

# ECONOMIC PREVIEW



REGIONS

Week of September 8, 2025

## Indicator/Action

### Economics Survey:

## Last

### Actual:

### Regions' View:

<b>Fed Funds Rate: Target Range Midpoint</b> <i>(After the September 16-17 FOMC meeting):</i> 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%	This week could be a, for lack of a better term, perfect illustration of the dilemma facing the FOMC as they gather next week. The August CPI report will be a not-so-subtle reminder that inflation remains well ahead of the FOMC's 2.0 percent target and that the gap may widen further in the months ahead. And, as if to add insult to injury in the wake of a surprisingly weak August employment report, Tuesday brings the initial estimate of the BLS's annual benchmark revision to the recent historical data on nonfarm payrolls which, if we're correct, won't make anyone feel any better about labor market conditions. Recall that the annual benchmark revisions are intended to better align the monthly establishment survey to the universe of firms filing payroll tax returns (which covers roughly ninety-five percent of all jobs in the U.S.). We've argued that the BLS has been overestimating monthly job growth, and the benchmark revisions will shed some light on whether, or to what extent, that has been the case. We look for the preliminary estimate to show the level of nonfarm payrolls as of March 2025 will be reduced by between 400,000 and 500,000 jobs, though any estimate, ours included, comes with a considerable degree of play in it given that the Q1 data from the Quarterly Census of Employment and Wages (QCWQ) are not yet available. For some context, last year we looked for a downward revision of between 600,000 and 650,000 jobs, the BLS's preliminary estimate pegged that downward revision at 818,000 jobs, and the final downward revision was 598,000 jobs (all numbers here are not seasonally adjusted). The better way to think of this is that the final downward revision was equivalent to 0.4 percent of total nonfarm payrolls, considerably larger than the typical revision – in either direction. So, even if we are correct in arguing that the August employment report somewhat overstated the degree to which the labor market has softened, the benchmark revisions are likely to amplify concerns over the state of the labor market. Either way, while the trend rate of job growth has slowed and is likely slower than implied by the pre-revision data, it helps to recall that the slowing trend rate of job growth reflects both demand side and supply side factors at play in the labor market.
<b>August Producer Price Index</b> Range: 0.2 to 0.6 percent Median: 0.3 percent	Wednesday, 9/10 Jul = +0.9%	Up by 0.3 percent, for a year-on-year increase of 3.3 percent.
<b>August Producer Price Index: Core</b> Range: 0.2 to 0.6 percent Median: 0.3 percent	Wednesday, 9/10 Jul = +0.9%	Up by 0.4 percent, which would yield a year-on-year increase of 3.6 percent.
<b>August Consumer Price Index</b> Range: 0.1 to 0.5 percent Median: 0.3 percent	Thursday, 9/11 Jul = +0.2%	Up by 0.4 percent, which would translate into a year-on-year increase of 3.0 percent. Led by an increase in gasoline prices, the overall energy index will add to the monthly increase in the total CPI. While the July CPI data showed a decline in prices for food consumed at home, the July PPI showed a jump in food prices which we expect to translate into the August CPI data, and our forecast anticipates the largest monthly increase in the overall index of food prices since March.  As has been the case over the past few months, we expect the August data to show somewhat isolated instances of tariff pass-through, thus tempering the increase in core goods prices. One thing we saw in the July data is that prices in categories in which there had been hefty increases over prior months, such as appliances, gave back some of those gains, which could reflect sellers responding to weaker demand. To that point, the August read on furniture prices will be interesting to watch for signs of any such givebacks. We continue to think that we're a month away from the CPI data showing meaningful increases in vehicle prices, particularly new vehicle prices, and look for another fairly tame print in the August data. More broadly, we continue to expect goods price inflation to accelerate over coming months as tariff pass-through effects become more pronounced.  We think the bigger driver of the increase in the core CPI will be services prices. As we noted through the summer months, the combination of softening demand and favorable seasonal adjustment contributed to meaningful declines in prices for discretionary services which, in turn, acted as a drag on the core CPI despite firming  CONTINUED ON PAGE TWO:

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<b>August Consumer Price Index</b> Range: 0.1 to 0.5 percent Median: 0.3 percent	Thursday, 9/11	Jul = +0.2%	<b>CONTINUED FROM PAGE ONE:</b>  core goods prices. We cautioned, however, that those effects would begin to reverse once we got past the July data, and that was before demand for travel services perked up in July. Going forward, seasonal adjustment will be far less friendly, though that will be more apparent in the September data than in the August data. The bottom line, however, is that services price disinflation will provide less of an offset to faster goods price inflation going forward.
<b>August Consumer Price Index: Core</b> Range: 0.2 to 0.4 percent Median: 0.3 percent	Thursday, 9/11	Jul = +0.3%	<u>Up</u> by 0.4 percent, pushing the year-on-year increase up to 3.1 percent. Though our forecast of the month/month increase is above the consensus forecast, our forecast of the year/year change matches the consensus forecast. This suggests most forecasts of the monthly change are on the border of 0.3 and 0.4 percent. To that point, on an unrounded basis our forecast prints at 0.364 percent, and if services prices run a bit cooler than we expect, our forecast will be too high. Our sense, however, is that if the monthly change does come down to a matter of rounding, it will be the year-on-year increase that gets more attention. Additionally, for those who look to the annualized three-month change as a more telling indicator of inflation pressures than is the year-on-year change, our forecast would push the annualized three-month change in the core CPI up to 3.7 percent, the largest such increase since January.

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