

ECONOMIC PREVIEW



Week of February 2, 2026

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint (After the March 17-18 FOMC meeting): 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%	A fairly quiet week for economic data releases is highlighted by Friday's release of the January employment report, which is likely to be considerably noisy. Between the BLS's annual benchmark revisions to estimates of nonfarm employment, hours, and earnings, revisions to the BLS's "birth-death" model, low initial response rates to both the household and establishment surveys, and potential seasonal adjustment issues, we may not learn all that much about the state of the labor market in January.
January ISM Manufacturing Index Range: 47.9 to 51.0 percent Median: 48.5 percent	Monday, 2/2 Dec = 47.9%	<u>Up</u> to 49.5 percent, marking an eleventh straight month in which the headline index has been on the wrong side of the 50.0 percent break between contraction and expansion and leaving the index bumping along within the oddly narrow range in which it has spent the past two years. At some point soon, however, we look for the headline index to break out of that range to the upside. The data on orders for core capital goods show a strong upward trend over the past several months with orders growth becoming increasingly broadly based across industry groups. Moreover, the ISM's surveys show inventories having been pared down and firms reporting that customer inventories are "too low," suggesting some support for orders and output going forward. It could also be that as firms and their customers, domestic and foreign, adapt to navigating through ongoing uncertainties around trade policy, underlying demand begins to strengthen. To be sure, there is nothing to suggest the manufacturing sector is on the verge of being off to the races, and it could be that the ISM's headline index remains somewhat rangebound, but we can at least make a case for that range being on the right side of that 50.0 percent break going forward.
January ISM Non-Manufacturing Index Range: 52.8 to 57.0 percent Median: 53.5 percent	Wednesday, 2/4 Dec = 53.8%	<u>Down</u> to 52.9 percent.
January Nonfarm Employment Range: -10,000,000 to 130,000 jobs Median: 68,000 jobs	Friday, 2/6 Dec = +50,000 jobs	<u>Up</u> by 91,000 jobs with private sector payrolls <u>up</u> by 74,000 jobs and public sector payrolls <u>up</u> by 17,000 jobs. When it comes to the January employment report, all bets are off, and our "forecast" is more along the lines of a "what if" guess than a forecast in which we have at least a slight bit of conviction. The January data will incorporate the results of the BLS's annual benchmark revisions to the establishment survey data on nonfarm employment, hours, and earnings. Recall that the BLS's preliminary estimate of the benchmark revision showed the level of nonfarm employment as of March 2025 would be revised down by 911,000 jobs and even if, as was the case last year, the final cut is not as large as the preliminary estimate, the hit to nonfarm employment will be substantial. That does not come as a surprise to us, as we for some time have argued the BLS's ongoing estimates of nonfarm payrolls were too high. Note, however, that this does not necessarily mean there will be sweeping changes in the patterns of monthly job growth subsequent to March 2025, although that isn't necessarily a good thing given the extent to which the trend rate of job growth has slowed. Another change to be aware of is that the January data will incorporate the BLS's revisions to their "birth-death" model, i.e., the model used to estimate net changes in nonfarm employment due to firms either coming into being ("births") or ceasing to exist ("deaths") which are not captured in the monthly establishment surveys. The birth-death model has been one source of upward bias in the BLS's estimates of nonfarm employment, and the revisions to the model could act as a meaningful drag on reported January job growth. One ongoing issue which likely will not have changed, however, is notably low initial collection rates to the monthly establishment survey diminishing the reliability of the initial estimate of job growth in any given month. As we've pointed out countless times, collection rates since the pandemic have been meaningfully lower than had been the case prior to the pandemic, and while rates in 2025 were up from 2024, the lowest average initial collection rate since 2002, they're still well below pre-pandemic norms. And, as if all of this weren't enough, we see potential for seasonal adjustment mischief in the January data. Based on the data now at hand, seasonal hiring in retail trade and warehousing and delivery services was weaker in 2025 than in any year since 2009, and we don't look for the benchmark revisions to have changed that. The flip side of that, however, is that there will be fewer January

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January Nonfarm Employment Range: -10,000,000 to 130,000 jobs Median: 68,000 jobs	Friday, 2/6	Dec = +50,000 jobs	Continued from Page One: layoffs in these industry groups than is typically the case or, to the point at hand, fewer than the seasonal adjustment factors are looking for. This could flatter the headline job growth print, and we think there could be similar effects in construction and leisure and hospitality services. All in all, the January employment report may not tell us all that much about what went on in the labor market in January, while the benchmark revisions will offer a clearer picture of how the labor market evolved over the course of 2025. We think it likely that the “low hire-low fire” labor market narrative will survive the January employment report. Additionally, it is worth noting that to the extent the benchmark revisions do show less job growth in 2025 than has been reported, the flip side will be an even sharper acceleration in labor productivity growth than has thus far been reported, at least absent meaningful downward revisions to 2025 real GDP growth.
January Manufacturing Employment Range: -10,000 to 5,000 jobs Median: -7,000 jobs	Friday, 2/6	Dec = -8,000 jobs	<u>Up</u> by 3,000 jobs.
January Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.2 hours	Friday, 2/6	Dec = 34.2 hours	<u>Up</u> to 34.3 hours.
January Average Hourly Earnings Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 2/6	Dec = +0.3%	<u>Up</u> by 0.5 percent, for a year-on-year increase of 3.8 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 January and up 5.0 percent year-on-year.
January Unemployment Rate Range: 4.3 to 4.5 percent Median: 4.4 percent	Friday, 2/6	Dec = 4.4%	<u>Down</u> to 4.3 percent. It is worth noting here that each year when the Census Bureau releases its updated estimates of population growth and the components of change, the BLS updates the population controls that anchor the monthly household survey, from which flow estimates of the labor force, household employment, and the unemployment rate as well as the various cuts of these and other series. The updated population controls are typically incorporated into the January household survey data and frequently result in large level changes to the labor force and household employment. That each year's household survey is governed by a different set of population controls is why the levels of the series drawn from the household survey are not directly comparable across years. But, as last year's government shutdown delayed the Census Bureau's release of the 2025 vintage population data until late-January, BLS will not incorporate the updated population controls until the February household survey. So, the January 2026 data will be directly comparable to the 2025 data, but all this buys us is contending with what has been an increasingly high volume of noise in the household survey data, in part reflecting the ongoing erosion in survey response rates.

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