ECONOMIC PREVIEW

REGIONS

Week of June 2, 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%	In a week heavy on both economic data and Fedspeak, the highlight will be the May employment report (see Page 2). Though the pace of hiring has clearly slowed over the past several months and likely slowed further in May, there is not yet evidence of the rate at which workers are being laid off having picked up. The net result should be a marked slowdown in net job growth in May. The April JOLTS data, due out Tuesday, should show further evidence of cooling labor demand which goes beyond the effects of trade policy. The latest *Beige Book*, out Wednesday, may be dismissed by many on the grounds that it reflects "soft data," but we think anecdotal evidence covering the entire economy will be worth paying attention to.
May ISM Manufacturing Index Monday, 6/2 Range: 47.0 to 51.5* percent Median: 49.5 percent	Apr = 48.7%	Up to 50.1 percent, as deescalating trade tensions opened a window for firms to pull activity forward amid what remains considerable uncertainty over the ultimate resolution of these trade disputes. The regional Fed bank surveys suggest a pick-up in activity in May, and there is anecdotal evidence suggesting that suppliers were not able to keep pace, which matters here because slower supplier delivery times would act as a boost to the ISM's headline index. Even if our above-consensus forecast is on or near the mark, we'd caution that activity being pulled forward during a lull in trade tensions is not the same as genuine improvement in underlying conditions in the factory sector, particularly to the extent that activity being pulled forward now means there will be payback later. Though it does not enter into the calculation of the headline index, it will nonetheless be interesting to watch the prices paid index, which in April rose to an almost three-year high. If orders and production did bounce back in May, it would follow that there was added upward pressure on input prices.
April Construction Spending Monday, 6/2 Range: -0.5 to 0.4 percent Median: 0.2 percent	Mar = -0.5%	Down by 0.3 percent.
April Factory Orders Tuesday, 6/3 Range: -3.6 to -2.0 percent Median: -3.2 percent	Mar = +3.4%	Down by 3.3 percent, reflecting durable goods orders being pushed sharply lower by a decline in orders for civilian aircraft. Of more relevance is the steep decline in core capital goods orders shown in the preliminary data, which sets the stage for business investment in equipment and machinery to act as a drag on real GDP growth over coming quarters. To that point, such spending added 1.16 percentage points to real GDP growth in Q1 which, barring the sharp swings seen in 2020, is the largest contribution since Q3 2011. In keeping with what has become a general theme, the spike in business investment in equipment and machinery seen in Q1 – up at an annual rate of 24.8 percent – in large measure reflected activity being pulled forward in anticipation of higher tariffs, and the April data are indicative of the payback that inevitably follows. But, if we're correct in our take on the ISM Manufacturing Index, that would suggest May will see at least a partial reversal of April's steep decline in core capital goods orders.
May ISM Non-Manufacturing Index Wednesday, 6/4 Range: 49.8 to 52.8 percent Median: 52.1 percent	Apr = 51.6%	Up to 52.3 percent.
April Trade Balance Thursday, 6/5 Range: -$133.5 to -$62.8 billion Median: -$66.3 billion	Mar = -$140.5 billion	Narrowing to -$64.8 billion. While we were correct in expecting a steep decline in imports of goods into the U.S. after annualized growth of 53.3 percent in Q1, we were clearly wrong in not expecting that steep decline to show up until the May data. The advance estimate shows imports of goods into the U.S. dropped by 19.9 percent in April, the largest decline on record, while at the same time U.S. exports increased. The net result was the deficit in the goods account falling by almost one-half in April, which will lead to a significant narrowing in the overall trade deficit
Q1 Nonfarm Labor Productivity – revised Thursday, 6/5 Range: -1.0 to -0.6 percent Median: -0.8 percent SAAR	Q1 prelim = -0.8% SAAR	Down at an annualized rate of 0.7 percent. The revised GDP data show a modestly smaller contraction in real nonfarm business output in Q1 than initially reported which, in turn, should yield a modestly smaller decline in labor productivity.
Q1 Unit Labor Costs – revised Thursday, 6/5 Range: 5.5 to 6.3 percent Median: 5.7 percent SAAR	Q1 prelim = +5.7% SAAR	Up at an annualized rate of 6.2 percent. Despite what we expect will be a less harsh decline in productivity, we expect the initial estimate of Q1 growth in unit labor costs to be revised higher on an upward revision of growth in hourly compensation costs.

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Week of June 2, 2025

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
May Nonfarm Employment Range: 90,000 to 190,000 jobs Median: 125,000 jobs	Friday, 6/6	Apr = +177,000 jobs	Up by 106,000 jobs, with private sector payrolls up by 97,000 jobs and public sector payrolls up by 9,000 jobs. While there is little evidence that rapid swings in and a still-high degree of uncertainty around trade policy led to firms laying off workers, we think it likely that there were effects on firms' willingness to take on new workers. In other words, we think it likely that an already slowing hiring rate slowed even further in May, but we think there was more to that than trade policy alone. If we are correct on that point, the impact on the headline job growth number will be amplified by unfavorable seasonal adjustment. Keep in mind that May is typically one of the months in any given year in which hiring is the strongest, such that the May seasonal factors are geared toward sizable increases in not seasonally adjusted payrolls. If, as we expect, this May saw a smaller than normal increase in unadjusted payrolls, the seasonally adjusted job growth number will suffer. We can point to specific industry groups – transportation/warehousing/delivery services, construction, leisure and hospitality services – in which these effects may have been most pronounced. Coming into this year, we argued that construction was one industry group in which immigration reform would weigh most heavily on payrolls, and in each month thus far in 2025 the change in not seasonally adjusted construction payrolls has been at odds with the typical change for that month, only part of which can be attributed to weather effects. We think both effects will be in play in the May data, as unusually wet weather across parts of the U.S. likely held down hiring aside from any effects related to immigration reform, making for a much smaller increase in unadjusted construction payrolls than is typically seen in the month of May. Along those same lines, we have for months been pointing to softening demand for discretionary services spending, and more recently a drop-off in tourism from abroad has been a further drag. We think that will be reflected in a smaller increase in not seasonally adjusted payrolls in leisure and hospitality services than is typical for the month of May. One caveat here, however, is that by all accounts we've seen, dining out has been a notable exception to the weakness in discretionary services spending, and restaurants far and away comprise the largest block of employment in leisure and hospitality services, so a "normal" month of hiring here could mitigate softness elsewhere in this broad category, such as in lodging. One alternative to added hiring amongst restaurants, however, could have been an increase in weekly hours, so we'll be watching the not seasonally adjusted data for both metrics. We know from the trade data that import volumes plummeted in April, logging the largest monthly decline on record, but the April employment report showed healthy advances in payrolls in warehousing and delivery services. This could in part reflect the April establishment survey period ending so early in the month, so the initial April estimates may be revised down or there could be payback in the May data, particularly given that even with the temporary trade "truce" with China, import volumes fell further in May. One thing there is no shortage of at present is uncertainty, and there is plenty of that looming over the May employment report. The underlying trends – a slowing pace of hiring, no material or broadly based increase in layoffs – thus far continue to hold.
May Manufacturing Employment Range: -10,000 to 2,000 jobs Median: -5,000 jobs	Friday, 6/6	Apr = -1,000 jobs	Down by 4,000 jobs.
May Average Weekly Hours Range: 34.2 to 34.3 hours Median: 34.3 hours	Friday, 6/6	Apr = 34.3 hours	Down to 34.2 hours. As we routinely note, changes in weekly hours tend to presage changes in job counts. To the extent they've seen demand soften, firms to this point will have been more likely to alter hours worked than to alter the number of workers.
May Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 6/6	Apr = +0.2%	Up by 0.3 percent, for a year-on-year increase of 3.7 percent. Our calls on job growth, hours worked, and hourly earnings would leave aggregate private sector wage and salary earnings up just 0.1 percent in May and up 4.5 percent year-on-year.
May Unemployment Rate Range: 4.1 to 4.3 percent Median: 4.2 percent	Friday, 6/6	Apr = 4.2%	Unchanged at 4.2 percent.

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