

ECONOMIC PREVIEW



REGIONS

Week of December 15, 2025

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint

(After the January 27-28 FOMC meeting):

Target Range Mid-point: 3.375 to 3.625 percent

Median Target Range Mid-point: 3.625 percent

Range:

3.50% to 3.75%

Midpoint:

3.625%

The problem with not having data is that you don't have data; the problem with having data is, well, that you do have data. Wait, what? Delayed reads on retail sales, the labor market, and the CPI are unlikely to bridge the growing divide within the FOMC, or amongst private sector analysts for that matter, on the state of the U.S. economy and whether the main risk is higher inflation or lower employment. We'll also caution that many of this week's headline numbers are likely to reflect a high volume of noise in the data. As such, it may seem that even with the data backlog rapidly clearing out, we know little more about the state of the U.S. economy than we did when the data were not flowing at all. We wouldn't go that far, but we will toss out our usual caveat about the importance of looking into the details of this week's data releases, which is a common theme in our comments below.

October Retail Sales: Total

Range: -0.7 to 0.4 percent

Median: 0.1 percent

Tuesday, 12/16

Sep = +0.2%

Down by 0.2 percent, with motor vehicles and gasoline acting as meaningful drags on top-line sales. After having been propped up by EV sales in August and September as buyers took advantage of the expiring EV tax credit, unit sales of new vehicles fell sharply in October, which will weigh on total retail sales (as a side note, unit sales of new vehicles rose in November). At the same time, sharply lower retail gasoline prices in October mean gasoline station sales will also weigh on top-line retail sales. The true test of October sales will be control group sales, a direct input into the GDP data on consumer spending on goods, and our above-consensus forecast anticipates a healthy gain thanks in part to online promotions, with these October events having become the unofficial start of the unofficial holiday sales season. That said, if our forecast of sales by nonstore retailers proves to be too high, so too will our forecast of control group sales. Seasonal adjustment should, on net, be slightly less favorable this October than was the case last October but, as always, we'll assess October sales based on the not seasonally adjusted data. Our forecast has not seasonally adjusted total retail sales up by over five percent in October and not seasonally adjusted control group sales up by around seven percent in October, the former in line with a "typical" October increase and the latter a bit stronger. Before dismissing seasonal adjustment as not mattering, recall that control group sales are reported to have fallen by 0.1 percent in September on a seasonally adjusted basis (we had forecast a 0.3 percent decline). Those going no further than the headline print would have missed that the decline in not seasonally adjusted control group sales in September was smaller than is typical for the month which, had last year's September seasonal factor been applied, would have put control group sales up by over one percent in September. While labor market conditions have clearly softened, it is also the case that growth in total wage and salary earnings continues to easily outpace inflation, which we think has been a key support for consumer spending.

October Retail Sales: Ex-Auto

Range: -0.1 to 0.5 percent

Median: 0.2 percent

Tuesday, 12/16

Sep = +0.3%

Up by 0.3 percent.

October Retail Sales: Control Group

Range: 0.0 to 0.6 percent

Median: 0.5 percent

Tuesday, 12/16

Sep = -0.1%

Up by 0.5 percent.

September Business Inventories

Range: -0.1 to 0.2 percent

Median: 0.1 percent

Tuesday, 12/16

Aug = 0.0%

We look for total business inventories to be up by 0.1 percent and for total business sales to be down by 0.1 percent.

November Nonfarm Employment

Range: -20,000 to 127,000 jobs

Median: 50,000 jobs

Tuesday, 12/16

Oct = N/A

Up by 113,000 jobs, with private sector payrolls up by 101,000 jobs and public sector payrolls up by 12,000 jobs. Note that the November employment report will bring the first look at nonfarm payrolls, hours, and earnings for October. We look for total nonfarm employment to have fallen by 94,000 jobs in October, with private sector payrolls up by 38,000 jobs and public sector payrolls down by 132,000 jobs.

While the November employment report will help fill what has been a sizable void in the economic data, it may not tell us all that much about the state of the labor market. The decline in nonfarm payrolls we expect to see in the October data reflects federal government workers who earlier this year accepted buyouts under the DOGE

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November Nonfarm Employment Range: -20,000 to 127,000 jobs Median: 50,000 jobs	Tuesday, 12/16	Oct = N/A	CONTINUED FROM PAGE ONE: federal government workers who earlier this year accepted buyouts under the DOGE program but remained “on the books” through the end of the fiscal year on September 30 and, as such, continued to be counted as employed in the establishment survey. With those workers having dropped off the books on October 1, the October establishment survey data will show a substantial decline in federal government employment. Though it has been hard to pin down a precise number, we think the reported decline in federal government payrolls will be between 140,000 and 150,000 jobs, and the modest gain we expect in state/local government payrolls will do little to cushion the impact on public sector payrolls. While the October change in private sector payrolls will be a better gauge of the state of the labor market, we have little to go on in making a forecast. There is little in the weekly data on initial claims for unemployment insurance to suggest a wave of layoffs holding down the net job growth number, but many indicators point to timid hiring holding down net job growth. It is interesting to note, however, that the JOLTS data show a marked pick-up in net private sector hires (i.e., total hires minus total separations) in September and October after a pronounced slump over the summer months. While we attach little, if any, significance in any given metric in the JOLTS data in any given month, we have more confidence in the trends in the data, and while two months isn’t enough to establish a trend, this two-month move in net private sector hires in the JOLTS data suggests that private sector hiring in October may not have been as weak as we anticipate. As for the November read on nonfarm payrolls, the federal government shutdown should have no impact in the establishment survey. We do, however, see the potential for significant seasonal adjustment noise to distort the headline print. Keep in mind that November is the peak month for seasonal hiring in retail trade and transportation, warehousing, and distribution services, with the not seasonally adjusted data showing hundreds of thousands of workers hired between these two industry groups in any given November. As we noted in our annual holiday sales outlook, we expect this year’s holiday season hiring in these industry groups to be weak, and if we’re correct on this point a smaller than normal November increase in the unadjusted data will be treated quite harshly by seasonal adjustment. This could easily result in the seasonally adjusted data showing declines in payrolls in these two industry groups. At the same time, however, weaker hiring over prior months could lead to smaller than normal November declines in unadjusted payrolls in construction and leisure and hospitality services, which would flatter the seasonally adjusted counts. As a side note, the delayed release of the October and November establishment survey data means firms will have had longer to submit survey responses, and higher collection rates would mean more accurate estimates of changes in nonfarm payrolls. We saw this with the September data as the initial collection rate for the September establishment survey was, at 80.2 percent, the highest rate since the onset of the pandemic. We have for more than two years now been pointing to low collection rates diminishing the reliability of the initial estimates of nonfarm employment, hours, and earnings in any given month. While that should be less of an issue with the estimates for October and November, there will likely be considerable noise in the data from other sources meaning that, as always, the real story in the November employment report will be told by the details of the data, not the headline print.
November Manufacturing Employment Range: -15,000 to 2,000 jobs Median: -5,000 jobs	Tuesday, 12/16	Oct = N/A	<u>Up</u> by 2,000 jobs.
November Average Weekly Hours Range: 34.1 to 34.3 hours Median: 34.2 hours	Tuesday, 12/16	Oct = N/A	We look for average weekly hours to print at 34.3 hours, particularly if weaker than typical seasonal hiring in retail trade and transportation/warehousing/distribution services leads firms to add hours for their regular workers.

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November Average Hourly Earnings Tuesday, 12/16 Range: 0.2 to 0.3 percent Median: 0.3 percent	Oct = N/A	<p><u>Up</u> by 0.3 percent, for a year-on-year increase of 3.7 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up 0.4 percent in November and up 4.5 percent year-on-year. If, however, average weekly hours are lower than our forecast anticipates, the gain in aggregate wage and salary earnings will be smaller than our forecast anticipates.</p>
November Unemployment Rate Tuesday, 12/16 Range: 4.3 to 4.7 percent Median: 4.5 percent	Oct = N/A	<p><u>Unchanged</u> at 4.4 percent. With the household survey not being conducted due to the shutdown, there will be no unemployment rate reported for October. As for the November print, we'll reiterate our point about the November employment report perhaps not telling all that much about the state of the labor market. As for the federal government workers who earlier this year accepted buyouts, while still counted as employed in the establishment survey, that may not have been the case in the household survey. While they could have continued to identify as "employed" in the household survey, other possibilities are them having taken their buyouts and left the labor force, having found other jobs, or remaining in the labor force and looking for work. While the initial answer would have been seen had the household survey been conducted in October, it is the November data that will help answer that question.</p> <p>At the same time, however, furloughed federal government workers would, in the household survey, be counted as unemployed, which would have driven the October unemployment rate higher, but past shutdowns show many impacted workers incorrectly identified themselves as employed, resulting in little change in the jobless rate. The shutdown ending in the November household survey week opens up all kinds of potential outcomes in terms of the impact on the unemployment rate which, again, may not tell us all that much about the state of the labor market. We had that same reaction to the unemployment rate being reported to have risen to 4.4 percent in September, an increase to which we attached no economic significance as it reflected little more than seasonal adjustment noise which resulted in the number of people in the 16-to-24 year-old age cohort reported to have risen by 479,000 persons on a seasonally adjusted data, more than entirely accounting for the increase in the total labor force, while the unadjusted data showed a decline of 510,000 persons. We would have expected payback in the October data, but we'll never know. This does, however, point to the importance of digging into the details of the November data, whatever the unemployment rate prints at.</p>
November Consumer Price Index Thursday, 12/18 Range: 2.9 to 3.2 percent year-on-year Median: 3.1 percent year-on-year	Oct = N/A	<p>With the BLS not producing estimates of the October index values for the total and core CPI, there will be no monthly changes for November, but the BLS will publish year-on-year percentage changes for each. On that basis, we look for the total CPI to be up 3.1 percent.</p>
November Consumer Price Index: Core Thursday, 12/18 Range: 2.9 to 3.2 percent year-on-year Median: 3.0 percent year-on-year	Oct = N/A	<p>Up by 3.0 percent year-on-year.</p>
November Existing Home Sales Friday, 12/19 Range: 4.05 to 4.25 million units Median: 4.15 million units SAAR	Oct = 4.10 million units SAAR	<p><u>Up</u> to an annual rate of 4.21 million units. On a not seasonally adjusted basis, we look for sales of 329,000 units, and while this would reflect an 8.1 percent decline from October, this would be smaller than the typical November decline. We look for the median sales price to be up around two percent year-on-year.</p>

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