

ECONOMIC PREVIEW



REGIONS

Week of May 11, 2026

Indicator/Action

Economics Survey:

Last

Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the June 16-17 FOMC meeting):</i> Target Range Mid-point: 3.375 to 3.625 percent Median Target Range Mid-point: 3.625 percent</p>	<p>Range: 3.50% to 3.75% Midpoint: 3.625%</p>	<p>That job growth exceeded expectations in both March and April has many wondering if the narrative around the labor market has changed. We think not and can point to factors such as atypically harsh winter weather, seasonal adjustment issues, and Easter having fallen so early in April this year, which have impacted the past few monthly employment reports. Such twists and turns in the data, however, are standard fare, which is why it's more useful to look at longer-term patterns. For instance, over the past six months total nonfarm payrolls have risen by an average of 55,000 jobs per month, and while that may not seem all that impressive, it is above what we consider to be sufficient to keep the unemployment rate steady given what we expect will remain anemic labor force growth. At the very least, though, there are ample signs that the labor market has stabilized, which has shifted the focus of FOMC members to the upside risks to inflation. As we discuss below, however, the April CPI report may not give a clear signal as to whether, or to what extent, there are renewed upward pressures on core inflation.</p>
<p>April Existing Home Sales Range: 3.98 to 4.06 million units Median: 4.06 million units SAAR</p>	<p>Monday, 5/11 Mar = 3.98 million units SAAR</p>	<p>Up to an annual rate of 4.04 million units. On a not seasonally adjusted basis, we look for sales of 351,000 units, up 7.3 percent from March, which is smaller than the typical April increase. Even that, however, may seem like a reach. Keep in mind that existing home sales are booked at closing, so April closings mostly reflect sales contracts signed from late February through March. Over this span, mortgage interest rates rose by forty basis points, adding to the affordability constraints that have for some time been a heavy weight on demand. At the same time, however, the not seasonally adjusted data show applications for purchase mortgage loans rose by almost fifteen percent in March, second to last year as the largest March increase since 2019. What we think to be happening is that rising inventories and lengthening times on market are leading to some softening in pricing, helping blunt the increase in mortgage interest rates. So, while sales are by no means soaring in the key spring sales season, neither are they tanking as might be implied by simply looking at the recent increase in mortgage interest rates. To our point, our forecast would leave the running twelve-month total of not seasonally adjusted sales, which we see as the most useful gauge of underlying sales trends, at 4.066 million units, or, squarely within the eerily narrow range that has prevailed for the past two-plus years. As with sales, our forecast anticipates an increase in inventories that is smaller than the typical April increase, which merits attention given that in a typical year April is the month which sees the largest increase in inventories (the NAR's inventory data are not seasonally adjusted). This is another reason to think that this year's spring sales season just won't have as much bounce as is typically the case. We look for the median sales price to be little changed on an over-the-year basis.</p>
<p>April Consumer Price Index Range: 0.4 to 0.8 percent Median: 0.6 percent</p>	<p>Tuesday, 5/12 Mar = +0.9%</p>	<p>Up by 0.6 percent, which would yield a year-on-year increase of 3.7 percent. After having added over six-tenths of a percent to the monthly increase in the total CPI in March, higher retail gasoline prices will add just over two-tenths of a percent to April's monthly change. The hit would have been much larger were it not for a bigger assist from seasonal adjustment than seen in the March data; while retail gasoline prices were up by over twelve percent on a not seasonally adjusted basis in April, we think the increase will be closer to 6.9 percent on a seasonally adjusted basis. Our forecast anticipates food prices will rebound after a curiously large decline in prices for food consumed at home in the March data held down the overall food price index.</p> <p>There is considerable play in our forecast of the core CPI, as we can point to a number of factors that could leave the April print on either side of our forecast. First and foremost, with the panel for data collection on rents rolling over, the missing October data, not collected due to the government shutdown, will no longer impact the reads on primary and owners' equivalent rents. If we are correct in expecting this to yield a meaningfully larger increase in rents than seen over the past few months, that could easily add one-tenth of a percent to the monthly change in the core CPI (recall that rents account for just over forty-two percent of the core CPI). While that would rightly be somewhat discounted, this change should at least go a long way toward normalizing the over-the-year increase in the core CPI, which we've argued has been biased lower by the lack of October data.</p>

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<p>April Consumer Price Index Tuesday, 5/12 Range: 0.4 to 0.8 percent Median: 0.6 percent</p>	<p>Mar = +0.9%</p>	<p>Continued from Page One:</p> <p>Our forecast also anticipates a decline in costs for lodging away from home on a seasonally adjusted basis. We are entering the time of the year in which the seasonal factors for this component are the most stringent, i.e., geared toward sizable increases in not seasonally adjusted lodging rates, so anything less than the “typical” increases will be amplified by seasonal adjustment. This is what we expect to see in the April data amid reports of pricing being used to counter softening demand. We can make the same point about air fares, and we expect the seasonally adjusted data to be somewhat subdued. Our confidence in these calls, however, is not all that high.</p> <p>After months of lagging the wholesale pricing data, we look for the CPI measure of used car prices to get in gear and show a hefty increase but, again, this call isn't backed by a high degree of confidence. Either way, we'll continue to look to the index of core goods prices excluding used motor vehicles as the more reliable gauge of trends in core goods prices, and a key question here is whether apparel prices will back off after the surge seen over the past several months. This poses downside risk to our core CPI forecast. More broadly, the index of core goods prices excluding used motor vehicles has firmed considerably over the past several months and in March posted its largest over-the-year increase since August 2023, which to some extent reflects tariff pass-through effects. Finally, April is one of the two months, the other being October, in which the BLS incorporates semi-annual data on retained earnings from the health insurance industry into the CPI data, and we expect this to yield a firmer print on health insurance costs than those seen over recent months.</p> <p>Clearly, there will be a lot to process in the April CPI data, and it remains unknown at this point how long energy prices will remain elevated and the extent to which this will ultimately spill over into core inflation. That said, we think it would be a mistake to assume that once the conflict in the Middle East is resolved inflation pressures will suddenly evaporate. Prior to the start of the conflict, we were pointing to signs that inflation pressures were proving to be more persistent than many believed to be the case, but spikes in energy prices and emerging supply chain disruptions have come to dominate the discussion. At some point these effects will fade, but that will take some time even after the conflict is resolved.</p>
<p>April Consumer Price Index: Core Tuesday, 5/12 Range: 0.2 to 0.5 percent Median: 0.3 percent</p>	<p>Feb = +0.3%</p>	<p><u>Up</u> by 0.4 percent, yielding a year-on-year increase of 2.8 percent.</p>
<p>April Producer Price Index Wednesday, 5/13 Range: 0.3 to 0.7 percent Median: 0.5 percent</p>	<p>Mar = +0.5%</p>	<p><u>Up</u> by 0.5 percent, which would translate into a year-on-year increase of 4.8 percent.</p>
<p>April Producer Price Index: Core Wednesday, 5/13 Range: 0.2 to 0.4 percent Median: 0.3 percent</p>	<p>Mar = +0.1%</p>	<p><u>Up</u> by 0.4 percent, good for a year-on-year increase of 4.4 percent.</p>
<p>April Retail Sales: Total Thursday, 5/14 Range: 0.0 to 1.8 percent Median: 0.6 percent</p>	<p>Mar = +1.7%</p>	<p><u>Up</u> by 0.6 percent. Though not nearly to the same extent as in March, sharply higher prices mean gasoline will be a significant support for top-line retail sales. A decline in unit sales of new vehicles should weigh on motor vehicle dealer revenue, but if we are correct in expecting higher retail level prices, used vehicles could provide at least somewhat of an offset for total dealer revenue. Easter having fallen so early in April means the vast majority of related spending would have been pulled forward into March, which would help account for what on the whole should be favorable seasonal adjustment for the April data. While our forecast yields smaller declines in not seasonally adjusted total and control group sales than are typical for the month – unadjusted control group sales have not risen in April since 1998 – that makes sense in the context of higher prices. More fundamentally, while consumers seem to have thus far stood their ground amid sharply higher energy prices, that is at least in part</p> <p>Continued on Page Three:</p>

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April Retail Sales: Total Range: 0.0 to 1.8 percent Median: 0.6 percent	Thursday, 5/14	Mar = +1.7%	Continued from Page Two: a function of meaningfully larger income tax refunds and lower withholding rates, while at the same time aggregate labor earnings continue to grow at a rate faster than inflation. Still, there are indications that spending slowed sharply over the final week of April, and while that would not necessarily have a large impact on April retail sales on a monthly aggregate basis, it sets a flimsy base for May sales. While one doesn't want to make too much of a single week's data, it could be that with a sizable portion of the tax refund cushion having been absorbed by higher energy costs and higher prices for core consumer goods, consumers have become more circumspect, particularly with no real sense of how long the conflict in the Middle East may go on. As such, while lower income households may have little, or no, capacity for discretionary spending, those in higher income buckets may be turning less willing to engage in such spending. It is too soon to know for sure, but we'll continue to monitor higher frequency spending data to try to answer this question.
April Retail Sales: Ex-Auto Range: 0.2 to 2.0 percent Median: 0.7 percent	Thursday, 5/14	Mar = +1.9%	<u>Up</u> by 0.8 percent.
April Retail Sales: Control Group Range: -0.1 to 0.7 percent Median: 0.4 percent	Thursday, 5/14	Mar = +0.7%	<u>Up</u> by 0.4 percent.
March Business Inventories Range: 0.2 to 1.0 percent Median: 0.8 percent	Thursday, 5/14	Feb = +0.4%	We look for total <u>business inventories</u> to be <u>up</u> by 0.9 percent and for total <u>business sales</u> to be <u>up</u> by 2.1 percent.
April Industrial Production Range: -0.4 to 0.6 percent Median: 0.2 percent	Friday, 5/15	Mar = -0.5%	<u>Up</u> by 0.3 percent.
April Capacity Utilization Rate Range: 75.4 to 76.2 percent Median: 75.8 percent	Friday, 5/15	Mar = 75.7%	<u>Up</u> to 75.9 percent.

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