

ECONOMIC PREVIEW



REGIONS

Week of September 22, 2025

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the October 28-29 FOMC meeting):</i> Target Range Mid-point: 3.875 to 4.125 percent Median Target Range Mid-point: 3.875 percent		Range: 4.00% to 4.25% Midpoint: 4.125%	<p>As widely expected, the FOMC cut the Fed funds rate by twenty-five basis points at last week's meeting. As was also widely expected, the updated Summary of Economic Projections (SEP) showed the median forecasts for core PCE inflation (3.1 percent) and the unemployment rate (4.5 percent) for Q4 2025 were unchanged from the June SEP. After that, things went somewhat off script. Despite the updated SEP showing a higher median forecast of real GDP growth, a higher forecast for core PCE inflation, and a lower unemployment rate for Q4 2026 relative to the June edition, the updated dot plot added an additional funds rate cut by year-end 2025 than implied in the June edition, while keeping the lone twenty-five basis point cut in 2026. What was particularly striking, however, was the dispersion of the individual dots in the updated dot plot, implying no clear consensus as to the appropriate path of the funds rate. In a sense, this is consistent with Chair Powell's characterization of the current economic environment as an "unusual" one. It is also worth noting that, contrary to the updated dot plot, the ranges around the median forecasts for growth, inflation, and unemployment rate are quite narrow. We've been asked how to square the wide dispersion seen in the dot plot with the narrow range of economic forecasts, and our view is that the dispersion seen in the updated dot plot reflects how individual FOMC members assess the relative risks to inflation and the labor market. It stood out to us that more members assessed the risks to their unemployment rate forecasts as being skewed to the upside than assessed the risks to their inflation forecasts as being skewed to the upside, something seldom seen over the past four years. To the extent that the former group would be more inclined toward further funds rate cuts than the latter could help account for why the median year-end 2025 dot implies two further cuts this year and that a single member shifting their view would have made it a one-cut median. This also, at least in our interpretation, helps put Chair Powell stating that last week could be seen as a "risk management" cut. Incoming data will help shape how individual members assess the risks to inflation and the labor market, and it figures that at some point assessments will converge around a clear consensus. What that consensus will be, when it will be formed, and what it will take for that to happen all remain to be seen.</p>
Q2 Current Account Balance Range: -\$380.0 to -\$255.0 billion Median: -\$268.0 billion	Tuesday, 9/23	Q1 = -\$450.2 billion	<u>Narrowing</u> to -\$256.8 billion, reflecting a significantly narrower trade deficit.
August New Home Sales Range: 625,000 to 702,000 units Median: 650,000 units SAAR	Wednesday, 9/24	Jul = 652,000 units SAAR	<p><u>Up</u> to an annual rate of 659,000 units. On a not seasonally adjusted basis, we look for sales of 53,000 units, down 5.4 percent from July, which is in line with the typical August decline. Our forecast would also leave unadjusted sales down 5.4 percent year-on-year. The August data on not seasonally adjusted single family permits and starts, which factor into our forecasts of unadjusted new home sales, show the sharp declines we had for some time been expecting. That does not, however, necessarily doom August new home sales, as the links between unadjusted permits, starts, and sales have been weakened by bloated inventories of spec homes for sale and builders increasingly motivated to work those inventories down. As a means of doing so, builders have been increasingly aggressive with the use of incentives, and while for some time that has included the use of mortgage rate buydowns, price concessions have become much more common. Though mortgage interest rates did drift lower over the course of August, that would have done little to alleviate the affordability constraints that have kept prospective buyers out of the market, so to the extent new home sales held their own in August, as our forecast anticipates, builder incentives would have been the far bigger factor. What will be interesting to see is whether, or to what extent, the sharper declines in mortgage interest rates seen over recent weeks have led builders to pull back on incentives as demand has perked up, as reflected in applications for purchase mortgage loans.</p>
Q2 Real GDP: 3rd estimate Range: 3.2 to 3.5 percent Median: 3.3 percent SAAR	Thursday, 9/25	Q2 2 nd est. = +3.3% SAAR	<p><u>Up</u> at an annual rate of 3.4 percent, with slightly faster growth in real consumer spending and a modestly narrower trade deficit relative to the BEA's second estimate accounting for the upward revision. Note, however, that this release will incorporate the results of the BEA's annual revisions to the National Economic Accounts (NEA),</p> <p>CONTINUED ON PAGE TWO:</p>

ECONOMIC PREVIEW


REGIONS

Week of September 22, 2025

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

Q2 Real GDP: 3rd estimate Range: 3.2 to 3.5 percent Median: 3.3 percent SAAR	Thursday, 9/25	Q2 2 nd est. = +3.3% SAAR	CONTINUED FROM PAGE ONE: which will include the data on GDP, personal income and spending, and other series which flow from the NEA. This year's revisions cover the period from Q1 2020 through Q1 2025. Some have expressed anxiety over whether, or to what extent, the BLS's preliminary estimate of the annual benchmark revision to the data on nonfarm employment, hours, and earnings will impact the more recent GDP data given the sizable downward revision to job growth over the year ending with March 2025. We're not sure the link will be all that strong, particularly given that the BEA's estimates of labor earnings are benchmarked to the data from the Quarterly Census of Employment and Wages (QCEW) on an ongoing basis, in contrast to the BLS's once-a-year reconciliation of its estimates with the QCEW data. It could be that, rather than a meaningful downward revision to real GDP growth over the year ending with March 2025 we see an upward revision to productivity. That said, the personal income data for Q1 2025 are most vulnerable to revision, reflecting BEA working the recently released Q1 QCEW data into their estimates of personal income.
Q2 GDP Price Index: 3rd estimate Range: 2.0 to 2.1 percent Median: 2.0 percent SAAR	Thursday, 9/25	Q2 2 nd est. = +2.0% SAAR	<u>Up</u> at an annual rate of 2.0 percent.
August Advance Trade Balance: Goods Range: -\$110.5 to -\$86.8 billion Median: -\$96.0 billion	Thursday, 9/25	Jul = -\$102.8 billion	<u>Narrowing</u> to -\$86.8 billion. Our forecast is predicated on a sharp decline in imports of goods, as reflected in the data from the west coast ports, which would continue a series of sharp monthly swings stemming from firms altering the timing of orders in response to developments on the tariffs front. That could have a significant impact on the August data, as August is typically a month in which imports of non-food consumer goods rise sharply as retailers begin building inventories ahead of the holiday sales season. If, as our forecast anticipates, the unadjusted data show a decline in imports of non-food consumer goods in August, that will be magnified by seasonal adjustment which, in turn, would result in a much narrower trade deficit. If we're wrong, either in direction or degree, the trade deficit will be wider than our forecast anticipates. Either way, if typical seasonal patterns in imports of holiday season consumer goods over the next few months are disrupted, any such effects will be compounded by seasonal adjustment.
August Durable Goods Orders Range: -3.5 to 6.4 percent Median: -0.3 percent	Thursday, 9/25	Jul = -2.8%	<u>Up</u> by 3.2 percent. Though Boeing saw net orders dip from 30 units in July to 28 units in August, Airbus saw orders jump from 7 units in July to 99 units in August. As such, our forecast anticipates orders for transportation equipment will be a plus for top-line orders, particularly if motor vehicle orders rise as our forecast anticipates. That said, the monthly data on durable goods orders do not always align with the data from manufacturers on unit aircraft orders. Either way, we routinely point to core capital goods orders (see below) as the most important line item in the data on durable goods orders in any given month. That series has for some time bounced within a fairly narrow range, reflecting strength in orders for information processing equipment largely offset by weakness elsewhere. We do, however, have reason to think that rather than reversing in August, the strong gain in core capital goods orders seen in July will be built on. Recent changes to the corporate tax code have helped unlock business investment in equipment and machinery which has been hampered over the past several months by heightened policy uncertainty. Note that the new provisions allowing for immediate expensing of capital expenditures won't touch off a strong wave of spending, as we saw with the 2017 tax bill, the difference being that this time around there is no time limit on this provision. As such, we expect more of a steady pattern of stronger spending on equipment and machinery this time around, which should be at least somewhat visible in the August data.
August Durable Goods Orders: Ex-Trnsp. Range: -1.0 to 0.2 percent Median: -0.2 percent	Thursday, 9/25	Jul = +1.0%	We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.2 percent and look for <u>core capital goods</u> orders (non-defense capital goods excluding aircraft and parts) to be <u>up</u> by 0.3 percent.

ECONOMIC PREVIEW


REGIONS

Week of September 22, 2025

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

August Existing Home Sales Range: 3.83 to 4.08 million units Median: 3.96 million units SAAR	Thursday, 9/25	Jul = 4.01 million units SAAR	<u>Down</u> to an annual rate of 3.93 million units. On a not seasonally adjusted basis, we look for sales of 373,000 units, down 3.9 percent from July and down 1.6 percent year-on-year. Note, however, that there was one more sales day last August than this August, and after adjusting for this our forecast would leave sales up 3.1 percent year-on-year. As existing home sales are booked at closing, August sales would mostly reflect sales contracts signed from mid-June through July, a period which saw a modest downward drift in mortgage interest rates. That, however, would have done little to ease the affordability constraints that are weighing on demand, which is one reason cuts in asking prices have become more common. To that point, we look for the median sales price to be down modestly on a year-on-year basis but, again, there has not been enough give on the price front to make a meaningful dent in affordability constraints. Softer demand amid tepid sales has contributed to rising inventories of existing homes for sale, and even though August typically marks the start of a seasonally weak time of the year for inventories, our forecast anticipates a slight increase that would yield a double-digit year-on-year percentage increase, which would mark the eighteenth straight double-digit year-on-year increase.
August Personal Income Range: 0.2 to 0.5 percent Median: 0.3 percent	Friday, 9/26	Jul = +0.4%	<u>Up</u> by 0.4 percent. Our forecast anticipates a firmer gain in private sector wage and salary earnings than implied by the details of the August employment report that yielded a 0.3 percent increase. One factor behind the modest increase is weakness in average weekly hours, but we've argued that reflects unduly harsh seasonal adjustment, as the not seasonally adjusted data show healthy increases in hours across each of the main industry groups, and we think the BEA's estimates of private sector earnings will reflect this. Obviously, if we're wrong on this point, our forecast for total income growth will be too high. Transfer payments offer an additional opportunity for our forecast to go off track; after several months of unusual volatility in many of the individual components, our forecast anticipates a more "normal" increase in total transfer payments but, again, if we're wrong on this point, that could doom our forecast for total income growth. Growth in asset-based income has deteriorated sharply over recent months, in part reflecting slower growth in interest income. Not only do we expect that to have continued in August, but lower deposit rates in the wake of the FOMC cutting the Fed funds rate could lead to further erosion in interest income in the months ahead. Note that the August data on personal income and spending will incorporate the results of the BEA's annual revisions of the data from the National Economic Accounts, and we'll pay particular attention to any revisions of prior estimates of labor earnings over the year ending with March 2025.
August Personal Spending Range: 0.2 to 0.6 percent Median: 0.5 percent	Friday, 9/26	Jul = +0.5%	<u>Up</u> by 0.6 percent. Though a drop in unit sales of new motor vehicles figures to weigh on growth in spending on consumer durable goods, we think a partial offset will come in the form of higher vehicle prices, and the August retail sales data point to a further increase in spending on consumer durables even after hefty gains in both June and July. If we're wrong on this point, our forecast of August spending growth will be too high. The August retail sales data also show a solid increase in control retail sales, a direct input into the BEA's estimates of consumer spending on goods. While BEA does not use the measure of restaurant sales contained in the retail sales data, which show a sizable increase in August, the two measures tend to follow each other closely. A jump in restaurant sales would be consistent with other indications that services spending has firmed up after a late-spring/early-summer lull, and we look for this to be reflected in the BEA's measure of services spending.
August PCE Deflator Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 9/26	Jul = +0.2%	<u>Up</u> by 0.3 percent, for a year-on-year increase of 2.7 percent. We look for the <u>core PCE Deflator</u> to be <u>up</u> by 0.2 percent, which would yield a year-on-year increase of 3.0 percent.

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions, and speculations (the “Contents”) based on currently available information, which is believed to be reliable and on past, current, and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.