

ECONOMIC PREVIEW



Week of March 30, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the April 28-29 FOMC meeting):</i> Target Range Mid-point: 3.625 to 3.625 percent Median Target Range Mid-point: 3.625 percent</p>	<p>Range: 3.50% to 3.75% Midpoint: 3.625%</p>	<p>After a fairly slow two weeks, the pace of economic data releases picks up this week, capped off by Friday's release of the March employment report. There may be less interest than normal around the report on February retail sales given that it obviously won't pick up any of the potential impacts of the spike in retail gasoline prices seen over the course of March, and while we think the data will still be a useful benchmark we'll base any assessments on the not seasonally adjusted data, as we discuss below. The Conference Board's March survey of consumers and the ISM's March survey of the manufacturing sector will be timely reads on whether, or to what extent, the fallout from the conflict in the Middle East is impacting households and businesses. We'll be particularly interested in the prices paid index in the ISM's survey given that steady, broadly based upward pressures on input prices were firmly entrenched for some time prior to the start of the conflict.</p>
<p>March Consumer Confidence Tuesday, 3/31 Range: 86.0 to 91.0 Median: 88.0</p>	<p>Feb = 91.2</p>	<p><u>Down</u> to 87.9 as consumer moods likely darkened in March with the conflict in the Middle East weighing on their minds and the jump in gasoline prices weighing on their wallets. Whether any such darkening carried over into consumers' assessments of labor market conditions will be worth watching. After having narrowed considerably, the "jobs plentiful-jobs hard to get" spread had stabilized over the past few months, which seems consistent with the "low hire-low fire" labor market narrative. While larger income tax refunds are providing a cushion against higher energy prices for many households, how they feel about their own job and income prospects is a more important factor in discretionary spending decisions. At least thus far, non-energy spending is holding up but that would likely change quickly should consumers' assessments of labor market conditions begin to deteriorate further.</p>
<p>February Retail Sales: Total Wednesday, 4/1 Range: 0.3 to 1.2 percent Median: 0.5 percent</p>	<p>Jan = -0.2%</p>	<p><u>Up</u> by 1.1 percent. On the surface, the retail sales data have been somewhat less than inspiring over the past few months. Beneath the surface, however, the not seasonally adjusted data have told a different, and far more constructive, story, which is what matters to us as the unadjusted data are the basis on which we make our assessments. For instance, go back to the December data; while many were focused on the flat read on control retail sales shown in the seasonally adjusted data, we were focused on what the not seasonally adjusted data showed to be the largest December increase in control sales since 2020. Though not to the same extent, seasonal adjustment also did no favors for the January data. As for February, recall that the atypically harsh winter weather that hit in late January carried into early February, but numerous spending trackers show a robust rebound as the month went on. So, while we look for control retail sales, a direct input into the GDP data on consumer spending on goods, to have declined in February on a not seasonally adjusted basis, we look for that decline to be smaller than is typical for the month (you have to go all the way back to 2016 to find the last time unadjusted control sales increased in February) while what should be much more favorable seasonal adjustment than that seen in January will bolster the seasonally adjusted print. Our forecast would put not seasonally adjusted control sales up 4.3 percent year-on-year, though part of this "growth" reflects an accelerating pace of goods price increases.</p> <p>Motor vehicle sales should make a meaningful contribution to top-line retail sales. Unit sales of new vehicles were up sharply in February, some of which reflected payback for sales put off by January's atypically harsh winter weather. Gasoline will also be a support, in part reflecting prices already heading higher before the start of the conflict in the Middle East. After having been held back by January's harsh winter weather, we look for restaurant sales to also contribute to top-line sales. These categories, along with sales at building materials stores, are excluded from the control group, but our forecast anticipates broadly based increases amongst the individual components of the control group. That said, our forecast anticipates a solid increase in online sales after a hefty gain in January, and if we're wrong on this point our forecast of control group sales will be too high.</p>
<p>February Retail Sales: Ex-Auto Wednesday, 4/1 Range: 0.1 to 0.9 percent Median: 0.3 percent</p>	<p>Jan = 0.0%</p>	<p><u>Up</u> by 0.8 percent.</p>

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February Retail Sales: Control Group Range: 0.1 to 0.9 percent Median: 0.3 percent	Wednesday, 4/1	Jan = +0.3%	<u>Up</u> by 0.8 percent.
March ISM Manufacturing Index Range: 50.6 to 53.5 percent Median: 52.2 percent	Wednesday, 4/1	Feb = 52.4%	<p><u>Up</u> to 52.8 percent. While the increases in costs for energy, raw materials, and shipping triggered by the conflict in the Middle East may eventually take a toll on the manufacturing sector, we don't expect to see widespread evidence of that in the ISM's March survey. Though some were skeptical that the ISM's headline index pushing above the 50.0 percent break between contraction and expansion in January and February was more than start-of-the-year window dressing, the firm level details told us there was more to it than that. Moreover, we've pointed out that the ISM's headline index pushing over 50.0 percent simply put it in line with where other indicators, particularly core capital goods orders, had been for some time. Order books have picked up and, despite increases in production, backlogs of unfilled orders have started growing again, which should support manufacturing employment and output in the months ahead. The obvious caveat here is that a prolonged conflict in the Middle East that leaves lasting damage to the energy infrastructure and disrupts global shipping would likely spell the end of the nascent turnabout in the factory sector. At this point, however, it is simply too soon to know.</p> <p>What does seem clear is that the conflict in the Middle East has intensified the upward pressure on input costs that was in force well before the start of the conflict. Recall that in February the ISM's prices paid index jumped to 70.5 percent, the highest reading since June 2022, when pandemic-related supply chain disruptions were fueling rapid increases in input costs. This makes the March read of considerable interest as it should reflect at least some of the impact of the conflict. Over time, the prices paid index has been a reliable leading indicator of movements in the core Producer Price Index (PPI), and to the extent movements in the PPI flow into measures of consumer prices, steady and broadly based upward pressure on input prices is one reason we've cautioned against writing off inflation pressures as yesterday's news, as some had been quick to do. The conflict in the Middle East will only serve to reinforce these effects. Another avenue through which the conflict could threaten the nascent turnabout in the manufacturing sector is new export orders, which have grown over the past two months after falling off sharply in 2025 amid mounting global trade tensions. To the extent the economies of Europe and Asia are, at least initially, more vulnerable to the effects of the conflict than is the U.S., the resulting slowdown in growth would likely translate into another round of weakening export orders for U.S. manufacturers.</p>
January Business Inventories Range: -0.1 to 0.3 percent Median: 0.1 percent	Wednesday, 4/1	Dec = +0.1%	We look for total <u>business inventories</u> to be <u>down</u> by 0.1 percent and look for total <u>business sales</u> to be <u>up</u> by 0.3 percent.
February Trade Balance Range: -\$69.3 to -\$61.0 billion Median: -\$59.8 billion	Thursday, 4/2	Dec = -\$54.5 billion	<p><u>Widening</u> to -\$66.9 billion. The monthly data on imports and exports of goods have for some time been, well, all over the map, as evidenced by what have been large month-to-month swings in the trade deficit. The sizable shifts in exports and imports seen over the past several months have been at odds with typical seasonal patterns, meaning seasonal adjustment has often exaggerated the changes seen in the raw data. That is particularly noticeable in flows of nonfood consumer goods, and we expect that to again be the case in the February data. At the same time, however, imports of non-auto capital goods have been notably strong over the past few months, which coincides with other signs of a rebounding manufacturing sector, not to mention highlighting our pet peeve about such imports being considered a drag on GDP growth under GDP accounting conventions. Either way, this is a useful, even if somewhat lagged, indicator of manufacturing activity.</p>
March Nonfarm Employment Range: 14,000 to 125,000 jobs Median: 55,000 jobs	Friday, 4/3	Feb = -92,000 jobs	<p><u>Up</u> by 109,000 jobs with private sector payrolls <u>up</u> by 98,000 jobs and public sector payrolls <u>up</u> by 11,000 jobs. While the labor market turns and turns, it just doesn't really get anywhere. To that point, if total nonfarm payrolls rose in March as we and</p> <p>Continued on Page Three:</p>

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March Nonfarm Employment Range: 14,000 to 125,000 jobs Median: 5,000 jobs	Friday, 4/3 Feb = -92,000 jobs	Continued from Page Two: <p>we and most others expect, that would mark the tenth consecutive month in which the direction of the monthly change in total nonfarm payrolls has changed, alternating between increases and declines over this span. While the general narrative around the labor market has similarly alternated – stabilizing/strengthening one month, on the brink of collapse in the next month – we’ve taken a longer view of the monthly changes in nonfarm payrolls, particularly private sector payrolls, and come to the conclusion that the volatility in the estimates of the monthly change in private sector payrolls isn’t much different now than it has ever been, leaving aside the wild swings brought about by the pandemic. In other words, the variability of the monthly estimates is not meaningfully different over the past year-and-a-half than had been the case in the years prior to the pandemic. What is different is that this variability has been around a mean, or, trend rate of job growth, that is now much lower than had been the case, making negative headline prints more common (private sector payrolls are reported to have declined in eight of the past twenty months) than had historically been the case. So, while the labor market clearly is not firing on all cylinders, we think that the “low hire-low fire” characterization of the labor market continues to hold.</p> <p>To that point, at the time of its release, we suggested the January employment report overstated job growth, and at the time of its release we suggested the February report overstated any deterioration in labor market conditions. We noted that what was the lowest February response rate to the establishment survey since 2000 significantly diminished the reliability of the initial estimates of nonfarm employment, hours, and earnings, particularly given that the February establishment survey period ended prior to the middle of the month. As such, one thing to watch for in the March employment report is the extent to which the initial February estimates are revised. At the same time, a strike amongst health care workers knocked about thirty thousand jobs off the books in February, and we saw evidence that atypically harsh winter weather held down job counts and hours worked. The effects of that strike will be reversed in the March data, and the March data should not show any signs of weather effects. Still, as with February, the March establishment survey period ended prior to the middle of the month (it isn’t common to see this two months in a row), which likely biased the response rate lower. If so, the initial estimates of nonfarm payrolls, hours, and earnings for March will be as suspect, at least to us, as was the case with the initial estimates for February.</p>
March Manufacturing Employment Range: -7,000 to 5,000 jobs Median: -4,000 jobs	Friday, 4/3 Feb = -12,000 jobs	<u>Up</u> by 4,000 jobs.
March Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.3 hours	Friday, 4/3 Feb = 34.3 hours	<u>Unchanged</u> at 34.3 hours.
March Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 4/3 Feb = +0.4%	<u>Up</u> by 0.2 percent, for a year-on-year increase of 3.6 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up 0.3 percent in March and up 4.2 percent year-on-year. We’ll also be watching for any revisions to the initial estimate for February, which we found suspiciously large, though revisions to the initial estimate for February would impact how our forecast for March fares.
March Unemployment Rate Range: 4.3 to 4.5 percent Median: 4.4 percent	Friday, 4/3 Feb = 4.4%	<u>Down</u> at 4.3 percent, though we still don’t have much of a read on what the monthly labor force flows look like under the new population controls that account for the marked slowdown in net international in-migration that has weighed on labor force growth over the past several months.

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