ECONOMIC PREVIEW

REGIONS

Week of June 30, 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%	A holiday shortened week is heavy on labor market data. Tuesday brings the JOLTS data for the month of May, and while we put no stock in the levels of the data reported in any given month, the trends in series such as hiring rates, layoff rates, and quits rates are useful indicators. Thursday brings not only the usual release of the weekly data on jobless claims but also the June employment report. On the whole, we expect this week's data to show a cooling, but not collapsing, labor market.
June ISM Manufacturing Index Tuesday, 7/1 Range: 47.0 to 50.2 percent Median: 48.7 percent	May = 48.5%	Up to 49.4 percent. Though for the most part firms remain in an uncertainty-induced holding pattern, we do look for at least some modest improvement in the ISM's headline index. In part, that reflects what we've seen in the regional Fed surveys, but it also reflects our sense that firms are learning to, if not love, then at least live with uncertainty around trade policy, particularly if they are sensing the worst-case outcomes are unlikely to play out. That said, it also appears that the global growth profile has softened a bit, which would temper any improvement in conditions in the manufacturing sector. One check on our premise that firms, here and abroad, are at least learning to deal with uncertainty around trade policy will be the indexes of export and import orders. Though neither enter into the calculation of the ISM's headline index, both have fallen off the table of late, with the index of export orders at a level last seen at the onset of the pandemic and the index of import orders at a level last seen at the depths of the 2007-09 recession. Though neither is likely to have pushed back over the 50.0 percent threshold in the June survey, we'd expect them to at least show some improvement. Additionally, though also not entering into the calculation of the headline index, the prices paid index has remained significantly elevated and input price pressures remain broadly based. This seems at odds with the path of the headline index, even allowing for higher tariffs. Our sense, however, is that we'll start to see the headline index move toward the prices paid index, rather than the prices paid index moving toward the headline index. The June data will help us assess whether we're on the right track with that thinking.
May Construction Spending Tuesday, 7/1 Range: -0.5 to 0.3 percent Median: -0.2 percent	Apr = -0.4%	Down by 0.2 percent.
May Trade Balance Thursday, 7/3 Range: -$73.2 to -$64.2 billion Median: -$71.1 billion	Apr = -$61.6 billion	Widening to -$70.4 billion. After having posted the largest monthly decline on record in April, imports of goods into the U.S. were virtually flat in May according to the advance data on trade in goods. At the same time, U.S. exports fell by almost five percent, with the net result being a wider deficit in the goods account in May. We are also looking for a slightly smaller surplus in the services account than that seen in April. Trade flows remain somewhat volatile, and the data for June and/or July will likely show another pop in goods imports as retailers rush to pull holiday season orders forward. It could be that with trade tensions off the boil, at least for now, trade flows begin to normalize in the months ahead (the not seasonally adjusted data will be the better guide). Either way, it is safe to assume that net exports will be additive to Q2 real GDP growth after having acted as a severe drag in Q1.
May Factory Orders Thursday, 7/3 Range: -0.5 to 9.0 percent Median: 8.1 percent	Apr = -3.7%	Up by 8.2 percent. Though a surge in civilian aircraft orders was the main fuel for the 16.4 percent increase in durable goods orders seen in the advance data, the more meaningful element of the advance data was core capital goods orders having rebounded from April's sharp decline, easily topping even our well above-consensus forecast. To be sure, this category is somewhat volatile, and activity over recent months has been shaped by firms acting preemptively in anticipation of higher tariffs, but the May data at least offer hope of business investment in equipment and machinery faring a bit better in the months ahead than we've been anticipating.
June ISM Non-Manufacturing Index Thursday, 7/3 Range: 49.0 to 51.8 percent Median: 50.6 percent	May = 49.9%	Up to 51.3 percent. The two key metrics to watch will be the new orders index and, although it does not enter into the calculation of the headline index, the prices paid index. A steep decline in the new orders index was most responsible for the headline index slipping below the 50.0 percent threshold in May, with clear deterioration in the firm level splits. As such, whether the June data show further deterioration or a rebound will be a key signal of the state of the broad services sector. Despite the slip in the headline index, the prices paid index showed input price pressures remained intense and broadly based in May, and we look for the same signal in the June data.

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June Nonfarm Employment Thursday, 7/3 Range: 70,000 to 116,000 jobs Median: 113,000 jobs	May = +139,000 jobs	Up by 98,000 jobs, with private sector payrolls up by 104,000 jobs and public sector payrolls down by 6,000 jobs. The bar for the last few monthly employment reports has been set quite low, with "better than feared" being enough to satisfy many analysts and market participants. We, however, have not been quite so willing to overlook what has been a pattern of sizable downward revisions to initial estimates of monthly job growth that leaves a slowing trend rate of job growth, nor have we overlooked a clear narrowing of the breadth of job growth across private sector industry groups. Moreover, while many are quick to attribute softening labor market conditions to concerns around trade policy, we think immigration reform to be having a more significant impact on the labor market than generally acknowledged. That we look for public sector payrolls to have declined reflects a growing number of cuts in federal government payrolls offsetting a modest increase in combined job counts on the state and local levels. That said, the changing timing of the school year makes seasonally adjusting state and local government employment for May and June somewhat tricky, so there is a wider range of uncertainty around our forecast of public sector payrolls. As for private sector payrolls, the slowing trend rate of job growth has thus far been a function of a slowing pace of hiring as opposed to a rising pace of layoffs. That said, many are pointing to the jump in initial claims for unemployment insurance benefits between the May and June survey periods as posing downside risk to June job growth. We'll note, however, that the past couple of summers have seen similar patterns in the seasonally adjusted data despite there having been no out-of-the-norm movements in the not seasonally adjusted data. What could have a bigger impact, however, is that continuing claims for unemployment insurance benefits, a count of people actually drawing benefits, have been drifting higher, suggesting that those who do lose jobs are having a harder time finding new ones. This could pose some upside risk to our forecast of the unemployment rate. Seasonal adjustment poses a stiff challenge for June job growth, and that we expect a smaller increase in not seasonally adjusted payrolls than is typical for the month of June is reflected in our below-consensus forecast of private sector job growth. The industry groups most vulnerable are construction, leisure and hospitality services, retail trade, and transportation and warehousing services. These industry groups, along with personal and household services, are also amongst the industry groups most prone to labor supply issues stemming from immigration reform. As we've noted elsewhere, patterns in foreign born labor have been significantly weaker thus far in 2025 than was the case not only over the 2022-2024 period but also than was the case in the years leading up to the pandemic. Though the establishment survey does not distinguish between native and foreign born labor, we do not think it much of a reach to see the trends in foreign born labor as reported in the household survey and make inferences about what has been softening job growth in the industry groups noted above. More broadly, the narrowing breadth of job growth is, at least for us, becoming an increasing concern. That said, we do not think the labor market to be on the verge of rolling over, but labor market conditions have clearly softened.
June Manufacturing Employment Thursday, 7/3 Range: -10,000 to 3,000 jobs Median: -2,000 jobs	May = -8,000 jobs	Up by 3,000 jobs.
June Average Weekly Hours Thursday, 7/3 Range: 34.2 to 34.4 hours Median: 34.3 hours	May = 34.3 hours	Unchanged at 34.3 hours.
June Average Hourly Earnings Thursday, 7/3 Range: 0.2 to 0.4 percent Median: 0.3 percent	May = +0.4%	Up by 0.2 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 0.3 percent in May and up 4.9 percent year-on-year.
June Unemployment Rate Thursday, 7/3 Range: 4.2 to 4.4 percent Median: 4.3 percent	May = 4.2%	Unchanged at 4.2 percent. June typically sees a surge in younger adults entering the labor force seeking summer employment. We look for a smaller than typical increase to counter the effects of rising continuing claims, leaving the jobless rate unchanged.