ECONOMIC PREVIEW

REGIONS

Week of April 28, 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%	If quantity could only make up for lack of quality, this would be a banner week for economic data. Instead, we'll just have to settle for this being a notably busy week for economic data. In a barrage of data pointing to a rapidly slowing economy, the March personal spending data (see Page 2) will be an outlier.
March Advance Trade Balance: Goods Tuesday, 4/29 Range: -$150.0 to -$122.0 billion Median: -$143.0 billion	Feb = -$147.8 billion	<u>Narrowing</u> to -$135.1 billion. Our forecast is predicated on the great gold rush of '25 having largely run its course, but if we're wrong on this point the deficit in the goods account will be wider than we anticipate. Recall that recent months have seen significant spikes in imports of gold held in investment accounts, which was a primary driver of the significant widening in the trade deficit. The other main driver was firms in the manufacturing and retail trade sectors pulling orders forward to beat any tariff-related price hikes which, unlike imports of gold, we do expect to have persisted into March. At the same time, we expect to see some giveback from the spike in U.S. exports seen in February. All of this leaves us expecting a deficit in the goods account that is smaller than over the prior two months but easily larger than what had been the run rate prior to higher tariffs being factored into ordering decisions. As a side point, while imports of physical gold are captured in the monthly trade data published by the Census Bureau, they do not enter into the GDP data, but this could account for the variance in estimates of Q1 real GDP growth (see below), as some may not be aware of this distinction and the rest of us likely have different estimates of the magnitude of these flows. Either way, a wider trade deficit will be a meaningful drag on Q1 real GDP growth.
April Consumer Confidence Tuesday, 4/29 Range: 84.0 to 94.0 Median: 87.6	Mar = 92.9	<u>Down</u> to 87.1 as anxiety around higher tariffs pushing prices even higher and further declines in equity prices likely took a toll on consumer moods. It could be that the pause in the most punitive tariffs, China notwithstanding, announced on April 9 mitigated the hit to confidence, but we still expect the net effect was negative. That said, perhaps the more telling element of the Conference Board's April survey will be whether, or to what extent, these general worries impacted how consumers assess labor market conditions. Through March, consumers still held a fairly constructive view of labor market conditions, which we've argued accounts for why consumer spending remained resilient despite the headline confidence index falling sharply. If, however, consumers begin to translate anxiety around overall economic conditions into concerns about their own job and income prospects, that is when we'll see more visible effects in the spending data.
Q1 Employment Cost Index Wednesday, 4/30 Range: 0.8 to 1.0 percent Median: 0.9 percent SAAR	Q4 2024 = +0.9%	<u>Up</u> by 0.8 percent, with wage costs up 0.8 percent and benefit costs up 1.1 percent. Our forecast would leave the total ECI up 3.5 percent year-on-year, with wage costs up 3.4 percent and benefit costs up 3.7 percent. That we expect the ECI to show a slower pace of wage growth is in line with other indicators, including average hourly earnings, showing decelerating growth in Q1, and our forecast would reflect the smallest increase in the ECI wage component since Q3 2020, though we will concede the risks to our forecast are weighted to the upside. Recall that many, including the FOMC, see the ECI as the most reliable gauge of changes in labor costs, but with higher tariffs threatening to fuel upward price pressures, the FOMC will not take as much comfort from slowing wage growth as would otherwise be the case.
Q1 Real GDP – 1st estimate Wednesday, 4/30 Range: -1.5 to 1.7 percent Median: 0.4 percent SAAR	Q4 2024 = +2.4% SAAR	<u>Up</u> at an annualized rate of 0.4 percent. As noted above, there is some uncertainty around the extent to which imports of gold will impact the Q1 GDP data but, either way, the economy slowed sharply over the year's first quarter. Even absent any effect from gold imports, net exports will be a material drag on growth, though inventory accumulation will provide somewhat of an offset. Even in "normal" times, trade and inventories tend to be inherently volatile from one quarter to the next, which is why we often point to real private domestic demand, or, combined household and business spending, as a better indicator of the underlying health of the economy than is top-line real GDP growth. We expect growth in real private domestic demand to outpace top-line real GDP growth. Though for Q1 that is a very low bar to clear. We look for growth in real consumer spending to have slowed to an annual rate of just over one percent in Q1 from the 4.0 percent pace logged in Q4 2024. Residential and business fixed investment contributed to real GDP growth in Q1, but each ended Q1 on a soft note and each will likely be a drag on Q2 growth.

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Q1 GDP Price Index – 1st estimate Wednesday, 4/30 Range: 0.8 to 3.5 percent Median: 3.0 percent SAAR	Q4 2024 = +2.3% SAAR	Up at an annualized rate of 3.1 percent.
March Personal Income Wednesday, 4/30 Range: 0.0 to 0.9 percent Median: 0.4 percent	Feb = +0.8%	Unchanged, reflecting what we expect will be a sharp decline in transfer payments negating trend-like growth in other components. Transfer payments jumped by 2.2 percent in February, which largely reflected premium tax credits for health insurance purchased through the Health Insurance Marketplace and sizable payouts from two legal settlements, and we expect the March data to bring payback. At the same time, however, we look for trend-like increases in private and public sector wage growth and in asset-based income. If our forecast is on or near the mark, that will yield another healthy increase in disposable income excluding transfer payments, which we frequently point to as the measure of income most meaningful for discretionary spending and debt service. Still, while our forecast would leave growth in aggregate private sector wage and salary earnings, the largest component of personal income, ahead of inflation, that differential is narrowing. Moreover, if we are correct in expecting meaningful deceleration in job growth and pass-through of higher tariffs leading to renewed upward pressure on prices, growth in aggregate private sector earnings could slip below the rate of inflation, further pressuring consumer spending.
March Personal Spending Wednesday, 4/30 Range: 0.2 to 1.0 percent Median: 0.6 percent	Feb = +0.4%	Up by 0.9 percent. Just as we think income will look weaker than is actually the case, we think March spending will look stronger than is actually the case. Unit sales of new motor vehicles jumped by eleven percent in March, posting the fastest monthly sales rate since April 2021 as consumers pulled purchases forward to avoid tariff-related price hikes. While that should lead to a sizable increase in purchases of consumer durable goods, with help from purchases of appliances and electronics, spending on nondurable consumer goods was somewhat soft, in part due to a steep drop in gasoline sales thanks to sharply lower prices. Substantially lower utilities outlays will act as a drag on services spending, but one offset will be a jump in spending on dining out, at least if the retail sales data can be believed on this point. Even if that is the case, we think that is largely payback from atypically harsh winter weather weighing on restaurant sales in both January and February, particularly with signs that spending on other discretionary services such as travel and lodging has softened considerably. If our forecast is on or near the mark, one implication would be that the level of real spending in March will be well above the Q1 average, which sets a high base for Q2 spending growth. As such, even if spending is soft over the course of Q2, as we expect will be the case, spending growth could look misleadingly strong on a quarterly average basis for Q2.
March PCE Deflator Wednesday, 4/30 Range: 0.0 to 0.2 percent Median: 0.0 percent	Feb = +0.3%	Unchanged, which would yield a year-on-year increase of 2.2 percent. We look for the core PCE Deflator to be up by 0.1 percent, yielding a year-on-year increase of 2.5 percent.
April ISM Manufacturing Index Thursday, 5/1 Range: 46.5 to 49.8 percent Median: 48.0 percent	Mar = 49.0%	Down to 47.9 percent. The firm level detail in the March survey showed a marked deterioration in new orders and production, which we expect to have picked up pace in April as uncertainty over trade policy prompted firms to retreat into a holding pattern. The April regional Fed surveys suggest further drops in employment and new orders in the ISM's survey. One potential support for the headline index would be further builds in inventories, though we think pre-emptive inventory building slowed sharply in April. It is worth noting that, as is the case with most of the economic data, the seasonal factors applied to the unadjusted data in the ISM survey turn more punitive in April, meaning that any shortfalls from typical April pick-ups in activity will be amplified by seasonal adjustment. Though it does not enter into the calculation of the headline index, we expect a further increase in the prices paid index, and we'll be watching for any comments on how firms are handling higher input prices – absorbing them or trying to pass them on to customers. It is interesting to note that the Kansas City Fed's April survey included several comments citing higher tariffs as contributing to significant input price increases, including domestic suppliers raising prices in anticipation of higher tariffs, and lower employment. We'll be watching for any comments along these lines in the ISM's April survey.

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March Construction Spending Thursday, 5/1 Range: -0.4 to 0.5 percent Median: 0.2 percent	Feb = +0.7%	Down by 0.2 percent.
March Factory Orders Friday, 5/2 Range: 0.1 to 5.0 percent Median: 4.5 percent	Feb = 0.6%	Up by 4.3 percent, an increase almost entirely driven by higher orders for motor vehicles and civilian aircraft. The advance data on durable goods orders show orders for core capital goods were virtually flat, which could be an indication that pre-emptive ordering to beat the effects of higher tariffs has largely run its course. This suggests that business investment in equipment and machinery will transition from having been a support for real GDP growth in Q1 to being a drag on growth in Q2.
April Nonfarm Employment Friday, 5/2 Range: 50,000 to 170,000 jobs Median: 130,000 jobs	Mar = +228,000 jobs	Up by 111,000 jobs, with private sector payrolls up by 99,000 jobs and public sector payrolls up by 12,000 jobs. There is some uncertainty around the extent to which cuts in the federal government workforce will turn up in the establishment survey data; while we expect most of the impact to be seen in the October employment report, there could be a series of smaller reductions in the monthly data until then. We do, however, expect hiring on the state and local levels to have overcome any reductions in federal government payrolls in the April data. As for private sector employment, though the weekly data on initial claims for unemployment insurance were down modestly between the March and April establishment survey periods, our forecast anticipates a pronounced slowdown in hiring as uncertainty around the path of the economy pushed many firms into holding patterns which we believe will impact decisions on head counts and capital spending. Keep in mind, however, that in any given year April sees one of the year's largest increases in not seasonally adjusted payrolls. As such, if we are correct in expecting hiring to have slowed sharply in April, that will be magnified by seasonal adjustment. We see construction, transportation/delivery services, retail trade, and leisure and hospitality services as the industry groups most prone to unfavorable seasonal adjustment in the April data. A host of anecdotal reports suggest shipping volumes plummeted in April, and while we may be a month early in looking for that to have carried into the data on transportation/delivery payrolls, that seems just a matter of time. We have pointed to construction as being one of the industry groups most prone to labor supply concerns stemming from immigration reform, and there is reason to think we are seeing at least some of that in the establishment survey data. In each of the first three months of this year, the change in not seasonally adjusted construction payrolls was smaller than typical for those months, and while atypically harsh winter weather no doubt played a part in the January and February data, that obviously was not the case in March, and it will be worth watching to see if this pattern repeated in the April data. Hiring in leisure and hospitality services in February and March was, on a not seasonally adjusted basis, less robust than is typically the case for those months, which could be a sign of wavering demand for discretionary services. The April data will help in determining whether that assessment is correct.
April Manufacturing Employment Friday, 5/2 Range: -10,000 to 0 jobs Median: -5,000 jobs	Mar = +1,000 jobs	Down by 4,000 jobs.
April Average Weekly Hours Friday, 5/2 Range: 34.1 to 34.2 hours Median: 34.2 hours	Mar = 34.2 hours	Down to 34.1 hours. For firms unwilling, at least at this point, to begin letting workers go amid slowing demand, cutting back on hours is the alternative way to cut back on total labor input. We expect that to have been the case in April; our forecasts of private sector job growth and weekly hours would combine to yield a decline in aggregate private sector hours worked in April.
April Average Hourly Earnings Friday, 5/2 Range: 0.2 to 0.4 percent Median: 0.3 percent	Mar = +0.3%	Up by 0.2 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 flat in April and up 4.7 percent year-on-year.
April Unemployment Rate Friday, 5/2 Range: 4.1 to 4.3 percent Median: 4.2 percent	Mar = 4.2%	Down to 4.1 percent on lower labor force participation.

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