ECONOMIC PREVIEW

REGIONS

Week of September 29, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the October 28-29 FOMC meeting):* 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%	Last week's batch of data releases, which showed healthy growth in consumer spending and business investment and less of a drag from net exports, suggested Q3 real GDP growth tracking at a faster pace than we had anticipating. This week's releases will likely paint a more mixed picture, but the release of the September employment report (see Page 2) may be delayed by a government shutdown.
September Consumer Confidence Tuesday, 9/30 Range: 92.0 to 99.0 Median: 96.0	Aug= 97.4	<u>Up</u> to 98.1 as the headline index continues to bounce within a fairly narrow range. While neither suggests anything resembling upbeat consumers, the gap between the Conference Board's gauge of consumer confidence and the University of Michigan's gauge of consumer sentiment has widened out of late. That this simply reflects less steep of a drop in the former than the latter is interesting given that the Conference Board's survey is more weighted toward labor market conditions, which clearly have softened. What is anything but clear, however, is the extent to which this is the case. We routinely point to consumers' assessments of labor market conditions, reflected in the "jobs plentiful/jobs hard to get" spread, as the most important element of the Conference Board's monthly survey. That spread has narrowed considerably, to the point that as of August it was, barring the pandemic period, narrower than at any time since February 2017. That said, though clearly less constructive on overall labor market conditions of late, consumers seem more so when it comes to their own job prospects, at least based on the strength of consumer spending over the summer months. Should the release of the September employment report be delayed by a government shutdown, the "jobs plentiful/jobs hard to get" spread will be one of the few clues as to how labor market conditions may have changed in September, though we will point out that while changes in this spread have long been a reliable signal of changes in the unemployment rate, that relationship may not be as strong of late given the extent to which significantly slower labor supply growth is helping hold down the unemployment rate amid slowing job growth.
September ISM Manufacturing Index Wednesday, 10/1 Range: 48.0 to 54.0 percent Median: 49.0 percent	Aug = 48.7%	<u>Up</u> to 49.1 percent with the headline index remaining rangebound and below the 50.0 percent break between contraction and expansion for a seventh straight month. The regional Fed bank surveys of manufacturing conditions in September were somewhat uneven and on the whole uninspired. Still, orders for core capital goods posted solid advances in July and August, and the firm level splits in the ISM's series on new orders improved considerably in the August survey. Whether those things translated into a more constructive tone in the ISM's September survey remains to be seen. The regional Fed bank surveys point to some easing in input price pressures in September, and while that would be a welcome development it would nonetheless point to a slower pace of price increases as opposed to outright declines, and we expect the ISM's prices paid index to have remained above the fifty percent threshold for a twelfth consecutive month.
August Construction Spending Wednesday, 10/1 Range: -0.3 to 0.2 percent Median: -0.1 percent	Jul = -0.1%	<u>Down</u> by 0.2 percent.
August Factory Orders Thursday, 10/2 Range: -0.2 to 2.5 percent Median: 1.4 percent	Jul = -1.3%	<u>Up</u> by 1.4 percent. Durable goods orders were up by almost three percent in August, with much of that accounted for by civilian aircraft orders. More importantly, orders for core capital goods posted a 0.6 percent increase on the heels of a 0.8 percent gain in July. Core capital goods orders are an early indicator of business investment in equipment and machinery as reported in the GDP data, which was notably strong over the first two quarters of this year. While that was largely a function of a frenzied pace of growth in spending on information processing equipment, going forward we expect growth to be slower but more broadly based, thanks in part to recent changes in the tax treatment of capital outlays. The monthly data on core capital goods will be an indication of whether, or to what extent, that will be the case.
September ISM Non-Manufacturing Index Friday, 10/3 Range: 50.2 to 53.0 percent Median: 51.7 percent	Aug = 52.0%	<u>Up</u> to 52.2 percent. Aside from the overall read on the pace of activity in the services sector, we'll be most interested in the prices paid index. While this does not enter into the calculation of the headline index, the prices paid index has shown intense and broadly based upward pressure on input prices for some time. To the extent this continues, it seems unlikely that services price disinflation will provide an offset for what we expect to be faster goods price inflation in the months ahead.

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Indicator/Action Economics Survey:		Last Actual:	Regions' View:
September Nonfarm Employment Range: -20,000 to 105,000 jobs Median: 50,000 jobs	Friday, 10/3	Aug = +22,000 jobs	Up by 102,000 jobs, with private sector payrolls up by 94,000 jobs and public sector payrolls up by 8,000 jobs. The August increase in not seasonally adjusted state and local government payrolls was smaller than is typical for the month and, as such, we expect payback in the September data which will offset what we expect will be another decline in federal government payrolls. But, while the vast majority of federal government employees who took early-retirement buyouts should not come off the books until October 1, we cannot rule out some of that being reflected in the September data, posing downside risk to our forecast of public sector payrolls. As for private sector payrolls, we won't be surprised to see an upward revision to the initial estimate for August, which showed an increase of 38,000 jobs. Between yet another low initial response rate to the monthly establishment survey – we would have said "notably low" here but what was once noteworthy has become routine – and what to us seemed unduly harsh seasonal adjustment, we think it likely that the initial estimate understated private sector job growth in August. We've also pointed to average weekly hours as another instance of overly zealous seasonal adjustment in the August data, as the unadjusted data show healthy increases in average weekly hours worked across the private sector. Under the heading "turnabout is fair play," however, we see channels through which seasonal adjustment may flatter September job growth in industry groups such as leisure and hospitality services, construction, and retail trade. It has become more than a little frustrating, not to mention more than a little tedious, to be regularly repeating the host of issues we see with the monthly employment reports given that we've been pointing to these issues for going on three years now. We'll once again note that while it is clear that the trend rate of job growth has slowed, what is anything but clear is the extent to which that is the case and why that is the case. The collection and measurement issues we've long been pointing to make it all but impossible to gauge the true extent of the deceleration in job growth, and we've argued that the monthly employment reports are overstating the case. We've also argued that the deceleration in job growth is just as much of, if not more, of a labor supply story as it is a labor demand story given the significant outflow of foreign born labor reflected in the household survey data. Whether, or when, we might actually have reliable answers to these questions remains to be seen.
September Manufacturing Employment Range: -15,000 to 2,000 jobs Median: -9,000 jobs	Friday, 10/3	Aug = -12,000 jobs	Up by 2,000 jobs.
September Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.2 hours	Friday, 10/3	Aug = 34.2 hours	Up to 34.3 hours.
September Average Hourly Earnings Range: 0.1 to 0.4 percent Median: 0.3 percent	Friday, 10/3	Aug = +0.3%	Up by 0.2 percent, for a year-on-year increase of 3.6 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up 0.6 percent in September and up 4.8 percent year-on-year.
September Unemployment Rate Range: 4.2 to 4.4 percent Median: 4.3 percent	Friday, 10/3	Aug = 4.3%	Down to 4.2 percent. We attached little weight to the reported increase in the labor force in August which pushed the unemployment rate up to 4.3 percent. The annual August decline in labor force participation amongst 16-to-19 year-olds was smaller than is typical for the month, which would have boosted the seasonally adjusted estimate of the labor force. On top of that, there was yet another of the routine and implausible splits along gender lines, with a decline in female participation more than offset by a spike in male participation. We look for the September data to show payback on both of these fronts, which we think will push the jobless rate back down but if we're wrong on one or both of these points, our forecast will be too low. What we think is of far more relevance is the extent to which the outflow of foreign born labor has weighed on growth in the overall labor force which, in turn, is acting as a weight on the unemployment rate. One implication is that the "break even" rate of job growth, i.e., the pace of monthly job growth required to hold the unemployment rate steady, could be as low as 50,000 jobs per month, if not slightly lower.

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