

ECONOMIC PREVIEW



REGIONS

Week of December 22, 2025

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: 3.375 to 3.625 percent
Median Target Range Mid-point: 3.625 percent

Range:
3.50% to 3.75%
Midpoint:
3.625%

“The problem with not having data is that you don’t have data; the problem with having data is, well, that you do have data.” When we wrote that in our comments in last week’s *Preview*, we did so in jest, well, okay, at least partly in jest, not imagining how on the mark that statement would prove to be. Last week brought the November employment report, October retail sales, and the November data on the Consumer Price Index, each having been delayed by the shutdown, and each raising questions on how to interpret the results. That was fairly straightforward in the case of the report on October retail sales; though total retail sales were flat in October, control retail sales, a direct input into the GDP data on consumer spending on goods, rose by 0.8 percent in October, even better than our above-consensus forecast anticipated. While we don’t expect this pace to be sustained through the quarter, the October data on control retail sales put a firm floor under growth in total consumer spending in Q4. While total nonfarm payrolls fell by 105,000 jobs in October, that was right in line with our expectations that DOGE buyouts earlier in the year would turn up in the October establishment survey data. At the same time, however, private sector payrolls increased by a net 121,000 jobs over October and November, not too different than the increase of 139,000 jobs our forecast anticipated. Along with September’s gain, this puts monthly average private sector job growth at 75,000 jobs over the past three months after private sector payrolls flatlined over the summer months. Our sense is that the unemployment rate rising to 4.6 percent in November from 4.4 percent in September reflects reporting and measurement issues tied to the shutdown, and we’ll know more on that point with the January 9 release of the December employment report. At worst, though, the November employment rate and still-low initial jobless claims tell us the “low hire-no fire” labor market still holds.

The November CPI report stole the show last week, and not at all in a good way. The report showed a marked, not to mention curious, deceleration in total and core CPI inflation, calling to mind the old adage that if something seems too good to be true, it probably is. Having no October data to work with, BLS apparently decided to simply carry September’s values of the various component indexes forward to October meaning that there were no price changes between the two months. This was particularly noticeable with market and owners’ equivalent rents, which combine to account for just over forty-two percent of the core CPI. There were also issues with the in-person price samples being conducted so late in the month, in many cases coinciding with holiday season discounting that likely thwarted seasonal adjustment and biased measured goods prices lower. Rather than being a twelve-month comparison, the “year-on-year” percentage changes reported by BLS are effectively eleven-month changes which would naturally be lower than actual year-on-year changes. This is not to say that there was no disinflation in November, but rather than helping clarify the extent to which that was the case, this report needlessly adds layers of confusion around that question. Moreover, the plug in the rents data will carry through the CPI data through April 2026, meaning reported core CPI inflation will be biased lower, though to a decreasing degree in each month, until then. The December CPI report will, by the way, come out prior to the January FOMC meeting.

We’ve been a bit more constructive on the growth outlook than have many others over recent months, but, either way, the lack of data adds uncertainty around any assessment of economic conditions. The gaps in the data being filled in by delayed reports being released are, unfortunately, not being filled as completely as you’d think given the questions that are coming attached with many of the releases.

Q3 Real GDP: 1st estimate
Range: 2.4 to 4.5 percent
Median: 3.2 percent SAAR

Tuesday, 12/23

Q2 = +3.8% SAAR

Up at an annualized rate of 3.7 percent, with consumer spending, business fixed investment, and a smaller trade deficit the main drivers of growth, while a smaller draw in business inventories should also be a support. With the release of the BEA’s initial estimate of GDP in any given quarter we toss out the usual caveat that the initial estimate is based on highly incomplete source data and, as such, prone to sizable revision. That caveat is particularly relevant in this instance given some of the gaps that remain in the Q3 data as a result of data collection being delayed by the shutdown. This adds a layer of uncertainty around our forecast and suggests the revisions to the initial estimate of Q3 GDP may be even larger than is typical.

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Q3 GDP Price Index: 1st estimate Range: 2.4 to 3.0 percent Median: 2.7 percent SAAR	Tuesday, 12/23	Q2 = +2.1% SAAR	<u>Up</u> at an annualized rate of 2.8 percent.
October Durable Goods Orders Range: -4.5 to 1.0 percent Median: -1.5 percent	Tuesday, 12/23	Sep = +0.5%	<u>Down</u> by 1.3 percent. Boeing saw a significant decline in orders in October, and while a jump in Airbus orders will serve as a partial offset, nondefense aircraft should still be a drag on top-line orders. As always, our main focus will be on core capital goods orders (see below), which have been on a roll over recent months. Recall that for some time we had been noting how notably rangebound core capital goods orders had been since the start of 2023, but over the past three months core capital goods orders have broken out of that range in a good way. While much of the focus when it comes to business investment has been on investment related to AI, the data show orders growth becoming more broadly based, which we think reflects the expanded incentives for business investment in this summer's tax/spending bill combined with firms desiring to enhance worker productivity. While we think this will support business investment through 2026, we'll note that the data can be quite volatile from month to month such that we could see a dip in core capital orders in any given month's data. We're not, however, expecting such a dip in the October data.
October Durable Goods Orders: Ex-Trnsp. Range: -1.1 to 0.5 percent Median: 0.3 percent	Tuesday, 12/23	Sep = +0.6%	We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.4 percent and look for <u>core capital goods orders</u> (nondefense capital goods excluding aircraft and parts) to be <u>up</u> by 0.5 percent.
November Industrial Production Range: -0.4 to 0.3 percent Median: 0.1 percent	Tuesday, 12/23	Sep = +0.1%	This release will incorporate the yet to be released October data. For <u>October</u> , we look for industrial production to have been <u>down</u> by 0.2 percent; and for <u>November</u> we look for industrial production to have been <u>up</u> by 0.3 percent. The October data on aggregate hours worked show notable weakness in the mining and manufacturing sectors, which we expect to be reflected in the data on industrial production. The November data show aggregate hours worked were virtually flat in the mining sector, with a rebound in the manufacturing sector. We look for utilities output to have been a support for total industrial production in both months.
November Capacity Utilization Rate Range: N/A Median: N/A	Tuesday, 12/23	Sep = 75.9%	We look for the capacity utilization rate to have <u>fallen</u> to 75.7 percent in <u>October</u> and to have <u>risen</u> to 76.0 percent in <u>November</u> .
December Consumer Confidence Range: 89.0 to 96.9 Median: 92.0	Tuesday, 12/23	Nov = 88.7	<u>Up</u> to 93.2 with sharply lower retail gasoline prices and perhaps a bit of a post-shutdown bounce supporting the headline index. Of more interest to us will be how consumers' assessments of labor market conditions changed in December. Over the past several months consumers have become notably less constructive on the state of the labor market, but private sector job growth appears to have at least stabilized over the past three months. This doesn't necessarily mean consumers will feel better about labor market conditions but does suggest they may not feel any worse. Not ideal, but at least consistent with continued steady, moderate growth in consumer spending.

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