ECONOMIC PREVIEW

REGIONS

Week of June 29, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 28-29 FOMC meeting):* Target Range Mid-point: 3.625 to 3.625 percent Median Target Range Mid-point: 3.625 percent	Range: 3.50% to 3.75% Midpoint: 3.625%	Thursday's release of the June employment report is the main event in a holiday-shortened week. After three straight months of our job growth forecasts being easily above the consensus forecasts, we are well below the consensus forecast of June job growth. Either way, we expect a considerable degree of noise in the June data and, as is always the case, the real story of the monthly employment report will not be told by the headline print but instead by the details of the data. On Wednesday, Fed Chair Warsh's Wednesday appears at the ECB's annual Central Bank Forum. Of interest will be any comments he makes on the outlooks for inflation and productivity growth. We'll also be interested to see whether, or to what extent, Chair Warsh discusses the sweeping review of how the FOMC conducts and communicates monetary policy outlined in his press conference after the June FOMC meeting. Whether or not Chair Warsh explicitly encourages them to do so, it would be highly useful for his global counterparts to conduct similar reviews.
June Consumer Confidence Tuesday, 6/30 Range: 92.5 to 97.6 Median: 94.6	May = 93.1	Up to 96.4 with falling gasoline prices and a more stable labor market helping improve consumer moods. That said, while gasoline prices have fallen by more than eight percent thus far in June on a national average basis, that still leaves them far above where they were prior to the start of the conflict with Iran. As such, the declines seen over recent weeks will only go so far toward improving consumer confidence. Either way, we've always pointed toward consumers' assessments of their own job and income prospects as being the most important factor in how they perceive the broader economy, and though still a bit tentative, there has at least been some improvement in consumers' assessments of labor market conditions in the Conference Board's survey over the past few months. We expect that improvement to have continued in the June survey.
June ISM Manufacturing Index Wednesday, 7/1 Range: 53.0 to 54.6 percent Median: 53.9 percent	May = 54.0%	Down to 53.7 percent but nonetheless keeping the headline index above the 50.0 percent break between contraction and expansion for a sixth straight month. While we look for the new orders index to ease a bit from a notably strong May print, one upside risk to our call is that the June seasonal factor for the new orders index is somewhat friendlier than the May seasonal factor. Either way, we'll continue to look to the firm level data rather than the diffusion index as the more meaningful signal on new orders. Additionally, our forecast looks for some improvement in supplier delivery times, which would be a modest drag on the headline index. Though not entering into the calculation of the headline index, the prices paid index will no doubt be of considerable interest after two straight months above eighty percent. While it is reasonable to think that the decline in energy prices seen over the back half of June will have taken some of the steam out of the prices paid index, don't forget that the index had been signaling broadly based increases in input prices for almost two years prior to the start of the conflict in the Middle East. This was one factor in our arguing prior to the start of the conflict that inflation pressures would likely be more persistent than many had been thinking. As such, we think it more likely that lower energy prices and easing supply chain constraints will send the prices paid index back into the 60s as opposed to pushing it below 50.0 percent.
May Construction Spending Wednesday, 7/1 Range: -0.2 to 0.6 percent Median: 0.2 percent	Apr = +0.4%	Down by 0.1 percent as a drop in residential construction outlays more than negates further growth in outlays for construction around data centers and infrastructure related to power generation.
May Factory Orders Thursday, 7/2 Range: -3.7 to 2.0 percent Median: -2.0 percent	Apr = +4.8%	Down by 2.2 percent. The advance read on durable goods orders showed a 4.5 percent decline in May as civilian aircraft orders fell sharply after having surged in April. Of far more relevance is that the advance read shows orders for core capital goods, an early indicator of the GDP data on business investment in equipment and machinery, rose by 1.6 percent. Though the orders data can be somewhat volatile month-to-month, core capital goods orders firmly remain on an upward trend that we think has much further to run. As for our forecast of total orders, we can point to two sources of uncertainty. First, there are typically revisions to the advance estimate of durable goods orders which are incorporated into the final data, and, second, the advance data do not cover orders for nondurable goods, which over the prior few months had been pushed higher by rising prices. We expect a far more modest gain in orders for nondurable goods in May than those seen in the prior three months.

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June Nonfarm Employment Thursday, 7/2 Range: 70,000 to 200,000 jobs Median: 115,000 jobs	May = 172,000 jobs	Up by 79,000 jobs with private sector payrolls up by 67,000 jobs and public sector payrolls up by 12,000 jobs. Right off the bat, we'll note that the June establishment survey period ended prior to the middle of the month. This matters as such early ends tend to bias survey response rates lower, in turn diminishing the reliability of the initial estimates of nonfarm employment, hours, and earnings. As such, the first number we'll look at beyond the headline numbers will be the response rate to the June establishment survey. Next in line will be the revisions to the initial estimate of May job growth. Simply stated, as we noted upon its release, we do not believe hiring to have been nearly as robust in May as implied by the May employment report, which showed total nonfarm payrolls rose by 172,000 jobs. That increase, however, was almost entirely accounted for by three industry groups – leisure and hospitality services (70,000 jobs), local government (55,000 jobs), and health care (35,200 jobs) – hardly indicative of a labor market firing on all cylinders. Our first inclination was to attribute the bulk of the job gains in leisure and hospitality services and local government excluding education to hiring tied to the World Cup. Looking at the not seasonally adjusted metro area level data for the venues across the U.S. hosting World Cup matches doesn't provide a lot of support for this premise, though we'll note that the metro area level data are inherently less reliable than are the national level data so we won't entirely rule this out. What we did find, however, was that the reported increases in payrolls in these two segments benefitted greatly from seasonal adjustment being far more generous this May than last, to the point that had last May's implied seasonal factor for leisure and hospitality services been applied to this May's increase in unadjusted payrolls, the seasonally adjusted data would have shown payrolls declining rather than increasing by 70,000 jobs. What we thought to be another glaring red flag in the May employment report was that despite the reported increase in private sector payrolls (up by 120,000 jobs) and the average private sector workweek holding at 34.3 hours, aggregate private sector hours worked barely budged. This is a function of private sector hiring having been so heavily concentrated in leisure and hospitality services and health care, two segments in which the average workweek is much shorter than the private sector average. To this point, despite hefty job gains in each of the past three months, there has been only modest growth in aggregate hours worked, which we think pushes back on the argument that there has been a meaningful shift in the demand for labor, as many have concluded from the headline job growth prints. We see considerable potential for seasonal adjustment to bias the estimate of June job growth lower, particularly in construction and leisure and hospitality services. That said, we're somewhat wary of the possibility of seasonal adjustment yielding another hefty increase in local government payrolls, and it could be the June data show a boost in leisure and hospitality payrolls tied to the World Cup. Moreover, if there is a sizable downward revision to the initial estimate of May job growth, our forecast of June job growth could easily be too low. That combination, however, would leave the labor market pretty much right where we thought it would be all along. What would come as a surprise to us would be June job growth coming in much stronger than we anticipate with little revision to the initial May print. Under the heading of "for what it's worth, which isn't much," we'll note that our forecasts of job growth over the prior three months were easily above the consensus forecasts and job growth still topped our forecasts. That of course counts for absolutely nothing in terms of our forecast of June job growth being well below the consensus, but what we think does matter is that our view of labor market conditions has not changed for some time, regardless of the headline job growth numbers and how others were reacting to them. For instance, late last year and earlier this year while many were writing the labor market's obituary, we were arguing the labor market was not in as dire condition as implied by the headline job growth prints, and while the past three monthly employment reports have led to some pretty dramatic improvements in perceptions of labor market conditions, they haven't changed ours. We continue to think that hiring remains somewhat restrained, in part by firms looking for greater **Continued on Page Three**:

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June Nonfarm Employment Thursday, 7/2 Range: 70,000 to 200,000 jobs Median: 115,000 jobs	May = 172,000 jobs	**Continued from Page Two**: efficiency and in part by labor supply constraints, but we also point to the lack of a meaningful pickup in layoffs as a sign of underlying labor market health. A genuinely strong June employment report would lead us to reconsider our assessment of labor market conditions. Our judgment of the June employment report, however, will not be based on the headline job growth number but instead on the details beneath that headline print, meaning that any such clear-cut verdict seems highly unlikely.
June Manufacturing Employment Thursday, 7/2 Range: 2,000 to 10,000 jobs Median: 4,000 jobs	May = +7,000 jobs	Up by 2,000 jobs.
June Average Weekly Hours Thursday, 7/2 Range: 34.2 to 34.3 hours Median: 34.3 hours	May = 34.3 hours	Down to 34.2 hours.
June Average Hourly Earnings Thursday, 7/2 Range: 0.2 to 0.4 percent Median: 0.3 percent	May = +0.3%	Up by 0.2 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 down 0.1 percent in June but up 4.0 percent year-on-year. Another implication of an early end to the establishment survey period is that it tends to bias the estimate of average hourly earnings lower, as some firms tend to overlook the second monthly pay, which comes after mid-month, when they respond to the BLS's establishment survey. It helps here to note that firms do not report average hourly earnings, with BLS simply dividing reported payroll outlays by reported aggregate hours worked, meaning that firms underreporting payroll outlays leads to a lower estimate of average hourly earnings. Absent such calendar effects, growth in average hourly earnings will be stronger than our forecast anticipates.
June Unemployment Rate Thursday, 7/2 Range: 4.2 to 4.3 percent Median: 4.3 percent	May = 4.3%	Down to 4.2 percent. If, as our forecast anticipates, the number of younger adults entering the labor force in search of summer jobs is below the typical June increase, that will be compounded by seasonal adjustment and hold down measured labor force growth. While that would be matched by a smaller than typical June increase in employment amongst this age cohort, we think that when accounting for what remain relatively weak patterns in overall labor force participation the net effect will be a tick down in the unemployment rate.

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