

ECONOMIC PREVIEW



Week of June 1, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the June 16-17 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>The focus this week will be on the May employment report (see Page Two), but the prices paid components of the ISM surveys of the manufacturing and services sectors are bound to get the attention of market participants. Ahead of the June 6 start of the blackout period prior to the June FOMC meeting, this week also brings a heavy dose of Fed speak, which is likely to have a hawkish tone.</p>
<p>May ISM Manufacturing Index Monday, 6/1 Range: 52.1 to 54.0 percent Median: 53.1 percent</p>	<p>Apr = 52.7%</p>	<p><u>Up</u> to 53.5 percent, which would mark a fifth straight month with the headline index on the right side of the 50.0 break between contraction and expansion, the longest streak since 2022. While it is fair to point out that supply chain impairments leading to longer supply delivery times are supporting the headline index (slower delivery times are interpreted as a sign of growing demand), we'll note that an equally weighted index of what we consider the three most components that feed into the headline index – new orders, production, and employment – would also be above the 50.0 percent mark for a fifth straight month if our forecast is on or near the mark. One factor behind the recent run of increases in new orders in the ISM's surveys could be firms attempting to build inventories in anticipation of protracted supply chain disruptions, which could be stressing supplier delivery times. To the extent this has been the case, it suggests there will be payback in the orders data in the months ahead. Still, it's worth noting that the firm level data show broadening growth in new orders, which suggests more than just pre-emptive ordering is in play. Additionally, the growth in new orders seen over the past several months simply puts the ISM's measure in line with other indicators that have been showing growth going back to 2H 2025. Aside from new orders, we'll also be watching the prices paid index, which jumped to 84.6 percent in the April survey and is up over twenty-five percentage points over the past three months. Note, however, that the ISM's prices paid index was signaling persistent and broadly based upward pressure on input prices well before the start of the conflict in the Middle East. Clearly, elevated prices for energy and other inputs and growing supply chain disruptions pose a threat to the budding rebound in the manufacturing sector, but we nonetheless expect the ISM survey to show that rebound was still ongoing in May.</p>
<p>April Construction Spending Monday, 6/1 Range: -0.3 to 0.9 percent Median: 0.1 percent</p>	<p>Mar = +0.6%</p>	<p><u>Up</u> by 0.3 percent.</p>
<p>April Factory Orders Wednesday, 6/3 Range: 2.0 to 5.5 percent Median: 4.5 percent</p>	<p>Mar = +1.5%</p>	<p><u>Up</u> by 4.8 percent, with a surge in civilian aircraft orders and a sizable increase in defense capital goods pushing durable goods orders higher and price effects boosting orders for nondurable goods. The advance April data on durable goods orders show a 1.1 percent decline in orders for core capital goods, an early indicator of the GDP series on business investment in equipment and machinery. This was not too far from our forecast of a 0.9 percent decline but was at odds with the consensus forecast of a 0.4 percent increase. As if on cue, many were quick to attribute April's decline to "heightened uncertainty" and "tighter financial conditions" pulling the rug out from under business capital spending, apparently not noticing that what was originally reported as a sizable increase in March was revised even higher, to an increase of 3.9 percent. We see the April data as nothing more than payback from a March increase dominated by a few components and see the upward trend in core capital goods orders as remaining firmly intact.</p>
<p>May ISM Non-Manufacturing Index Wednesday, 6/3 Range: 52.5 to 54.9 percent Median: 53.9 percent</p>	<p>Apr = 53.6%</p>	<p><u>Up</u> to 54.6 percent. As with their survey of the factory sector, we'll be most interested in the new orders and prices paid components of the ISM's survey of the broad services sector.</p>
<p>Q1 Nonfarm Labor Productivity: Revised Thursday, 6/4 Range: 0.3 to 0.8 percent Median: 0.5 percent SAAR</p>	<p>Q1 prelim. = +0.8% SAAR</p>	<p><u>Up</u> at an annualized rate of 0.3 percent. Revised data show real output in the nonfarm business sector grew at an annual rate of 0.9 percent in Q1, down from the initial estimate of 1.4 percent growth which, assuming the initial estimate of aggregate hours worked in Q1 is little changed, should result in a downward revision of the initial estimate of Q1 labor productivity growth.</p>
<p>Q1 Unit Labor Costs: Revised Thursday, 6/4 Range: 1.8 to 3.5 percent Median: 2.5 percent SAAR</p>	<p>Q1 prelim. = +2.3% SAAR</p>	<p><u>Up</u> at an annualized rate of 2.7 percent. We expect growth in hourly compensation costs to be slower than was first reported, which would temper the upward revision to unit labor costs that would accompany slower productivity growth.</p>

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<p>May Nonfarm Employment Range: 50,000 to 125,000 jobs Median: 85,000 jobs</p>	<p>Friday, 6/5 Apr = 115,000 jobs</p>	<p><u>Up</u> by 112,000 jobs with private sector payrolls <u>up</u> by 103,000 jobs and public sector payrolls <u>up</u> by 9,000 jobs. Our forecast would mean a third straight six-figure monthly increase in total nonfarm payrolls, which may not seem all that noteworthy until you realize there hasn't been such a streak in over two years. Of course, back then the monthly gains were significantly larger than over the past three months, but that simply reflects the extent to which the dynamics of the labor market, on both the demand side and the supply side, have shifted in the interim. As for the May data, other indicators such as the weekly ADP data and the weekly jobless claims data point to a solid increase in nonfarm payrolls. As was the case in April, we think payrolls in warehousing and distribution services could be flattered by seasonal adjustment if the layoffs in this segment have run their course. We also see the potential for state and local government payrolls to get a boost from favorable seasonal adjustment. At the same time, however, seasonal adjustment could be a bit rude to leisure and hospitality services. May and June are the two months in which we typically see the largest increases in not seasonally adjusted payrolls in leisure and hospitality services, and if concerns over the state of U.S. consumers held down hiring this May, any such restraint will be amplified by seasonal adjustment.</p> <p>One thing to watch in the May data will be the one-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups. In stark contrast to the past two years, hiring has been more broadly based thus far in 2026. To that point, we look for the one-month hiring diffusion index to have again topped 50.0 percent in May, which would mark a fifth straight month of the index topping that mark; similar to headline job growth, that would be the longest such streak in over two years. Keep in mind that the hiring diffusion index measures the breadth of hiring, not the intensity of hiring, which is how you reconcile steady and broadly based hiring but in smaller numbers than those that prevailed the last time we saw these streaks. Moreover, the slower pace of hiring seen at present is sufficient to keep the unemployment rate steady. We'll also toss out our all-too-familiar caveat about the initial collection rate to the BLS's monthly establishment survey despite an April rate that was well above the average seen over the past four years yet firmly below pre-pandemic norms. At this point, the former matters much more than the latter but, either way, the response rate influences how much stock we put in the initial estimates of nonfarm employment, hours, and earnings.</p>
<p>May Manufacturing Employment Range: -5,000 to 5,000 jobs Median: 2,000 jobs</p>	<p>Friday, 6/5 Apr = -2,000 jobs</p>	<p><u>Up</u> by 3,000 jobs.</p>
<p>May Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.2 hours</p>	<p>Friday, 6/5 Apr = 34.3 hours</p>	<p><u>Unchanged</u> at 34.3 hours.</p>
<p>May Average Hourly Earnings Range: 0.2 to 0.3 percent Median: 0.3 percent</p>	<p>Friday, 6/5 Apr = +0.2%</p>	<p><u>Up</u> by 0.3 percent, for a year-on-year increase of 3.4 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up 0.4 percent in May and up 4.2 percent year-on-year.</p>
<p>May Unemployment Rate Range: 4.2 to 4.5 percent Median: 4.3 percent</p>	<p>Friday, 6/5 Apr = 4.3%</p>	<p><u>Unchanged</u> at 4.3 percent, though we won't be surprised by anything from 4.2 to 4.4 percent. In any given year, May and June tend to see significant numbers of younger job seekers enter the labor force, with the timing of the school year impacting the split between the two months. That, however, can and often does lead to seasonal adjustment issues that can move the unemployment rate a tenth of a point in either direction. We see the potential for that in the May data, with a later end to the school year and a less than vibrant market for younger job seekers potentially leading to much smaller than typical May increases in labor force participation and employment amongst the 16-to-24 years-old age cohort, which accounts for roughly thirteen percent of the labor force. The place to look for any such effects will be in the not seasonally adjusted data. To be sure, any such effects are little more than noise in the data that will be reversed down the line, but we think it worth pointing out as a reminder that changes in the headline numbers don't always mean what they might seem to mean, and the only way to know that is to look into the details of the data.</p>

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