

Economic Outlook: Will Supply Ever Catch Up With Demand?

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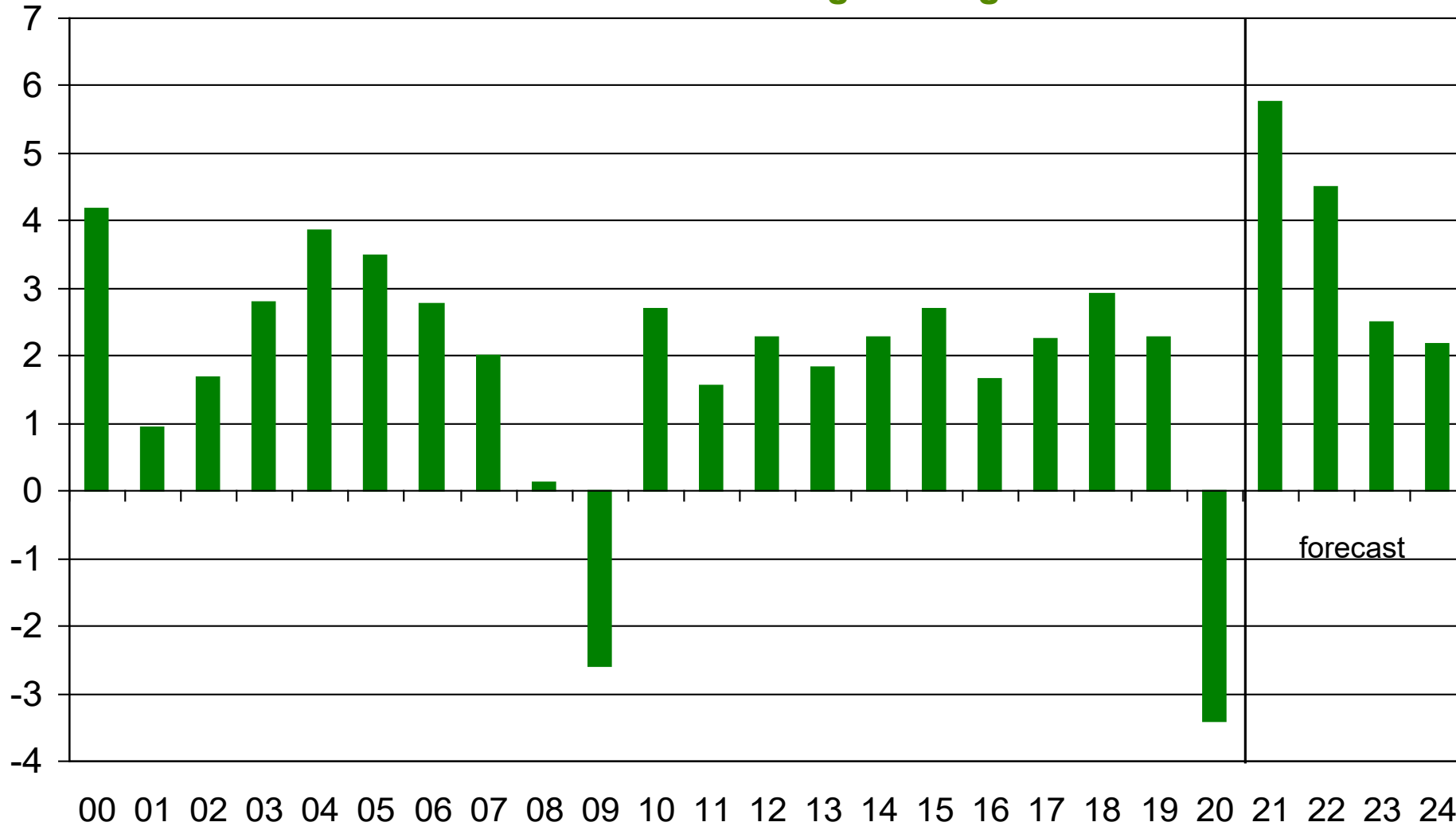


Summary of U.S. Baseline Forecast: September 2021



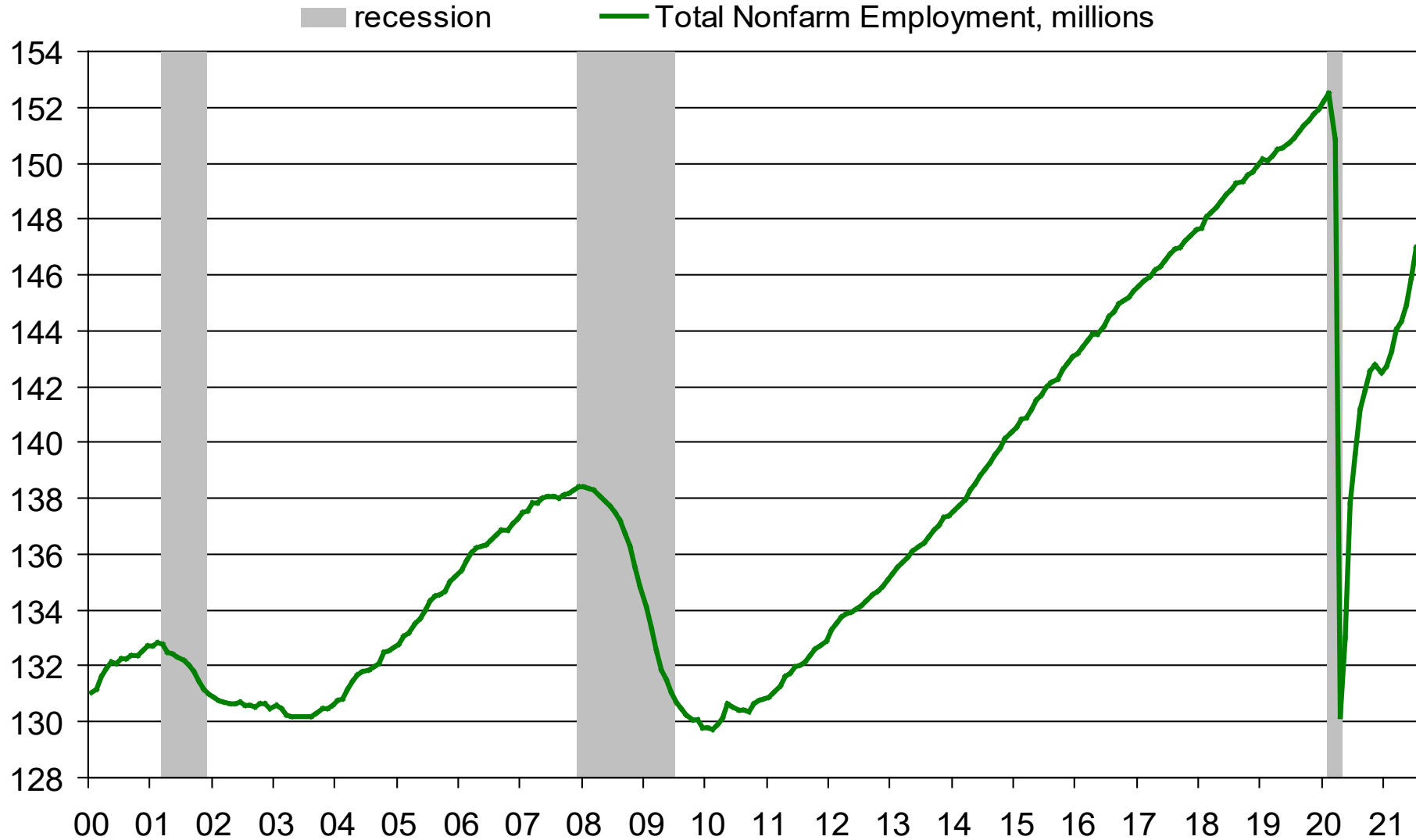
- The September baseline forecast anticipates real GDP growth of 5.8% in 2021, 4.5% in 2022, and 2.5% in 2023:
 - Consumer spending, business fixed investment, and residential fixed investment will be the main drivers of growth, with potential for further support from government spending in 2022 and 2023;
 - It is anticipated that inventory restocking will be a support for top-line real GDP growth over coming quarters, but ongoing supply chain and logistics bottlenecks cast considerable uncertainty over the timing and intensity of any such support;
 - Labor supply constraints remain a drag on job growth, with over ten million open jobs across the U.S. economy. While labor supply constraints are expected to ease in the months ahead, the September baseline forecast anticipates the jobless rate falling below 5.0 percent in Q4 2021;
 - Single family residential investment is still expected to be a support for top-line real GDP growth, but to a lesser extent in the near-term than in previous forecasts. The rate of house price appreciation is expected to peak in Q3 2021 then moderate through the forecast horizon;
 - Business investment in equipment/machinery and intellectual property products is expected to grow at a steady pace over the forecast horizon; overall business spending on structures is expected to remain somewhat uneven, but increased investment in the energy sector is expected to be a support;
 - Inflation is likely to remain elevated into early-2022, with lingering supply chain/logistics bottlenecks sustaining upward pressure on goods prices and shipping costs while labor costs continue to rise at a rapid rate. An acceleration in rent growth and normalization in health care costs would be sources of more persistent inflation pressures.
- The COVID-19 virus and supply chain/logistics bottlenecks pose downside risks to growth, while ample liquidity and accommodative policy pose upside risks. On the whole, the risks to the September baseline forecast are considered balanced.

Real GDP Annual Percentage Change



Source: Bureau of Economic Analysis; Regions Economics Division

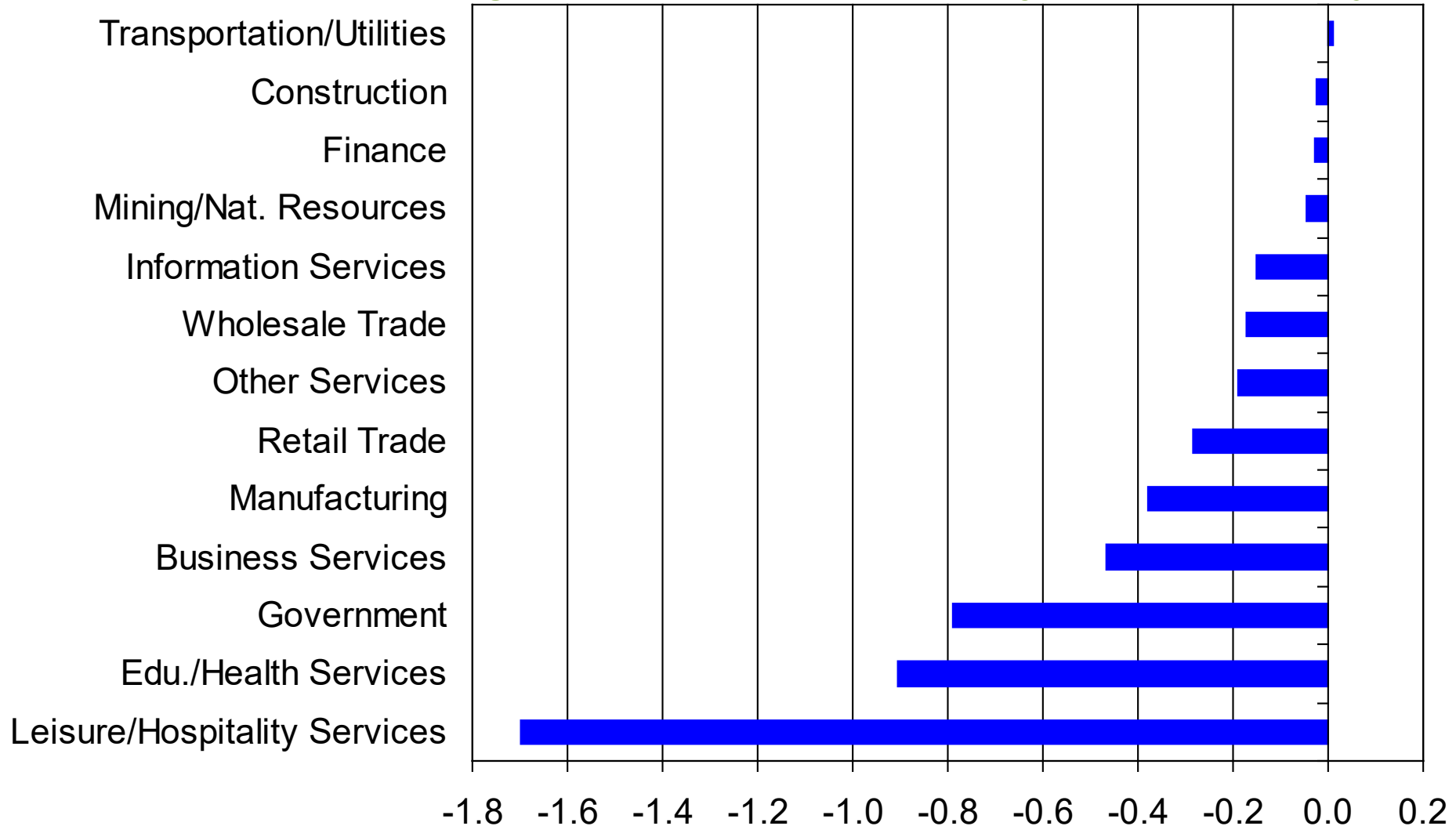
Total Payroll Employment



Source: Bureau of Labor Statistics; Regions Economics Division

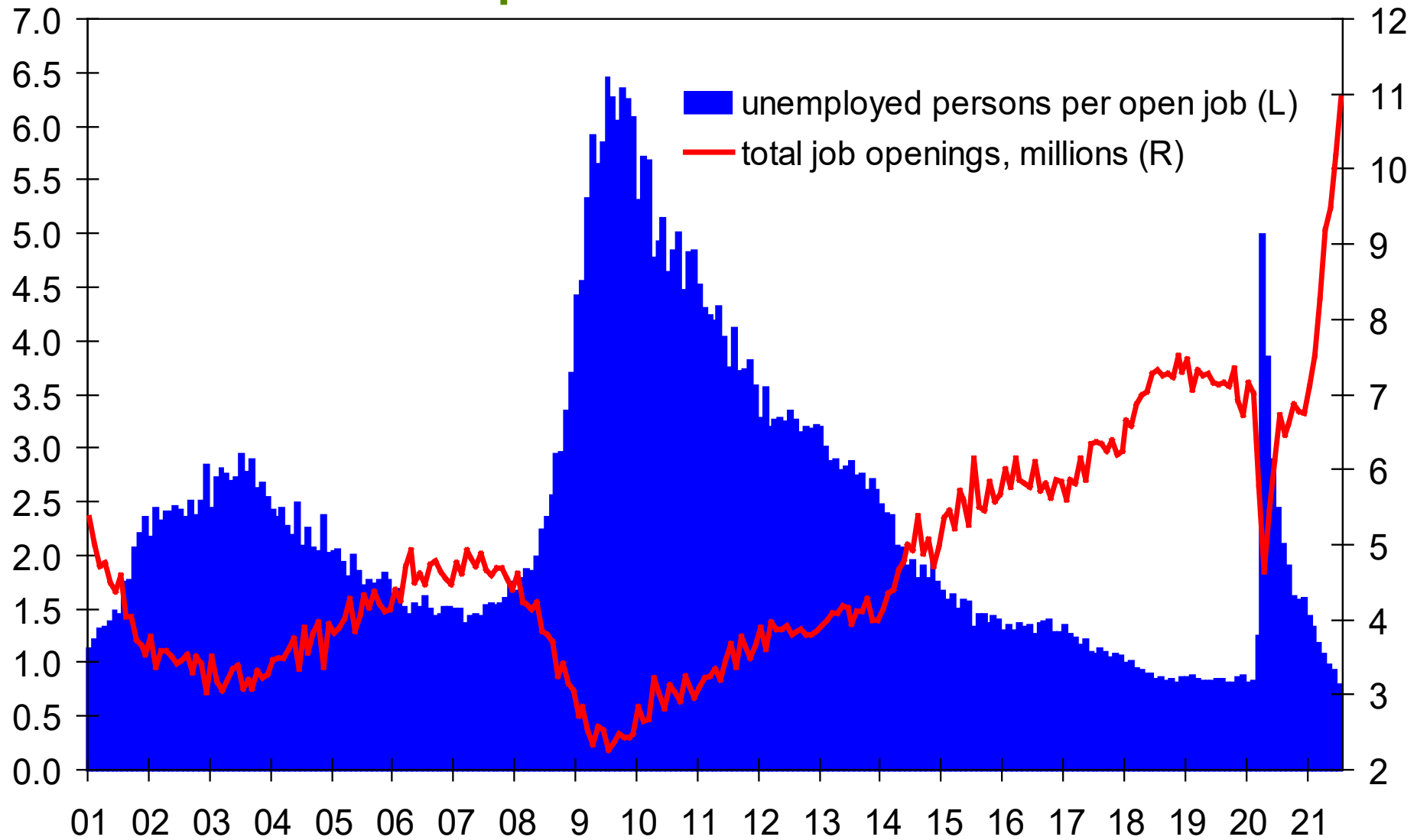
Change In Nonfarm Payrolls

August 2021 Relative To February 2020, millions of jobs



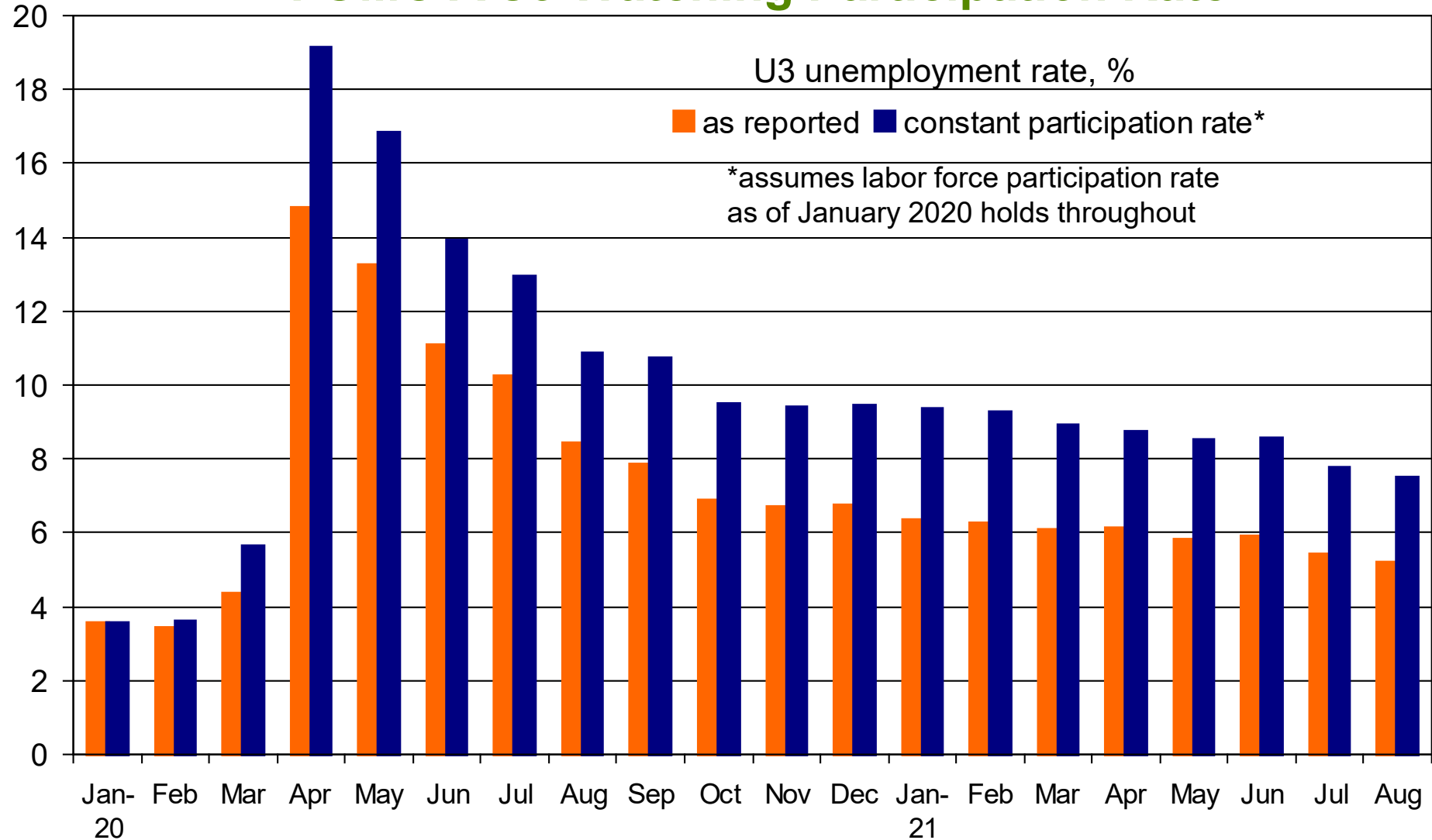
Source: Bureau of Labor Statistics; Regions Economics Division

Help Wanted – And How!



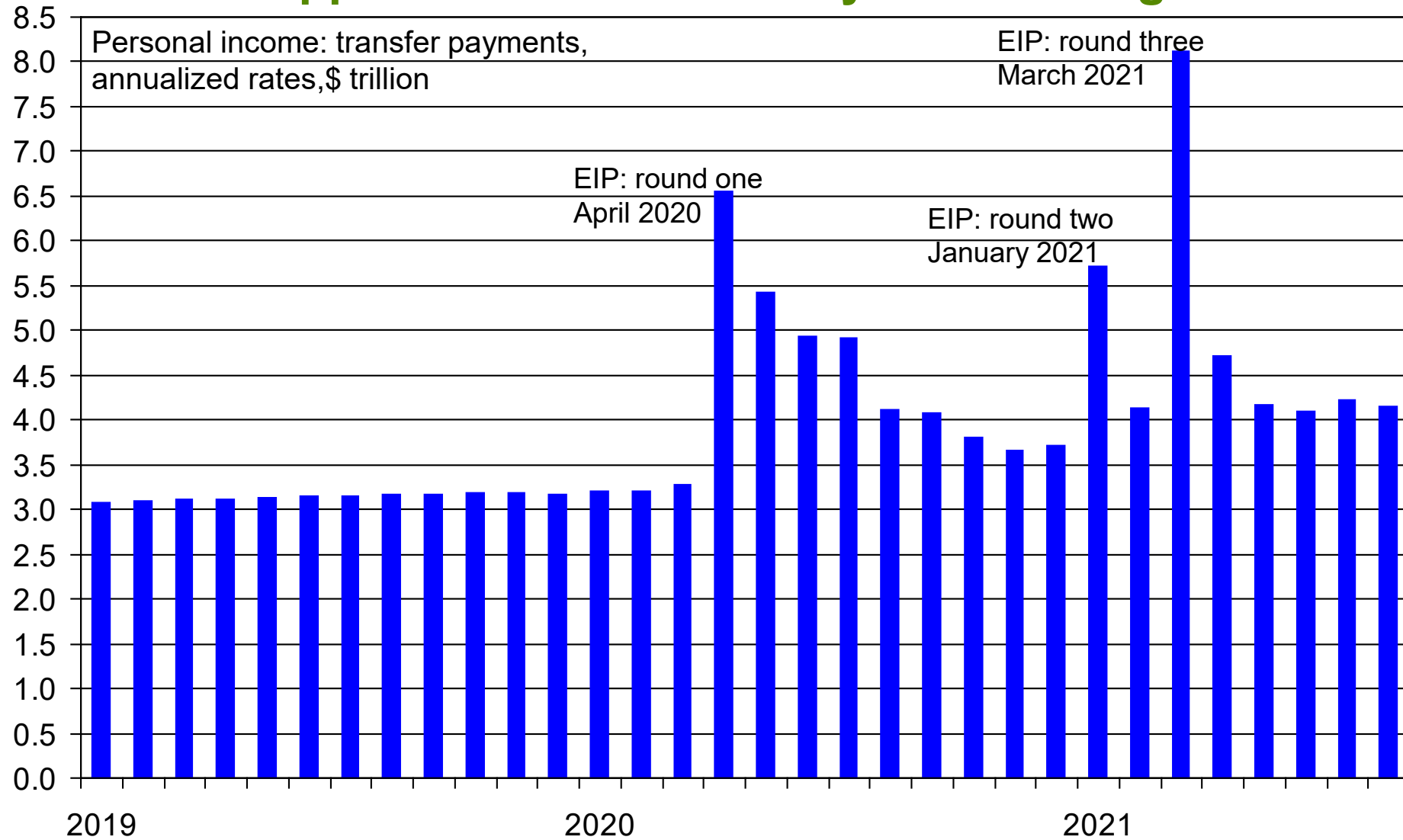
Source: Bureau of Labor Statistics; Regions Economics Division

FOMC Also Watching Participation Rate



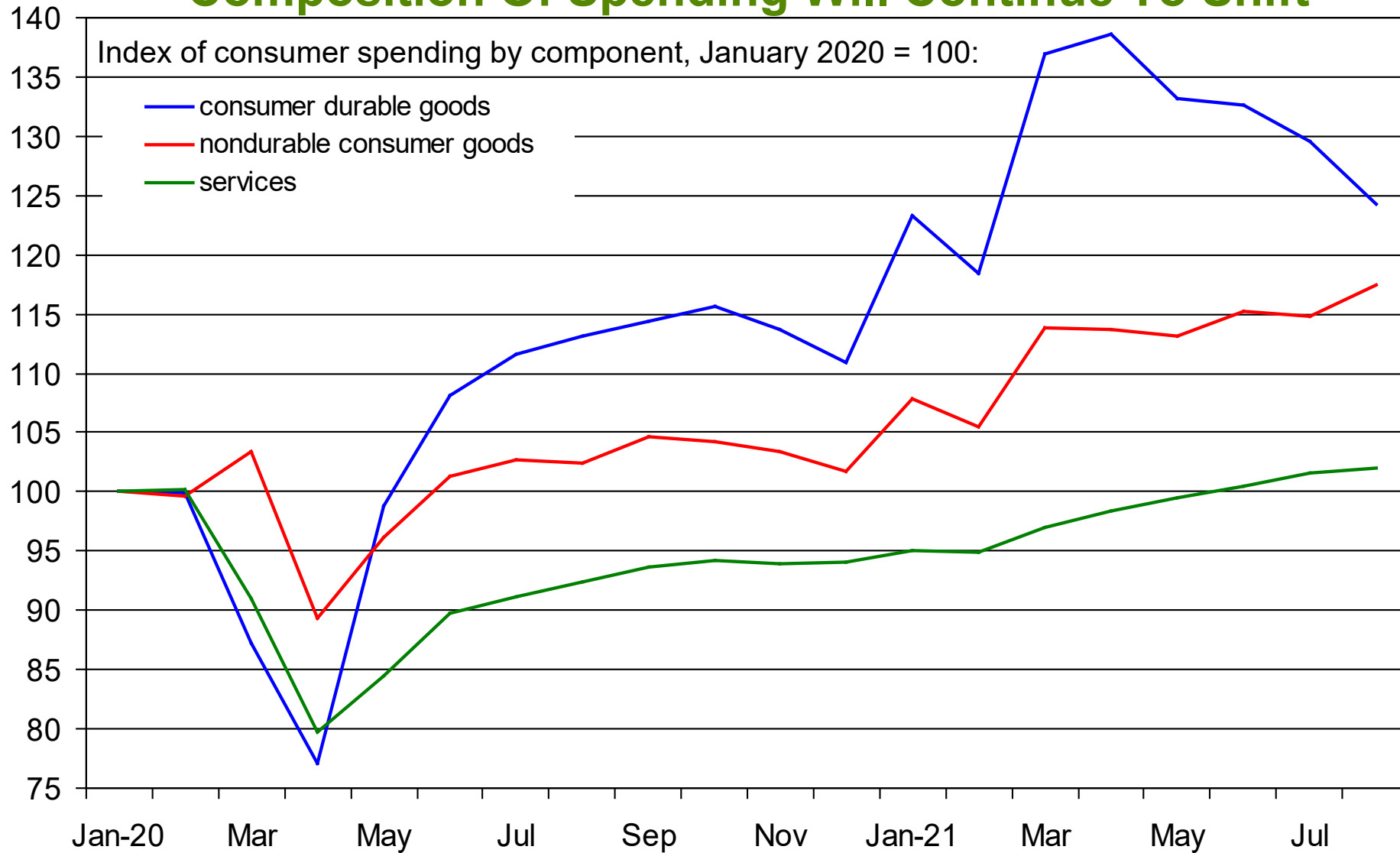
Source: Bureau of Labor Statistics; Regions Economics Division

Less Support From Transfer Payments Going Forward



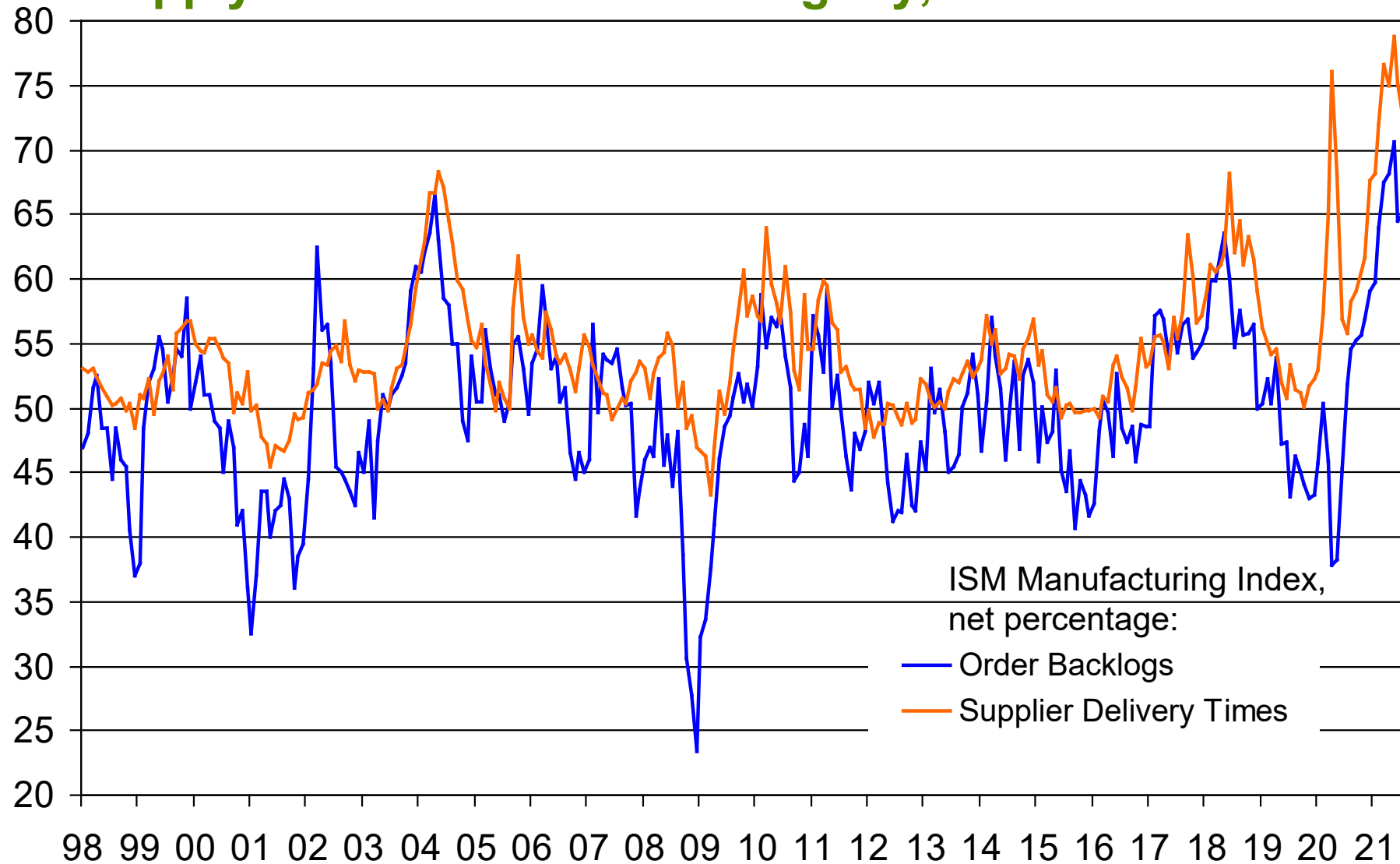
Source: Bureau of Economic Analysis; Regions Economics Division

Composition Of Spending Will Continue To Shift



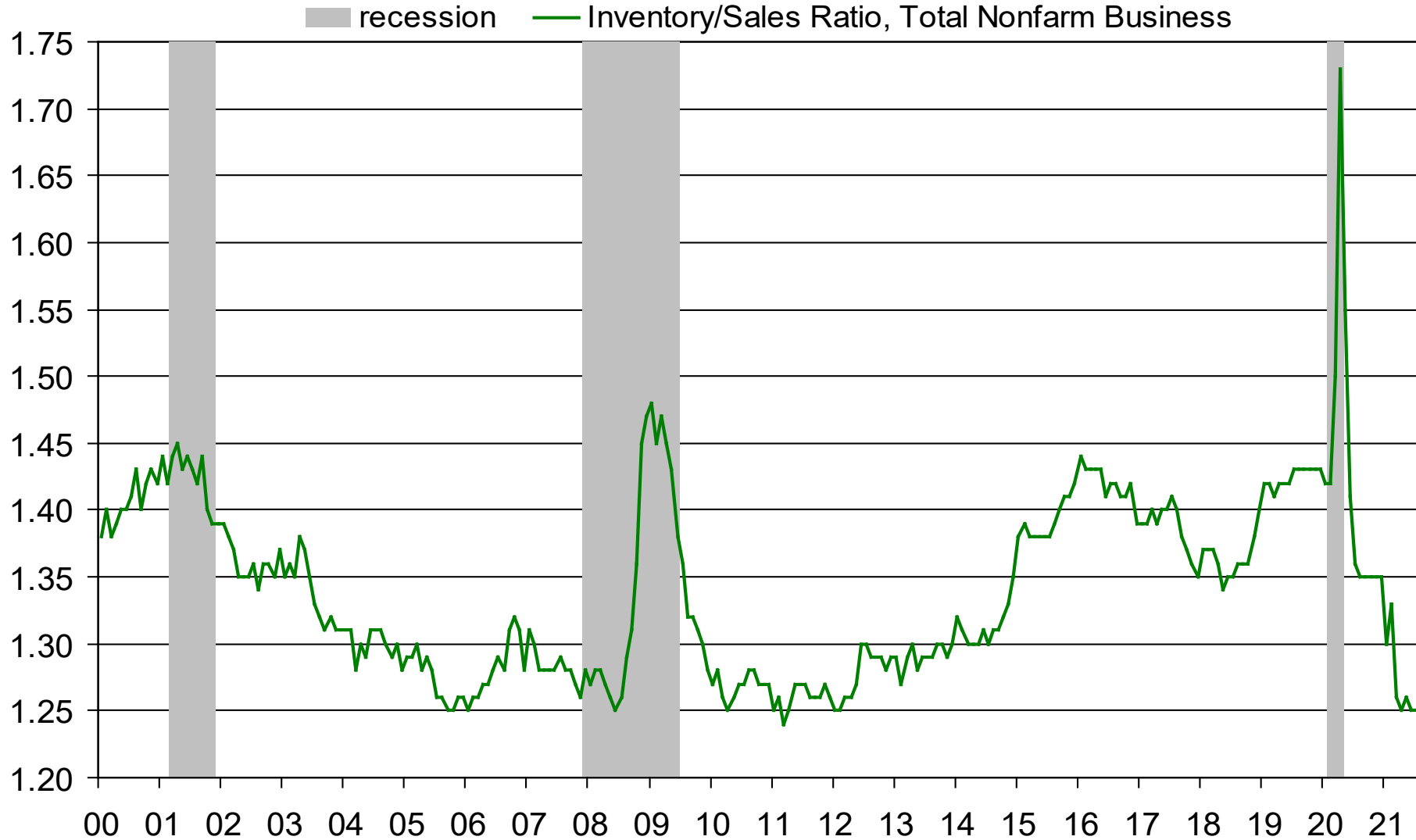
Source: Bureau of Economic Analysis; Regions Economics Division

Supply Side Stresses Ease Slightly, But Far From Gone



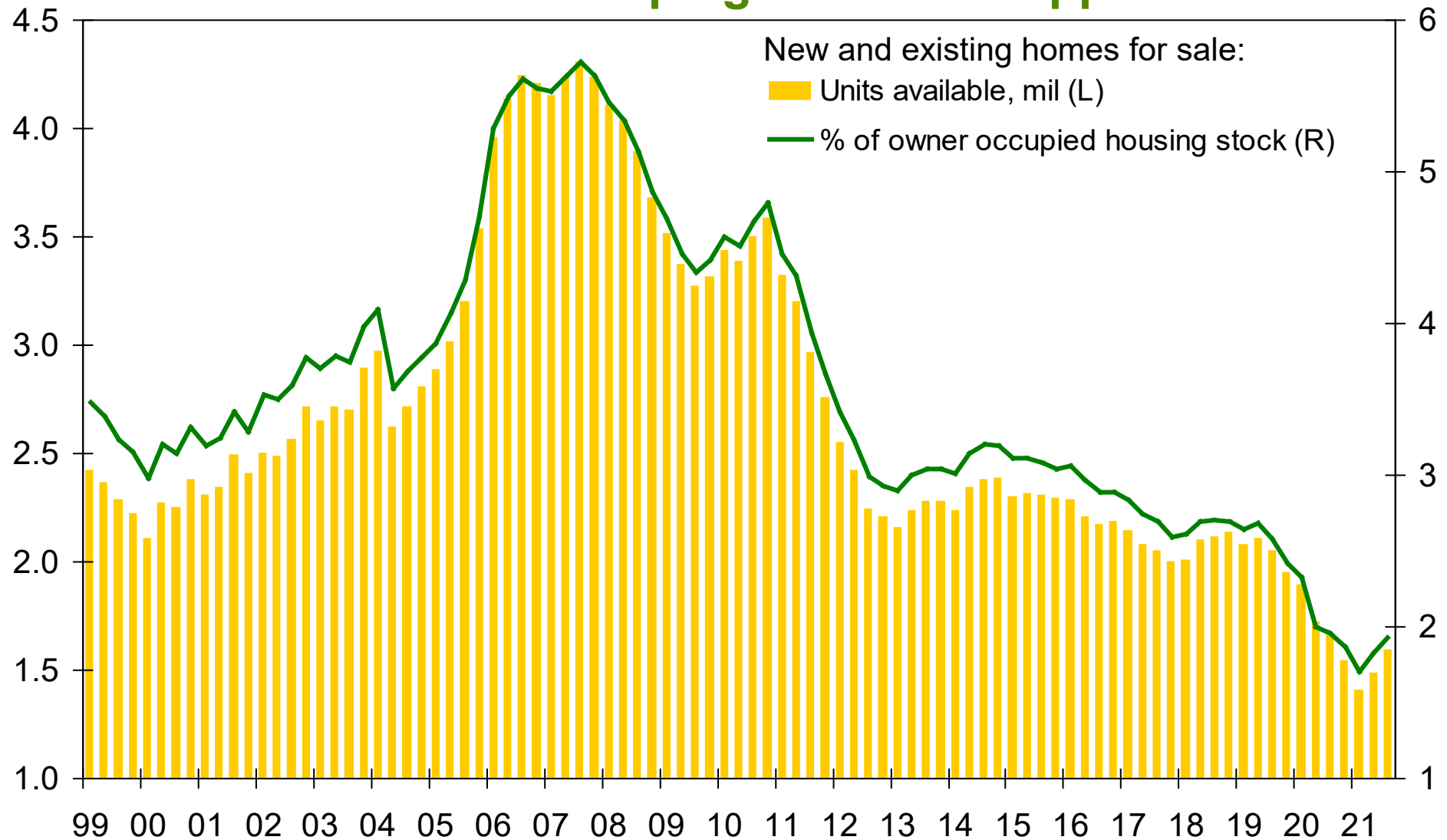
Source: Institute for Supply Management®; Regions Economics Division

Inventories Will Be Built Back Up, But When?



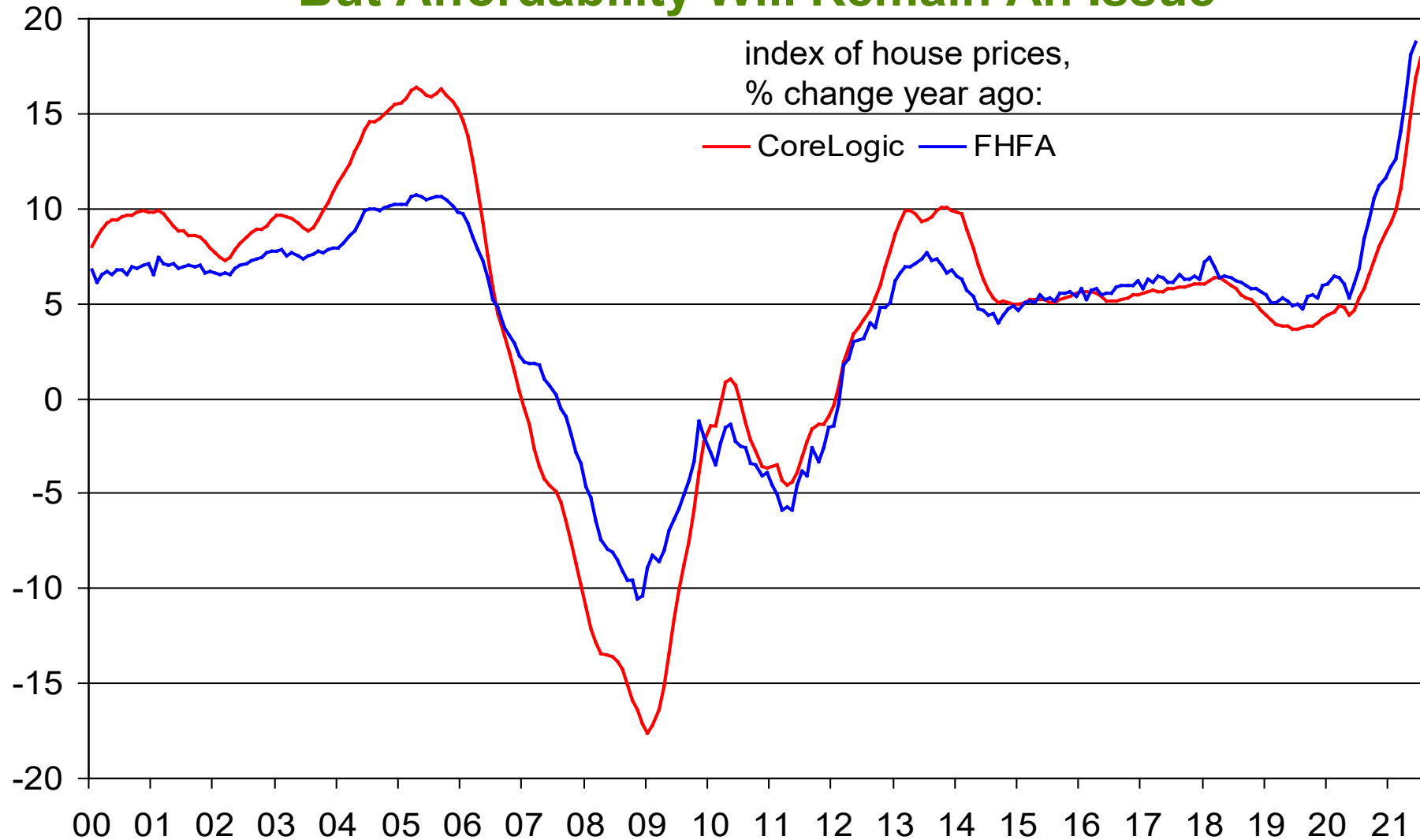
Source: Bureau of Labor Statistics; Regions Economics Division

Lean Inventories Helping Fuel Price Appreciation



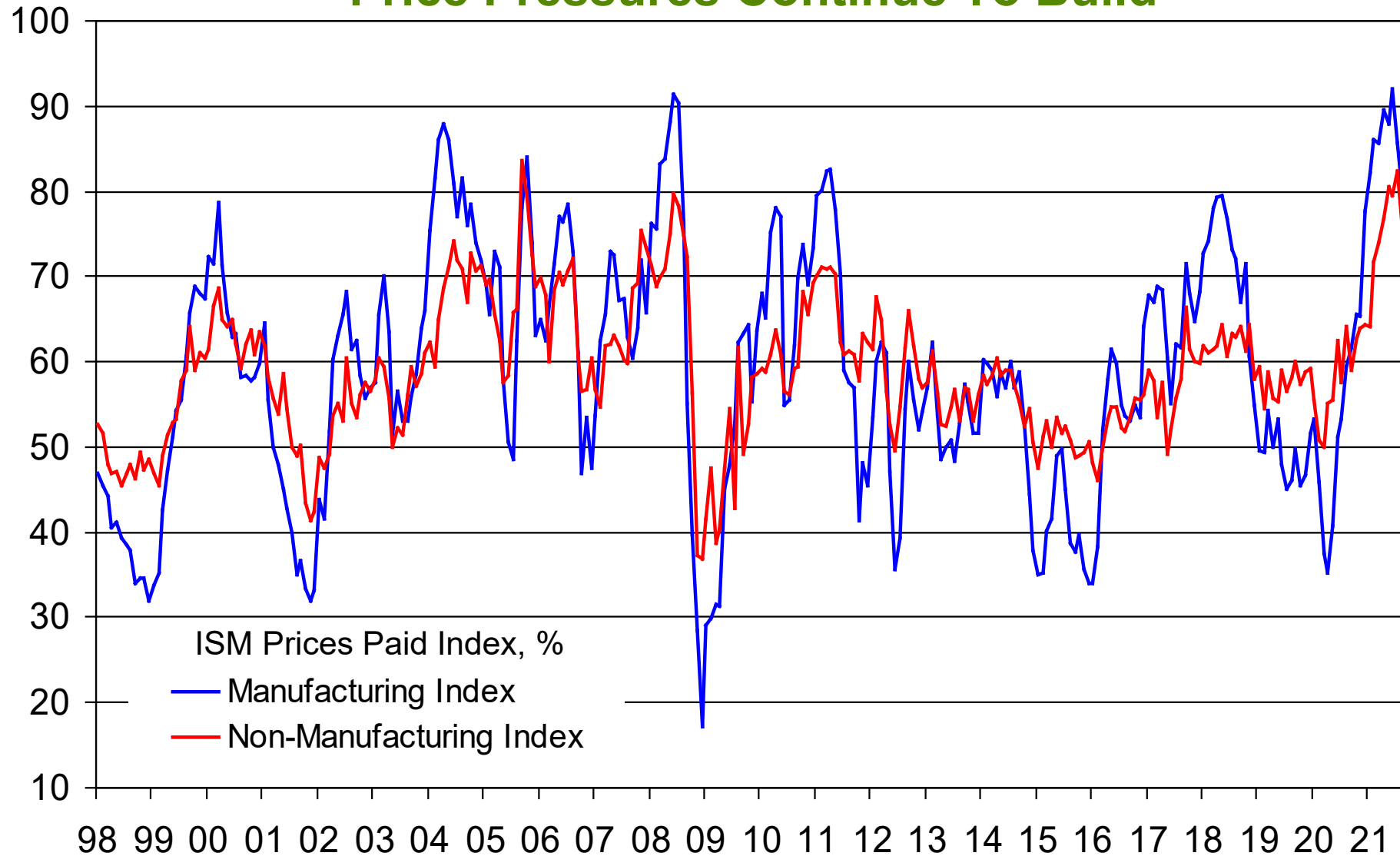
Source: U.S. Census Bureau; National Association of Realtors; Regions Economics Division

Price Appreciation Will Ease, But Affordability Will Remain An Issue



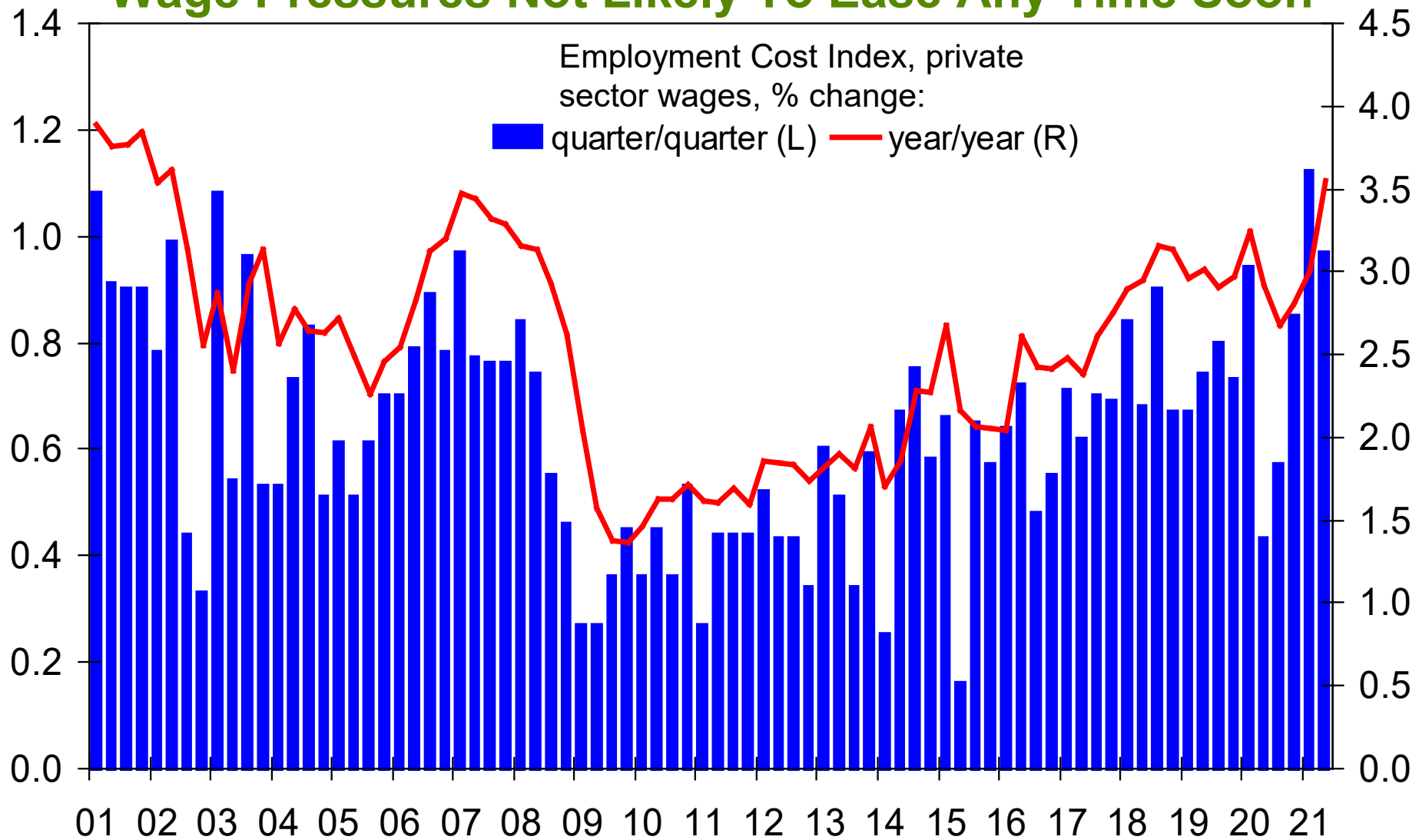
Source: Federal Housing Finance Agency; CoreLogic; Regions Economics Division

Price Pressures Continue To Build



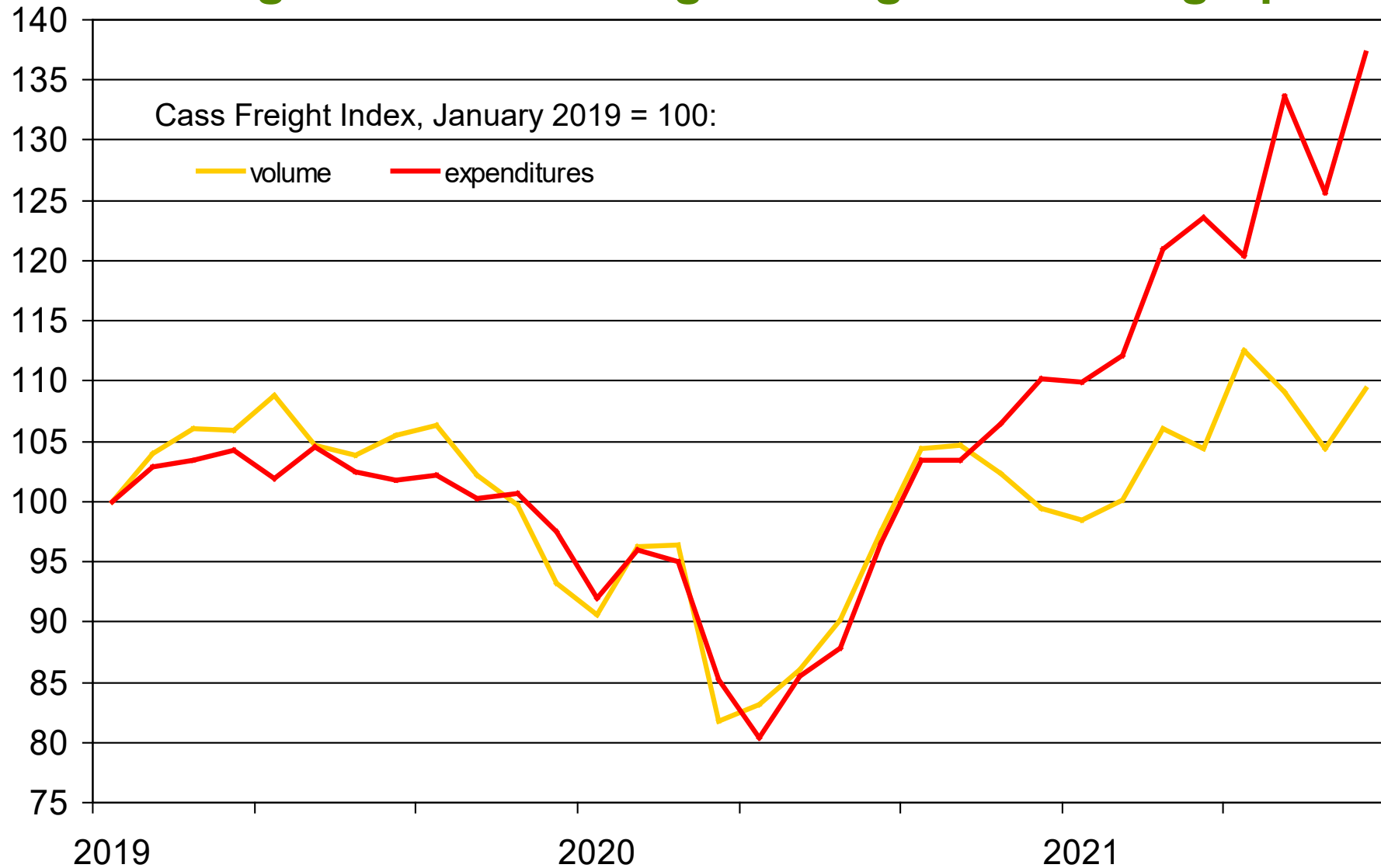
Source: Institute for Supply Management®; Regions Economics Division

Wage Pressures Not Likely To Ease Any Time Soon



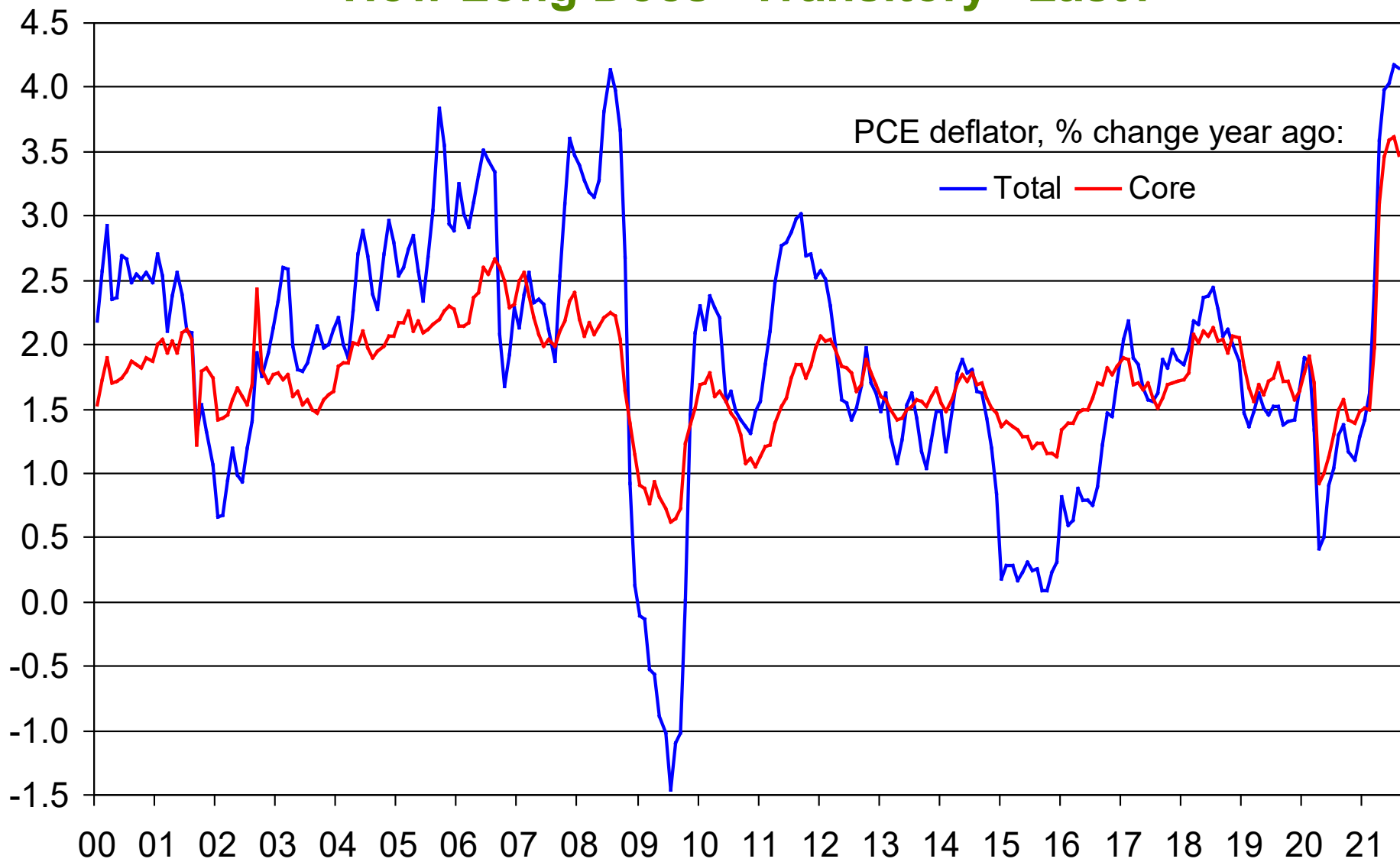
Source: Bureau of Labor Statistics; Regions Economics Division

Freight Rates Showing Few Signs Of Letting Up



Source: Cass Information Systems; Regions Economics Division

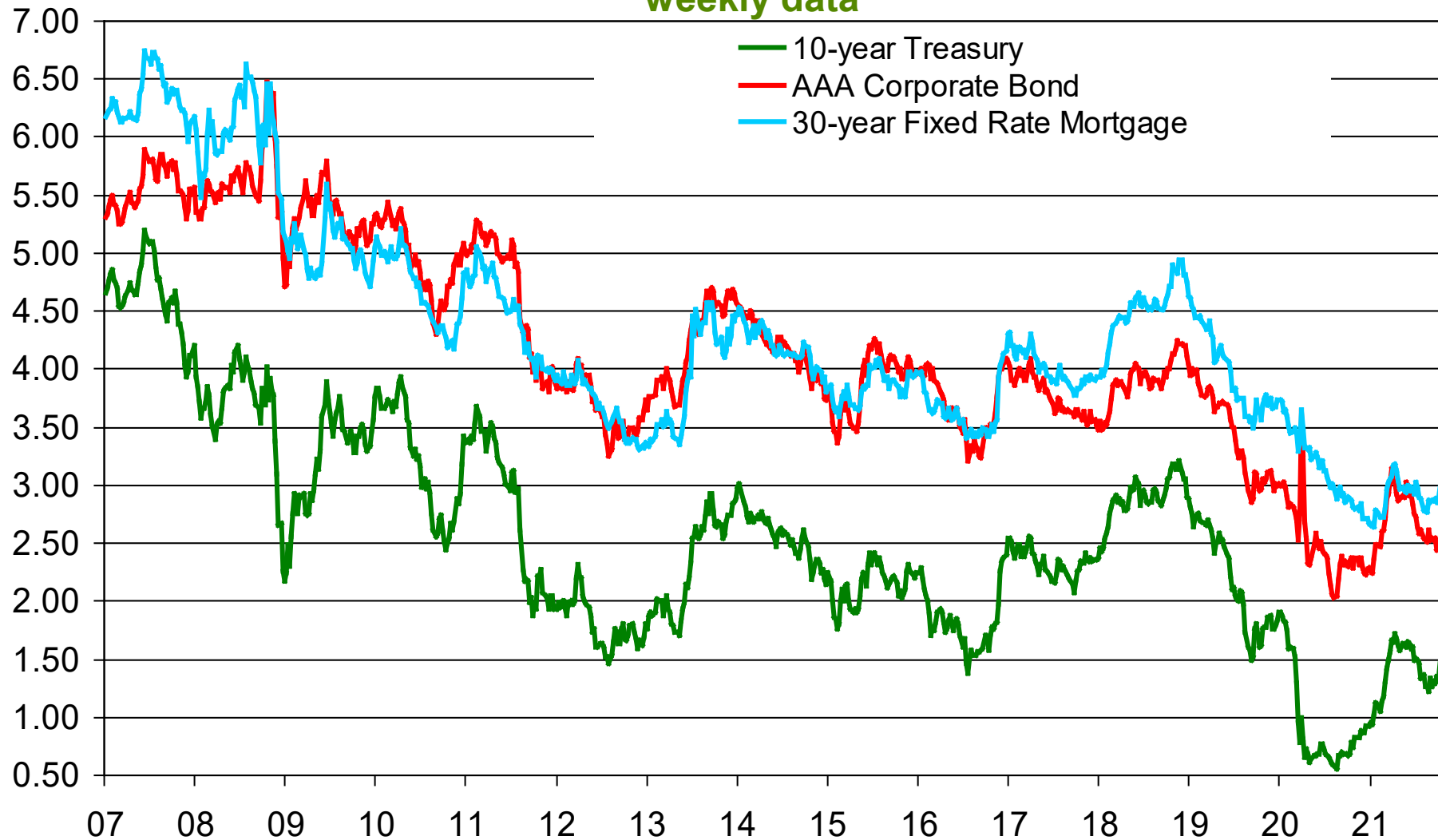
How Long Does “Transitory” Last?



Source: Bureau of Economic Analysis; Regions Economics Division

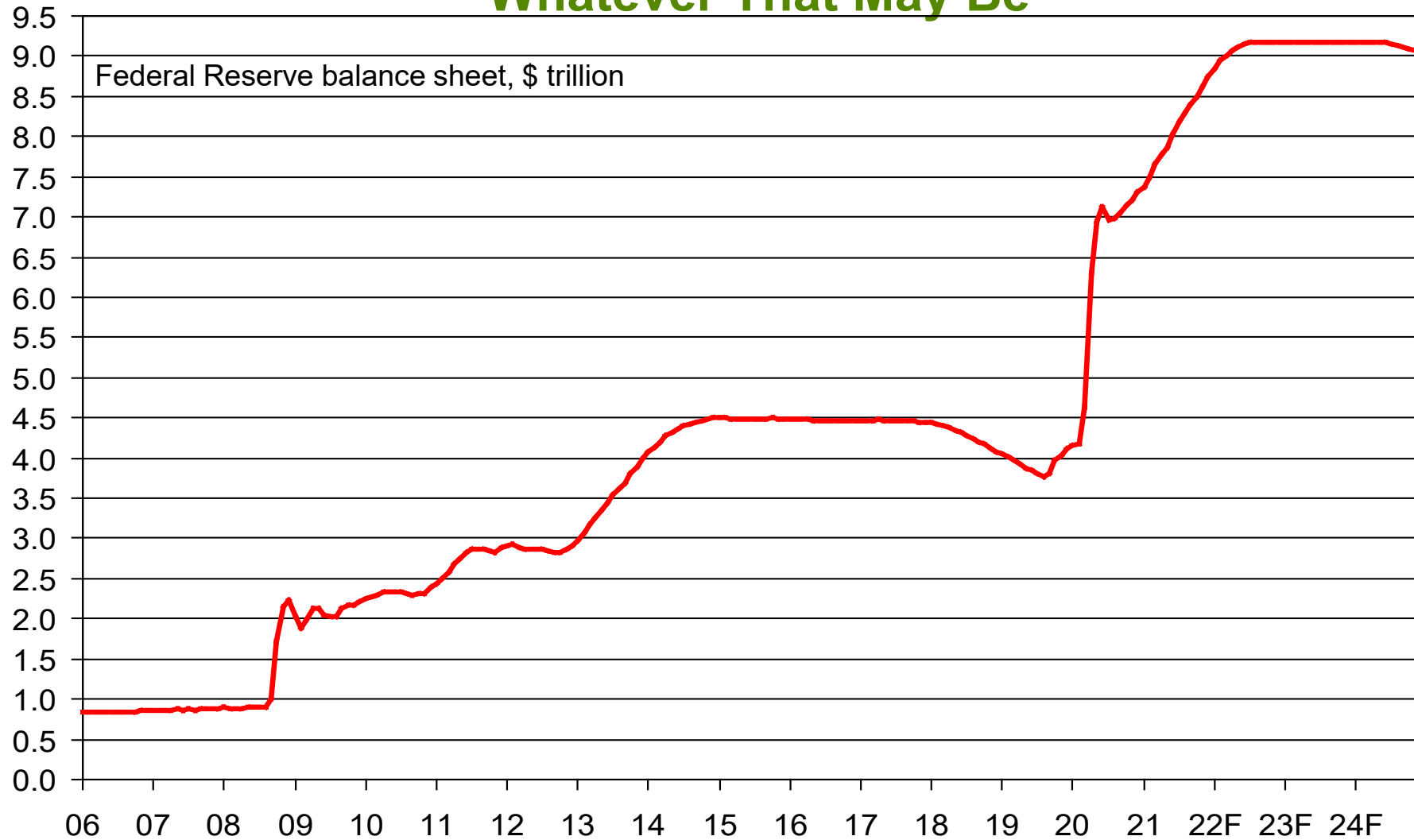
Selected Interest Rates, %

weekly data



Source: Federal Reserve Board; Regions Economics Division

A Long Road Back To Normal, Whatever That May Be



Source: Federal Reserve Board; Regions Economics Division

Regions' Baseline Forecast: September 2021

Q1 '21 (a)	Q2 '21 (p)	Q3 '21 (f)	Q4 '21 (f)	Q1 '22 (f)	Q2 '22 (f)	Q3 '22 (f)	Q4 '22 (f)		2019 (a)	2020 (a)	2021 (f)	2022 (f)	2023 (f)
6.3	6.6	3.8	5.6	5.2	4.1	3.2	2.6	Real GDP ¹	2.3	-3.4	5.8	4.5	2.5
11.4	11.9	0.6	2.6	5.0	4.2	3.5	2.5	Real Personal Consumption ¹	2.2	-3.8	7.7	3.9	2.5
12.9	9.3	5.0	7.4	8.1	7.2	6.0	5.0	Real Business Fixed Investment ¹	4.3	-5.3	8.1	7.0	4.9
14.1	11.6	4.5	8.1	9.8	8.3	6.0	4.3	Equipment ¹	3.3	-8.3	14.3	7.8	4.2
15.6	14.6	9.3	8.0	7.5	6.0	5.5	5.4	Intellectual Property and Software ¹	7.2	2.8	10.4	7.5	5.3
5.4	-5.4	-4.4	3.7	4.0	6.5	6.7	5.8	Structures ¹	2.0	-12.5	-7.8	3.1	5.5
13.3	-11.5	3.4	7.2	8.1	2.8	1.4	0.4	Real Residential Fixed Investment ¹	-0.9	6.8	11.2	3.7	1.3
4.2	-1.9	0.8	1.2	2.6	2.3	1.7	1.7	Real Government Expenditures ¹	2.2	2.5	0.7	1.6	1.5
-1,226.1	-1,247.1	-1,232.4	-1,254.6	-1,280.6	-1,302.0	-1,321.8	-1,322.9	Real Net Exports ²	-905.3	-942.7	-1,240.0	-1,306.8	-1,343.6
1,156	1,107	1,148	1,176	1,187	1,188	1,192	1,200	Single Family Housing Starts, ths. of units ³	889	1,004	1,147	1,192	1,215
443	479	452	460	456	454	451	446	Multi-Family Housing Starts, ths. of units ³	403	393	458	452	443
10.2	14.9	18.1	16.0	12.9	8.1	4.0	3.4	CoreLogic House Price Index ⁵	3.9	5.8	14.8	6.9	3.7
16.8	16.9	13.4	13.6	14.3	14.8	15.4	15.7	Vehicle Sales, millions of units ³	17.0	14.5	15.2	15.1	16.0
6.2	5.9	5.2	4.8	4.6	4.4	4.2	4.1	Unemployment Rate, % ⁴	3.7	8.1	5.5	4.3	3.9
-5.6	8.5	4.5	4.1	4.4	3.8	2.7	2.3	Non-Farm Employment ⁵	1.3	-5.7	2.7	3.3	1.6
54.7	-31.0	-5.0	-4.0	0.6	3.2	3.0	3.3	Real Disposable Personal Income ¹	2.3	6.2	1.7	-2.5	3.7
2.0	4.0	4.3	4.7	4.3	3.3	2.7	2.3	GDP Price Deflator ⁵	1.8	1.2	3.8	3.1	2.1
1.8	3.9	4.3	5.0	4.6	3.6	2.9	2.4	PCE Deflator ⁵	1.5	1.2	3.7	3.4	2.2
1.9	4.8	5.4	5.9	5.6	4.1	2.9	2.4	Consumer Price Index ⁵	1.8	1.2	4.5	3.7	2.1
1.7	3.4	3.7	4.3	4.3	3.4	2.9	2.5	Core PCE Deflator ⁵	1.7	1.4	3.3	3.3	2.3
1.4	3.7	4.2	4.6	5.1	3.7	3.0	2.8	Core Consumer Price Index ⁵	2.2	1.7	3.5	3.6	2.6
0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	Fed Funds Target Rate Range Mid-Point, % ⁴	2.16	0.42	0.13	0.13	0.47
1.32	1.59	1.32	1.49	1.67	1.75	1.85	1.92	10-Year Treasury Note Yield, % ⁴	2.14	0.89	1.43	1.80	2.01
2.88	3.00	2.87	3.08	3.28	3.40	3.53	3.59	30-Year Fixed Mortgage, % ⁴	3.94	3.12	2.96	3.45	3.67
-3.6	-3.3	-3.1	-3.3	-3.4	-3.3	-3.4	-3.4	Current Account, % of GDP	-2.2	-2.9	-3.3	-3.4	-3.5

a = actual; f = forecast; p = preliminary

Notes: 1 - annualized percentage change 2 - chained 2021 \$ billions 3 - annualized rate 4 - quarterly average 5 - year-over-year percentage change