

ECONOMIC PREVIEW



REGIONS

Week of May 19, 2025

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint

(After the June 17-18 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 April reads on retail sales, the Consumer Price Index (CPI), and the Producer Price Index (PPI) did not tell a consistent and convincing story of the impact of higher tariffs on goods prices, nor should have anyone expected them to, but there were plenty of clues as to what might lie ahead. It could be that, with a "universal" ten percent tariff looking like the benchmark, firms may become more willing to test how much pricing power they have remaining. If so, then the data on the PPI, the CPI, and retail sales over the next few months will begin to tell a more convincing, and more consistent, story on the impact of higher tariffs.

April Leading Economic Index

Range: -1.1 to 0.1 percent

Median: -0.9 percent

Monday, 5/19

Mar = -0.7%

Down by 1.1 percent,

April Existing Home Sales

Range: 3.96 to 4.27 million units

Median: 4.10 million units SAAR

Thursday, 5/22

Mar = 4.02 million units SAAR

Down to an annualized rate of 3.96 million units. On a not seasonally adjusted basis, we look for sales of 349,000 units, up 10.7 percent from March but what should be a punitive April seasonal factor will make the headline sales number look worse. Existing home sales are booked at closing, and April closings mostly reflect sales contracts signed from late-February through March, a period in which mortgage interest rates were drifting lower, and we did see applications for purchase mortgage loans – not seasonally adjusted – move higher over that same span. That is consistent with our expectation of the April increase in not seasonally adjusted sales but, even with mortgage rates having drifted lower, affordability constraints continue to weigh on sales. To that point, the median existing home sales price was likely up by around two percent year-on-year in April. In March, the median sales price of \$403,700 was the highest for the month of March (not seasonally adjusted) on record, and our forecast would set a similar mark for the month of April and would leave the median sales price up year-on-year for a twenty-second straight month.

To be sure, the median sales price is a less reliable gauge of house prices than are repeat sales price indexes, which are showing growing downward pressure on prices in a number of metro areas. The declines in house prices shown in these measures, however, have thus far been fairly modest and have provided little relief on the affordability front. It is also the case that sellers having to cut asking prices has become more common, but keep in mind that in most cases this simply means sellers booking a smaller gain on the sale as opposed to taking a loss on the sale, which is particularly the case for longer-tenured sellers. In addition to softer demand, one factor putting at least some downward pressure on prices is the growing supply of existing homes for sale. Our forecast anticipates inventories rising, but that increase would be smaller than the typical April increase (the NAR inventory data are not seasonally adjusted). Keep in mind that, amid the spring sales season, in any given year April is the month in which we see the largest increase in inventories. Though falling short of the typical April increase, our forecast would nonetheless leave the level of inventories higher than at any point since October 2020 and would reflect a year-on-year increase of just over eighteen percent.

That mortgage rates have once again reversed course and have pushed higher over recent weeks won't help matters in the housing market. Our forecast would leave unadjusted existing home sales down 2.4 percent from 2024 on a year-to-date basis through April, and keep in mind that 2024 was the weakest year for sales since 1995. It is, at present, hard to make a case for a meaningful improvement in demand any time soon, suggesting downward pressures on prices could become more intense and more broadly based geographically in the months ahead.

April New Home Sales

Range: 650,000 to 749,000 units

Median: 690,000 units SAAR

Friday, 5/23

Mar = 724,000 units SAAR

Up to an annualized rate of 749,000 units. On a not seasonally adjusted basis, we look for sales of 66,000 units, down 4.4 percent from March, but the seasonal factor being far more generous in April than was the case in March will flatter the headline sales number. We'll note our forecast of not seasonally adjusted sales is consistent with the not seasonally adjusted April data on single family permits and starts, which to us looked stronger than they should have but which presumably feed into the Census Bureau's estimate of unadjusted new home sales. At the same time, however, commentary and anecdotal reports from builders point to a much weaker April new home sales print, which we would see as more reflective of market conditions.

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