

ECONOMIC PREVIEW



REGIONS

Week of October 13, 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 3.875 percent

Median Target Range Mid-point: 3.875 percent

Range:

4.00% to 4.25%

Midpoint:

4.125%

In what would otherwise be a crowded slate of releases in a holiday-shortened week, the ongoing shutdown of the federal government means another uneventful week of actual data releases. We will get the NFIB's latest read on small business sentiment (Tuesday), the Mortgage Bankers Association's weekly read on mortgage activity (Wednesday), and the September read on homebuilder sentiment from the National Association of Homebuilders (Thursday). The week will also see the release of the Fed's latest *Beige Book* (Wednesday), offering the usual high-level summary of economic activity across the various Fed districts. Additionally, as they are compiled by the individual states, the weekly data on initial claims for unemployment can still be accessed even though the Department of Labor is not publishing their usual weekly report. In the past two weeks, the not seasonally adjusted data on initial claims have behaved as they normally do in the last week of September and the first week of October (we only look at the claims data on a not seasonally adjusted basis), which tells us that the "low fire" component of the "low hire-low fire" labor market is still intact. Still, the set of releases that will be available this week leaves a big hole to fill, and it will likely remain the case that however one assessed the state of the economy as the government shut down – assessments were all over the map – is how they will continue to assess the state of the economy for the duration of the shutdown.

As a side point, the data we rely on to make our forecasts of most of the data points on this week's schedule were not yet impacted by the shutdown. In other words, the inputs we rely on to make our forecasts of the CPI, the PPI, retail sales, and housing permits and starts were all at our disposal to forecast the September data. But, lacking the details on aggregate hours worked across the individual industry groups we pull from the monthly employment reports, we don't have a firm basis on which to make a forecast for September industrial production/capacity utilization. Nor do we have the usual inputs for our forecasts of business inventories and sales. We'll backfill these forecasts once the data have been published. Those releases highlighted in red are those delayed by the shutdown. Also, the September report on the Consumer Price Index, originally scheduled for release on Wednesday, will now be released on Friday, October 24 even if the shutdown is still in effect at that point. The CPI data for the third quarter of any given year are used to determine the annual cost of living adjustments to Social Security benefits, which are required by law to be published by November 1 of each year. As such, the BLS will recall workers involved in producing the monthly CPI reports from furlough to produce the September report but is making it clear that this is a one-off exception and that no other releases will be produced or rescheduled for the duration of the shutdown.

September Retail Sales: Total

Range: 0.0 to 0.6 percent

Median: 0.4 percent

Thursday, 10/16

Aug = +0.6%

Unchanged. Let's face it, September just isn't a happening month, at least when it comes to retail sales. This largely reflects what ends up being a lull in spending between August, dominated by back-to-school shopping, and October, which has become a highly (online) promotional month and which over recent years has come to, at least unofficially, mark the start of the holiday shopping season. To our point, in the life of the current series on retail sales, which dates back to 1992, there has not been a single instance of not seasonally adjusted control retail sales increasing in the month of September, not even in 2020 when nothing made sense. Thought of in those terms, our forecast of September retail sales isn't as dour as it may seem. On a not seasonally adjusted basis, the 5.1 percent decline we anticipate in total retail sales is a bit less harsh than the typical September decline, while the decline in unadjusted control group sales of just under five percent is in line with typical September declines. That said, we expect the seasonal adjustment factors applied to the raw data will be a bit less generous than those used by Census to adjust last September's raw data, which also enters into our forecasts of the seasonally adjusted data. Keep in mind, however, that this August's seasonal adjustment was friendlier than was the case last August, which flattered this August's read on seasonally adjusted sales and, whether or not it actually works out this way in life in general, seasonal adjustment evens out in the end, making it the ultimate zero-sum game. Still, even if our forecast is a bit too harsh, a below-consensus print on September retail sales will seem to fit right in with the narrative of a crumbling labor market taking a toll on U.S. consumers

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September Retail Sales: Total Range: 0.0 to 0.6 percent Median: 0.4 percent	Thursday, 10/16	Aug = +0.6%	CONTINUED FROM PAGE ONE: being advanced in many quarters, with few stopping to go into the details of the raw data or the role played by seasonal adjustment. Motor vehicle sales should be at least a modest support for top-line retail sales given an increase in unit sales of new motor vehicles and firmer pricing for both new and used vehicles. Gasoline sales will be boosted by higher prices, at odds with typical seasonal patterns. Sales by nonstore retailers, a category dominated by online sales, could go a long way toward determining whether, or to what extent, our forecast of control group sales is off the mark, as we anticipate a sharp decline after four months of sizable advances. We are more sure of our forecast on a not seasonally adjusted basis, as sales in this category typically decline sharply in September, but this is one instance in which seasonal adjustment may be more favorable than we anticipate. As with online sales/sales by nonstore retailers, overall retail sales were notably robust over the four months ending with August, and the Q3 data will show, even if we don't know when, faster growth in real consumer spending than was the case in Q2 even with a somewhat soft September. While we continue to expect some payback in the Q4 data, we'd push back on the narrative that consumers are sagging under the weight of a weak labor market. Many lower-to-middle income households are feeling financial stress, as we've been noting, but in the aggregate household financial conditions remain quite healthy. Moreover, even despite the pronounced slowdown in job growth, aggregate private sector wage and salary earnings continue to grow at a rate easily ahead of inflation, which we think supports our argument that slowing job growth is more of a labor supply story than a labor demand story.
September Retail Sales: Ex-Auto Range: -0.1 to 0.6 percent Median: 0.3 percent	Thursday, 10/16	Aug = +0.7%	<u>Down</u> by 0.1 percent.
September Retail Sales: Control Group Range: -0.3 to 0.4 percent Median: 0.3 percent	Thursday, 10/16	Aug = +0.7%	<u>Down</u> by 0.3 percent.
September Producer Price Index Range: 0.1 to 0.4 percent Median: 0.3 percent	Thursday, 10/16	Aug = -0.1%	<u>Up</u> by 0.3 percent, good for a year-on-year increase of 2.7 percent.
September Producer Price Index: Core Range: 0.1 to 0.3 percent Median: 0.2 percent	Thursday, 10/16	Aug = -0.1%	<u>Up</u> by 0.2 percent, which would yield a year-on-year increase of 2.6 percent.
August Business Inventories Range: 0.0 to 0.3 percent Median: 0.1 percent	Thursday, 10/16	Jul = +0.2%	<u>N/A</u>
September Building Permits Range: 1.310 to 1.370 million units Median: 1.347 million units SAAR	Friday, 10/17	Aug = 1.330 million units SAAR	<u>Down</u> to an annual rate of 1.311 million units. On a not seasonally adjusted basis, we look for total permit issuance of 108,300 units, down 4.9 percent from August with declines in both single family and multi-family permits. Recall that both single family permits and single family starts fell sharply in August, as builders pulled hard on the reins as part of their efforts to pare down uncomfortably high inventories of spec homes for sale. With builders having made some progress on that front, it could be that single family permits edged higher in September, rather than edging lower as our forecast anticipates, but we don't look for a big change either way. Also, note that September is a notably weak month for residential construction activity, in that not seasonally adjusted single family permits and starts tend to decline, often sharply, during the month. To that point, over the past twenty-five years, the only instance of not seasonally adjusted single family permits rising in September is 2020. That said,

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September Building Permits Range: 1.310 to 1.370 million units Median: 1.347 million units SAAR	Friday, 10/17	Aug = 1.330 million units SAAR	CONTINUED FROM PAGE TWO: the decline in unadjusted permits our forecast anticipates is well smaller than the typical September decline, raising the prospect that seasonal adjustment may unduly flatter the headline permits number. It is, however, the trend in the not seasonally adjusted data that tells the real story, and while unadjusted single family permits may not fall much further, neither are they likely to rise all that much until builders feel better about inventories and mortgage rates decline more substantively.
September Housing Starts Range: 1.280 to 1.350 million units Median: 1.320 million units SAAR	Friday, 10/17	Aug = 1.307 million units SAAR	Up to an annual rate of 1.326 million units. On a not seasonally adjusted basis, we look for total starts of 113,800 units, up modestly – by 0.4 percent – from August led by an atypical September increase in unadjusted single family starts. As noted above, unadjusted single family starts fell sharply in August, with this rather abrupt pullback in starts at odds with the more gradual and sustained decline we had anticipated. Either way, with at least modest relief on the mortgage interest rate front and having made some progress in paring down spec inventories, builders may have been a bit more willing to increase starts in September. We'll again note that the risk that seasonal adjustment unduly flatters the headline starts number if the not seasonally adjusted data do not exhibit the usual September declines. Our forecast anticipates unadjusted single family starts running ahead of unadjusted single family permits for a fifth straight month. That gap is in large part reconciled by noting that the backlog of single family units permitted but not yet started was pared down meaningfully over the prior four months, and our forecast implies further reduction in September. Even if our forecast of a mild increase in unadjusted single family starts is on the mark, the reality is that affordability constraints and spec inventories, obviously not unrelated, remain the dominant stories in the housing market, capping whatever upside there may be for single family starts in the near term.
September Industrial Production Range: -0.1 to 0.6 percent Median: 0.0 percent	Friday, 10/17	Aug = +0.1%	<u>N/A</u> While the monthly reports on industrial production and capacity utilization are not impacted by the shutdown, as they are produced by the Federal Reserve, we are not offering a forecast of the September data. As noted above, lacking the data on aggregate hours worked by industry group, we are unable to produce what we would consider a reasonable and plausible forecast, and see little point in putting down a number here just for the sake of putting down a number.
September Capacity Utilization Rate Range: 77.2 to 77.5 percent Median: 77.3 percent	Friday, 10/17	Aug = 77.4%	<u>N/A</u>

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