

ECONOMIC PREVIEW



REGIONS

Week of October 12, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint

(After the October 27-28 FOMC meeting):

Target Range Mid-point: 3.875 to 4.125 percent

Median Target Range Mid-point: 3.875 percent

Range:

3.75% to 4.00%

Midpoint:

3.875%

September is typically an odd month for economic activity, and while that isn't readily apparent in the headline numbers atop the various data releases, it's quite clear in the not seasonally adjusted data. The reality is that on a not seasonally adjusted basis, many of the main metrics – private sector payrolls, retail sales, sales of existing homes, and manufacturing output, to name a few – decline in the month of September. To be sure, the purpose of seasonal adjustment is to account for typical seasonal variances in the data, but that process is far from perfect. The September employment report is a good illustration of our point, as a smaller than typical September decline in not seasonally adjusted private sector payrolls managed to translate into an increase of just 46,000 jobs on a seasonally adjusted basis. This is worth keeping in mind as the flow of September data picks up considerably this week. Rather than simply accepting the headline numbers on any given data release at face value, we look to see how the monthly change in the not seasonally adjusted data compares to the typical change for that month, and how the seasonal factors have changed from those applied in prior years. As we move through the September data, this may help account for why our forecasts of and reactions to some of the data differ from those of others.

September Existing Home Sales

Range: 3.85 to 4.01 million units

Median: 3.95 million units SAAR

Tuesday, 10/13

Aug = 3.98 million units SAAR

Down to an annual rate of 3.88 million units. On a not seasonally adjusted basis, we look for sales of 337,000 units, down 7.2 percent from August and down 5.1 percent year-on-year. Recall that existing home sales are booked at closing, with September closings mostly reflecting sales contracts signed from late July through August. Though not nearly to the extent seen during the most recent run-up, mortgage interest rates pushed higher over this period, ending August more than twenty basis points higher than they ended June, pushing the affordability hurdle even higher. Note that pending home sales, a gauge of signed sales contracts, fell by over six percent in August on a not seasonally adjusted basis, the weakest August performance since 2019. While the link between the NAR's measures of contract signings and closings is not as solid as had historically been the case, the weakness in August pending home sales doesn't bode well for September closings. We will note that the 7.2 percent month-to-month decline in unadjusted sales our forecast anticipates would be well smaller than the typical September decline, but that would follow the weakest August in the life of the current data series. Even if September sales outperform our low expectations, sales will almost surely weaken further as the recent run-up in mortgage interest rates is reflected in the data. While there are signs that softening sales are leading sellers to cut prices and make concessions, such as covering buyers' closing costs, in order to facilitate sales, we see that as helping stem the decline in sales as opposed to being something that will reverse the decline. We look for the median sales price to be up by right around one percent year-on-year, but over-the-year declines could become the norm in the months ahead.

September Consumer Price Index

Range: 0.5 to 0.7 percent

Median: 0.6 percent

Wednesday, 10/14

Aug= +0.4%

Up by 0.6 percent, which would yield a year-on-year increase of 3.6 percent. While a hefty increase in the total CPI might seem like a double dog dare to any FOMC members considering staying on hold at this month's meeting, we think the details of the October data will carry more weight. Retail gasoline prices will be up by over nine percent on a seasonally adjusted basis, accounting for one-half of the monthly increase we and most others expect in the total CPI. What we think will matter more for most FOMC members will be the intensity and breadth of inflation pressures in the core CPI and, on that basis, we think the October CPI will fall in with other recent data releases that suggest less of a sense of urgency around further increases in the Fed funds rate than may have been felt in the wake of the September FOMC meeting. That said, our forecast yields an unrounded increase of 0.223 percent in the core CPI with what we see as upside risks. In this context, the difference between a 0.2 and a 0.3 percent monthly increase may seem as little more than a rounding error, but a 0.3 percent increase in the core CPI would have a different feel to it. Anyone doubting that need only go back to the August data; while the 0.3 percent increase in the core CPI was due to large increases amongst only a few components, as opposed to more broadly based price pressures, all that seemed to matter to market participants was that it was greater than the 0.2 percent increase they had anticipated. Bottom line is

Continued on Page Two:

ECONOMIC PREVIEW


REGIONS

Week of October 12, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

September Consumer Price Index Range: 0.5 to 0.7 percent Median: 0.6 percent	Wednesday, 10/14	Aug= +0.4%	Continued from Page One: that the September CPI data will not answer the question of whether there will be further funds rate hikes, but it could sway the timing. With that in mind, here are a few things we'll be watching in the September data. While basically flat over the four months prior, prices for food consumed at home could have broken to the upside in September if higher fuel and shipping costs are reflected in grocery store prices. Along those same lines, while we look for prices of core consumer goods (non-food, non-energy) to be basically flat, higher shipping costs could push them higher. To some extent, higher fuel costs were reflected in the August data, with prices for delivery services up by 2.3 percent, but more explicit fuel surcharges could be reflected in core goods prices. We cannot rule out a bigger jump in airfares than our forecast anticipates given the extent to which jet fuel prices rose during September, and there could be more life in lodging rates than our forecast anticipates. Additionally, recall that a 5.9 percent increase in prices for cell phone services added one-tenth of a point to the monthly change in the core CPI in August. Our forecast anticipates some payback in the September data, but other providers having raised prices could mean less payback than we expect.
September Consumer Price Index: Core Range: 0.2 to 0.3 percent Median: 0.2 percent	Wednesday, 10/14	Aug= +0.3%	<u>Up</u> by 0.2 percent, which would yield a year-on-year increase of 2.5 percent.
September Producer Price Index Range: 0.4 to 0.9 percent Median: 0.6 percent	Thursday, 10/15	Aug= +0.4%	<u>Up</u> by 0.7 percent, which would translate into a year-on-year increase of 5.5 percent.
September Producer Price Index: Core Range: 0.2 to 0.4 percent Median: 0.3 percent	Thursday, 10/15	Aug= +0.2%	<u>Up</u> by 0.3 percent, good for a year-on-year increase of 4.4 percent.
September Retail Sales: Total Range: 0.0 to 0.8 percent Median: 0.3 percent	Thursday, 10/15	Aug= +1.1%	<u>Up</u> by 0.1 percent. September is the loneliest time of the year for retailers, with consumers taking a break between the end of the back-to-school shopping and the start of the holiday sales season. To that point, in the life of the current series, there is not a single instance of not seasonally adjusted total, ex-auto, or control group sales rising in the month of September, not even in 2020, a year in which nothing was normal. While we don't see that streak as having ended this September, we do expect the declines in unadjusted sales to be smaller than the typical September declines. In part, this reflects Labor Day having fallen on September 7 this year (the latest date on which Labor Day can fall), meaning any holiday-weekend spending will have fallen in September as opposed to having been split with August. That said, the seasonal factors used to derive the estimates of seasonally adjusted sales should take this calendar effect into account, which we expect to result in less of a boost from seasonal adjustment than is typically seen in the month of September. If we're wrong on this point, our forecasts – total, ex-auto, and control group sales – will be too low, but that will be of absolutely no consequence (well, other than perhaps bruising our pride) as it would have nothing to do with how much consumers actually spent in September. Regardless of how close to/far from the mark our forecast proves to be, the basis on which we'll assess the September data will be the change in not seasonally adjusted sales, not whether seasonal adjustment was more/less favorable than we anticipate. One obvious support for top-line sales will be gasoline station sales, with pump prices up by over nine percent on a seasonally adjusted basis (up over seven percent not seasonally adjusted). That figures to have taken a toll on spending in other areas, particularly post-Labor Day. Reflecting the ongoing woes of the housing market and the effects of higher financing costs, we look for furniture and appliance sales to have been weak in September and expect the same from sales of electronics. We look for sales by nonstore retailers, a category dominated by online sales, to continue on the
			Continued on Page Three:

ECONOMIC PREVIEW


REGIONS

Week of October 12, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

September Retail Sales: Total Range: 0.0 to 0.8 percent Median: 0.3 percent	Thursday, 10/15	Aug= +1.1%	Continued from Page Two: roller coaster ride they were on all summer thanks to the shift in the timing of Amazon Prime Day and other online promotions, with the September data bringing payback for the strong bounce (up 2.3 percent) in August and the October Amazon Prime Big Deal Days event on the horizon. This is a key factor in our below-consensus forecast of control group sales, as online sales account for over twenty-eight percent of control group sales.
September Retail Sales: Ex-Auto Range: 0.2 to 1.2 percent Median: 0.5 percent	Thursday, 10/15	Aug= +1.3%	<u>Up</u> by 0.3 percent.
September Retail Sales: Control Group Range: -0.1 to 0.5 percent Median: 0.3 percent	Thursday, 10/15	Aug= +1.2%	<u>Down</u> by 0.1 percent.
August Business Inventories Range: 0.1 to 0.9 percent Median: 0.4 percent	Thursday, 10/15	Jul= +0.8%	We look for total <u>business inventories</u> to be <u>up</u> by 0.4 percent, and we look for total <u>business sales</u> to be <u>up</u> by 1.0 percent.
September Industrial Production Range: 0.1 to 1.0 percent Median: 0.4 percent	Friday, 10/16	Aug= 0.0%	<u>Up</u> by 0.1 percent. In keeping with our theme of seasonal patterns in the data, not seasonally adjusted manufacturing output typically declines in the month of September. Given the ongoing rebound in the manufacturing sector, that pattern may not have held this year, but the weakness in aggregate hours worked in the factory sector as conveyed in the September employment report suggests a weak print for manufacturing output in the industrial production data. How much stock one can put in the September employment report is another matter given the considerable noise in that report. As such, we'll concede the risks to our forecast for total industrial production seem weighted to the upside, particularly given what should be support from higher output in the mining sector.
September Capacity Utilization Rate Range: 76.2 to 77.1 percent Median: 76.5 percent	Friday, 10/16	Aug= 76.3%	<u>Unchanged</u> at 76.3 percent.

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions, and speculations (the "Contents") based on currently available information, which is believed to be reliable and on past, current, and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.