ECONOMIC PREVIEW

REGIONS

Week of February 9, 2026

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 17-18 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%	A busy week for economic data releases will also have a strange feel to it, with the January employment report (Page 2) coming out on Wednesday and the January CPI report (Pages 2 and 3) coming out on Friday. That doesn't mean the universe is all out of order, it simply reflects the delays in the BLS's data releases stemming from last week's brief government shutdown. To be clear, however, if the universe is indeed all out of order, we can't help you with that. Either way, as we discussed our expectations for the January employment report in detail in last week's edition, we won't repeat that here but can boil it down to this summary offered by an astute acquaintance – the January employment report likely won't tell us all that much about the state of the labor market in January but will, via the annual benchmark revisions, be more useful in telling us how bad the labor market really was in 2025.
Q4 Employment Cost Index Tuesday, 2/10 Range: 0.8 to 0.9 percent Median: 0.8 percent	Q3 = +0.8%	<u>Up</u> by 0.9 percent, with the wages component up 0.8 percent and the benefits component up 0.9 percent. On a year-on-year basis, our forecast would leave the total ECI up 3.5 percent, with the wages component up 3.5 percent and the benefits component up 3.7 percent. If our forecast of the wages component is on or near the mark, wage growth would have been notably stable over the course of 2025, averaging 3.5 percent for the year as a whole. Not only is that at odds with the narrative of a collapsing labor market, but it's right about where we've for some time argued it would settle, above the pre-pandemic trend rate but below the frenzied pace seen over the 2021-2023 span. Moreover, if we are correct in thinking the ongoing acceleration in labor productivity growth has far further to run, that will support a faster trend rate of wage growth. Somewhat overlooked in all of this, however, is what looks to be a building acceleration in the rate at which benefit costs, particularly for employee health insurance plans, are rising. We may be a bit early in terms of our forecast, but after what is shaping up to be full-year 2025 growth of 3.7 percent, we look for faster growth in the benefits component of the ECI in 2026.
December Retail Sales: Total Tuesday, 2/10 Range: 0.3 to 0.6 percent Median: 0.4 percent	Nov = +0.6%	<u>Up</u> by 0.6 percent. It's been hard to get a read on the retail sales data of late. Aside from patterns in consumer spending having been swayed, at least to some degree, over the course of 2025 by efforts to front-run higher tariff rates and expiring tax credits for EV purchases, amongst other factors, we don't think the Census Bureau's seasonal adjustment factors have caught up to changes in consumer spending patterns around the holiday sales season. We've noted that October has over the past few years become the de facto start of the holiday sales season which to some extent has come at the expense of November spending. That pattern was visible in the not seasonally adjusted retail sales data, with a stronger October increase and a weaker November increase than have been typical in those months. Moreover, we've argued that with Thanksgiving falling so late in November 2025, Black Friday sales were likely undercounted while Cyber Monday fell into December. While the former could be addressed by upward revisions to the initial estimate of November sales, the latter will work to the good of December sales. Either way, the various spending trackers we follow suggest spending was solid in December, but at the same time the December 2025 seasonal adjustment factors will less accommodating, which could hold down the headline sales number without actually impacting how much consumers actually spent. That will be a particular issue in the nonstore retailers category, which is dominated by online sales, as the December seasonal factor is by far the harshest of any month of the year. So, the basis on which we assess the report on December retail sales will be the change in not seasonally adjusted control retail sales, which is pretty much how we assess any month's retail sales report.
December Retail Sales: Ex-Auto Tuesday, 2/10 Range: 0.0 to 0.5 percent Median: 0.4 percent	Nov = +0.5%	<u>Up</u> by 0.5 percent.
December Retail Sales: Control Group Tuesday, 2/10 Range: 0.1 to 0.7 percent Median: 0.4 percent	Nov = +0.4%	<u>Up</u> by 0.7 percent.
November Business Inventories Tuesday, 2/10 Range: 0.2 to 0.3 percent Median: 0.2 percent	Oct = +0.3%	We look for total <u>business inventories</u> to be <u>up</u> by 0.2 percent and for total <u>business sales</u> to be <u>up</u> by 0.6 percent.

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Indicator/Action Economics Survey:		Last Actual:	Regions' View:
January Nonfarm Employment Range: -10,000,000 to 135,000 jobs Median: 70,000 jobs	Wednesday, 2/11	Dec = +50,000 jobs	Up by 91,000 jobs, with private sector payrolls up by 74,000 jobs and public sector payrolls up by 17,000 jobs.
January Manufacturing Employment Range: -10,000 to 5,000 jobs Median: -7,000 jobs	Wednesday, 2/11	Dec = -8,000 jobs	Up by 3,000 jobs.
January Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.2 hours	Wednesday, 2/11	Dec = 34.2 hours	Up to 34.3 hours.
January Average Hourly Earnings Range: 0.2 to 0.5 percent Median: 0.3 percent	Wednesday, 2/11	Dec = +0.3%	Up by 0.5 percent, for a year-on-year increase of 3.8 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up 0.8 percent in January and up 5.0 percent year-on-year.
January Unemployment Rate Range: 4.3 to 4.5 percent Median: 4.4 percent	Wednesday, 2/11	Dec = 4.4%	Down to 4.3 percent.
January Existing Home Sales Range: 3.97 to 4.40 million units Median: 4.21 million units SAAR	Thursday, 2/12	Dec = 4.35 million units SAAR	Down to an annual rate of 3.98 million units. On a not seasonally adjusted basis, we look for sales of 232,000 units, down 32.8 percent from December, which is larger than the typical January decline (around 28 percent). Our forecast would leave not seasonally adjusted sales down 3.3 percent year-on-year, but there was one fewer sales day this January than last and adjusting for that differential our forecast would yield a 1.5 percent increase. Note that while the calendar says one fewer sales day this January than last, Winter Storm Fern also had a say, freezing up much of the U.S. over the final week of January, which we expect will have pushed some closings back into February, and we made some allowance for that in our forecast. More fundamentally, there was little change in mortgage interest rates in December and applications for purchase mortgage applications were notably weak, with a much larger decline in the not seasonally index than is typical for the month of December. This matters here given that existing home sales are booked at closing, and January closings will largely reflect sales contracts signed from late November through December. Moreover, there are reports of higher than normal cancellations, which could have also weighed on January closings. If our forecast seems like quite a letdown after December sales surprised to the upside, it would be more accurate to say our forecast would be more of the same, as the details of the December data, particularly not seasonally adjusted sales adjusted for sales days, did not even come close to living up to the headline sales number. In reality, the trend sales rate, which we define as the running twelve-month total of not seasonally adjusted sales, has been strikingly rangebound for over two years now, and our January forecast would do nothing to change that. Affordability constraints are weighing on demand while softer labor market conditions are putting a damper on mobility, and we don't look for much relief on the mortgage interest rate front. While sellers will likely be more yielding on pricing, it remains to be seen if that will be enough to spark an upside breakout for the trend sales rate.
January Consumer Price Index Range: 0.1 to 0.4 percent Median: 0.3 percent	Friday, 2/13	Dec = +0.3%	Up by 0.3 percent, for a year-on-year increase of 2.5 percent. Over recent years, the January CPI data have been bedeviled by a high degree of residual seasonality which has biased the monthly change higher. Our assumption is that the BLS has taken steps to address this with their updated seasonal adjustment factors, which should diminish if not totally eliminate this issue. We won't know that in advance, however, as BLS releases the updated seasonal factors in conjunction with, rather than ahead of, the release of the January CPI report. Another place this could have a bearing on the monthly change in the headline CPI is gasoline prices. We know that on a not seasonally adjusted basis retail gasoline prices were down by almost three percent in January, but without having the January seasonal factor in advance we don't know whether this decline will be amplified or dampened in the seasonally adjusted data. **Continued on Page Three**:

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January Consumer Price Index Friday, 2/13 Range: 0.1 to 0.4 percent Median: 0.3 percent	Dec = +0.3%	**Continued from Page Two**: Assuming seasonal patterns similar to those of recent Januarys, our forecast assumes the decline in unadjusted prices will be amplified to the extent that lower gasoline prices on a seasonally adjusted basis would knock a full point off the monthly increase in the total CPI though higher prices in other components will yield a smaller decline in the overall energy index. After a surprisingly large increase (0.7 percent) in December, we look for a more moderate increase in the index of food prices in January. Our forecast anticipates a 0.4 percent increase in core goods prices, which would be the largest monthly increase since May 2023, and while higher prices for used motor vehicles play a role in this, we nonetheless look for the BLS's index of core goods prices excluding used vehicles to be up 0.3 percent, and the 1.7 percent increase this would yield would be the largest such increase since August 2023. There should, however, be some offset from moderation in services price inflation, but one wild card here will be the extent to which various insurance premium costs adjust with the new year. We will once again make the point that the lack of data for October 2025 is biasing the year-on-year changes in the headline and core CPI lower, and there is a similar impact in the PCE Deflator. That said, the key over the next few months will be whether inflation remains fairly stable around rates now being reported or whether it begins to drift higher. The latter cannot be ruled out given what remains steady and broadly based upward pressure on input prices in both the manufacturing and services sectors and the prospect of further tariff pass-through in the months ahead.
January Consumer Price Index: Core Friday, 2/13 Range: 0.2 to 0.5 percent Median: 0.3 percent	Dec = +0.2%	Up by 0.4 percent, which would translate into a year-on-year increase of 2.6 percent.

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