ECONOMIC PREVIEW

REGIONS

Week of June 23, 2025

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 29-30 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%	Developments in the Middle East could keep markets on edge and result in sharp swings in asset prices in the days/weeks ahead. As for this week's slate of data, as the BEA issues its third and, for now, final read on Q1 real GDP growth, the rest of the data will help better shape the path of Q2 growth. This week also brings Chair Powell's semi-annual Congressional testimony, as he appears before the House Financial Services Committee on Tuesday and the Senate Banking Committee on Wednesday. Two points on which he will likely be pressed are why the FOMC remains reluctant to resume cutting the Fed funds rate given the inflation data have been well-behaved of late, and the potential implications on interest rates and the broader economy of the tax/spending bill working its way through Congress.
May Existing Home Sales Monday, 6/23 Range: 3.83 to 4.12 million units Median: 3.95 million units SAAR	Apr = 4.00 million units SAAR	Up to an annualized rate of 4.02 million units. On a not seasonally adjusted basis, we look for sales of 384,000 units, up ten percent from April but down 5.2 percent year-on-year. That the year-on-year decline in unadjusted sales is well larger than the 1.1 percent decline in the headline sales number our forecast would yield reflects there being one less sales day this May than last; adjusted for sales days, our forecast of unadjusted sales would yield a year-on-year decline of 0.7 percent. Existing home sales are booked at closing, so May closings would largely reflect sales contracts signed from late-March through April, a span during which mortgage interest rates bounced within a twenty-basis points range and applications for purchase mortgage loans (not seasonally adjusted) reacted in turn. While our forecast of a ten percent increase in not seasonally adjusted sales in May may seem curiously large, keep in mind this would be smaller than the typical May increase, both pre-and post-pandemic. Affordability constraints remain a powerful drag on sales, and while we don't believe there to be a strong link between consumer confidence and most forms of consumer spending, we do think that link may be stronger when it comes to big-ticket purchases, including homes. Either way, that demand has dropped off during the seasonal build in inventories has led to notably rapid growth in inventories. May typically sees the start of slower inventory growth that gives way to outright declines later in the year, and while our forecast anticipates a somewhat typical May increase in inventories, that would nonetheless leave them up just over twenty percent year-on-year, which would be a fifteenth straight month of a double-digit increase in inventories on a year-on-year basis. Growing inventories have to some degree shifted the balance of power from sellers to buyers, one implication being that more buyers are having to cut listing prices and/or accept offers at less than the listing price. We look for the median sales price to be up right around one percent year-on-year, and though various repeat sales price indexes show prices falling in a growing number of markets, these declines have thus far not yielded much relief from affordability constraints given how stubbornly high mortgage interest rates remain. Barring more meaningful relief on the mortgage interest rate front than we at present anticipate, prices declines will become more broadly based geographically and will pick up pace in the months ahead. It is, however, important to note that even if our take on prices is correct, that will not threaten to push significant numbers of owners into negative equity positions given the scope of price appreciation over recent years.
Q1 2025 Current Account Balance Tuesday, 6/24 Range: -$463.8 to -$430.1 billion Median: -$-445.5 billion	Q4 2024 = -$303.9 billion	Widening to -$441.1 billion on a significantly larger trade deficit and what we expect will be a spike in net unilateral transfers (outflows from the U.S.).
June Consumer Confidence Tuesday, 6/24 Range: 95.8 to 103.5 Median: 99.8	May = 98.0	Up to 101.1, building on the sharp increase seen in May but, depending on the survey cut-off date, concerns over the fallout from events in the Middle East may have tempered relief from a lull in trade tensions. As always, consumers' assessments of labor market conditions will be our main focus. Consumers maintain a constructive view of labor market conditions, but less so over the past several months, coinciding with a slowing trend rate of job growth and a modest increase in the unemployment rate. We've long maintained that how consumers feel about their own job and income prospects is a more relevant driver of spending decisions than is the headline confidence number, which is why the assessment of labor market conditions is always our main focus in the Conference Board's monthly survey.

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May New Home Sales Wednesday, 6/25 Range: 650,000 to 737,000 units Median: 693,000 units SAAR	Apr = 743,000 units SAAR	Down to an annualized rate of 696,000 units. On a not seasonally adjusted basis, we look for sales of 64,000 units, down 5.9 percent from April, which is larger than the typical May decline. Affordability constraints have been a persistent and powerful drag on demand, leading builders to become more aggressive with incentives, which to an increasing degree has included price cuts. Until there has been more meaningful progress in paring down elevated inventories of spec homes for sale, single family housing starts will continue to drift lower.
Q1 Real GDP: 3rd Estimate Thursday, 6/26 Range: -0.3 to 0.0 percent Median: -0.2 percent SAAR	Q1: 2nd est. = -0.2% SAAR	Down at an annualized rate of 0.1 percent.
Q1 GDP Price Index: 3rd Estimate Thursday, 6/26 Range: 3.7 to 3.7 percent Median: 3.7 percent SAAR	Q1: 2nd est. = +3.7% SAAR	Up at an annualized rate of 3.7 percent.
May Durable Goods Orders Thursday, 6/26 Range: 1.2 to 35.0 percent Median: 8.5 percent	Apr = -6.3%	Up by 12.4 percent. Boeing logged three hundred net orders in May, and while the full dollar volume may not be captured in the May data, this will provide a powerful boost to top-line orders. As always, however, core capital goods orders will be our main focus, as they are an early indicator of movements in the GDP data on business investment in equipment and machinery. While we look for core capital goods orders to have bounced back from the steep decline seen in the April data, we nonetheless expect a decline on a quarterly average basis in Q2. We viewed April's decline as payback for demand having been pulled forward into Q1, but many businesses have since retreated into a holding pattern amid looming uncertainty around the path of trade policy, which we think to be weighing on hiring and investment decisions, while firms may also be holding back on capital spending as they await clarity on the tax front (the accounting treatment of capital expenditures) from pending legislation.
May Durable Goods Orders: Ex-Trnsp. Thursday, 6/26 Range: -0.8 to 0.5 percent Median: 0.0 percent	Apr = +0.2%	We look for ex-transportation orders to be up by 0.4 percent and look for core capital goods orders (nondefense capital goods excluding aircraft and parts) to be up by 0.5 percent.
May Advance Trade Balance: Goods Thursday, 6/26 Range: -$110.0 to -$65.0 billion Median: -$91.0 billion	Apr = -$87.0 billion	Narrowing to -$76.6 billion. Though April saw the largest decline in imports of goods on record, we look for a further decline in May ahead of what we expect will be a significant bounce-back in the June data. These swings reflect the timing of shipments from China to the U.S., which plummeted after the significant escalation in trade tensions between the two nations in April, but which have rebounded given the subsequent easing of those tensions. Allowing for transit times, we think that rebound will be mostly captured in the June data. To some extent, the rebound in shipments reflects retailers rushing to pull holiday season ordering forward, meaning that, as with every such instance of demand having been pulled forward, there will be payback in subsequent months. Seasonal adjustment of data on trade and inventories will likely be thrown badly off track in the months ahead, meaning that the monthly data on trade flows and inventories are likely to be highly volatile while shedding little, if any, light on underlying economic conditions.
May Personal Income Friday, 6/27 Range: -0.2 to 0.6 percent Median: 0.3 percent	Apr = +0.8%	Up by 0.2 percent, though we admit to a higher than normal degree of uncertainty around our forecast. Recall that transfer payments surged in March and April, largely reflecting retroactive payments made to certain groups of former public sector workers under the Social Security Fairness Act. Though the run rate of monthly Social Security payouts will be higher, retroactive payments dropping from the data could mean a decline in payments in the May data. Even if we're correct on that point, the magnitude of these changes is somewhat uncertain, hence the uncertainty around our forecast of top-line income growth. More fundamentally, we expect another sturdy increase in labor earnings, the largest block of personal income, and our forecast anticipates a rebound in asset-based income after April's decline. It is worth noting that despite a slowing trend rate of job growth, labor earnings continue to grow at a rate faster than inflation, which remains a meaningful support for growth in consumer spending.

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May Personal Spending Friday, 6/27 Range: -0.2 to 0.4 percent Median: 0.1 percent	Apr = +0.2%	Unchanged. After jumping to the fastest monthly rates in four years in March and April as consumers pulled purchases forward to avoid tariff-related price increases, unit sales of new motor vehicles fell sharply in May, as did purchases of electronics and appliances. As such, the May data will likely show a sizable decline in spending on consumer durable goods that will more than offset higher spending on nondurable consumer goods and push total goods spending lower. While many are pointing to the 0.9 percent decline in restaurant spending reported in the May retail sales data as a sign of weakness in overall services spending in May, we do not agree with that take. For openers, the not seasonally adjusted retail sales data show restaurant spending was up by 6.3 percent in May, larger than the typical May increase and the largest May increase since 2021, which is more in line with what various spending trackers showed for May. Additionally, the BEA does not use the retail sales measure of restaurant spending in its estimates of services spending, so we do not expect this category to be as weak as reported in the retail sales data. That said, a steep decline in utilities outlays and continued softness in travel-related spending will act as drags on growth in overall services spending. The May data on durable goods spending will illustrate our point about payback for spending having been pulled forward, and we look for a similar, albeit less pronounced, effect in the June data, making it more difficult to gauge the underlying trends in real consumer spending.
May PCE Deflator Friday, 6/27 Range: 0.0 to 0.2 percent Median: 0.1 percent	Apr = +0.1%	Up by 0.1 percent, which would yield a year-on-year increase of 2.3 percent. We look for the core PCE Deflator to be up by (a soft) 0.2 percent, which would translate into a year-on-year increase of 2.6 percent.

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