# ECONOMIC PREVIEW

REGIONS

Week of March 23, 2026

| Indicator/Action Economics Survey: | Last Actual: | Regions' View: |
|---|---|---|
| **Fed Funds Rate: Target Range Midpoint**<br>*(After the April 28-29 FOMC meeting):*<br>Target Range Mid-point: 3.625 to 3.625 percent<br>Median Target Range Mid-point: 3.625 percent | Range:<br>3.50% to 3.75%<br>Midpoint:<br>3.625% | On the surface, it may seem as though not much changed with last week's FOMC meeting. The Committee made no change to the Fed funds rate, and the updated dot plot contained in the Summary of Economic Projections (SEP) shows no change in the implied trajectory of the funds rate through year-end 2028 from the December dot plot. The details of the SEP, however, show several changes that, on the whole, reflect a subtle shift in how members view the economy. The median forecasts show faster real GDP growth in 2026, 2027, and 2028 than those contained in the December SEP, along with faster headline and core PCE inflation in both 2026 and 2027. At the same time, however, there was a decided shift in members' assessments of the balance of risks to their forecasts, which now skew heavily toward slower real GDP growth, faster inflation, and a higher unemployment rate than the forecasted rates, which to a large extent reflects the considerable uncertainty around the ultimate effects of the conflict in the Middle East. While the median year-end dots for all three years (2026-28) did not change from the prior dot plot, the dispersion of the individual dots around those medians differs notably, now skewed higher than was the case in the December dot plot. We think it also worth pointing out that the median estimate of "longer run" real GDP growth, a proxy for the economy's speed limit, increased to 2.0 percent from 1.8 percent, which could signal more members seeing the potential for faster productivity growth to have a lasting impact on trend real GDP growth, a point Chair Powell touched on in his post-meeting press conference. At the same time, the median longer run dot, a proxy for the "neutral" funds rate, ticked up to 3.125 percent, matching the median year-end 2027 dot. While no one is at this point placing much weight on year-end 2027 forecasts, it is interesting that the dot plot suggests policy is closing in on neutral, which in turn suggests limited further downside room for the funds rate, particularly with inflation seemingly becoming more entrenched above the Committee's 2.0 percent target rate. We interpret the body of the SEP – forecasts and assessments of risks – as signaling most Committee members have a more constructive take on the state of the economy than had been the case, but the uncertainty fostered by events in the Middle East is leading them to, at least for now, have less conviction in their forecasts, which is quite understandable. |
| **January Construction Spending** Monday, 3/23<br>Range: -0.3 to 0.3 percent<br>Median: 0.1 percent | Dec = +0.3% | Up by 0.2 percent. |
| **Q4 Nonfarm Labor Productivity – Revised** Tuesday, 3/24<br>Range: 1.7 to 2.8 percent<br>Median: 2.4 percent SAAR | Q4 Pre = +2.8%<br>SAAR | Up at an annualized rate of 1.8 percent. The BEA's initial estimate showed real output in the nonfarm business sector, the base for productivity growth, increased at an annual rate of 2.6 percent in Q4 2025. As with Q4 real GDP growth, the initial estimate of real nonfarm business output was revised down sharply, with annualized growth now pegged at 1.5 percent. That will lead to a sizable downward revision to the initial estimate of Q4 labor productivity growth. While Q4 growth in aggregate private sector hours worked amongst nonfarm workers was revised modestly lower subsequent to the initial estimate of Q4 productivity growth, we don't expect there to be a meaningful change in the aggregate of hours worked that feeds into the productivity data. As we frequently note, productivity growth, and by extension growth in unit labor costs, tends to be inherently volatile from quarter to quarter, and even if our forecast of the revised Q4 data is on the mark, we think trend productivity growth to be firmly on an upward trajectory. We trace the origins of the ongoing acceleration in trend productivity growth back to the second half of 2017 but think that the extent to which the data were so badly skewed by the effects of the pandemic makes it easy to lose sight of just how far back this goes. |
| **Q4 Unit Labor Costs – Revised** Tuesday, 3/24<br>Range: 2.8 to 4.4 percent<br>Median: 3.4 percent SAAR | Q4 Pre = +2.8%<br>SAAR | Up at an annualized rate of 4.2 percent. The flip side of the downward revision to the initial estimate of Q4 productivity growth will be a steep upward revision to the initial estimate of Q4 unit labor costs, i.e., the labor cost of each unit of output produced, particularly if, as we expect, growth in hourly compensation is shown to be faster than first reported. |
| **Q4 2025 Current Account Balance** Wednesday, 3/25<br>Range: -$275.0 to -$203.1 billion<br>Median: -$215.0 billion | Q3 = -$226.4 billion | Narrowing to -$203.1 billion thanks to a narrower trade deficit. |

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