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## *It's The Accounting That's The Drag, Not The Imports*

With many increasingly worried about the outlook for the U.S. economy, including those on recession watch, news that real GDP contracted at an annualized rate of 1.4 percent in Q1 2022 could not have come at a worse time. Okay, sure, there's never a good time to learn the economy has contracted. In any event, those already pre-disposed to do so took the headline print on the report on Q1 GDP and ran with it, advancing their narrative of an all-but inevitable recession. The rest of us, however, found little to fret over in the report on Q1 GDP, the 8.0 percent annualized increase in the GDP Price Index being a glaring exception. Our take was that the contraction in real GDP said more about GDP accounting than it did about the underlying health of the U.S. economy.

We have often pointed out some of the, let's say, quirks in GDP accounting that should be kept in mind when interpreting the GDP data but which often go overlooked. For instance, it is common to hear people say that consumer spending accounts for 70 percent of the economy. We're careful to say that consumer spending, as defined in the GDP data, accounts for roughly 70 percent of GDP, as some of what is booked as consumer spending in the GDP data does not actually entail actual consumers spending actual dollars. There are other quirks in GDP accounting that go largely unnoticed unless, as with the Q1 2022 data, they skew reported GDP growth and, in turn, how people assess the state of the economy.

For instance, on an annualized basis, inflation-adjusted nonfarm business inventories increased by \$185.3 billion in Q1. While that was indeed a larger inventory build than we anticipated, it actually took 0.75 percentage points off the quarterly change in real GDP. Under GDP accounting conventions, the change in inventories from one quarter to the next enters into the calculation of the level of GDP, but in the calculation of the rate of change in GDP, it is the change in the change in inventories that matters. As such, since the build in nonfarm business inventories in Q1 was smaller than the annualized increase of \$212.8 billion in Q4 2021, inventories went down as a deduction from the quarterly change in real GDP despite having increased significantly in Q1.

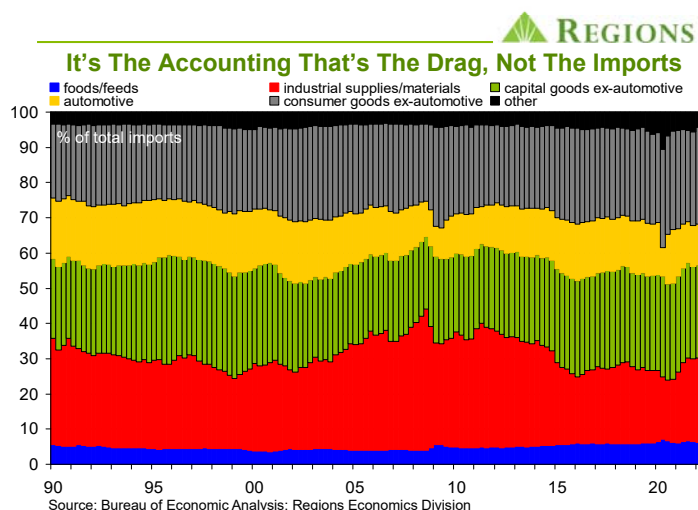
That 0.75 percentage points deduction pales in comparison to the deduction of 3.20 percentage points resulting from a sharply wider trade deficit. Under GDP accounting conventions, U.S. exports add to GDP while imports into the U.S. deduct from GDP. So, with inflation-adjusted exports contracting at annualized rate of 5.9 percent in Q1 while inflation-adjusted imports grew at a 17.7 percent rate, the trade deficit widened, to the point that it took 3.20 percentage points off the quarterly change in real GDP. Between inventories and trade, then, the hit to the quarterly change in real GDP was 3.95 percentage points.

While a contraction in inflation-adjusted government expenditures took 0.48 percentage points off the quarterly change in real GDP, it was the GDP accounting treatment of inventories and trade that largely drove the annualized contraction of 1.4 percent in top-line real GDP. The more relevant question, however, is whether the decline in real GDP said anything meaningful about the underlying health of the U.S. economy. We think not. As for inventories, the story isn't that the build in Q1 was smaller than the build in Q4 2021, but instead that, despite supply chain, logistics, and labor supply issues conspiring to hold down domestic production, we've seen two consecutive quarters of substantial builds in nonfarm business inventories. Despite these increases, inventories are still below where they need to be, particularly if the experience of the past two years means firms will want to hold larger stocks than they would have held prior to the onset of the pandemic. While we and most others look for further increases in nonfarm inventories over coming quarters, the accounting treatment of inventories means that, despite rising, they will almost surely be treated as a drag on GDP growth more than once over that span. If so, this will say nothing meaningful about the state of the U.S. economy.

As for trade, global trade flows have been significantly distorted since the onset of the pandemic. This reflects uneven growth in global demand, uneven output growth amongst global producers, and shipping backlogs which in part stem from labor supply constraints that have hamstrung activity at domestic ports. As a consequence, the trade data have been somewhat lumpy from one month to the next, which in some months has yielded outsized increases in exports and/or imports. For instance, while U.S. exports rose by 7.3 percent in March, imports into the U.S. rose by 12.0 percent, contributing to the sharply wider trade deficit for Q1 as a whole. As noted above, this resulted in a 3.20 percentage points deduction from the quarterly change in GDP.

As with the smaller build in nonfarm business inventories, the wider trade deficit in Q1 says nothing meaningful about the state of the U.S. economy. More fundamentally, while the notion of imports being a "drag" on growth may make sense from a GDP accounting standpoint, that isn't necessarily the case on economic grounds. Keep in mind what the "D" in GDP stands for – domestic, as in Gross Domestic Product, or, the value of final goods and services produced in the United States in a given quarter or year. As such, the BEA is basically summing up total consumption of domestically produced goods and services, including consumption on the part of foreign buyers, hence U.S. exports being considered an addition to GDP. As imports are not produced domestically, they are deducted from GDP, but keep in mind that purchases of goods or services produced abroad are captured in the measures of consumer and business spending. In that sense, then, a dollar of consumption is offset by a dollar of imports, meaning imports have no impact on GDP, which isn't the same as them being a drag on GDP as is commonly claimed.

There is a more fundamental reason imports, at least not all of them, should not be considered to be a “drag” on GDP. A considerable share of the goods imported into the U.S. are either raw materials, intermediate goods, or capital equipment used by firms located in the U.S. to produce final goods. As such, these imports are, or at least should be, considered a complement to domestic production, not a drag on domestic production. We illustrate this point in the following chart, which shows imports into the U.S. broken down into their broad, end-use categories.



Over the past year, industrial supplies and materials and non-automotive capital goods have combined to account for half of all imports into the U.S., in line with their longer-term share. To the extent these raw/intermediate goods have contributed to higher output amongst domestic producers, they have made much more of a positive contribution to economic growth than given credit for, at least in the GDP data. One of the difficulties in trying to properly account for imports is that the BEA has no way of segregating imported components of final goods and services produced in the U.S. As such, if the intent of GDP accounting is to estimate domestic production, it has no choice but to deduct all imports. As it turns out, however, imports of industrial and capital goods are a critical component of domestic production. This is a useful point to keep in mind, particularly when subjected to someone trying to claim that imports are taking the place of domestic production.

Though perhaps not to the same degree seen in the Q1 data, it isn't uncommon for trade and inventories to team up and, well, do a number on measured GDP growth. The extent to which they did so in Q1 2022 led some to renew their argument that GDP is an inadequate measure of the state of the economy. While we're not unsympathetic to that argument, that's a different discussion for a different day. We do, however, think it unfortunate that what we see as the most relevant element of the Q1 GDP data basically got lost in the shuffle.

Adjusted for inflation, private domestic demand, or, combined business and household spending, grew at an annual rate of 3.7 percent in Q1, the fastest quarterly growth rate since Q2 2021. Real consumer spending grew at a 2.7 percent rate with real business fixed investment up at a 9.2 percent rate. While lower outlays on structures remain a drag on growth in total business

fixed investment, business outlays on equipment, machinery, and intellectual property products remains a key support for current real GDP growth while at the same time setting the stage for faster growth down the road. We expect business fixed investment to remain robust over coming quarters, driven by replacement investment to upgrade older, less efficient capital stocks, greater investment in automation and technology, and continued strong spending on intellectual property products, the bulk of which consists of R&D expenditures and spending on software.

Investment in automation, technology and intellectual property products will be critical in offsetting what will be a slower trend rate of labor force growth than has prevailed in the past, and the ultimate outcome may actually be a higher “speed limit” for the economy despite slower trend labor force growth. This brings us back to another comment we frequently hear, which is that consumer spending is the main driver of GDP growth. This comment, which becomes no more accurate no matter how many times it is repeated, apparently stems from consumer spending, as it is defined in the GDP data, accounting for roughly 70 percent of GDP. But, as we frequently note, the economy does not grow over time because consumption grows, rather, consumption grows over time because the economy grows. A key driver of any economy's growth over time is business investment and it is unfortunate, though not at all surprising, that another quarter of healthy growth in business fixed investment was largely drowned out by the considerable noise in the Q1 GDP data.

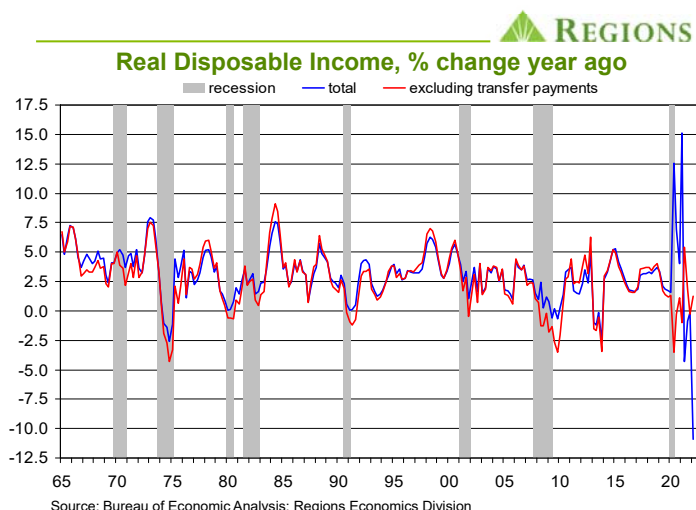
### *Not Quite A Fair Comparison . . .*

As we noted above, the 1.4 percent annualized contraction in real GDP notwithstanding, we found little to fret about in the report on Q1 GDP, with the 8.0 percent annualized increase in the GDP Price Index being a glaring exception. The 10.9 percent year-on-year decline in inflation-adjusted disposable (after-tax) personal income may seem like another such glaring exception. But, when put into proper context, that decline in real disposable personal income is not as ominous as it may seem on the surface.

To be sure, inflation is eroding the purchasing power of a given level of nominal earnings, making any comparison on an inflation-adjusted basis look worse. There is, however, more to the sharp decline in real disposable personal income than higher inflation. Recall that the second and third installments of the Economic Impact Payments that were a key pillar of the fiscal policy response to the pandemic were distributed in Q1 2021. With base payments of \$600 in January and \$1,400 in March (base payments were adjusted to account for income levels and the number of eligible dependents), the Economic Impact Payments led to a surge in personal transfer receipts in Q1 2021 which, in turn, led to a spike in personal income, both pre-tax and after-tax.

Though not to the extent seen in Q1, transfer payments remained elevated over the remainder of 2021, in part reflecting expanded Child Tax Credit payments and various pandemic-related kickers to unemployment insurance benefits. Transfer payments fell as these programs ran their course, and fell further in Q1 2022, leaving them down 34.4 percent from their Q1 2021 level. This steep decline in transfer payments is the main reason disposable personal income on a nominal basis (i.e., before adjusting for inflation) was down 5.3 percent year-on-year in Q1 2022. Taking

inflation into account yields the 10.9 percent year-on-year decline in real disposable personal income.



While seeing a decline of that magnitude can be jolting, the comparison between disposable personal income in Q1 2022 and Q1 2021 is not exactly a fair one. What is a more fair, and to us a more apt, comparison is the one based on disposable personal income excluding transfer payments, which we show in the chart above. On a nominal basis, disposable personal income excluding transfer payments was up 7.6 percent year-on-year in Q1 2022, while on an inflation-adjusted basis it was up 1.2 percent. That the two series, i.e., disposable income inclusive and exclusive of transfer payments, tell such a different story is a reflection of the extent to which pandemic-related transfers bolstered personal income in Q1 2021, but we'd argue that ex-transfers income is the more accurate portrayal of underlying trends in the economy.

We've always viewed ex-transfers personal income as the proper basis on which to assess the capacity for households to engage in discretionary spending and to service debt. One reason for this is that transfer payments include payments made under programs such as Medicare and Medicaid, payments which go directly to service providers and do not reflect cash (spendable) income for beneficiaries. But, since these payments are made on behalf of beneficiaries, they are booked as personal income. Additionally, to the extent payments made under programs such as Social Security and unemployment insurance do go directly to beneficiaries, one can argue that they are spent mostly on necessities, with a lesser share going toward discretionary spending and an even lesser share going to debt service.

The biggest driver of growth in ex-transfers personal income has been the marked acceleration in private sector wage and salary earnings, the largest single component of personal income, which were up 12.4 percent year-on-year in Q1 2022. As we often note in our takes on the monthly employment reports, most of the focus is on average hourly earnings, which are growing at a faster rate than before the pandemic though at a rate below the inflation rate. It is aggregate labor earnings, however, that matter in setting the paths of income and spending growth. As with any aggregate measure, there are distributional issues around aggregate wage and salary earnings, but looking on an industry-by-industry basis

shows that lower-wage industry groups are seeing some of the most rapid growth in aggregate earnings. Our view is that rapid growth in labor earnings is putting a floor under personal income and, in turn, helping sustain growth in consumer spending.

There are some who argue that the focus should be on total, not ex-transfers, disposable income, meaning the 10.9 percent year-on-year decline in real disposable personal income is an accurate reflection of what consumers are experiencing. Were it declining labor earnings dragging down disposable personal income, we'd be more inclined to agree. Instead, our view is that no one expected the transfer payments seen in Q1 2021 would be sustained and, as such, households were not adapting to an expected higher trend rate of income growth. Instead, consumers spent some of those transfer payments, saved some, and used some to pay down debt, as has been reported in various surveys, including the Census Bureau's *Household Pulse Survey*. But, lower debt service burdens and higher levels of saving have helped sustain consumer spending at higher levels than would otherwise have been the case.

In that sense, the transfer payments seen during Q1 2021 will have added to inflation pressures over the past year. The flip side, however, is that with the transfer payments having largely run their course, there should be some pullback in spending, at least spending on goods, particularly to the extent that the level of "excess saving" on household balance sheets is being pared down. If so, this should take some of the steam out of inflation. The significance of continued growth in real ex-transfers disposable personal income, however, is that any such shifts in spending and inflation will be less pronounced than would be implied by simply looking at the lower level of real disposable personal income including transfer payments.

### *No Bright Line On The Road, Not Even A Dull One*

As was almost universally expected, the FOMC raised the Fed funds rate target range by 50 basis points at their May meeting, taking the mid-point of the target range from 0.375 basis points to 0.875 basis points. In his post-meeting press conference, Federal Reserve Chairman Jerome Powell stated that "there is a broad sense on the Committee that additional 50-basis point increases should be on the table for the next couple of meetings." When asked whether a 75-basis point hike possible, Chairman Powell replied that a 75-basis point hike "is not something the Committee is actively considering." That response seemed to please market participants, at least judging from how equity prices took off and rallied strongly through the end of the trading day, with the Dow Jones Industrial Average closing up 932 points. That rally was attributed to investors feeling a sense of relief from worries that the FOMC would move too aggressively in raising the funds rate and potentially tip the economy into recession.

Under the heading of "what a difference a day makes," any such relief quickly turned to angst, as the very next day the Dow lost 1,063 points and yields on longer-dated U.S. Treasury securities rose, with the Dow falling further and yields climbing higher on the last trading day of the first week of May. These moves were widely attributed to investors' fears that the FOMC would not move fast



enough to blunt inflation pressures. So, under this premise, what one day was relief that the FOMC would not move too fast was the very next day worry that the FOMC would not move fast enough.

However fast they get there, it is clear the FOMC is intent on moving the funds rate back to a more neutral level and doing so, to borrow Chairman Powell's term, expeditiously. Of course, if you know where you're going, then it's fair to ask why not get there sooner rather than later, particularly in light of how far behind the inflation curve the FOMC started from. And, not only would a 75-basis point hike in the Fed funds rate target range not come as a shock to the financial markets, it might even come as a relief, at least based on how the markets behaved over the last two trading days of the first week of May. While Chairman Powell's response to the question of a 75-basis point hike did not totally rule out such a move, it did make one considerably more challenging from a communications standpoint. Still, given that there seems to be little support for such a move amongst Committee members, with the notable exception of St. Louis Fed President Bullard, it does seem like the bar for a 75-basis point hike is set quite high.

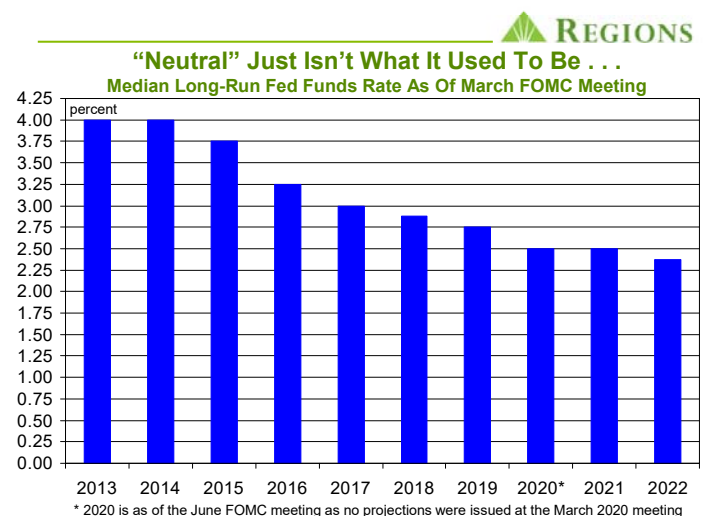
Aside from the question of how fast they get there, there is also the question of whether the FOMC will continue to push the funds rate higher once it is back to a more neutral level. Chairman Powell addressed that point more than once in his post-meeting press conference, and did so somewhat forcefully, stating that the FOMC "would not hesitate" to push the funds rate beyond neutral if warranted by actual and expected inflation. While today that may seem an appropriate answer, particularly to the extent market participants are questioning the FOMC's resolve, it may or may not seem an appropriate answer once the funds rate actually gets to a more neutral level. By that time, inflation will likely have slowed, but so too will have economic growth.

Consider what have been the main drivers of elevated inflation – the aggressive fiscal and monetary response to the pandemic, global supply chain and logistics bottlenecks, labor force participation significantly below pre-pandemic norms, and more recently Russia's invasion of Ukraine and yet another round of shutdowns across China. With the obvious exception of the monetary policy response to the pandemic, these factors are beyond the reach of the central bank, meaning that the only manner in which the FOMC can impact inflation is by further restraining the demand side of the economy via higher interest rates. But, at a time when both inflation and growth will almost surely be slowing, it is reasonable to wonder whether, or at least to what extent, the FOMC would actually continue pushing the funds rate higher once it is at or close to neutral, today's seeming resolve to do so notwithstanding.

These are certainly valid, and relevant, questions to consider. These questions, and the answers to them for that matter, assume that the "neutral" value of the Fed funds rate is both known and observable. And while "neutral" may seem very straightforward – a rate that neither pushes economic activity higher nor slows it down – in reality the concept of a neutral funds rate is somewhat nebulous. Chairman Powell made that point in his post-meeting press conference, stating that neutral is "not something we can identify with any precision" and going on to note that "there's not a bright line drawn on the road that tells us when we get there." Moreover, neutral is more of a longer-run estimate of the level of

the funds rate consistent with an economy at full employment and inflation running at the central bank's target rate. As a guide to policy decisions, then, rather than focusing in on a single value of the funds rate as consistent with neutral, it is more likely that the FOMC is focusing on a given range of values of the funds rate, within which the "true" value falls.

The economic and financial projections of FOMC members issued in conjunction with the March FOMC meeting show estimates of neutral range from a low of 2.25 percent to a high of 3.00 percent. That may not be all that useful of a guide as to how far the FOMC may go in the current cycle, with many analysts and market participants thinking the funds rate will go well past the upper end of this range. One interesting thing to watch with the June FOMC meeting, when an updated set of projections will be issued, is whether that range of estimates has changed, and it won't be at all surprising if the upper end of the range is above 3.00 percent.



It is worth noting that, as shown in the above chart, assessments of the neutral Fed funds rate can, and do, change over time as members' estimates of the economy's trend rates of growth and inflation change. When the FOMC first began issuing projections on a regular basis, the median estimate of the longer-run, or, neutral, value of the Fed funds rate was 4.00 percent, while in the March 2022 projections the median estimate was 2.375 percent. As a side note, St. Louis Fed President Bullard does not offer an estimate of the long-run funds rate on the grounds that there is no long-run steady state for the economy, with "optimal" monetary policy dependent upon factors such as the real interest rate on short-term government debt, the rate of productivity growth, and the stage of the business cycle the economy is in at a given time.

All of which goes to the point that thinking of a range of possible values of the neutral Fed funds rate, let alone focusing on a single value of the funds rate, may not be all that useful of a guide as to how far the FOMC will, or should, go in the current cycle. It's akin to shooting at a moving target while blindfolded. This makes it understandable that many worry that the FOMC is bound to go too far in the current cycle, pushing the Fed funds rate too high, particularly if inflation proves to be more stubborn than is anticipated to be the case and the Committee feels they have to further suppress the demand side of the economy to push inflation lower. And, sure, there are some who argue that the premise of

the FOMC being able to impact the entire economy on the basis of changes in an overnight interest rate on bank reserves is, to put far more politely than many of them do, somewhat far-fetched. Whether it is or it isn't, the reality is that market participants, and market interest rates, do respond to not only what the FOMC does, but what the FOMC is expected to do, which is why we and others spend time on discussions such as this one.

Lurking as a wild card in the discussion of how far the FOMC will, or should, go in the current cycle is the Fed's balance sheet, which stands at over \$8.9 trillion (for a point of reference, at the onset of the pandemic it stood at roughly \$4.2 trillion). At the conclusion of their May meeting, the FOMC announced the Fed's balance sheet will begin winding down on June 1, with some portion of maturing assets running off rather than the proceeds being reinvested. The balance sheet will be pared down at a rate of \$47.5 billion for the first three months and at a rate of \$95.0 billion per month thereafter. While the FOMC may hope that the balance sheet winding down will be little more than "background noise," the reality may prove less benign. After all, with proceeds of maturing assets no longer being reinvested, up to the caps noted above, that will create a void which will have to be filled. It could be that other buyers step up to fill some or all of this void, but that is by no means a certainty, particularly when the monthly run rate hits \$95 billion. As such, running down the Fed's balance sheet could put upward pressure on interest rates and could add another degree of volatility in already volatile fixed income markets. To the extent either, let alone both, of these prove to be the case, the real economy will not be immune from the fallout.

As a final thought on the May FOMC meeting, we were struck by Chairman Powell's references to there being "a job to do on demand," with many of those references framed around the labor market. To be sure, the labor market is characterized by a gaping mismatch between labor demand and labor supply, with over 11 million open jobs and roughly 1.9 open jobs for each unemployed person. As we discussed in last month's *Outlook*, this imbalance was apparent well before the onset of the pandemic, so rather than causing it, the pandemic amplified it. From the FOMC's perspective, the risk is that this imbalance fosters substantially stronger wage pressures, and as firms pass higher labor costs along in the form of higher output prices, workers react by asking for even higher wages, i.e., the dreaded "wage-price spiral."

However likely, or unlikely, one sees such a scenario as being, it is more than a little unsettling to hear repeated emphasis on fending off such an outcome by addressing the (labor) demand side of the equation. The premise being that, by slowing down the demand side of the broader economy, the FOMC can in turn push down the demand for labor, thus taking some of the steam out of wage growth and, in turn, inflation pressures in the broader economy. But, as we discussed in last month's *Outlook*, the number of open jobs would have to fall by roughly four million just to restore the degree of labor market imbalance that prevailed prior to the onset of the pandemic. It isn't as though there is a formula to follow that would yield the number of Fed funds rate hikes or magnitude of tightening in overall financial conditions necessary to hit that "target."

It is curious that there is typically little to no discussion of the alternative to addressing inflation by doing a job on demand. Sure, monetary policy doesn't directly influence the degree of labor force

participation, but that doesn't preclude other policy moves that could lead to greater participation, such as a coherent and rational immigration policy, stepped-up collaboration with the private sector in workforce development efforts, and facilitating greater provision of childcare services. Though not the focus here, policies that encourage greater business fixed investment would also expand the economy's productive capacity, thus holding down inflation pressures over time. Obviously, these are not changes that would come about quickly which, as if by default, leaves the FOMC trying to "do a job" on demand as the main avenue through which policy can impact inflation. And while that may be the case, it doesn't make it any less unsettling to see a notably strong job market treated as a threat to the economy rather than as being an asset, and a rather enviable one at that, to the economy.

### *April Employment Report*

As for the "tight to an almost unhealthy degree" labor market, total nonfarm employment rose by 428,000 jobs in April, slightly above our forecast. Additionally, job growth remained notably broad based across private sector industry groups in April, which is a significant if underappreciated aspect of job growth over the past several months. An economy with broader based job growth is less vulnerable to a downturn than is an economy in which job growth is highly concentrated amongst a small number of industry groups, as was the case leading up to the 2007-09 recession. Over the past twelve months, the U.S. economy has added 6.620 million net new jobs, leaving the level of nonfarm employment 1.190 million jobs below the pre-pandemic peak.

Aside from another month of robust and broad based job growth, there were some soft spots in the April employment report. Prior estimates of job growth in February and March were revised down by a net 39,000 jobs for the two-month period, ending a run of sizable upward revisions to initial estimates of monthly job growth. Average weekly hours worked remained at 34.6 hours, which is at least a bit surprising in light of how many firms continue to cite labor supply constraints as a drag on growth. Average hourly earnings rose by just 0.3 percent; we expected a larger increase, in part because of a favorable calendar quirk that typically biases hourly earnings growth higher, but we think seasonal adjustment made earnings growth look weaker than was actually the case. Either way, aggregate private sector wage and salary earnings rose by 0.6 percent in April and are up 10.0 percent year-on-year.

Both the labor force participation rate and the level of household employment fell in April, leaving the unemployment rate steady at 3.6 percent. While anyone with a passing familiarity of the data from the household survey knows the data tend to be quite volatile from one month to the next and knows that random declines in reported levels of the labor force and household employment are not uncommon, there were some who took the reported declines in April as a sign that the labor market is rolling over. Needless to say, we don't agree with that at all, and look for the unemployment rate to fall in May despite the participation rate resuming the climb it had been on prior to April.

There few, if any, signs that the demand for labor is easing, though that will at some point change, even without monetary policy doing a job on demand. As job growth does slow, however, keep an eye on the breadth of job growth as a more telling indicator of the health of the U.S. economy.

# ECONOMIC OUTLOOK



REGIONS

May 2022

Q4 '21 (a)	Q1 '22 (p)	Q2 '22 (f)	Q3 '22 (f)	Q4 '22 (f)	Q1 '23 (f)	Q2 '23 (f)	Q3 '23 (f)		2019 (a)	2020 (a)	2021 (a)	2022 (f)	2023 (f)
6.9	-1.4	2.9	2.7	2.5	2.2	2.1	2.2	Real GDP <sup>1</sup>	2.3	-3.4	5.7	2.6	2.3
2.5	2.7	2.0	2.6	2.3	1.8	1.9	2.0	Real Personal Consumption <sup>1</sup>	2.2	-3.8	7.9	3.0	2.1
2.9	9.2	7.6	7.3	6.2	5.5	4.8	4.3	Real Business Fixed Investment <sup>1</sup>	4.3	-5.3	7.4	6.3	5.6
2.8	15.3	9.8	7.5	6.4	5.4	4.1	3.3	Equipment <sup>1</sup>	3.3	-8.3	13.1	7.9	5.5
8.9	8.1	8.1	7.4	6.2	5.4	5.1	5.0	Intellectual Property and Software <sup>1</sup>	7.2	2.8	10.0	8.4	5.8
-8.3	-0.9	-1.1	5.8	5.3	6.0	5.9	5.3	Structures <sup>1</sup>	2.0	-12.5	-8.0	-1.7	5.2
2.2	2.1	-3.8	-1.4	-2.5	-2.1	-0.3	1.8	Real Residential Fixed Investment <sup>1</sup>	-0.9	6.8	9.2	-1.9	-1.1
-2.6	-2.7	1.4	0.4	1.0	1.2	1.2	1.4	Real Government Expenditures <sup>1</sup>	2.2	2.5	0.5	-0.8	1.1
-1,350.1	-1,541.7	-1,459.9	-1,474.8	-1,476.9	-1,478.6	-1,482.9	-1,481.3	Real Net Exports <sup>2</sup>	-905.3	-942.7	-1,284.3	-1,488.4	-1,481.5
1,166	1,196	1,186	1,172	1,165	1,156	1,156	1,159	Single Family Housing Starts, ths. of units <sup>3</sup>	889	1,004	1,131	1,180	1,159
503	557	495	490	481	476	472	468	Multi-Family Housing Starts, ths. of units <sup>3</sup>	403	393	473	506	471
17.7	19.6	18.4	14.0	10.2	5.5	2.5	2.7	CoreLogic House Price Index <sup>5</sup>	3.9	6.1	14.9	15.4	3.3
12.9	14.1	14.4	15.3	15.8	16.0	16.2	16.3	Vehicle Sales, millions of units <sup>3</sup>	17.0	14.5	15.0	14.9	16.2
4.2	3.8	3.6	3.4	3.3	3.3	3.2	3.2	Unemployment Rate, % <sup>4</sup>	3.7	8.1	5.4	3.5	3.2
4.3	4.6	4.4	3.8	3.0	2.2	1.6	1.3	Non-Farm Employment <sup>5</sup>	1.3	-5.8	2.8	4.0	1.6
-5.6	-2.0	0.4	1.3	1.0	1.8	2.7	3.0	Real Disposable Personal Income <sup>1</sup>	2.3	6.2	2.2	-4.0	1.9
5.9	6.8	6.6	6.2	5.4	4.2	3.4	2.8	GDP Price Deflator <sup>5</sup>	1.8	1.2	4.1	6.3	3.2
5.5	6.3	6.1	6.0	5.4	4.5	3.7	3.2	PCE Deflator <sup>5</sup>	1.5	1.2	3.9	5.9	3.5
6.7	8.0	7.9	7.5	6.7	5.3	4.1	3.3	Consumer Price Index <sup>5</sup>	1.8	1.2	4.7	7.5	3.8
4.6	5.2	4.6	4.2	3.7	3.2	3.1	3.0	Core PCE Deflator <sup>5</sup>	1.7	1.4	3.3	4.4	3.0
5.0	6.3	5.4	4.9	4.3	3.6	3.3	3.2	Core Consumer Price Index <sup>5</sup>	2.2	1.7	3.6	5.2	3.3
0.13	0.17	0.78	1.76	2.34	2.79	2.88	2.88	Fed Funds Target Rate Range Mid-Point, % <sup>4</sup>	2.16	0.42	0.13	1.26	2.85
1.54	1.94	2.99	3.22	3.31	3.34	3.36	3.36	10-Year Treasury Note Yield, % <sup>4</sup>	2.14	0.89	1.44	2.87	3.35
3.08	3.82	5.30	5.53	5.61	5.61	5.58	5.53	30-Year Fixed Mortgage, % <sup>4</sup>	3.94	3.12	2.96	5.06	5.55
-3.6	-3.9	-3.7	-3.5	-3.4	-3.5	-3.5	-3.4	Current Account, % of GDP	-2.2	-2.9	-3.6	-3.6	-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

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