ECONOMIC PREVIEW

REGIONS

Week of January 26, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the January 27-28 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%	This week's releases of the November data on factory orders and the U.S. trade balance will help refine our view of Q4 2025 real GDP growth (the release of the BEA's initial estimate is delayed until February 20). We know from last week's release of the October and November data on personal income and spending that Q4 growth in real consumer spending was tracking at a rate faster than our baseline forecast had anticipated, which we also think to be the case with business investment in equipment and machinery. The wild cards in the Q4 GDP data remain net exports and government spending, and the November trade data (see Page 2) will help refine our estimate of the contribution net exports will make to Q4 real GDP growth. We still, however, expect the government shutdown to have taken at least one percentage point off top-line Q4 real GDP growth but, allowing for that, the U.S. economy not only proved to be more resilient in 2025 than had been anticipated but is poised for another year of solid growth, owing in part to a sizable boost from fiscal policy. This makes for an interesting backdrop for this week's FOMC meeting, particularly in conjunction with inflation remaining easily ahead of the Committee's 2.0 percent target rate. This week's meeting may be as close to a non-event as it is possible for an FOMC meeting to be, as it is all but a given that the Committee will make no change to the Fed funds rate and there are no updates to the Committee's economic and financial projections. That said, Chair Powell's post-meeting press conference could revolve around whether, or to what extent, a sturdier than anticipated growth profile changes the Committee's thinking on how much room there is for further funds rate cuts and what the trigger for subsequent cuts would be. Chair Powell is likely to stress that the Committee remains "data dependent," but any comments he may offer on if members' assessments of the balance of risks to inflation and the labor market will be informative along these lines. Our view is that with the funds rate closing in on neutral, continued firm growth, and inflation remaining above target, there is only limited room for further cuts. It could also be the case that the longer the FOMC remains on hold, the longer they'll remain on hold, i.e., the bar for cutting the funds rate will get higher and higher.
November Durable Goods Orders Monday, 1/26 Range: -1.4 to 7.5 percent Median: 3.0 percent	Oct = -2.2%	<u>Up</u> by 5.3 percent. A surge in orders for civilian aircraft should support top-line orders growth, but as we routinely note, the real story of the November report will be told by core capital goods orders. Our forecast (see below) anticipates a fifth straight monthly advance and would push core capital goods orders further outside of the narrow range that had prevailed for over two years. Moreover, growth in core capital goods orders has become more broadly based over recent months, which we in part attribute to the changes in the corporate tax code enacted into law last summer. We think the advance in core capital goods orders, an early indicator of business investment in equipment and machinery as reported in the GDP data, has much further to run, reflecting both previously deferred replacement investment and the drive for greater productivity.
Nov. Durable Goods Orders: Ex-Trnsp. Monday, 1/26 Range: 0.0 to 0.6 percent Median: 0.3 percent	Oct = +0.1%	We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.5 percent, and we look for <u>core capital goods</u> orders (nondefense capital goods excluding aircraft and parts) to be <u>up</u> by 0.4 percent.
January Consumer Confidence Monday, 1/26 Range: 88.0 to 92.0 Median: 90.0	Dec = 89.1	<u>Up</u> to 91.2 which would end a run of five straight monthly declines in the headline index. We'll be more interested in consumers' assessments of labor market conditions, which in the December survey were less favorable than at any time since February 2021. While it may seem odd that dimming assessments of labor market conditions come without there having been a pickup in layoffs, the Conference Board's surveys show a rising percentage of consumers deeming jobs as "hard to get," which is consistent with data showing a rising duration of unemployment. It could be that being less confident in being able to find a replacement job exacerbates worries about losing a job currently held. Thus far, there is little in the spending data to suggest growing unease over the state of the labor market is impacting consumer spending, which could be a function of growth in aggregate labor earnings continuing to outpace inflation despite a slowing pace of job growth. Either way, the "jobs plentiful/jobs hard to get" spread has a long track record as a reliable indicator of turns in the business cycle, which is why we pay so much attention to it.

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Q3 2025 Nonfarm Productivity: Revised Thursday, 1/29 Range: 4.9 to 4.9 percent Median: 4.9 percent SAAR	Q3: prelim = +4.9% SAAR	Up at an annual rate of 4.9 percent, matching the original estimate. As was the case with real GDP growth, data revisions show only a negligible change to the original estimate of Q3 growth in real nonfarm business output, the basis for the measurement of labor productivity. Revised data showing a smaller contraction in aggregate hours worked amongst the self-employed could take a bit off the original estimate of productivity growth, but we expect any such change to be minor. More broadly, we think the acceleration in productivity growth seen over the past several quarters has been understated. If, as we and most others expect, the BLS's benchmark revisions to their estimates of nonfarm employment set for release on February 6 show a meaningful downward revision to the level of nonfarm employment as of last March, aggregate hours worked will have grown less in 2025 than previously reported, which would in turn imply a faster pace of productivity growth. Either way, we think the acceleration in productivity growth to be in its early phases.
Q3 2025 Unit Labor Costs: Revised Thursday, 1/29 Range: -1.9 to -1.9 percent Median: -1.9 percent SAAR	Q3: prelim = -1.9% SAAR	Down at an annual rate of 1.9 percent, matching the original estimate.
November Trade Balance Thursday, 1/29 Range: -\$55.0 to -\$37.9 billion Median: -\$45.0 billion	Oct = -\$29.4 billion	Widening to -\$41.8 billion, though we don't have a high degree of confidence in our forecast. Wild swings in imports of prescription drugs, mainly from Ireland, had an outsized impact on imports of nonfood consumer goods in September (higher) and October (lower), and we're not sure what the November data will bring in this regard. These swings mostly reflect the anticipation of tariff increases for this category of goods which were not, or have not yet been, imposed, and while this tells us nothing about the underlying health of the U.S. economy, GDP accounting conventions are such that the swings in imports do impact real GDP growth. For instance, the decline in imports in October could, if not reversed in November and/or December, add over two percentage points to Q4 real GDP growth. What to us is a far more relevant gauge of underlying economic conditions is imports of non-automotive industrial goods, which have been trending higher amid what has been considerable volatility. Continued growth would be a positive sign for industrial production in the manufacturing sector, and we'd expect less volatility over the course of 2026. More broadly, we think the recent trade data are reflecting the unwinding of the sharp widening of the trade deficit seen in the early months of 2025 but the extent to which the trade deficit has narrowed is likely overstating the case. If we're correct on this point, net exports could, under GDP accounting conventions, be a drag on real GDP growth in Q1 2026.
November Factory Orders Friday, 1/30 Range: 0.4 to 2.8 percent Median: 1.6 percent	Oct = -1.3%	Up by 2.8 percent, though how our forecast fares will be highly contingent upon how our forecast for durable goods orders (see Page 1) fares. In a typical month, we have the advance estimate of durable goods orders in hand when we make our forecast of total factory orders (i.e., orders for both durable and nondurable goods). That is not the case with the November data, given the delays in the data releases brought on by the government shutdown. Given that the data on unit orders for civilian aircraft do not always align with the dollar volume reported by Census, our forecast for durable goods orders may be well off target, which would in turn mean that our forecast for total factory orders is similarly off target. That, however, would not have any bearing on our forecast for core capital goods orders which, as we say every month, is the single most important line item in the reports on factory orders.
December Producer Price Index Friday, 1/30 Range: -0.1 to 0.4 percent Median: 0.2 percent	Nov = +0.2%	Up by 0.3 percent, which would yield a year-on-year increase of 2.8 percent.
December Producer Price Index: Core Friday, 1/30 Range: 0.0 to 0.4 percent Median: 0.3 percent	Nov = 0.0%	Up by 0.4 percent, for a year-on-year increase of 3.0 percent.

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