ECONOMIC PREVIEW

REGIONS

Week of November 2, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 8-9 FOMC meeting):* 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 brings us deeper into the "information-rich interval," which is how Fed Chair Warsh characterized the period between the October and December FOMC meetings. The October employment report highlights the week, but anyone looking to the report for clarity on labor market conditions will likely be disappointed.
October ISM Manufacturing Index Monday, 11/2 Range: 52.4 to 55.5 percent Median: 54.5 percent	Sep = 54.5%	Up to 54.9 percent, marking a tenth straight month of expansion in the manufacturing sector. We look for increases in the components for new orders, employment, and supplier delivery times to offset a modest softening in the production component, with the net result being an increase in the headline index. We do, however, see some downside risk to our forecast, if the latest round of trade tensions between the U.S. and Canada and significantly higher energy prices have made firms more hesitant to place new orders. At the same time, further weakening in housing market conditions could weigh on activity in the appliances & components and furniture & related products industry groups which, in turn, would act as a drag on the headline index. So, while we've no doubts that the ongoing expansion in the manufacturing sector continued in October, the pace of that expansion may have slowed. To our point about the latest round of energy price increases, that should add further fuel to the prices paid index, which jumped to 77.9 percent in September, and which was above 70 percent in each of the past eight monthly surveys. The early-stage price pressures apparent in ISM's surveys of the manufacturing and services sectors are showing no signs of abating, which suggests increasing pressure on margins or further pass-through to prices of final goods and services.
September Construction Spending Monday, 11/2 Range: -0.1 to 0.7 percent Median: 0.3 percent	Aug = +0.9%	Up by 0.4 percent.
September Factory Orders Tuesday, 11/3 Range: 0.5 to 2.6 percent Median: 1.2 percent	Aug = +0.1%	Up by 1.9 percent.
September Trade Balance Wednesday, 11/4 Range: -$-110.0 to -$103.7 billion Median: -$107.9 billion	Aug = -$105.6 billion	Widening to -$108.7 billion.
October ISM Non-Manufacturing Index Wednesday, 11/4 Range: 53.0 to 56.3 percent Median: 54.8 percent	Sep = 54.9%	Up to 55.2 percent.
Q3 Nonfarm Labor Productivity Thursday, 11/5 Range: 1.7 to 3.8 percent Median: 2.6 percent SAAR	Q2 = +1.4% SAAR	Up at an annualized rate of 2.8 percent. We know that real output in the nonfarm business sector grew at an annual rate of 3.7 percent in Q3, while aggregate private hours worked in the nonfarm business sector grew at an annual rate of 1.2 percent and aggregate hours worked by the self-employed fell at a better than six percent rate. What we have yet to master, however, is the measure of aggregate hours worked in the productivity data, a measure which moves in mysterious ways, at least to us. Either way, measured productivity growth in Q3 should be significantly faster than was the case in Q2 and unit labor costs should have either grown at a much slower pace or declined. As we are constantly reminding people who are looking ahead to AI delivering faster productivity growth, the trend rate of productivity growth has for some time been increasing without the benefit of AI. As such, our ears naturally perked up when Fed Chair Warsh noted this in his press conference following last week's FOMC meeting. The difference is that while Chair Warsh traces this improvement back "a couple of years," our view is that the improving trend rate of productivity growth dates back to the second half of 2017 but was significantly disrupted by the pandemic and the policy response to it. So, while the past twelve quarters have seen average productivity growth of 2.5 percent, we see this as the resumption of a trend in place prior to the pandemic and expect productivity growth to accelerate further over coming quarters.
Q3 Nonfarm Unit Labor Costs Thursday, 11/5 Range: -1.4 to 1.6 percent Median: 0.5 percent SAAR	Q2 = +1.2% SAAR	Down at an annualized rate of 0.3 percent.

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October Nonfarm Employment Friday, 11/6 Range: 35,000 to 125,000 jobs Median: 65,000 jobs	Sep = +29,000 jobs	Up by 51,000 jobs, with private sector payrolls up by 42,000 jobs and public sector payrolls up by 9,000 jobs. When it comes to thinking about what the October employment report will bring, the place to start is the September employment report. Recall that the initial collection rate for the September establishment survey, the basis of BLS's estimates of nonfarm employment, hours, and earnings, was just 53.1 percent, which is not only far below depressed post-pandemic rates but is also the lowest September rate since 1987. This raises the possibility of sizable revision to the initial estimates printed in the September employment report, which in turn adds to the uncertainty around forecasts of October job growth, earnings growth, and hours worked. Layered on top of that is what has for some time been a notably high degree of seasonal adjustment noise around estimates of job growth in leisure and hospitality services and local government. While most of this noise has washed out of the data over rolling twelve month periods, it has nonetheless led to sizable monthly swings in these categories which have often impacted, for better or worse, the headline change in total nonfarm payrolls. While we've done a decent enough job of assessing how this noise will impact the monthly job growth estimates, it's more than a little ridiculous that this has become a routine input into our forecasts. On the topic of seasonal adjustment, keep in mind that October marks the start of seasonal hiring in retail trade and warehousing and delivery services. Firms in these industry groups begin to ramp up hiring in October, make a far bigger push in November, and make final adds in December, all of which is readily observable in the not seasonally adjusted data. In any of these three months, weaker job gains in the not seasonally adjusted data can bias the seasonally adjusted estimates lower. For instance, last year saw the smallest October increase in unadjusted retail trade payrolls since 2008 and 2009, two years in which holiday season spending was – for obvious reasons – notably weak. As such, the seasonally adjusted data showed retail trade payrolls declining by 15,000 jobs last October. Though not to the same degree, the unadjusted data also showed weaker than normal October hiring in warehousing and delivery services last year, which turned into a loss of 3,000 jobs in the seasonally adjusted data. While we don't expect this October's hiring in these two industry groups to have differed meaningfully from last October, this is clearly an area in which our forecast of total nonfarm job growth could go off track. Persistent data collection and measurement issues have contributed to considerable volatility in the estimates of the monthly changes in nonfarm payrolls. To that point, over the past twelve months these estimates have ranged from minus 156,000 jobs to a gain of 214,000 jobs. As such, we've gotten to the point that we attach little, if any, significance to the headline number in any given month and instead focus on the longer-term trends in the not seasonally adjusted data. On that basis, over the past twelve months private sector payrolls have increased by an average of just over 60,000 jobs per month, and that rolling twelve-month average has been little changed since early 2025. This is consistent with a "low hire-low fire" labor market and is sufficient to keep the unemployment rate fairly steady.
October Manufacturing Employment Friday, 11/6 Range: -2,000 to 15,000 jobs Median: 5,000 jobs	Sep = +9,000 jobs	Up by 4,000 jobs.
October Average Weekly Hours Friday, 11/6 Range: 34.3 to 34.4 hours Median: 34.4 hours	Sep = 34.4 hours	Unchanged at 34.4 hours.
October Average Hourly Earnings Friday, 11/6 Range: 0.2 to 0.4 percent Median: 0.3 percent	Sep = +0.1%	Up by 0.4 percent, for a year-on-year increase of 3.0 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 October and up 4.2 percent year-on-year. One factor which may have held down the response rate to the September establishment survey is that the survey ended prior to mid-month, which matters here given that early ends to the establishment survey period tend to bias estimates of average hourly earnings **Continued on Page Three**:

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October Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 11/6	Sep = +0.1%	**Continued from Page Two**: lower. We think that was the case in the September data, and either the initial September estimate will be revised higher or the October increase will be larger than would otherwise be the case. We've assumed the latter, but if it's the former instead our forecast of the monthly change will be too high. Either way, the year-on-year change should not be far from our forecast.
October Unemployment Rate Range: 4.1 to 4.3 percent Median: 4.2 percent	Friday, 11/6	Sep = 4.2%	Down to 4.1 percent.

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