ECONOMIC PREVIEW

REGIONS

Week of August 31, 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 full slate of data is capped off by the August employment report, which may or may not tell us anything useful about actual labor market conditions given that for some time now the monthly employment reports have been more noise than signal. This week also brings the ISM's August surveys of the manufacturing and services sectors, which we expect to show continued expansion in both broad sectors but little relief from persistent and broadly based upward pressure on input prices.
August ISM Manufacturing Index Tuesday, 9/1 Range: 54.2 to 57.3 percent Median: 55.2 percent	Jul = 55.6%	Down to 54.9 percent, marking an eighth straight month of expansion in the factory sector. That our forecast anticipates a dip in the headline index simply reflects our expectation of some payback for the sizable July bounces in the production index and the index of supplier delivery times. Recall that the index of current production jumped to 58.5 percent in July, the highest reading since November 2021, which alone added 1.4 percentage points to the headline index and which seemed a bit overdone to us. Either way, the two components of the August data we'll be watching most closely will be the index of new orders and the prices paid index (which does not enter into the calculation of the headline index). Order books continue to expand, as do backlogs of unfilled orders, and we look for both to have remained the case in August, though the firm level data are more informative to us than is the new orders diffusion index. The prices paid index remains notably elevated, consistent with steady and broadly based upward pressure on input prices, which we see as unlikely to have abated to any meaningful degree in August. Tariff pass-through, particularly from steel and aluminum prices along with higher energy and transit costs are helping sustain early-stage price pressures, which is a reminder that despite a nice run of expansion there are nonetheless meaningful downside risks looming over the factory sector. Anyone doubting this need only look to comments from survey respondents, which remain decidedly negative in tone.
July Construction Spending Tuesday, 9/1 Range: -0.4 to 0.2 percent Median: 0.0 percent	Jun = -0.1%	Up by 0.2 percent.
July Factory Orders Wednesday, 9/2 Range: -0.3 to 1.0 percent Median: 0.7 percent	Jun = -0.3%	Up by 0.4 percent.
July Trade Balance Thursday, 9/3 Range: -$-99.0 to -$60.6 billion Median: -$90.2 billion	Jun = -$73.3 billion	Widening to -$91.2 billion. The deficit in the goods account ballooned in July, with U.S. exports dropping by almost three percent and imports into the U.S. rising by almost four percent. The growth in imports, however, was more than fully accounted for by imports of capital goods exclusive of motor vehicles. Though already notably strong, that capital goods imports were that much more so in July could reflect importers taking advantage of a fairly narrow window between the old and new tariff regimes. If so, coming months will bring payback and trade won't be as big of a drag on Q3 real GDP growth as implied by the July figures. Either way, we'd argue that those focusing on the potential impacts on Q3 real GDP growth are looking at that which matters least and instead should be focused on the potential boost to future growth from capital goods imports. This, by the way, is a point we were making years before AI was a thing, i.e., over one-half of imports into the U.S. are either raw inputs or intermediate goods ultimately used to produce final goods. To be sure, that share has risen significantly over recent months, which to us only reinforces the quirk in GDP accounting that treats these imports as a drag on growth.
August ISM Non-Manufacturing Index Thursday, 9/3 Range: * to * percent Median: * percent	Jul = 54.1%	Up to 54.5 percent.
Q2 Nonfarm Labor Productivity: Revised Thursday, 9/3 Range: 0.5 to 1.5 percent Median: 1.4 percent SAAR	Q2 prelim = +1.4% SAAR	Up at an annualized rate of 1.5 percent, with the initial estimate being revised up slightly due to a modest downward revision to the initial estimate of aggregate hours worked in Q2.
Q2 Unit Labor Costs: Revised Thursday, 9/3 Range: 1.0 to 2.6 percent Median: 1.3 percent SAAR	Q2 prelim = +1.3% SAAR	Up at an annualized rate of 1.3 percent.

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August Nonfarm Employment Friday, 9/4 Range: -25,000 to 121,000 jobs Median: 55,000 jobs	Jul = -23,000 jobs	Up by 121,000 jobs, with private sector payrolls up by 106,000 jobs and public sector payrolls up by 18,000 jobs. Back in the day, we used to warn about "the dreaded August effect," which is how we characterized the peculiar pattern of the initial estimate of August job growth being significantly understated. From 2009 through 2019, August job growth was revised up by an average of 61,000 jobs between the first and third estimates. Since 2022, however, August job growth has been revised down by an average of 39,000 jobs between the first and third estimates. Unfortunately, that isn't all that's changed, as the estimates of monthly job growth have gotten meaningfully less reliable thanks to low survey response rates and considerable seasonal adjustment noise, with local government and leisure and hospitality services two areas in which seasonal adjustment noise has rendered the estimates of the monthly change in payrolls almost useless. To that point, our well above consensus forecast incorporates some payback in these areas after notably weak July prints so, obviously, if we're wrong on this point our forecast will prove to be way too high. Of greater significance is that if you find yourself guessing at whether, and to what degree, the headline job growth number in any given month will be impacted by seasonal adjustment noise, you have to wonder what the point is. Indeed, we no longer place much, if any, importance on the headline job growth number in any given month and instead focus on the trends in the not seasonally adjusted data. To that point, over the past twelve months the unadjusted data show average monthly job growth of 53,000 jobs, in our view more than sufficient to keep the unemployment rate from rising and far more a function of less hiring than of rising layoffs. We'll further note that the 12-month average pace of not seasonally job growth has been notably stable since the start of 2025.
August Manufacturing Employment Friday, 9/4 Range: -5,000 to 10,000 jobs Median: 5,000 jobs	Jul = +5,000 jobs	Up by 4,000 jobs.
August Average Weekly Hours Friday, 9/4 Range: 34.3 to 34.4 hours Median: 34.3 hours	Jul = 34.3 hours	Unchanged at 34.3 hours.
August Average Hourly Earnings Friday, 9/4 Range: 0.0 to 0.5 percent Median: 0.3 percent	Jul = +0.1%	Up by 0.4 percent, for a year-on-year increase of 3.1 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 August and up 4.0 percent year-on-year.
August Unemployment Rate Friday, 9/4 Range: 4.0 to 4.2 percent Median: 4.1 percent	Jul = 4.1%	Unchanged at 4.1 percent.

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