ECONOMIC PREVIEW

REGIONS

Week of June 9, 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%	After a better than expected and even better than feared May employment alleviated concerns, not shared by us, that the labor market was on the verge of rolling over, we look for a fairly tame report on the May CPI to ease concerns, at least for now, of tariff-driven price hikes. That the labor market is, though cooling, still holding up will keep the FOMC's focus squarely on the price stability side of their dual mandate.
May Consumer Price Index Wednesday, 6/11 Range: 0.0 to 0.4 percent Median: 0.2 percent	Apr = +0.2%	Up by 0.1 percent, which would yield a year-on-year increase of 2.4 percent. Retail gasoline prices fell on a not seasonally adjusted basis, contrary to the increases typically seen in the month of May. As such, the seasonally adjusted data will show a much larger decline, which will take one-tenth of a point off the monthly change in the total CPI. Our forecast also anticipates a break in what was a run of hefty increases in electricity rates, which will leave the overall index of energy prices down for May. If we're off here, then our forecast of the change in the total CPI will prove too low. At the same time, we do not expect a repeat of the surprising drop in prices for food consumed at home which resulted in the index of overall food prices falling by 0.1 percent in April. We do, however, expect a fourth straight monthly increase of 0.4 percent in prices for food consumed away from home, reflecting restaurant spending remaining notably sturdy amid what has been softening discretionary services spending. To that point, we expect further declines in lodging rates and air fares and won't be surprised to see a drop in car rental rates. Though we are now in the time of the year in which strong demand for travel related services is supportive of pricing, softening demand for such services has been reflected in weaker pricing. Any such weakness will be amplified by seasonal adjustment, and we've noted this will be a drag on services price inflation through the summer months, barring an upturn in demand. This is one reason our forecast anticipates a faster pace of services price disinflation to mitigate the impacts of accelerating goods price inflation as at least some of the burden of higher tariffs is passed along to consumers. That gets us to perhaps the most anticipated aspect of the May CPI data, which is whether, or to what extent, the data will show more significant and broadly based signs of higher tariffs pushing up prices for core (non-food, non-energy) consumer goods. Recall that there was but a smattering of evidence to that effect in the April data, most notably audio equipment and appliances, and while we'd expect to see a bigger impact in the May data, we don't expect anything dramatic. It was never realistic to expect sudden and significant spikes in goods prices stemming from higher tariffs, and we've from the start argued that any such effects would hit the data only gradually. One area of notable restraint thus far has been motor vehicle prices, new and used. Even amid a surge in demand in March and April, when consumers were pulling purchases forward to avoid tariff-related price hikes, new vehicle prices were basically flat for the two-month period as dealers were content to hold the line on pricing and let inventories run down. While that will change, as indicated by many manufacturers, we don't expect much in the way of higher prices in the May data, particularly given tougher seasonal adjustment. As for used vehicle prices, the prospect of higher prices for new vehicles has pushed up demand for used vehicles, and while that has led to higher prices on the wholesale level, that has yet to translate into higher retail prices, which we don't expect to be reflected in the CPI until the June data. If our take on the May data proves to be on or near the mark, that will lead some to dismiss concerns that tariffs will have a meaningful impact on goods prices. We'd push back on any such arguments, as we see it as more a matter of when, not if, the effects of tariffs will be more pronounced in the price data.
May Consumer Price Index: Core Wednesday, 6/11 Range: 0.2 to 0.5 percent Median: 0.3 percent	Apr = +0.2%	Up by 0.2 percent, which would translate into a year-on-year increase of 2.9 percent. Our forecast is right on the 0.2/0.3 percent border, so if there is more of a push on core goods prices than we expect, our forecast of the core CPI will prove too low.
May Producer Price Index Thursday, 6/12 Range: -0.1 to 0.5 percent Median: 0.2 percent	Apr = -0.5%	Up by 0.5 percent, which would yield a year-on-year increase of 2.8 percent.
May Producer Price Index: Core Thursday, 6/12 Range: -0.2 to 0.4 percent Median: 0.2 percent	Apr = -0.4%	Up by 0.4 percent, which would yield a year-on-year increase of 3.2 percent.

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