

ECONOMIC PREVIEW



REGIONS

Week of September 28, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the October 27-28 FOMC meeting):</i> Target Range Mid-point: 3.875 to 4.125 percent Median Target Range Mid-point: 4.125 percent		Range: 3.75% to 4.00% Midpoint: 3.875%	This week will be another eventful week in terms of the flow of economic data, but as we're sure is the case with many others, we could do with a somewhat more sedate week in the financial markets. We'd offer that we'd also like a monthly employment report that isn't riddled with noise, but that might be too big of an ask.
September Consumer Confidence Tuesday, 9/29 Range: 86.2 to 92.7 Median: 89.8		Aug = 89.4	Down to 87.7 with the latest run-up in gasoline prices – up over six percent in September – weighing on consumer moods, and the recent increases in interest rates won't have helped. Despite the headline confidence index having edged lower over recent months, consumers have nonetheless taken a more constructive view of labor market conditions. Whether that remained the case will be our main interest in the September survey.
Q2 Real GDP: 3rd estimate Wednesday, 9/30 Range: 1.5 to 1.9 percent Median: 1.5 percent SAAR		Q2 2 nd est = +1.5% SAAR	<u>Up</u> at an annualized rate of 1.8 percent. Note that this release will incorporate the results of BEA's annual updates of the National Economic Accounts, which include GDP, Gross Domestic Income, personal income and spending, and a wide array of additional national and regional series. Data from Q1 2021 through Q1 2026 are subject to revision. That last year's annual revisions were largely uneventful does not mean that will be the case with this year's revisions. Either way, that the recent historical data will have been revised adds uncertainty to our forecasts of the final Q2 real GDP growth print and our forecasts of August personal income and spending and the August read on the PCE Deflator, which will incorporate recent changes in methodology. All that said, the revisions are unlikely to change the broad contours of growth and inflation that have been laid out over the past several months.
Q2 GDP Price Index: 3rd estimate Wednesday, 9/30 Range: 6.2 to 6.4 percent Median: 6.4 percent SAAR		Q2 2 nd est = +6.4% SAAR	<u>Up</u> at an annualized rate of 6.4 percent.
August Personal Income Wednesday, 9/30 Range: 0.3 to 0.7 percent Median: 0.4 percent		Jul = +0.4%	<u>Up</u> by 0.5 percent, with private sector labor earnings and transfer payments the main drivers.
August Personal Spending Wednesday, 9/30 Range: 0.5 to 1.1 percent Median: 0.9 percent		Jul = +0.2%	<u>Up</u> by 1.1 percent. Higher unit sales of new motor vehicles will be a support for spending on consumer durable goods, while sharply higher gasoline prices will be a support for spending on nondurable goods. At the same time, control retail sales, a direct input into the BEA's measure of consumer spending on goods, were up by 1.2 percent in August, so even beyond gasoline there was broad based support for goods spending. Restaurant sales, the only glimpse of services spending in the retail sales data, were also up big in August, setting the tone for what we expect will be a firmer increase in overall services spending, though one caveat here is that BEA relies on different source data on restaurant sales so the strength seen in the retail sales measure may not carry over. Still, if our forecast of August spending growth is on or near the mark, the slowdown in growth of real consumer spending in Q3 will not be as pronounced as we had been anticipating.
August PCE Deflator Wednesday, 9/30 Range: 0.3 to 0.4 percent Median: 0.3 percent		Jul = +0.2%	<u>Up</u> by 0.4 percent, yielding a year-on-year increase of 3.8 percent. We look for the core PCE Deflator to be up by 0.3 percent, which would translate into a year-on-year increase of 3.4 percent. Note that this release will incorporate methodological changes which we and most others expect will shave two-tenths of a point off core PCE inflation over the past several years. That, of course, would be of cold comfort as it would still leave core inflation substantially above where the FOMC would like it to be.
August Advance Trade Balance: Goods Wednesday, 9/30 Range: -\$127.8 to -\$105.0 billion Median: -\$115.0 billion		Jul = -\$118.9 billion	<u>Widening</u> to -\$124.3 billion. Imports of non-automotive capital goods have posted year-on-year growth of better than forty percent over the past four months, largely reflecting the frenzied pace of AI-related investment. We look for a repeat in the August data, which we expect will result in an even wider deficit in the trade in goods account and, in turn, a wider overall trade deficit when the complete August data are released. Even if the August deficit in the goods account is not as wide as we expect, trade is shaping up to be a meaningful drag on Q3 real GDP growth, which is of zero significance given that over one-half of all imported goods coming into the U.S. are going towards expanding the economy's future productive capacity.

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September ISM Manufacturing Index Thursday, 10/1 Range: 53.8 to 55.7 percent Median: 54.8 percent	Aug = 54.6%	<u>Up</u> to 55.7 percent. Between solid growth in capital spending, including spending related to AI investment and equipping and powering data centers, and ongoing inventory restocking, the manufacturing sector is in a nice run. September should mark the ninth straight month of the headline index being above the 50.0 percent break between contraction and expansion. Our forecast anticipates increases in each of the component indexes – new orders, production, employment, inventories, and supplier delivery times – that factor into the calculation of the headline index. The risk, however, is that the latest upturn in energy prices and renewed trade squabbles led to some pullback in new orders but even if that were the case we think it would be a matter of slower growth as opposed to outright contraction. Though not entering into the calculation of the headline index, all eyes will be on the prices paid index. As we have previously noted, the prices paid index was signaling intensifying and broadening upward pressure on input prices well before the headline index flipped from contraction to expansion. In that sense, another month of the same may seem like old news, but with many market participants and more than a few central bankers fearing that inflation pressures are becoming intractable, another month of the prices paid index being above seventy percent would elicit a reaction in the markets.
August Construction Spending Thursday, 10/1 Range: -0.2 to 0.5 percent Median: 0.0 percent	Jul = -0.5%	<u>Up</u> by 0.2 percent.
August Factory Orders Friday, 10/2 Range: -0.2 to 0.7 percent Median: 0.1 percent	Jul = +0.9%	<u>Up</u> by 0.2 percent.
September Nonfarm Employment Friday, 10/2 Range: 35,000 to 180,000 jobs Median: 93,000 jobs	Aug = +162,000 jobs	<u>Up</u> by 46,000 jobs, with private sector payrolls <u>up</u> by 68,000 jobs and public sector payrolls <u>down</u> by 22,000 jobs. While many were quick to praise the August employment report, touting “blowout” job growth and “surging” labor force participation as feats of labor market strength, we described the August employment report as more of the same (i.e., measurement issues and seasonal adjustment noise) that told us little new about the labor market. The difference in interpretations is the difference between reacting to the headline numbers and examining the details of the data. While total nonfarm payrolls were reported to have risen by 162,000 jobs in August (we look for that to be revised downward), the bulk of that increase came from leisure and hospitality services (+62,000) and local government (+50,000). As we’ve repeatedly pointed out over the past several months, these are the two industry groups that have consistently fallen prey to seasonal adjustment noise which has distorted the reported monthly changes in payrolls to the extent that these changes have routinely been the main drivers of the reported change in total nonfarm payrolls – in both directions. To a large degree, our well below consensus forecast reflects our expectation that the September seasonal factors for these two industry groups will be somewhat unfavorable, and if we’re correct on this point a “soft” headline job growth print would mean no more than the “blowout” August headline print. As we noted last month, that our forecasts of monthly job growth have as much, if not more, to do with us trying to game the seasonal adjustment noise in the data as they do with how we see labor market conditions evolving is absurd yet, here we are. As a means of getting around the ongoing issues in the data and making sense of the data through the month-to-month volatility, we’ve turned to the longer-running trends in the not seasonally adjusted data. Specifically, average monthly job growth over a rolling twelve-month period based on the not seasonally adjusted data. As of the twelve months ending with August, the not seasonally adjusted data show private sector nonfarm payrolls had increased by an average of just over 57,000 per month, more than sufficient to keep the unemployment rate in check given anemic trends in labor force growth. What we think to be of even more relevance is that the longer-running trend rate of average monthly job growth in the unadjusted data has been notably stable since the early months of 2025, clearly at odds with the monthly headline prints and the reaction to those headline prints.

Continued on Page Three:

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September Nonfarm Employment Range: 35,000 to 180,000 jobs Median: 93,000 jobs	Friday, 10/2	Aug = +162,000 jobs	Continued from Page Two: One interesting detail of the data is that though having been somewhat slow, job growth has become more broadly based across private sector industry groups, think of it as a series of not so large increases in payrolls amongst a wider array of industry groups. We'll be looking to see whether that pattern held in September. No matter how close to/far off the mark our forecast of September job growth may be, the first place we'll go is the not seasonally adjusted data and match the September change against historical norms, industry group by industry group, and see if any deviations have evened out over the most recent twelve-month period. That has, with the notable exception of the two industry groups pointed to above, been the case, which is a key reason we put so much trust in the longer-term trends in the unadjusted data. Decidedly less fun than spinning a new labor market narrative around whatever headline job growth prints at, but decidedly more useful.
September Manufacturing Employment Range: 0 to 25,000 jobs Median: 10,000 jobs	Friday, 10/2	Aug = +16,000 jobs	<u>Up</u> by 13,000 jobs.
September Average Weekly Hours Range: 34.3 to 34.5 hours Median: 34.3 hours	Friday, 10/2	Aug = 34.3 hours	<u>Down</u> to 34.3 hours. We were caught off guard by average weekly hours ticking higher in August but also saw that rather than being broadly based across private sector industry groups, which would have been an indication of stronger overall demand for labor, it was due to large increases in a few industry groups, particularly utilities. As such, we look for August's increase to be unwound in the September data. If we're correct, however, the drop in average hours worked will be a powerful drag on growth in aggregate private sector wage and salary earnings (see below).
September Average Hourly Earnings Range: 0.1 to 0.4 percent Median: 0.3 percent	Friday, 10/2	Aug = +0.3%	<u>Up</u> by 0.2 percent, for a year-on-year increase of 3.0 percent, as we look for calendar effects to bias the monthly change lower. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings down 0.1 percent in September and up 3.9 percent year-on-year.
September Unemployment Rate Range: 4.0 to 4.2 percent Median: 4.1 percent	Friday, 10/2	Aug = 4.1%	<u>Down</u> to 4.0 percent. As for the reported increase in the size of the labor force in August, up by 683,000 people, that many pointed to as a sign of renewed life in the labor market, it will come as no surprise that we have a different take. The number of people between sixteen and twenty-four years-old in the labor force is reported to have risen by 287,000 persons in August. That, however, reflected no more than a smaller than usual August outflow amongst this age cohort in the not seasonally adjusted data, which show a decline of 968,000 persons. That smaller than typical decline translated into the increase reported in the seasonally adjusted data. At the same time, the number of those between fifty-five and sixty-four years-old in the labor force rose by 332,000 persons in August. While the not seasonally adjusted data show a similarly large increase, the reality is that labor force participation amongst this age cohort has been all over the map, to the point that August's increase doesn't come close to unwinding the sizable decline reported for June. That we look for the unemployment rate to drop to 4.0 percent in the September data is mainly a function of our expecting payback for the noise seen in the August data.

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