ECONOMIC PREVIEW

REGIONS

Week of August 25, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 16-17 FOMC meeting):* Target Range Mid-point: 4.375 to 4.375 percent Median Target Range Mid-point: 4.375 percent	Range: 4.25% to 4.50% Midpoint: 4.375%	Though bringing considerable cheer to the financial markets, Fed Chair Powell's remarks at last week's Jackson Hole conference didn't change our thinking on the likely trajectory of the Fed funds rate, as we have for some time had twenty-five basis point cuts in September and December built into our baseline forecast. Though at the time it seemed to have gone largely unnoticed, Chair Powell noted in July that policy was still somewhat restrictive. He reiterated that point last week and noted that rising downside risks to the labor market "may warrant adjusting our policy stance." But, with many members still more focused on the upside risks to inflation than on the downside risks to the labor market, it would figure that an adjustment in the FOMC's policy stance would be along the lines of stopping at neutral while watching for signs of more meaningful, and sustained, tariff pass-through into the inflation data.
July New Home Sales Monday, 8/25 Range: 615,000 to 662,000 units Median: 630,000 units SAAR	Jun = 627,000 units SAAR	Up to an annual rate of 648,000 units. On a not seasonally adjusted basis, we look for sales of 55,000 units, up modestly from June sales of 54,000 units. The main challenge facing many builders is paring down elevated spec inventories of new homes for sale, and July saw incentives used more aggressively to this end. That spec inventories are so bloated is reflected by completed units continuing to account for over one-half of all new home sales, and we expect July to have been the twelfth straight month in which that was the case.
July Durable Goods Orders Tuesday, 8/26 Range: -7.0 to 2.0 percent Median: -3.9 percent	Jun = -9.4%	Down by 3.4 percent. Civilian aircraft orders will be a heavy weight on top-line orders. After having logged 300 net orders in May and 113 net orders in June, Boeing booked just 30 net orders in July, while Airbus saw orders slip from 203 in June to just 7 in July. The details of the July data, however, should be significantly stronger than implied by the top-line orders print. Still, even if our forecast of core capital goods orders, which to us is the single most important line-item in the durable goods data, is on or near the mark, it could be equal parts noise and signal. As we've frequently noted, orders for core capital goods, an early indicator of business investment in equipment and machinery as reported in the GDP data, have bounced within a fairly narrow range over the past two-plus years. To that point, our forecast would leave the dollar volume of core capital goods orders just 0.5 percent higher than the dollar volume in January 2023. Of late, strength in orders for information processing equipment fueled by the surge in AI spending has been more or less negated by weakness in other categories, most notably machinery and equipment tied to energy exploration/production. We do see some potential for more favorable tax treatment of capital expenditures to generate more broadly based growth in capital spending. Core capital goods orders breaking out – to the upside, that is – of the range they've been stuck in for more than two years would be one sign of that happening.
July Durable Goods Orders: Ex-Trnsp. Tuesday, 8/26 Range: -0.7 to 0.7 percent Median: 0.2 percent	Jun = +0.2%	We look for ex-transportation orders to be up by 0.7 percent and look for core capital goods orders (nondefense capital goods excluding aircraft and parts) to be up by 0.6 percent.
August Consumer Confidence Tuesday, 8/26 Range: 94.0 to 100.0 percent Median: 96.5 percent	Jul = 97.2	Down to 96.5 but, as always, our main interest will be in consumers' assessments of labor market conditions. While consumers, on net, maintain a favorable assessment of the labor market, the degree to which that is the case has dropped off significantly as the pace of job growth has slowed and much of the labor market data has become somewhat erratic. Still, we often note that how one feels about their own job and income prospects is a key factor in spending decisions and, even if less upbeat, there is nothing in consumers' assessments of labor market conditions that suggests consumer spending is about to crumble.
Q2 Real GDP: 2nd estimate Thursday, 8/28 Range: 3.0 to 3.4 percent Median: 3.1 percent SAAR	Q1 1st est. = +3.0% SAAR	Up at an annual rate of 3.1 percent. We look for the second estimate to show slightly faster growth in consumer spending, reflecting upward revisions to prior estimates of control retail sales, and a slightly smaller drawdown in business inventories than incorporated into the BEA's initial estimate. This release will include the initial estimate of Q2 corporate profits, and one topic of interest will be whether, or to what extent, the data show narrowing profit margins given that corporations have thus far absorbed the bulk of higher tariffs. We will, however, note that the BEA's first look at Q2 corporate profits will not include industry-level cuts, which won't come until the third look at Q2 real GDP. Those industry level cuts will shed more light on how higher tariffs are impacting margins.

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Q2 GDP Price Index: 2nd estimate Thursday, 8/28 Range: 2.0 to 2.1 percent Median: 2.0 percent SAAR	Q1 1st est. = +2.0% SAAR	Up at an annual rate of 2.1 percent.
July Advance Trade Balance: Goods Friday, 8/29 Range: -$102.0 to -$73.6 billion Median: -$89.5 billion	Jun = -$84.9 billion	Widening to -$95.6 billion. Data from the West Coast ports suggest a jump in imports of goods in July, but the Census data do not always align with the port data. Even if the monthly data don't evolve as we anticipate, net exports are likely to have a much, much smaller impact on real GDP growth in Q3 than was the case in either of the first two quarters of 2025.
July Personal Income Friday, 8/29 Range: 0.2 to 0.6 percent Median: 0.4 percent	Jun = +0.3%	Up by 0.6 percent. Despite fairly tepid job growth in July, an increase in aggregate hours worked stemming from an increase in average weekly hours sets the stage for a healthy increase in private sector wage and salary earnings, easily the largest single component of personal income. Though not to the same extent as in June, our forecast anticipates another sizable gain in transfer payments, but one caveat here is that the upward drift in continuing claims for unemployment insurance benefits has played a role in the strength of transfer payments of late. Growth in after-tax personal income excluding transfer payments has been somewhat wobbly of late, but our forecast anticipates a better July print, and we'll also note that even with a slowing and uneven pace of job growth, private sector labor earnings continue to easily outpace inflation.
July Personal Spending Friday, 8/29 Range: 0.3 to 0.6 percent Median: 0.5 percent	Jun = +0.3%	Up by 0.6 percent. Unit sales of new motor vehicles jumped by 7.1 percent in July, which should support a healthy increase in spending on consumer durable goods, though we do not think the pace of vehicle sales seen in July can be sustained. Of more note, discretionary services spending strengthened in July after having been notably soft over the prior several months. One caveat here is that if the meaningful upward revision to the initial estimate of June control retail sales carries over into the BEA's data, the July increase in spending could be smaller than we anticipate. At the same time, however, that would set a higher base for Q3 growth in real consumer spending, and if the firmer discretionary services spending seen in July has any legs that would be even more impactful for Q3 spending growth.
July PCE Deflator Friday, 8/29 Range: 0.2 to 0.3 percent Median: 0.2 percent	Jun = +0.3%	Up by 0.2 percent, which would translate into a year-on-year increase of 2.6 percent. We look for the core PCE Deflator to be up by 0.3 percent, yielding a year-on-year increase of 2.9 percent. This would be the largest monthly increase in the core PCE Deflator since February and, as we saw in the July Consumer Price Index data, the main culprit would be services prices, not goods prices. To be sure, some of July's increase in core services prices will reflect imputed prices, such as for financial services, and in that sense is less concerning. But, as we've noted in our discussions of the CPI data, after having been headline friendly over the past few months, seasonal adjustment around discretionary services prices will turn somewhat hostile to headline inflation prints going forward – in the case of air fares, that transition began in the July data. As such, if there is greater tariff pass-through in core goods prices over coming months, as we and most others anticipate, the path of the core PCE Deflator would figure to limit the scope for Fed funds rate cuts.

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