ECONOMIC PREVIEW

REGIONS

Week of December 8, 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 3.625 percent Median Target Range Mid-point: 3.625 percent	Range: 3.75% to 4.00% Midpoint: 3.875%	The FOMC is widely expected to deliver another twenty-five basis point cut in the Fed funds rate at this week's meeting but that won't mean there are not still sharp divisions within the Committee on the appropriate path of policy. To that point, it won't surprise us to see more dissents on this week's vote than the two logged at the October meeting. It seems all but a given that Governor Miran will once again dissent in favor of a larger cut in the funds rate, so the question becomes how many of those voting members more focused on the upside risks to inflation than on the downside risks to the labor market will dissent in favor of holding the funds rate steady. This week's meeting also brings an updated Summary of Economic Projections (SEP), including an updated "dot plot." We look for modest upward revisions to the median forecast for real GDP growth and modest downward revisions to the median forecast of inflation relative to the September SEP, but the focus will be more on the updated dot plot, specifically, whether an additional twenty-five basis point funds rate cut is pulled into 2026, thus implying two such cuts over the course of 2026 rather than the single cut implied in the September edition. Recall that it would have only taken one more member leaning that way to have shifted the median year-end 2026 dot in the September SEP. While many may not attach a great deal of significance to it, we'll also be interested to see if the median estimate of the "neutral" funds rate shifts higher as would be consistent with the acceleration in productivity growth over recent quarters that we think to be in its very early stages. While many are speculating that Chair Powell may, as he did in October, strike a hawkish stance in his post-meeting press conference as a nod to those members more focused on inflation, we're not sure how effective that would be. Recall that in his press conference following the October FOMC meeting Chair Powell stressed that a rate cut at the December FOMC meeting was "far from" a foregone conclusion, and while that came as quite a jolt to market participants, the path of policy will, barring a major surprise on Wednesday, be the same as had been anticipated prior to Chair Powell taking that tone. As such, market participants could simply brush aside an attempt to sell another "risk management" rate cut while downplaying the likelihood of further cuts. Moreover, next week will see a rush of data releases for the months of October and November, and the tenor of that data will have far more of an impact on market participants' expectations for the path of the funds rate than anything Chair Powell will have to say at this week's press conference, particularly if we are correct in thinking the November employment report, to be released December 16, could show nonfarm payrolls declining in both October and November. Given the rush of data releases in the week following the FOMC meeting, it seems more likely that Chair Powell's messaging will shift back to full-on data dependence mode. The economic data calendar remains somewhat of a jumbled mess, with release schedules from the various data producing agencies still works in progress. In addition to the Q3 Employment Cost Index and the September trade data, this week will also bring the release of the JOLTS data for both September and October (Tuesday). We cannot, however, rule out the possibility that other reports not currently on the schedule will be released this week. Either way, next week is shaping up as a more pivotal week, with October retail sales, the November CPI, and the preliminary December S&P Global PMIs currently on the schedule and additional delayed releases likely to be added.
Q3 Employment Cost Index Wednesday, 12/10 Range: 0.9 to 1.0 percent Median: 0.9 percent	Q2 = +0.9%	Up by 1.0 percent, with wage costs up by 1.0 percent and benefit costs up by 0.8 percent. On a year-on-year basis, our forecast would leave the total ECI up by 3.7 percent with the wages component up by 3.8 percent and the benefits component up by 3.6 percent.
September Trade Balance Thursday, 12/11 Range: -\$70.5 to -\$57.6 billion Median: -\$63.3 billion	Aug = -\$59.6 billion	Narrowing to -\$58.1 billion.

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