ECONOMIC PREVIEW

REGIONS

Week of October 4, 2021

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the November 2-3 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%	The September employment report is the last employment report to be released prior to the November 2-3 FOMC meeting, leading many to see it as the deciding factor in whether the FOMC announces plans to taper the Fed's monthly asset purchases at that meeting. Recall, however, that Chairman Powell has stressed that the Committee is looking at cumulative improvement in the labor market, not the strength of any single month's data. Our view is that, at this point, the bar for the FOMC to announce tapering at their November meeting is set low, while the bar for the FOMC to continue providing the current degree of accommodation is getting higher and higher.
August Factory Orders Monday, 10/4 Range: 0.5 to 1.3 percent Median: 1.0 percent	Jul = +0.4%	Up by 1.2 percent. While the advance data show durable goods orders rose by 1.8 percent in August, that mainly reflects a jump in orders for civilian aircraft, with the remaining details very much of a mixed bag. Still, the increase in durable goods orders will compensate for a more modest increase in orders for nondurable goods and leave us with a solid increase in total factory orders. As to the details of the data, growth in orders for core capital goods, a harbinger of business investment in equipment and machinery as reported in the GDP data, has slowed, suggesting business investment will make smaller contributions to real GDP growth going forward than has been the case over the past several quarters.
August Trade Balance Tuesday, 10/5 Range: -\$67.4 to -\$72.5 billion Median: -\$70.6 billion	Jul = -\$70.1 billion	Narrowing to -\$68.9 billion. Though the deficit in the goods account widened in August, we expect the overall trade deficit to have narrowed thanks to a larger surplus in the services account. Recall that services imports spiked in July, reflecting broadcast rights payments for the Tokyo Olympics, and the August data will bring a reversal of that spike. More significantly, global supply chain/shipping bottlenecks and labor and capacity constraints at U.S. ports are holding down imports of goods, thus yielding a smaller trade deficit than would otherwise be the case.
Sep. ISM Non-Manufacturing Index Tuesday, 10/5 Range: 55.5 to 63.5 percent Median: 59.9 percent	Aug = 61.7%	Down to 60.8 percent. Our forecast anticipates declines in the indexes measuring overall business activity and new orders will be partially offset by slower supplier delivery times, with the net result being a decline in the headline index. Though they do not enter into the calculation of the headline index, we'll be watching the indexes of prices paid and order backlogs which, along with the index of supplier delivery times, act as indicators of whether supply chain and logistics bottlenecks are easing.
September Nonfarm Employment Friday, 10/8 Range: 200,000 to 750,000 jobs Median: 470,000 jobs	Aug = +235,000 jobs	Up by 536,000 jobs, with private sector payrolls up by 462,000 jobs and public sector payrolls up by 74,000 jobs. Right off the bat, we'll be watching the revision to the initial estimate of August job growth; in each of the past two employment reports, the net upward revision for the prior two-month period was over 100,000 jobs, and we expect that will also be the case with the September report. We anticipate public sector hiring to boost overall job growth in September after hiring in August was much weaker than is typically the case for the month, though if the initial August estimate is revised meaningfully higher, our forecast for September will likely be too high. As for the data on private sector hiring, we think reported job growth in construction, retail trade, and leisure and hospitality services could be biased higher by seasonal adjustment, making top-line job growth look better than is actually the case. Though the expiration of the supplemental unemployment insurance benefits and pandemic-related benefits on September 6 may have supported job growth, our sense is that any such effects will be more visible in the household survey data than in the establishment survey data (see Page 2).
September Manufacturing Employment Friday, 10/8 Range: 20,000 to 45,000 jobs Median: 25,000 jobs	Aug = +37,000 jobs	Up by 23,000 jobs.
September Average Weekly Hours Friday, 10/8 Range: 34.6 to 34.8 hours Median: 34.7 hours	Aug = 34.7 hours	Unchanged at 34.7 hours.
September Average Hourly Earnings Friday, 10/8 Range: 0.1 to 0.7 percent Median: 0.4 percent	Aug = +0.6%	Up by 0.5 percent, which would translate into a year-on-year increase of 4.6 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.8 percent increase in aggregate private sector wage and salary earnings.

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September Unemployment Rate Friday, 10/8 Range: 4.8 to 5.3 percent Median: 5.1 percent	Aug = 5.2%	<u>Down</u> to 5.0 percent. While our forecast anticipates September saw an increase in labor force participation, we nonetheless expect this will be more than offset by stepped-up hiring, thus pushing the unemployment rate lower. The obvious wild card here is the expiration of supplemental unemployment insurance benefit payments and the two special pandemic-related benefits programs on September 6, at least for those states which had not already withdrawn from these programs by that point. It could be that the end of these programs triggered a bigger inflow into the labor force in September than our forecast anticipates. The best way to gauge this effect will be examining the data on labor force flows released in conjunction with the September employment report, which will show how many people who were not in the labor force in August flowed into the labor force in September and whether these people were employed or unemployed upon entry. Keep in mind, however, that the data on labor force flows have shown increasing numbers of people exiting the labor force each month, meaning that the net increase in the labor force resulting from the end of the various unemployment insurance benefit programs could be smaller than many are assuming will be the case.

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