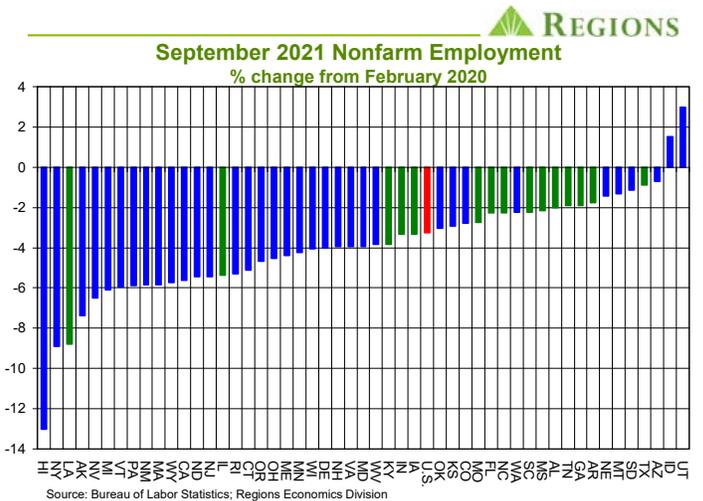
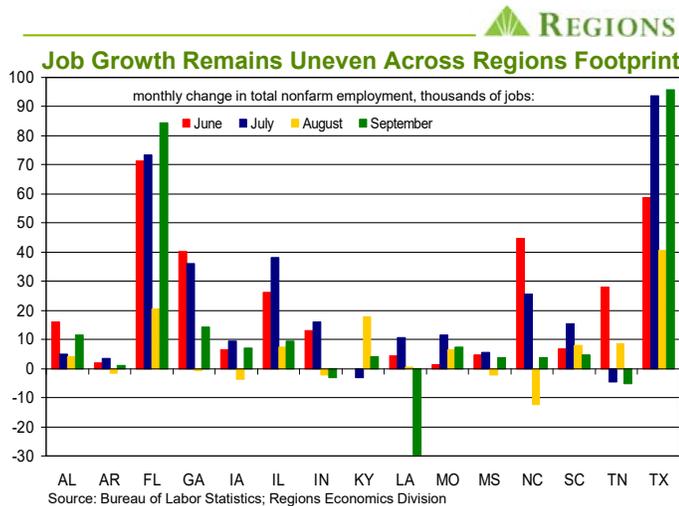


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September 2021 Nonfarm Employment: Regions Footprint

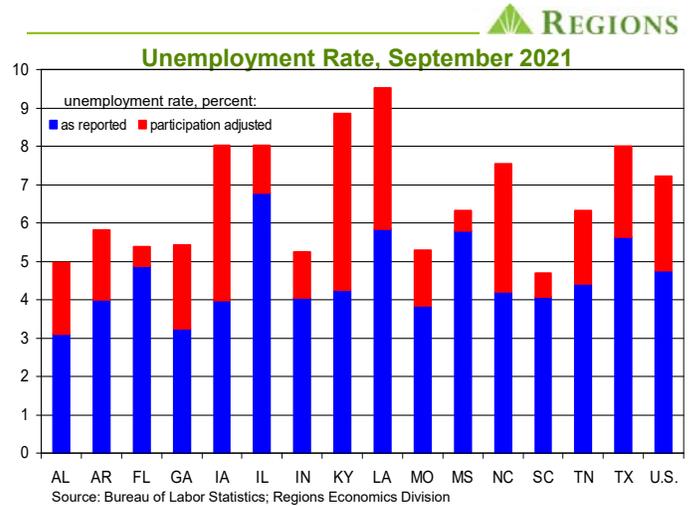
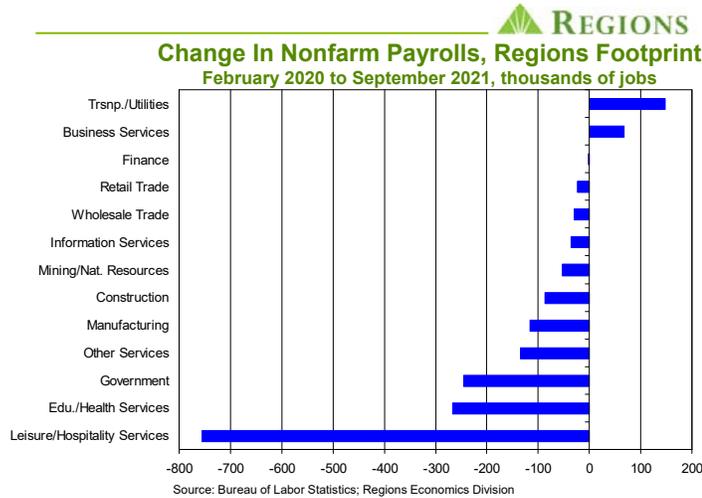
Total nonfarm employment within the Regions footprint rose by 209,200 jobs in September, with private sector payrolls up by 197,700 jobs and public sector payrolls up by 11,500 jobs. Revised data show total nonfarm employment within the footprint rose by 90,900 jobs in August, compared to the initial estimate of an increase of 61,700 jobs; as has been the case nationally, the past few months have seen sizable upward revisions to the initial estimate of job growth within the footprint in a given month. Also, note that the increase in employment within the Regions footprint in September more than accounts for the increase in employment for the U.S. as a whole, which the initial estimate pegs at 194,000 jobs. At the risk of looking a gift horse in the mouth, however, measured job growth in September was flattered by seasonal adjustment, particularly in the construction, leisure and hospitality services, and retail trade industry groups, which combined to account for almost two-thirds of the entire September increase in employment within the Regions footprint. At the same time, however, the effects of Hurricane Ida are apparent in the September employment data, particularly in Louisiana, where nonfarm payrolls fell by 29,600 jobs while other states, such as Mississippi and Tennessee, were impacted to varying degrees.



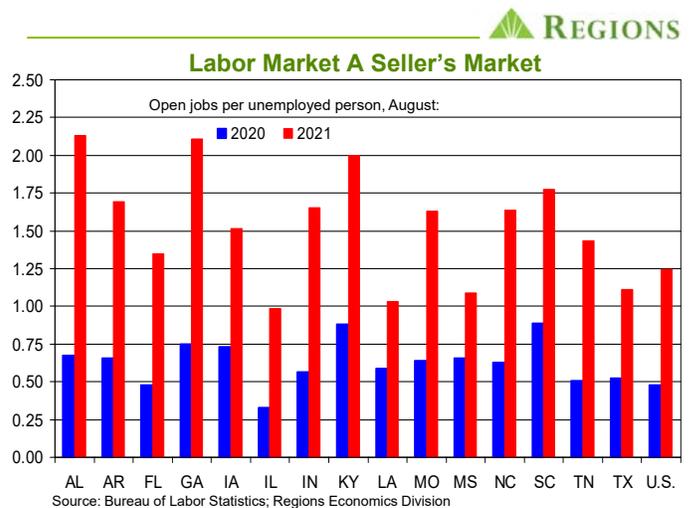
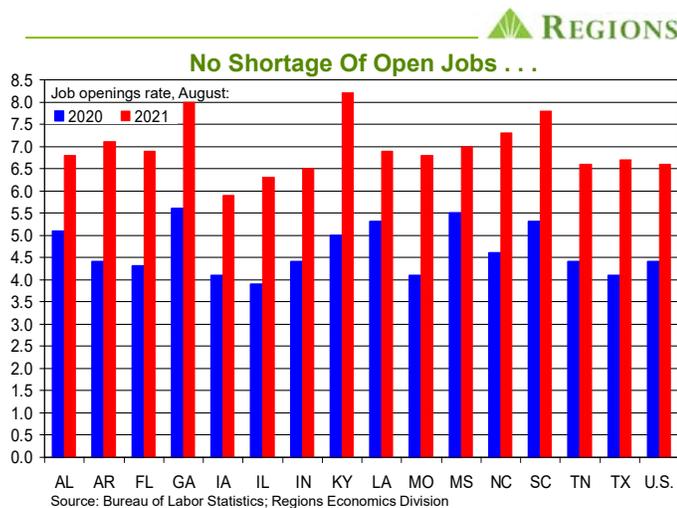
Nationally, as of September the level of total nonfarm employment was 4.970 million jobs below the pre-pandemic peak, or, a gap of 3.3 percent. As has been the case for the past several months, Idaho and Utah are the only states in which the level of nonfarm employment has surpassed the pre-pandemic peak, though in 10 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 September, the level of nonfarm employment across the footprint was 1.527 million jobs below the pre-pandemic peak, a gap of 2.6 percent, with the largest remaining gaps in Louisiana (8.8 percent below the pre-pandemic peak), Illinois (5.4 percent below), and Iowa (3.3 percent below), with the smallest gaps in Texas (0.9 percent below), Arkansas (1.8 percent below), and Tennessee (1.9 percent below). Again, though, Hurricane Ida had a significant adverse impact in Louisiana and the gap between current and pre-pandemic levels of employment is much larger as of September than was the case in August (7.2 percent).

As noted above, the level of nonfarm employment within the Regions footprint as of September was 1.527 million jobs below the pre-pandemic peak. As has been the case from the start, leisure and hospitality services account for the largest share of this shortfall, with payrolls in the broad industry group 755,000 jobs below the pre-pandemic peak. Education and health services payrolls are 267,100 jobs below the pre-pandemic peak, and that gap actually widened in September as employment in the broad industry group fell, as was also the case nationally. Though there is not a similar level of detail in the state level data, in the national data payrolls amongst hospitals and residential care facilities fell sharply in September, more than accounting for the entire decline in the broader industry group. One factor that may have contributed to this decline is the imposition of vaccination mandates, which in many states across the U.S. were imposed on health care workers and which may have led to workers either leaving voluntarily or being let go for failure to comply. This

may have been the case in at least some of the states within the Regions footprint. At the other end of the spectrum, the broad transportation and utilities industry group continues to add jobs at a steady, if not spectacular, pace, with most of the jobs being added in transportation and warehousing operations. As of September, payrolls in transportation and utilities were 147,100 jobs above the pre-pandemic peak, and coming months will see the usual seasonal hiring in warehousing and delivery operations that will push this gap out even further. The only other industry group to have surpassed its pre-pandemic peak level of employment is business services (67,700 jobs above as of September), with finance quickly closing in on that marker, with payrolls just 2,300 jobs below the pre-pandemic peak.



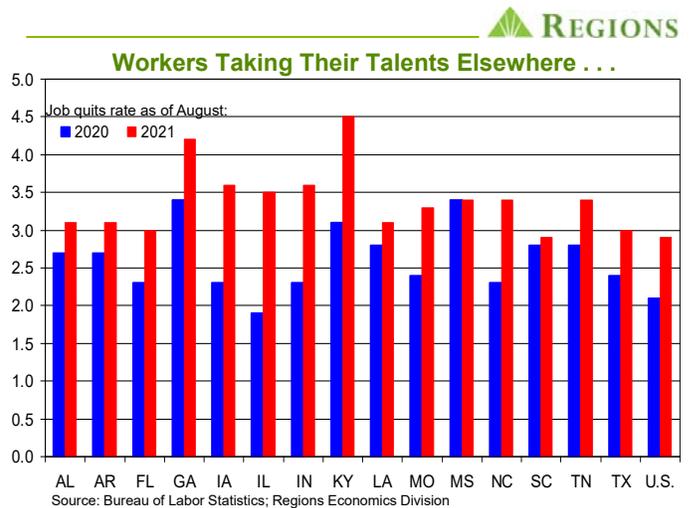
The unemployment rate for the Regions footprint as a whole fell to 4.8 percent in September from 5.0 percent in August, leaving it on par with the national rate, which fell from 5.2 percent in August to 4.8 percent in September. The larger decline in the national jobless rate, however, is due in part to a decline in the labor force in September, while within the Regions footprint labor force participation rose in September. Despite that increase, however, labor force participation within the Regions footprint remains significantly below pre-pandemic norms, as is also the case nationally. This is illustrated in the second chart above, which shows the reported unemployment rate as of September (blue portion of the bars) as well as where the unemployment rate would be were labor force participation rates the same as at the onset of the pandemic. While it is likely that some portion of those who have exited the labor force over the past 18 months will not return, the majority will likely return, meaning that reported unemployment rates are significantly understating the true degree of labor market slack.



For the first time, the Bureau of Labor Statistics has reported data from the Job Openings and Labor Turnover Survey, or JOLTS, on the state level. On the national level, the JOLTS data have for some time pointed to a growing mismatch between labor demand and labor supply. While this mismatch goes back to well before the pandemic, it has intensified significantly since the onset of the pandemic, to the point that as of August (the latest available data), there were over ten million open jobs across the U.S. economy. With the new

state-level data, we can get a sense of the degree of these mismatches in the individual states. While there is a very limited history and the industry-level detail provided on the national level is not provided on the state level, the new data are nonetheless a useful indicator of the extent to which hiring on the state level is being impaired by the lack of available/qualified workers. As is the case nationally, the number of open jobs increased significantly in each of the in-footprint states over the past year; as of August 2020, there were 2.577 million open jobs across the Regions footprint, with that number having risen to 4.371 million jobs as of August 2021. Moreover, there is more than one open job for each unemployed person in all but one of the in-footprint states, with the biggest disparities in Alabama (2.13 open jobs for each unemployed person) and Georgia (2.11 open jobs), with Illinois the only in-footprint state in which the number of unemployed persons exceeded the number of open jobs as of August (0.98 open jobs for each unemployed person).

While increased labor force participation would alleviate the labor shortage, it would not eliminate it. While there is not historical data on the state level, we do know that on the national level the number of unfilled open jobs rose steadily in the years prior to the pandemic even as the labor force participation rate was rising. Firms were in many cases bemoaning the lack of skilled labor as the constraint on hiring, not the quantity of labor. At present, however, it is both as job openings have risen meaningfully across all industry groups encompassing jobs of all skill levels. One consequence of the growing mismatch between labor demand and labor supply is that wages are rising at a faster rate than would otherwise be the case. Another consequence is that workers have been more willing to leave jobs, as shown in the chart to the side. The rate at which workers are voluntarily quitting jobs has risen nationally and in each of the in-footprint states with the exception of Mississippi over the past year (rates are determined by scaling job openings/quits to the level of employment). The labor market is at present very much a seller’s market, and workers seem well aware of the bargaining power they now possess, meaning that not only are firms having trouble finding and keeping workers, they are also having to pay more to do both. How long the labor market will remain a seller’s market, however, remains to be seen. While increased labor force participation would help narrow the imbalance between supply and demand, firms can also achieve that end by investing more intensively in technology and automation, as they have been doing over the past several quarters, which over time could lead to less demand for labor than would otherwise be the case. Any such capital-for-labor substitution will take place gradually, however, meaning that workers are likely to enjoy enhanced bargaining power for some time to come even as labor force participation begins to increase.



Global supply chain and logistics bottlenecks continue to act as a drag on the pace of economic growth, as do a host of factors related to the pandemic, such as inadequate levels of child care services, lingering fears over contracting the virus, and, in some states and industry groups, vaccination mandates. To the extent these factors remain in place, the recovery in the labor market and the broader economy will remain uneven. 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>