ECONOMIC PREVIEW

REGIONS

Week of March 24, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the May 6-7 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%	Last week's FOMC meeting and updated Summary of Economic Projections (SEP) showed that, like the rest of us, the FOMC is in "watch and wait" mode. At least for now. The SEP show an FOMC bracing for slower growth and higher inflation than was the case in December, with a notably large markdown to the median forecast of 2025 real GDP growth. What struck us even more than the extent to which the updated SEP show Committee members expect slower real GDP growth and higher inflation relative to the December edition is members' assessments of the risks to their forecasts, with eighteen of the nineteen FOMC members seeing the risks to their real GDP growth forecasts as being weighted to the downside and eighteen seeing the risks to their inflation forecasts as being weighted to the upside. Given the latter, it could take a more severe deterioration in labor market conditions than is now being anticipated to trigger further cuts in the Fed funds rate.
March Consumer Confidence Tuesday, 3/25 Range: 90.7 to 98.3 Median: 93.6	Feb = 98.3	Down to 93.7 with dimmer views of both current conditions and expectations of future conditions. Consumer confidence has fallen sharply thus far in 2025 amid considerable uncertainty around trade policy and what that may mean for prices, uncertainty around the ultimate scope of cuts to federal government employment and spending and the degree of spillover into the private sector, and what have been sharp declines in equity prices. Many are quick to dismiss the notion that changes in sentiment/confidence measures impact spending decisions, and while we do not agree with that take, we will point to two potential offsets that would figure to support spending despite the decline in the headline confidence number. First, contrary to typical seasonal patterns, retail gasoline prices have fallen over recent weeks, which is freeing up cash for many households, though the combination of rising uncertainty and falling confidence may lead households to save, not spend, any freed-up cash. Second, consumers' assessments of labor market conditions remain favorable, even if not to the same extent as seen over most of the post-pandemic period, which is relevant in that consumers' perceptions of their own job and income prospects help shape their spending/saving decisions. This is why, as we frequently note, we place more weight on the assessment of labor market conditions in the Conference Board's monthly survey than on the headline confidence index.
February New Home Sales Tuesday, 3/25 Range: 646,000 to 725,000 units Median: 680,000 units SAAR	Jan = 657,000 units SAAR	Up to an annualized rate of 671,000 units. On a not seasonally adjusted basis, we look for sales of 59,000 units, up 5.4 percent from January.
February Durable Goods Orders Wednesday, 3/26 Range: -4.4 to 1.5 percent Median: -1.0 percent	Jan = +3.2%	Down by 4.4 percent. Boeing booked only five net orders in February, down from thirty-six in January and eighty in December, which we expect will be a material drag on top-line orders. That said, the mapping of these orders into the Census data is often somewhat less than direct, so our forecast of the headline orders number may be too low. In any given month, however, the top-line orders number is of far less importance to us than the line item on core capital goods orders, an early indicator of business investment in equipment and machinery as reported in the GDP data. Core capital goods orders have been notably robust over the past three months after having been oddly rangebound since early-2023, but what we have questioned is whether this reflects the early phases of the rebound in cap ex that we've been waiting for, or whether it simply reflects firms pulling orders forward as an avenue around higher tariffs. If, as we suspect, it's more the latter than the former, then that spurt of growth in core capital goods orders has a limited life span, and our forecast of the February data (see below) would suggest time's up, particularly in the context of what has been a notable dip in business confidence against a volatile and uncertain policy backdrop. We'd happily be wrong on this call, but we'll have to see that in the data over several more months in order to believe it.
Feb. Durable Goods Orders: Ex-Trnsp. Wednesday, 3/26 Range: -0.4 to 0.5 percent Median: 0.2 percent	Jan = 0.0%	We look for ex-transportation orders to be up by 0.3 percent and look for core capital goods orders (i.e., non-defense capital goods excluding aircraft and parts) to be down by 0.2 percent.
Q4 Real GDP – 3rd estimate Thursday, 3/27 Range: 2.2 to 2.5 percent Median: 2.3 percent SAAR	Q4: 2nd est. = +2.3% SAAR	Up at an annualized rate of 2.4 percent. We look for the GDP Price Index to also be up at an annualized rate of 2.4 percent, matching the second estimate.

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February Advance Trade Balance: Goods Thursday, 3/27 Range: -$165.0 to -$120.4 billion Median: -$135.5 billion	Jan = -$155.6 billion	Narrowing to -$131.7 billion. Our forecast assumes that the surge in gold imports that blew up the trade deficit in December 2024 and, to a greater extent, January 2025 has run its course, but if we're wrong on this the February trade gap will be larger than our forecast anticipates (as a side note, these imports of gold have no impact on the measure of net exports in the GDP data). Another factor in the widening trade deficit over recent months is firms pulling orders forward to avoid higher tariffs, and while most think of consumer goods when they hear this, keep in mind that roughly one-half of all imports into the U.S. are raw materials/intermediate goods used by firms in the production of final goods. This suggests that the full impacts of higher tariffs on prices of final goods may take more time to turn up in the inflation data – wholesale and retail. Either way, while any such "front running" effects will ultimately fade from the data, we do expect them to have played a hand in February, as we expect imports of goods remained far above levels seen prior tariffs having come to dominate the data landscape, or at least the discussions of the data.
February Personal Income Friday, 3/28 Range: 0.0 to 0.6 percent Median: 0.4 percent	Jan = +0.9%	Up by 0.3 percent. We expect another solid gain in aggregate wage and salary earnings, though with less support from public sector earnings than was the case in the January data. Though not nearly on the order of January's increase, which was to some extent driven by annual cost of living adjustments, transfer payments should nonetheless post another sizable increase. In contrast, after having been a meaningful support for January income growth, we look for asset-based income to be a heavy drag on February income growth. January saw a spike in dividend income, but our forecast anticipates payback in the February data along with a smaller increase in interest income. Though a slowing trend rate of job growth has contributed to a slowing pace of growth in aggregate private sector wage and salary earnings, earnings growth continues to outpace inflation. That gap has narrowed sharply over the past two months, but we think that mainly reflects what in January and February were shorter workweeks due to atypically harsh winter weather, as in each month there were more than 1.7 million people who reported disruptions in their normal work schedules due to adverse weather. If we're correct on this point, the gap between growth in labor earnings and inflation will widen back in March, meaning growth in real labor earnings will remain a support for consumer spending. To our earlier discussion about the impact of dimming consumer confidence, however, whether consumers remain as willing to spend is another question entirely.
February Personal Spending Friday, 3/28 Range: 0.3 to 0.8 percent Median: 0.5 percent	Jan = +0.6%	Up by 0.3 percent. Our forecast anticipates a solid increase in spending on goods being somewhat offset by weak services spending. To that point, barring the early phases of the pandemic, our forecast would yield the smallest monthly increase in services spending since January 2019, with particular weakness in travel, lodging, entertainment, and dining out. Additionally, though February saw another round of harsh winter weather, that was neither as severe nor as broadly based geographically as January's round. As such, after having surged in January, utilities outlays were likely lower in February, which will be a further drag on services spending. As best as we can tell, that our forecast is below the consensus forecast is mainly a function of what we expect to be weaker services spending than others are anticipating. Either way, we think there is less to the increase in spending on goods that we and others anticipate seeing in the February data than meets the eye. Control retail sales, a direct input into the BEA's data on consumer spending on goods, did increase by 1.0 percent in February, though this simply reversed the decline seen in January. Moreover, the reported increase in control retail sales in February was largely a gift from generous seasonal adjustment in the nonstore retailers category, a category dominated by online sales. This accounted for roughly seventy percent of the reported increase in control retail sales in February. So, even if February spending growth comes in closer to the consensus forecast than to ours, the Q1 GDP data will still show significantly slower growth in real consumer spending than was seen in Q4 2024.
February PCE Deflator Friday, 3/28 Range: 0.2 to 0.3 percent Median: 0.3 percent	Jan = +0.3%	Up by 0.3 percent, which would translate into a year-on-year increase of 2.5 percent. We look for the core PCE Deflator to be up by 0.4 percent, which would yield a year-on-year increase of 2.8 percent.