ECONOMIC PREVIEW

REGIONS

Week of February 28, 2022

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 15-16 FOMC meeting):* Target Range Mid-point: 0.125 to 0.625 percent Median Target Range Mid-point: 0.375 percent		Range: 0.00% to 0.25% Midpoint: 0.125%	Fed Chair Powell presents his semi-annual monetary policy testimony this week, appearing before the House Financial Services Committee (Wednesday) and the Senate Banking Committee (Thursday). The main line of questioning will likely be the pace at which the FOMC removes monetary policy accommodation and whether, or to what extent, the situation in Ukraine, will alter the path of policy.
January Advance Trade Balance: Goods Range: -\$103.0 to -\$94.0 billion Median: -\$99.5 billion	Monday, 2/28	Dec = -\$100.5 billion	Widening to -\$102.9 billion.
February ISM Manufacturing Index Range: 55.7 to 58.6 percent Median: 58.0 percent	Tuesday, 3/1	Jan = 57.6%	Up to 58.6 percent. The expansion in the factory sector slowed and was less broad based in January, in part reflecting the effects of the Omicron variant on employment and production. Our forecast anticipates a reversal of these effects in the February survey. While we look for new orders to have expanded for a 21st consecutive month, it is worth noting that orders growth was less broad based in January, with some survey respondents noting that persistent order backlogs and uncertain delivery dates could be leading some customers to cancel orders, so this will be something to watch for in the February survey. Also worth watching will be whether there was any additional improvement in supplier delivery times after three straight months of modest improvement, but keep in mind that a decline in the delivery times index acts as a drag on the headline index. Finally, we expect little, if any, easing in price pressures in the February survey; the prices paid index jumped in the January survey and price pressures remain notably broad based across industry groups.
January Construction Spending Range: -1.0 to 1.0 percent Median: 0.1 percent	Tuesday, 3/1	Dec = +0.2%	Down by 0.3 percent.
Q4 Nonfarm Labor Productivity – 2nd est. Range: 6.3 to 7.2 percent Median: 6.6 percent SAAR	Thursday, 3/3	Q4 - 1st est. = +6.6% SAAR	Up at an annualized rate of 6.4 percent.
Q4 Unit Labor Costs – 2nd est. Range: -0.3 to 1.4 percent Median: 0.3 percent SAAR	Thursday, 3/3	Q4 - 1st est. = +0.3% SAAR	Up at an annualized rate of 0.5 percent.
January Factory Orders Range: -0.3 to 2.2 percent Median: 0.5 percent	Thursday, 3/3	Dec = -0.4%	Up by 1.9 percent.
February ISM Non-Manufacturing Index Range: 58.0 to 64.0 percent Median: 61.0 percent	Thursday, 3/3	Jan = 59.9%	Up to 62.8 percent. We look for the ISM's survey of the services sector to be in line with other indicators showing activity rebounded smartly in February after having been held down by the spread of the Omicron variant in January. As with the ISM's survey of the factory sector, we expect the survey of the services sector to show further improvement in supplier delivery times but still-intense input price pressures.
February Nonfarm Employment Range: 80,000 to 730,000 jobs Median: 415,000 jobs	Friday, 3/4	Jan = +467,000 jobs	Up by 334,000 jobs, with private sector payrolls up by 346,000 jobs and public sector payrolls down by 112,000 jobs. It's hard to have a lot of faith in the employment data of late, given the extent to which seasonal adjustment noise has distorted the data. For instance, with the release of the January report, prior estimates of job growth in November and December were revised higher by a net 709,000 jobs for the two-month period. Breaking this revision down, however, shows the upward revision to the not seasonally data was only 114,000 jobs, meaning the other 595,000 jobs reflect nothing more than generous seasonal adjustment. On the whole, the January employment report seemed at odds with other indicators of labor market disruptions triggered by the wide and rapid spread of the Omicron variant. It could be that seasonal adjustment works in the opposite manner in the February data, i.e., underlying job growth will be better than it appears in the seasonally adjusted data, which helps account for our below-consensus forecast of nonfarm job growth. Either way, the overall picture of the labor market hasn't changed; the labor market very much remains a seller's market, with a yawning gap between labor demand and labor supply fueling robust wage growth. We do not look for that to change any time soon.

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Indicator/Action Economics Survey:		Last Actual:	Regions' View:
February Manufacturing Employment Range: 15,000 to 35,000 jobs Median: 23,000 jobs	Friday, 3/4	Jan = +13,000 jobs	<u>Up</u> by 29,000 jobs.
February Average Weekly Hours Range: 34.6 to 34.9 hours Median: 34.6 hours	Friday, 3/4	Jan = 34.5 hours	<u>Up</u> to 34.7 hours.
February Average Hourly Earnings Range: 0.3 to 0.6 percent Median: 0.5 percent	Friday, 3/4	Jan = +0.7%	<u>Up</u> by 0.4 percent, which would translate into a year-on-year increase of 5.8 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 1.3 percent increase in aggregate private sector wage and salary earnings, leaving them up 11.2 percent year-on-year.
February Unemployment Rate Range: 3.7 to 4.1 percent Median: 3.9 percent	Friday, 3/4	Jan = 4.0%	<u>Down</u> to 3.8 percent.

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