

ECONOMIC PREVIEW



REGIONS

Week of October 26, 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%

While we see no change in the Fed funds rate as being the most likely outcome of this week's FOMC meeting, that is hardly a foregone conclusion. Recall that market expectations of an October rate hike faded in the wake of comments from Fed Vice Chair Jefferson and New York Fed President Williams suggesting that even if the FOMC would have to raise the funds rate further, there was no urgency in doing so. Those comments struck many as being at odds with Chair Warsh's disdain for offering forward guidance, but Chair Warsh did not push back in his final public comments before the pre-meeting blackout period began. Note, however, that the comments from Mr. Jefferson and Mr. Williams came prior to the release of the September reads on the CPI, the PPI, and import prices, all of which came in hotter than expected, leading some to wonder if Mr. Jefferson and Mr. Williams would have made the same comments had they spoken after those releases. It is also the case that even prior to the release of the September inflation data neither Cleveland Fed President Hammack nor Dallas Fed President Logan seemed at all inclined to support a "wait and see" approach to further funds rate hikes. As such, it seems that whatever the FOMC decides this week, the vote will not be unanimous, though we don't attach nearly as much significance to that as many others seem to. One could argue that Chair Warsh would have a harder time explaining a hold than explaining a hike in his post-meeting press conference, but if the Committee does remain on hold Chair Warsh will likely stress that further hikes remain on the table should incoming data not show progress on disinflation, which is pretty much the view implied in market pricing of the path of the funds rate.

September Durable Goods Orders

Tuesday, 10/27

Range: -0.1 to 4.3 percent

Median: 1.7 percent

Aug= -0.1%

Up by 4.3 percent. Boeing logged 165 new orders in September, up from 15 in August, which should provide a powerful boost to the headline orders number, the caveat here being that the mapping between industry data on unit orders and the Census data on the dollar volume of orders isn't always straightforward. Either way, we have long pointed to core capital goods orders (see below) as the most important line item in the monthly reports on durable goods orders, and that remains the case.

Sep. Durable Goods Orders: Ex-Trnsp.

Tuesday, 10/27

Range: 0.3 to 1.1 percent

Median: 0.5 percent

Aug= +0.2%

We look for ex-transportation orders to be up by 0.9 percent, and we look for core capital goods orders (non-defense capital goods excluding aircraft and parts) to be up by 0.7 percent. After having been notably rangebound for more than two years, core capital goods orders took off in the summer of 2025, in part reflecting the effects of that summer's changes in the corporate tax code and in part reflecting the start of the surge in AI related investment. While core capital goods orders have remained robust thus far in 2026 – our forecast would yield annualized Q3 growth of over eighteen percent – there are concerns around the impact of higher interest rates on business investment. At this point, we think the bigger impacts would be on "traditional" business investment, i.e., non-AI investment, but elevated cash cushions can, at least for some time, help offset higher interest rates. As for AI-related investment, interest rates are not yet high enough to have a material impact given the expected returns on such investment, and that gap is still quite wide. Still, anything that would slow down AI-related investment would trigger a sharp slowdown in growth, if not an outright contraction, in business investment spending.

October Consumer Confidence

Tuesday, 10/27

Range: 78.8 to 84.0

Median: 80.5

Sep = 81.9

Up to 84.0, reclaiming a bit of the ground ceded in September when a spike in gas prices led to a sharp decline in the headline confidence index. Even if we are correct in expecting a modest rebound, our forecast would nonetheless leave the headline index at a level – barring September – last seen in May 2014. Either way, thus far depressed reads on consumer confidence/sentiment haven't dragged down consumer spending, still growing at a sturdy rate. That could, at least in part, reflect consumers having more faith in the labor market than in the broader economy, as we've always argued that how someone feels about their own job/income prospects is the more relevant driver of spending decisions. That said, consumers' assessments of labor market conditions, as measured in the Conference Board's surveys, have soured considerably, with the September survey showing the narrowest spread in the "jobs plentiful/jobs hard to get" metric since February 2021. This, far more so than the headline index, will be our main interest in the October survey. Should views of the labor market continue to darken, that could weigh on growth in consumer spending.

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September New Home Sales Range: 610,000 to 675,000 units Median: 650,000 units SAAR	Tuesday, 10/27	Aug = 684,000 units SAAR	<u>Down</u> to an annual rate of 637,000 units. On a not seasonally adjusted basis, we look for sales of 51,000 units, down 10.5 percent from August.
Sep. Advance Trade Balance: Goods Range: -\$139.1 to -\$115.0 billion Median: -\$130.5 billion	Wednesday, 10/28	Aug = -\$132.1 billion	<u>Widening</u> to -\$134.6 billion.
Q3 Real GDP: 1st estimate Range: 2.5 to 4.1 percent Median: 3.2 percent SAAR	Thursday, 10/29	Q2 = +2.2% SAAR	<u>Up</u> at an annualized rate of 3.7 percent. Business fixed investment and consumer spending will be the main drivers of Q3 real GDP growth. To that point, we look for real private domestic demand – combined business and household spending adjusted for price changes – to have grown at an annual rate of around 4.5 percent. We also look for inventory restocking to make a meaningful contribution to top-line real GDP growth. At the same time, a significantly wider trade deficit could knock at least two percentage points off Q3 real GDP growth. Even if we're correct on this point, it should not mask the fact that imports of industrial supplies and non-auto capital goods have dominated goods imports over the past several months, in part reflecting surging AI-related investment. That such imports will contribute to faster growth down the line is of far more relevance than them being treated as a drag on real GDP growth as they are imported into the U.S.
Q3 GDP Price Index: 1st estimate Range: 1.2 to 4.1 percent Median: 3.5 percent SAAR	Thursday, 10/29	Q2 = +6.1% SAAR	<u>Up</u> at an annualized rate of 2.6 percent.
September Personal Income Range: 0.1 to 0.5 percent Median: 0.3 percent	Thursday, 10/29	Aug = +0.2%	<u>Up</u> by 0.4 percent. We look for growth in private sector labor earnings to have been a bit firmer than implied by the September employment report (we think calendar effects biased the BLS's estimate of average hourly earnings lower). Of more relevance is that even if we're wrong on this point, growth in aggregate private sector wage and salary earnings continues to outpace inflation, providing support for consumer spending. At the same time, we look for income from interest and dividends to have been meaningfully stronger in September than was the case in August. One potential downside risk to our forecast is nonfarm proprietors' income, a proxy for small business profits. The monthly prints in this category have been rather volatile for some time now, and our forecast anticipates a firmer increase in the September data than that seen in August. If we're wrong on this point, our forecast of top-line income growth will likely be too high.
September Personal Spending Range: 0.3 to 0.8 percent Median: 0.6 percent	Thursday, 10/29	Aug = +0.9%	<u>Up</u> by 0.7 percent, but even if our above-consensus forecast is on the mark there will be less to that increase than meets the eye, as was the case with the reported 0.8 percent increase in retail sales in September. Much of that increase was accounted for by higher gasoline station sales, reflecting a better than nine percent increase in retail gasoline prices (note that BEA does not pull their estimate of gasoline station sales from the retail sales data, but the BEA's measure should show a similarly large September increase). In contrast to the hefty increase in total retail sales, the September retail sales data showed a paltry 0.1 percent increase in control group sales, a measure which excludes gasoline station sales, among other categories, and which feeds directly into BEA's estimate of consumer spending on goods. A decline in unit sales of new motor vehicles will weigh on spending on consumer durable goods. Services spending should be a support for growth in total spending. The September retail sales data show a jump in restaurant sales, the only component of services spending captured in the retail sales data. At the same time, higher outlays on utilities should also provide support for services spending. Regardless of how close to/far from the mark our forecast of nominal spending turns out to be, the gain in real spending will be considerably smaller. Either way, we don't read too much into September spending in any given year, as it is a seasonally weak month – a lull between back-to-school shopping and the start of holiday season shopping – for spending. The October spending data will be a much more meaningful gauge of the state of U.S. consumers.

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September PCE Deflator Range: 0.4 to 0.6 percent Median: 0.5 percent	Thursday, 10/29	Aug = +0.3%	Up by 0.5 percent, yielding a year-on-year increase of 3.7 percent. We look for the <u>core PCE Deflator</u> to be <u>up</u> by 0.4 percent, which would translate into a year-on-year increase of 3.1 percent.
Q3 Employment Cost Index Range: 0.7 to 0.9 percent Median: 0.8 percent	Friday, 10/30	Q2 = +0.9%	Up by 0.8 percent, with wages and salaries up 0.7 percent and benefits costs up 1.1 percent. On a year-on-year basis, our forecast would leave the total ECI up 3.4 percent, with wages and salaries up 3.1 percent and the benefit costs up 4.1 percent. If our forecast is on or near the mark, Q3 will be the fourth straight quarter with an over-the-year increase in the total ECI of 3.4 percent, but the details beneath this stable trend have shifted, with growth in wages and salaries decelerating and growth in benefit costs accelerating, mainly reflecting higher costs for health insurance benefits. The acceleration in growth of benefit costs would be more pronounced were firms not passing along a greater share of rising health insurance benefit costs to their workers. At the same time, the 3.1 percent over-the-year increase in wages and salaries our forecast anticipates would be the smallest such increase since Q1 2021. The moderation in growth in wages and salaries has been broadly based across private sector industry groups and across geographies, but we expect growth to level off right around the pace we expect the Q3 ECI data to show as anemic growth in labor supply neutralizes slower job growth.

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