ECONOMIC PREVIEW

REGIONS

Week of March 10, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the March 18-19 FOMC meeting):* Target Range Mid-point: 4.375 to 4.375 percent Median Target Range Mid-point: 4.375 percent	Range: 4.25% to 4.50% Midpoint: 4.375%	In a slow week for data releases, the February CPI data will bring the last read on inflation FOMC members get before they gather next week. What remains to be seen, however, is whether, or to what extent, expectations for tariffs and the subsequent impact on prices will be incorporated into the updated Summary of Economic Projections to be issued in conjunction with next week's meeting. Our take is that, while not giving the FOMC reason to raise the Fed funds rate, neither are the inflation data giving the FOMC grounds to cut the funds rate. That said, a marked deterioration in labor market conditions could get the Committee to act sooner than they otherwise would. While the February employment report, already mostly forgotten, showed no such deterioration, things get more difficult beginning with the March employment report, which will show some effects from cuts in the federal government workforce. The ultimate effect of those cuts remains to be seen.
February Consumer Price Index Wednesday, 3/12 Range: 0.2 to 0.9 percent Median: 0.3 percent	Jan = +0.5%	<u>Up</u> by 0.2 percent, which would yield a year-on-year increase of 2.9 percent. The call between a 0.2 percent or a 0.3 percent increase comes down to rounding, with our unrounded forecast printing at 0.247 percent. One factor that could easily tip the balance in either direction is the impact of the additional ten percent tariffs on imports from China implemented in early-February which would impact prices of consumer goods such as apparel, electronics, and furniture. The question here is whether, or to what extent, any price increases stemming from the higher tariffs will turn up in the February CPI data which, in turn, would be reflected in the measures of core goods (non-food, non-energy) prices. While we are assuming only a modest impact on the February data, that simply means a bigger impact in the March data, and if we're wrong on this point our forecasts of both the total and core CPI for February will be too low. Two other components which, either alone or in tandem, could easily tip the balance on the monthly increases in the headline and core CPI are apparel and lodging. Recall that apparel prices fell by 1.4 percent in January, and while it may seem that payback in the February data would be in order, we're not so sure. The not seasonally adjusted data show this year's January increase in apparel prices was the smallest January increase since 2017, and our forecast is anticipating February's increase in not seasonally adjusted apparel prices will be well below the average increase of 3.2 percent seen over the past three years, which will act as a drag in the seasonally adjusted data. At the same time, softer demand led to weaker than normal lodging rates in February, which we anticipate will translate into a modest decline on a seasonally adjusted basis, and we also look for a decline in air fares. Our forecast also anticipates continued deceleration in rent growth, particularly since the spike in owners' equivalent rents seen in the January 2024 data was absent from this January's data. We do look for another hefty increase in prices for food consumed at home, though moderation in prices for food consumed away from home will soften the impact on the total food price index. Though retail gasoline prices rose on a not seasonally adjusted basis, that increase was more moderate than the CPI seasonal factor was geared for, which means the seasonally adjusted data will show a decline in gasoline prices acting as a drag on the increase in the total CPI. At the same time, however, much stronger demand due to another round of atypically harsh winter weather will have boosted prices for home heating fuels and residential gas service, and we also anticipate an increase in electricity rates after January's lull. Though prices on the wholesale level have been falling over recent months, a boost from seasonal adjustment has pushed prices for used motor vehicles higher in the CPI data, which we expect to have continued in the February data.
February Consumer Price Index: Core Wednesday, 3/12 Range: 0.2 to 0.4 percent Median: 0.3 percent	Jan = +0.4%	<u>Up</u> by 0.2 percent, yielding a year-on-year increase of 3.2 percent.
February Producer Price Index Thursday, 3/13 Range: -0.1 to 0.6 percent Median: 0.3 percent	Jan = +0.4%	<u>Down</u> by 0.1 percent, which would leave the total PPI up 2.9 percent year-on-year.
February Producer Price Index: Core Thursday, 3/13 Range: 0.0 to 0.4 percent Median: 0.3 percent	Jan = +0.3%	<u>Up</u> by 0.2 percent, which would translate to a year-on-year increase of 3.5 percent.

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