health services payrolls remain 256,000 jobs below their pre-pandemic peak, which matches the gap seen in government payrolls. Conversely, payrolls in the transportation & utilities and business & professional services industry groups are above their pre-pandemic peaks; while the former achieved this status by year-end 2020, the latter industry group only crossed that threshold in August. Finance could join that club as soon as this month given that as of August payrolls in the broad industry group were only 4,200 jobs below the pre-pandemic peak.

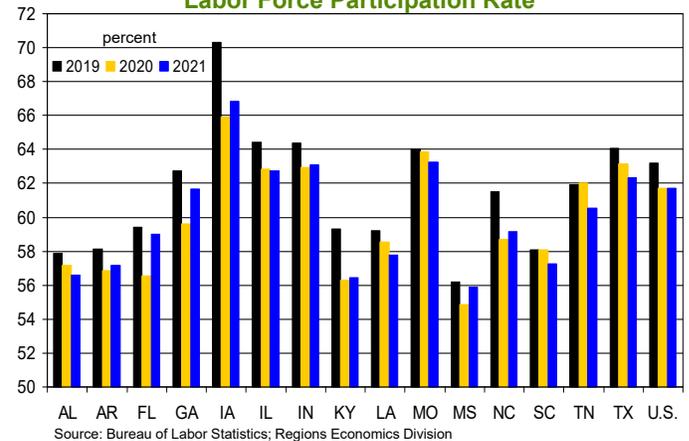
**REGIONS**  
Change In Nonfarm Payrolls, Regions Footprint  
February 2020 to August 2021, thousands of jobs



**REGIONS**  
Unemployment Rate, August 2021



**REGIONS**  
Labor Force Participation Rate

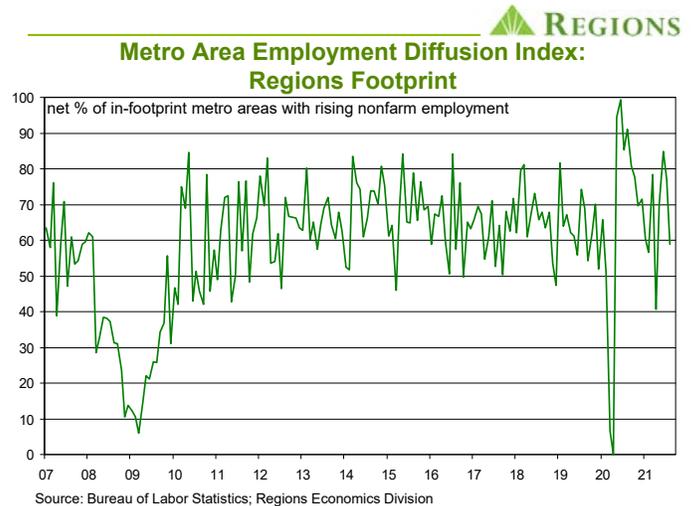


The national unemployment rate fell from 5.4 percent in July to 5.2 percent in August, and jobless rates across the Regions footprint were flat-to-slightly lower. In some cases, however, declining jobless rates reflect further declines in labor force participation, which is noteworthy given that 13 of the 15 states within the footprint had withdrawn from the various pandemic-related unemployment insurance benefit programs before their slated September 6 expiration. It could be that the surge in COVID case counts in August weighed on labor force participation, and to the extent that rising case counts put off returns to in-school instruction, or lead some districts which had opened with in-school instruction to revert back to at-home instruction, that could also weigh on labor force participation in September. As such, should we see declining jobless rates across the footprint in the September data, it will be important to examine the data to see whether job growth or lower labor force participation is the factor behind these declines.

As the second chart above shows, labor force participation rates as of August 2021 remain below rates as of August 2019 nationally and in each in-footprint state, and in several cases below rates as of August 2020. While many jumped on supplemental unemployment insurance benefits – payments of \$300 per week paid by the federal government on top of regular state-level benefits – as the primary culprit behind depressed labor force participation, there has been no meaningful increase in labor force participation rates or levels of employment in those states who pulled out of the supplemental benefits program. Keep in mind, however, that those who had been

receiving the supplemental benefits continue to receive regular state-level benefits and, as such, may be willing to remain out of the labor force until their state-level benefits expire. Still, we’ve put more weight on other factors, such as concerns over COVID and disruptions posed by at-home schooling and limitations on childcare services, as being more important factors behind depressed labor force participation. While we had anticipated these constraints easing in the fall, the latest spike in COVID cases may disrupt that timeline, thus pushing a meaningful rebound in labor force participation further out into the future. Until that happens, however, job growth will be more modest and wage growth will be faster than would otherwise have been the case.

It is perhaps no surprise that, given the extent to which job growth slowed down in August, the job growth that did take place was much less geographically dispersed than had been the case over the prior few months. Our Metro Area Employment Diffusion Index fell to 58.9 percent in August from 77.0 percent in July and 84.9 percent in June. It is worth noting that in the majority of the in-footprint metro areas, the gaps between current and pre-pandemic levels of nonfarm employment are smaller than is the case for the U.S. as a whole. That said, the pace at which these remaining gaps were narrowing slowed in August, particularly for those metro areas with more exposure to industry groups such as manufacturing, leisure and hospitality services, health services, and retail trade. As has been the case, the largest gap between current and pre-pandemic levels of nonfarm employment is in the New Orleans metro area, where nonfarm employment was 10.3 percent below the pre-pandemic peak as of August. Note that the August data do not reflect any impacts of Hurricane Ida, so it is possible that the September data will show a larger gap in the New Orleans metro area and other metro areas that were in Ida’s path.



As was apparent in the August data, elevated COVID case counts could pose a challenge to what already has been an uneven pace of recovery. Even as the current surge subsides, however, it will leave us wondering whether we will be stuck in a cycle of periodic spikes in case counts that will weigh on economic activity, meaning that the recovery will remain more uneven than had been expected to be the case. Though a return to the broad based shutdowns imposed in the early days of the pandemic may not seem a likely outcome, there could nonetheless be some restrictions on activity, such as capacity limitations being re-imposed on certain types of businesses. Even if this does not prove to be the case, repeated spikes in COVID cases around the globe would make it even more difficult to resolve the global supply chain and logistics bottlenecks that have contributed to the uneven pace of the recovery in the U.S. economy and continue to act as a drag on the manufacturing sector. We will, of course, continue to monitor trends in nonfarm employment and labor force participation amongst the states in the Regions footprint in the months ahead. In addition to these monthly updates of the state level employment data, we continue to produce our regular Thursday updates of state level claims for Unemployment Insurance and our regular monthly updates of state and metro area labor market, housing market, and personal income data, updates which can be found at either of the following sites:

<https://www.regions.com/about-regions/economic-update> or <http://lifeatregions/Finance/MonthlyEconomicReports.rf>