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%	When it comes to economic data, quantity is not necessarily clarity. While the various agencies are filling in the gaps in the economic data left by the government shutdown, many of the data releases we're seeing bring more questions than answers. For instance, last week's belated release of the October trade data shows the U.S. trade deficit tumbling to the lowest level seen since June 2009, but the primary driver was a precipitous decline in imports of prescription drugs from Ireland. While that tells us nothing about the state of the U.S. economy, it does figure to act as a meaningful boost to Q4 real GDP growth. Last week's release of the Q3 data on nonfarm labor productivity (including revisions for prior quarters) shows productivity growth surging over the middle two quarters of 2025, and while we have for some time been pointing to an accelerating trend rate of productivity growth, we think the most recent release is likely overstating the case. The December employment report brought a disappointing headline job growth print and an even more disappointing downward revision to prior estimates of job growth in October and November, but seasonal adjustment painted an unduly harsh picture of payrolls in retail trade and transportation/warehousing services over the final months of 2025. At the same time, the unemployment rate fell to 4.4 percent in December, but the household survey data continue to suffer from the missing October data. That same issue will continue to plague the CPI data through April 2026, so this week's release of the December data (see below and Page 2) is unlikely to provide much clarity as to whether, or to what extent, progress is being made on the disinflation front. While having data is preferable to not having data, that the data are so open to interpretation means that, regardless of how one views the U.S. economy, they can find something in the data to point to in support of their view.
December Consumer Price Index Tuesday, 1/13 Range: 0.1 to 0.4 percent Median: 0.3 percent	Nov = N/A	<u>Up</u> by 0.4 percent, which would translate into a year-on-year increase of 2.7 percent. Recall that the year-on-year changes in both the total and core CPI reported in the November data were significantly smaller than had been expected. This was largely a function of the BLS having, as laid out in their methodological handbook, used carry-forward imputation (i.e., using the last known collected prices) to fill in the holes in the October data left by the government shutdown, which biased the year-on-year changes lower. Most of the distortions stemming from that approach should be unwound in the December data, the key exceptions being the measures of owners' equivalent rents and primary rents, which will remain biased lower through the April 2026 data. Given that rents account for roughly forty-two percent of the core CPI, this means that core CPI inflation will, in turn, also be biased lower until then. We think it is likely that with the collection of November's price data having been pushed later into the month than would otherwise have been the case, measured goods prices were biased lower by holiday season discounting. Our above-consensus forecast in part reflects what we think will be payback in the December data. If we're wrong on this point, our forecasts for the monthly changes in the headline and core CPI will be too high, but that our unrounded changes are pretty much on the border between 0.3/0.4 percent mean our forecasts of the year-on-year changes would not be impacted. We also think seasonal adjustment will bias the monthly changes in both the total and core CPI higher. For instance, while gasoline prices declined on a not seasonally adjusted basis in December, a strongly supportive December seasonal factor will yield an increase in gasoline prices on a seasonally adjusted basis. We also look for seasonal adjustment to yield larger increases in air fares and lodging rates in the seasonally adjusted data than are typical for the month of December. Again, if we're wrong on this point, our forecasts for the monthly changes in the total and core CPI will be too high. While not totally free of the distortions stemming from the lack of October data, the December data should be more reliable than the November data, and with the January data we'll have more confidence in the monthly changes. Our sense, however, is that the broader story would not be much different had the October data been collected, i.e., some easing of price pressures while both headline and core inflation easily remain above the 2.0 percent mark.

ECONOMIC PREVIEW

REGIONS
Week of January 12, 2026

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
December Consumer Price Index: Core Range: 0.2 to 0.4 percent Median: 0.3 percent	Tuesday, 1/13	Nov = N/A	<u>Up</u> by 0.4 percent, which would yield a year-on-year increase of 2.8 percent.
September/October New Home Sales Range: N/A Median: N/A	Tuesday, 1/13	N/A	Census will release the September and October data on new home sales, in one report, filling in gaps left by the government shutdown. The release of the November data, however, has yet to be scheduled by Census.
November Producer Price Index Range: N/A Median: N/A	Wednesday, 1/14	N/A	BLS will release the November Producer Price Index data which was delayed by the government shutdown. BLS also reports that data for the month of October will be included with the release of the November data.
Q3 Current Account Balance Range: -$261.0 to -$249.0 billion Median: -$254.3 billion	Wednesday, 1/14	Q2 = -$251.3 billion	<u>Narrowing</u> to -$249.7 billion.
November Retail Sales: Total Range: 0.2 to 0.8 percent Median: 0.4 percent	Wednesday, 1/14	Oct = 0.0%	<u>Up</u> by 0.7 percent. Motor vehicles and gasoline should be supportive of top-line retail sales. After having sagged in October, vehicle sales rebounded in November, and friendly seasonal adjustment should amplify the boost to total retail sales. In general, seasonal adjustment should be supportive, as this November's seasonal factors are on the whole more generous than last November's. Pricing could also be supportive of retail sales, in the sense that higher tariff rates may have limited the extent of the typical holiday season discounting. That said, the quirks of the calendar may thwart our forecast of November control group sales. By all accounts, spending on Black Friday and Cyber Monday were strong, catching many by surprise, but with Thanksgiving having fallen so late in the month, it isn't clear whether a strong Black Friday will be fully captured in the retail sales data, and the late Thanksgiving meant that Cyber Monday fell on December 1. As such, it could be that our forecast of sales by nonstore retailers is too high, particularly given the strong October showing. Keep in mind that sales by nonstore retailers, a category dominated by online sales, accounts for roughly thirty percent of control group sales, so if our forecast of sales by nonstore retailers is too high, our forecast of control group sales will also be too high. As for calendar effects, in the grand scheme of things any such effects are totally irrelevant, as what isn't captured in the November data will fall into the December data with no impact on how much consumers actually spend. We can make the same point about another potential drag on retail sales, which would be a shift in spending away from goods and toward services, particularly amongst higher income households. Other than restaurant sales, services spending is not captured in the retail sales data, so if there was greater emphasis on services spending, that would make the retail sales data look weaker while having no impact on the total volume of spending. Clearly, there are lots of moving parts in the November retail sales data and, as usual, we'll work through the details of the not seasonally adjusted data before drawing any conclusions as to what the data are actually telling us.
November Retail Sales: Ex-Auto Range: -0.1 to 0.7 percent Median: 0.3 percent	Wednesday, 1/14	Oct = +0.4%	<u>Up</u> by 0.6 percent.
November Retail Sales: Control Group Range: -0.1 to 0.6 percent Median: 0.4 percent	Wednesday, 1/14	Oct = +0.8%	<u>Up</u> by 0.5 percent.
December Existing Home Sales Range: 4.12 to 4.30 million units Median: 4.20 million units SAAR	Wednesday, 1/14	Nov = 4.13 million units SAAR	<u>Up</u> to an annual rate of 4.22 million units. On a not seasonally adjusted basis, we look for sales of 311,000 units.
October Business Inventories Range: 0.1 to 0.3 percent Median: 0.2 percent	Wednesday, 1/14	Sep = +0.2%	We look for total <u>business inventories</u> to be <u>up</u> by 0.1 percent and look for total <u>business sales</u> to be <u>down</u> by 0.1 percent.

ECONOMIC PREVIEW

Regions

Week of January 12, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
December Industrial Production Range: -0.4 to 0.4 percent Median: 0.2 percent	Friday, 1/16	Nov = +0.2%	<u>Down</u> by 0.4 percent. The December employment shows sharp declines in total hours worked in the manufacturing – both durable goods and nondurable goods manufacturing – and mining sectors. We expect these declines in aggregate hours to translate into declines in output as reported in the industrial production data for these two sectors, more than offsetting what should be a healthy increase in utilities output.
December Capacity Utilization Rate Range: 75.6 to 76.1 percent Median: 76.2 percent	Friday, 1/16	Nov = 76.0%	<u>Down</u> to 75.7 percent.