ECONOMIC PREVIEW

REGIONS

Week of August 3, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 15-16 FOMC meeting):* Target Range Mid-point: 3.375 to 3.875 percent Median Target Range Mid-point: 3.625 percent	Range: 3.50% to 3.75% Midpoint: 3.625%	A crowded data docket this week will give market participants ample opportunity to, in the words of Fed Chair Kevin Warsh, "play the ball." Playing the ball, however, becomes more than a little problematic when the ball takes crazy bounces. That, unfortunately, is how one could characterize the past two monthly employment reports, and while that doesn't mean the July employment report (see Pages Two and Three) will follow suit, we're not necessarily looking for much clarity on Friday. Elsewhere in the data, we'll be paying particular attention to the prices paid reads in ISM's monthly surveys of the manufacturing and services sectors, as the latest reversal in energy prices will add further fuel to already persistent and broadly based input price pressures which suggest limited relief in broader measures of inflation.
July ISM Manufacturing Index Monday, 8/3 Range: 52.5 to 57.0 percent Median: 53.9 percent	Jun = 53.3%	<u>Up</u> to 54.2 percent, marking a seventh consecutive month of expansion in the factory sector. We expect further growth in new orders, but one thing to watch for here will be the breadth of orders growth after June saw some narrowing, across both the firm level and the industry level data. What we don't know is whether a (or, should we say, another) sharp reversal in energy prices and concerns over renewed supply chain disruptions weighed on July order activity. To the extent supply chains were disrupted by renewed tensions in the Middle East, that could impact the ISM's index of supplier delivery times and, in turn, the headline index. Recall that a slowdown in supplier delivery times, which our forecast anticipates, is interpreted as a sign of stronger demand and thus acts to push the ISM's headline index higher, with faster delivery times having the opposite effect. To that point, speedier delivery times in July knocked seven-tenths of a point off the headline index. This is one source of uncertainty around our forecast, but we routinely point to the indexes of new orders, production, and employment as the most important signals in ISM's monthly surveys. Additionally, though it doesn't enter into the calculation of the headline index, the prices paid index always bears watching, and higher energy prices could easily push the index back above the 80.0 mark. We thought it telling that, despite a sharp decline in energy prices in June, the prices paid index declined but nonetheless came in at 73.0 percent, going to our point of persistent and broadly based input prices. The latest reversal in energy prices won't have done firms any favors on the cost side of the ledger.
June Construction Spending Monday, 8/3 Range: -0.2 to 0.5 percent Median: 0.2 percent	May = +0.1%	<u>Up</u> by 0.3 percent.
June Trade Balance Tuesday, 8/4 Range: -$-77.2 to -$66.9 billion Median: -$73.0 billion	May = -$77.6 billion	<u>Narrowing</u> to -$69.7 billion. The advance data on trade in goods show a narrower deficit in the goods account in June, while payments for World Cup broadcasting rights, booked as exports of services, should push the surplus in the services account higher, though any such effects will ultimately reverse. We were surprised by the magnitude of the U.S. trade deficit reported in the Q2 GDP data, which knocked a full percentage point off top-line real GPD growth, and the June data could lead to some revision in the BEA's initial estimate of the Q2 trade gap.
June Factory Orders Tuesday, 8/4 Range: -1.0 to 0.7 percent Median: 0.2 percent	May = -1.3%	<u>Down</u> by 1.0 percent.
July ISM Non-Manufacturing Index Thursday, 8/6 Range: 53.8 to 56.4 percent Median: 54.5 percent	Jun = 54.0%	<u>Up</u> to 54.4 percent. Many of the points we made above in our discussion of the ISM's survey of the manufacturing sector hold here as well. We expect continued growth in new orders but will be watching the breadth of orders growth, supplier delivery times loom as somewhat of a wildcard in the July survey, and the latest reversal in energy prices will add further, well, fuel to already intense input price pressures.
Q2 Nonfarm Labor Productivity Thursday, 8/6 Range: 0.1 to 1.8 percent Median: 0.5 percent SAAR	Q1 = +0.3% SAAR	<u>Up</u> at an annualized rate of 0.6 percent. Real output in the nonfarm business sector rose at an annualized rate of 1.7 percent in Q2, and our forecast anticipates aggregate private sector hours worked rose at a rate of just over one percent.
Q2 Unit Labor Costs Thursday, 8/6 Range: 1.5 to 3.3 percent Median: 2.2 percent SAAR	Q1 = +1.8% SAAR	<u>Up</u> at an annualized rate of 2.8 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

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July Nonfarm Employment Friday, 8/6 Range: 40,000 to 157,000 jobs Median: 85,000 jobs	Jun = +57,000 jobs	Up by 74,000 jobs, with private sector payrolls up by 63,000 jobs and public sector payrolls up by 11,000 jobs. Right off the bat, any forecast of July job growth, ours included, is on shaky ground given what could be sizable revision to BLS's initial estimate of June job growth. The initial collection rate for the June establishment survey was just 54.4 percent, far below already depressed post-pandemic averages and the lowest June rate since 1992, leaving a sizable gap for BLS to fill in. With more complete June data in hand, at least hopefully, as firms had a second chance to report, BLS's estimates of nonfarm employment, hours, and earnings for June could look different than they did a month ago. Either way, given how little confidence we've had in the recent estimates of monthly job growth, our forecast of July job growth is more reflective of how we see the underlying trends than of what we think may or may not have happened in July. Beyond potential revisions to the initial estimate of June job growth, there are other factors that may impact the estimate of July job growth. Jumping to the top of our list is seasonal adjustment, given the extent to which it wreaked havoc with the May and June data, particularly the estimates of the monthly changes in leisure and hospitality services payrolls which, in turn, clearly impacted the estimates of overall job growth. We discussed this issue in detail in the July edition of our *Monthly Economic Outlook*, but the short version is that while the May and June changes in not seasonally adjusted payrolls in this industry group were not materially different than in the same months of 2025, the seasonally adjusted estimates differed wildly. Local government is another segment in which we also saw seasonal adjustment noise, though not to the same degree. If this pattern carries into the July data, it could easily impact the headline job growth number, while construction and transportation/warehousing/delivery services are other areas vulnerable to seasonal adjustment noise in the July data, though in the case of the latter this could flatter the headline job growth number. We will note that on an industry-by-industry basis over a running twelve-month period, seasonal adjustment issues have basically washed out of the data. The point here, however, is that they can, and do, impact the changes reported for any given month, which is what market participants are reacting to. On a related point, many are anticipating the July data will bring payback for hiring related to the World Cup in areas such as leisure and hospitality services, retail trade, and local government. We do not, however, expect much, if any, such payback, primarily because the not seasonally adjusted data bear little evidence of any bump in hiring in these industry groups ahead of or concurrent with the World Cup. When all is said, done, and revised, the July employment report is unlikely to change the broader view of the labor market, with the "low hire-low fire" narrative seemingly still firmly in place. The weekly data on initial jobless claims continue to show low levels of layoffs, and there is little evidence of a meaningful pickup in the pace of hiring, with both supply side and demand side factors playing a role. Even so, the slower trend rate of hiring has been sufficient to keep the unemployment rate from rising given anemic growth in labor supply.
July Manufacturing Employment Friday, 8/6 Range: -1,000 to 5,000 jobs Median: 3,000 jobs	Jun = +3,000 jobs	Up by 2,000 jobs.
July Average Weekly Hours Friday, 8/6 Range: 34.2 to 34.3 hours Median: 34.3 hours	Jun = 34.3 hours	Unchanged at 34.3 hours.
July Average Hourly Earnings Friday, 8/6 Range: 0.2 to 0.4 percent Median: 0.3 percent	Jun = +0.3%	Up by 0.3 percent, for a year-on-year increase of 3.5 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 July and up 4.4 percent year-on-year. To our point about potential revisions to the initial June estimates, the increase in average hourly earnings reported for June looked larger than it should have given the early end to the June establishment survey period. As such, we would not be surprised to see a downward revision here, but if we are correct on this point, it could push the July increase above what we and the consensus expect.

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July Unemployment Rate Friday, 8/6 Range: 4.1 to 4.3 percent Median: 4.2 percent	Jun = 4.2%	<u>Unchanged</u> at 4.2 percent. Recall that the labor force was reported to have declined by 720,000 persons in June, a decline more than fully accounted for by a decline amongst the 25-to-54 year-old age cohort, i.e., the "prime working age" cohort, with this decline heavily concentrated amongst the 25-to-34 year-old cohort. We found this to be highly implausible, and while in such instances, which are all too frequent these days, we turn to the not seasonally adjusted data for more clarity, in this case that only added to the confusion. The unadjusted data show the labor force increased by just under 400,000 persons, as the normal summer rush into the labor force amongst 16-to-24 year-olds more than offset a reported decline of 1.13 million persons in the prime age cohort which, aside from April 2020, is the largest monthly decline on record in data that go back to 1948. It is possible that changes in the legal status of certain immigrant groups contributed to the June declines in the labor force and household employment within the prime age cohort. For instance, the not seasonally adjusted data show that amongst those twenty years old and older, there was a sizable decline in labor force participation amongst the Hispanic population, down by 738,000 persons, with this decline heavily concentrated amongst females (down by 526,000). The decline amongst females, however, is more weighted on both sides of the prime age cohort, i.e., younger than twenty-five, older than fifty-four, which still leaves the reported decline amongst the total prime-age cohort unaccounted for. Either way, the main question around the July unemployment rate is whether, or to what extent, the reported June decline in the labor force will reverse, but that same question must also be asked about the reported June decline in household employment. As such, we could see the July unemployment rate printing as low as 4.1 percent or as high as 4.3 percent, and it would take something on either side of that range to surprise us. Given the state of the labor market data these days, however, we can't rule that out.

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