ECONOMIC PREVIEW

REGIONS

Week of December 1, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 9-10 FOMC meeting):* Target Range Mid-point: 3.625 to 3.875 percent Median Target Range Mid-point: 3.625 percent	Range: 3.75% to 4.00% Midpoint: 3.875%	As has been the case since the end of the shutdown, this week's slate of data mostly reflects catching up on releases delayed by the shutdown and filling in the remaining blanks in the Q3 growth profile with little in the way of timely information on how the economy is faring during in Q4. Moreover, the two exceptions to that general rule, the ISM's November surveys of the manufacturing and services sectors, may not provide much guidance as they are likely to tell a familiar tale – a moderately expanding services sector and a stagnant factory sector with each of the broad sectors continuing to face broadly based upward pressure on input prices. At the same time, the two main observations on the labor market we'll get this week – the ADP's November read on private sector payrolls and the weekly data on jobless claims – are likely to do little to dispel the notion of a "low hire-low fire" labor market (the release of the November employment report, originally set for this Friday, is delayed until December 16). In short, there is little in the way of data this week that is likely to bridge the gap between those FOMC members more worried about downside risks to the labor market and those more worried about lingering upside risks to inflation. We won't, however, hear that debate played out in public this week as the Committee is in their self-imposed communications blackout period ahead of next week's meeting. Still, by the end of last week, there had been a sharp shift in market pricing of a twenty-five basis point cut in the Fed funds rate at next week's meeting, with a probability of over eighty percent priced in at this writing. With New York Fed President Williams, Fed Governor Waller, and – presumably – Chair Powell forming a rather formidable alignment in favor of a cut, that now seems the likely outcome albeit one that is likely to come with more than the two dissents logged at the October meeting. Even so, we continue to see this as more a matter of how fast the Committee will move to a neutral policy stance rather than how far beyond neutral they will go. Put differently, while downside risks to the labor market suggest policy move from being mildly restrictive, as it now is, to neutral, lingering inflation pressures and what on the whole remain accommodative financial conditions argue against going further.
November ISM Manufacturing Index Monday, 12/1 Range: 47.0 to 50.0 percent Median: 49.0 percent	Oct = 48.7%	<u>Up</u> to 49.6 percent. Our forecast anticipates improvement in ISM's gauges of orders, production, and employment, which would push the headline index higher. Still, even if our above-consensus forecast is on or near the mark, it would leave the headline index stuck in the very narrow range it has bounced around in over the past several quarters. Indeed, in the life of the data the headline index has never been in a range this narrow for this long, and while we can point to factors that could free the index to the upside in 2026, a lot will have to fall in place for that to happen.
September Industrial Production Wednesday, 12/3 Range: -0.4 to 0.5 percent Median: 0.1 percent	Aug = -0.1%	<u>Down</u> by 0.3 percent. The details on aggregate hours worked in the September employment report were weak across the board, with declines in the manufacturing, mining, and utilities sectors. We look for that to translate into a decline in overall industrial production. Note that the September release will incorporate the results of the Federal Reserve's annual revisions to the data on industrial production and capacity utilization, revisions which this year were most unkind to previous estimates of output and utilization over recent years. We've frequently pointed out that the measure of manufacturing output in the IP data has remained trapped in a very narrow range over the past several quarters, a pattern which, for better or worse, survived the revisions to the IP data. This is the same pattern we've noted in the ISM Manufacturing Index, making this one instance in which patterns in the "soft" (i.e., survey based) and "hard" data series align. Clearly, there have been shifts amongst the individual industry groups within the broad factory sector, but the ISM data and the IP data show a prolonged period of stagnation in the factory sector.
September Capacity Utilization Rate Wednesday, 12/3 Range: 75.4 to 77.6 percent Median: 77.3 percent	Aug = 75.8%	<u>Down</u> to 75.4 percent.
Nov. ISM Non-Manufacturing Index Wednesday, 12/3 Range: 50.8 to 53.2 percent Median: 52.0 percent	Oct = 52.4%	<u>Up</u> to 52.7 percent. The two most important components to watch will be the new orders index and, though it does not enter into the calculation of the headline index, the prices paid index. These components will offer hints about growth and inflation.

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September Personal Income Range: 0.0 to 0.4 percent Median: 0.3 percent	Friday, 12/5	Aug = +0.4%	<u>Up</u> by 0.4 percent.
September Personal Spending Range: 0.1 to 0.5 percent Median: 0.3 percent	Friday, 12/5	Aug = +0.6%	<u>Up</u> by 0.4 percent.
September PCE Deflator Range: 0.2 to 0.3 percent Median: 0.3 percent	Friday, 12/5	Aug = +0.3%	<u>Up</u> by 0.3 percent, which would yield a year-on-year increase of 2.8 percent. We look for the <u>core PCE Deflator</u> to be <u>up</u> by 0.2 percent, which would translate into a year-on-year increase of 2.9 percent. We think the monthly increase in the core PCE Deflator is pretty much a toss-up between 0.2 and 0.3 percent – our unrounded forecast is 0.243 percent – but if we're correct the year-on-year change will print at 2.9 percent either way, the more important matter being that this leaves core PCE inflation well above the elusive 2.0 percent print.

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