

ECONOMIC PREVIEW



Week of May 4, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

| | | | |
|---|---------------|---|---|
| Fed Funds Rate: Target Range Midpoint <i>(After the June 16-17 FOMC meeting):</i> Target Range Mid-point: 3.375 to 3.625 percent Median Target Range Mid-point: 3.625 percent | | Range: 3.50% to 3.75% Midpoint: 3.625% | The focus this week will be on the April employment report (see Page Two), but the releases of March data on international trade and February and March data on new home sales and total construction spending (public and private) will shed light on potential revisions to the BEA's initial estimate of Q1 real GDP growth (2.0 percent). |
| March Factory Orders Range: -1.0 to 2.3 percent Median: 0.6 percent | Monday, 5/4 | Feb = 0.0% | <u>Up</u> by 2.3 percent. If our forecast is on or near the mark, the surge in crude oil prices in March will be the primary culprit as this will have inflated the dollar volume of orders for nondurable goods. As is always the case, the most important line item in the report on factory orders will be core capital goods orders, which the preliminary data show to have remained strong in March. |
| March Trade Balance Range: -\$65.2 to -\$57.6 billion Median: -\$60.8 billion | Tuesday, 5/5 | Feb = -\$57.3 billion | <u>Widening</u> to -\$61.3 billion. |
| April ISM Non-Manufacturing Index Range: 53.0 to 55.6 percent Median: 53.7 percent | Tuesday, 5/5 | Mar = 54.0% | <u>Up</u> to 54.2 percent. Further slowing in supplier delivery times should be a support for the headline index as this is interpreted as a sign of stronger demand, but in this instance slower delivery times reflect supply chain disruptions that could ultimately take a toll on business activity. To that point, we look for the index of overall business activity and the index of new orders to have slipped from their March readings. Aside from the headline print, we'll be particularly interested in the prices paid index, which does not enter into the calculation of the headline index but which had been signaling persistent and broadly based upward pressure on input prices well before the start of the conflict in the Middle East. Recall that the prices paid index in the ISM's survey of the factory sector shot up to 84.6 percent in the April survey, the highest since April 2022 and leaving it up by over twenty-five percentage points in just the past three months. We look for a similar spike in the non-manufacturing survey, but even if we're correct that should not deflect attention away from the reality that price pressures were well-entrenched well before the start of the conflict. |
| February/March New Home Sales Range: N/A Median: N/A | Tuesday, 5/5 | Jan = 587,000 units SAAR | As they did with the data on residential construction, Census will combine the data on new home sales for February and March into a single release. As with the data on residential construction, while most others are skipping forecasts of the February data and making forecasts of the March data, we won't venture a guess on the latter without having seen the former. We look for the February data to show sales of new single family homes at an annual rate of 629,000 units, with sales of 54,000 units on a not seasonally adjusted basis. |
| Q1 Nonfarm Labor Productivity Range: 0.0 to 2.7 percent Median: 1.0 percent SAAR | Thursday, 5/7 | Q4 = +1.8% SAAR | <u>Up</u> at an annualized rate of 0.6 percent. Real output in then nonfarm business sector grew at an annual rate of 1.5 percent in Q1, lagging real GDP growth. We know from the monthly employment reports that aggregate private sector hours worked in the nonfarm business sector grew at an annual rate of 0.9 percent in Q1 while aggregate hours worked by the self-employed fell sharply. What we do not know is what adjustment BLS will make for the remaining component of aggregate hours worked which, at least for us, is always a riddle wrapped in a mystery inside an enigma, but which can be of a magnitude sufficient to impact measured productivity growth. Either way, the important point here is that productivity growth is inherently volatile from one quarter to the next and, as such, the longer-term trends are much more reliable guides than is growth in any given quarter. Productivity growth is clearly trending higher, and we've argued that the upward trend actually took root over the second half of 2017 before the pandemic introduced distortions in the data that took years to clear. In other words, productivity growth began trending higher long before AI dominated the discussion, and our view has been that while not the catalyst, AI will help sustain an even faster trend rate of productivity growth than seen to date. |
| Q1 Unit Labor Costs Range: 1.6 to 3.6 percent Median: 2.5 percent SAAR | Thursday, 5/7 | Q4 = +4.1% SAAR | <u>Up</u> at an annualized rate of 3.6 percent. |
| February/March Construction Spending Range: N/A Median: N/A | Thursday, 5/7 | Jan = 0.0% | Census is combining the February and March data on total construction into a single release. We look for the February data to show total construction spending up by 0.1 percent. |

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| <p>April Nonfarm Employment Range: -15,000 to 140,000 jobs Median: 65,000 jobs</p> | <p>Friday, 5/8 Mar = 186,000 jobs</p> | <p><u>Up</u> by 114,000 jobs with private sector payrolls <u>up</u> by 106,000 jobs and public sector payrolls <u>up</u> by 8,000 jobs. The reported change in total nonfarm payrolls has alternated signs in each of the past ten months, veering from decline to advance, so given that March saw an increase, the seemingly safe play would be to bet on a decline in total nonfarm payrolls in April. We look for that pattern to have been if not broken then at least disrupted in the April data. Other labor market indicators point to steadily improving job growth, even if from a frustratingly low base, and initial jobless claims continue to point to notably low layoffs. While it may be reasonable to expect payback from what on the surface looks like a strong March print, our view is that the March data at least in part reflect payback from atypically harsh winter weather having disrupted job counts and hours worked in both January and February. As such, we don't look for any evening out effects in the April data. One downside risk to our forecast, however, is that what looks to have been some softening in discretionary services spending could mean that April hiring in leisure and hospitality services fell short of our expectations.</p> <p>Another risk to not only our forecast but to any forecast of the April headline print is the possibility of a sizable revision to the original estimate of March job growth stemming from yet another notably low initial collection rate to the BLS's monthly establishment survey. After what was the lowest February collection rate since 2000, the initial collection rate for March was the lowest March rate since 2003. Recall that the initial estimate of the decline in nonfarm payrolls in February was revised even lower a month later, and while that doesn't mean the initial March estimate will suffer a similar fate, we'll be more surprised if that isn't the case than we will be if it is the case. At the same time, the April collection rate will go a long way toward us deciding how reliable we find the initial estimates of nonfarm employment, hours, and earnings. Unfortunately, these low collection rates are not at all surprising at this point, as this has been the rule rather than the exception over the past few years, which we've noted more times than we can count. More fundamentally, it could be that supply chain disruptions and a heightened sense of uncertainty stemming from the conflict in the Middle East have led firms to put off hiring additional workers, particularly with ample capacity to use the hours worked lever as an alternative, but higher frequency labor market indicators show no compelling evidence of any such effects so, as with the broader economy, at present these loom as downside risks for the labor market rather than being the base case. We continue to expect further modest improvement in labor market conditions but continue to caution that supply constraints will remain a meaningful drag on the trend rate of job growth.</p> |
| <p>April Manufacturing Employment Range: -6,000 to 10,000 jobs Median: 4,000 jobs</p> | <p>Friday, 5/8 Mar = 15,000 jobs</p> | <p><u>Up</u> by 6,000 jobs.</p> |
| <p>April Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.2 hours</p> | <p>Friday, 5/8 Mar = 34.2 hours</p> | <p><u>Up</u> to 34.3 hours.</p> |
| <p>April Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.3 percent</p> | <p>Friday, 5/8 Mar = +0.2%</p> | <p><u>Up</u> by 0.4 percent, for a year-on-year increase of 3.9 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up 0.8 percent in April and up 4.3 percent year-on-year.</p> |
| <p>April Unemployment Rate Range: 4.2 to 4.5 percent Median: 4.3 percent</p> | <p>Friday, 5/8 Mar = 4.3%</p> | <p><u>Down</u> to 4.2 percent.</p> |

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