

# ECONOMIC PREVIEW



REGIONS

Week of May 25, 2026

## Indicator/Action

### Economics Survey:

## Last

### Actual:

### Regions' View:

<p><b>Fed Funds Rate: Target Range Midpoint</b>  <i>(After the June 16-17 FOMC meeting):</i>                  Target Range Mid-point: 3.625 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>The holiday shortened week will be long on economic data releases and Fed speak. Many of the data releases – durable goods orders, personal income and spending, and international trade – will help form an early read on Q2 real GDP growth. Comments by various FOMC members will likely be more scrutinized in the wake of last week’s speech by Governor Waller, which many found to be surprisingly hawkish, and the somewhat hawkish tone of the minutes of the April FOMC meeting.</p>
<p><b>May Consumer Confidence</b>                      Tuesday, 5/26                  Range: 89.3 to 96.4                  Median: 92.0</p>	<p>Apr = 92.8</p>	<p><u>Up</u> to 94.2, which would be in contrast to the University of Michigan’s read on consumer sentiment, which sank to the lowest on record in May. One difference between the two is that the University of Michigan’s survey is more focused on respondents’ assessments of their own financial conditions while the Conference Board’s survey is more focused on labor market conditions. While elevated gasoline prices will likely remain a drag, that labor market conditions have improved somewhat over the past few months could act as an offset and help push the Conference Board’s headline index modestly higher. Our premise will be put to the test by consumers’ assessments of labor market conditions; while the “jobs plentiful-jobs hard to get” spread has widened over the past two months, it nonetheless suggests lingering unease over the state of the labor market. Whether, or to what extent, that unease lessened will be our main interest in the results of the May survey.</p>
<p><b>Q1 Real GDP: 2<sup>nd</sup> estimate</b>                      Thursday, 5/28                  Range: 1.7 to 2.3 percent                  Median: 2.0 percent SAAR</p>	<p>Q1: 1<sup>st</sup> est. = +2.0% SAAR</p>	<p><u>Up</u> at an annualized rate of 2.2 percent. We look for the initial estimate of consumer spending on goods to be revised higher after the April retail sales data brought upward revisions to control retail sales, a direct input into the GDP data, in both February and March, meaningfully so in the case of the former. One likely offset, however, will be a downward revision to the initial estimate of services spending based on the Q1 Quarterly Services Survey, but on net we expect growth in total consumer spending to be a bit faster than initially estimated. We also think the first estimate of business investment in equipment and machinery, already notably strong, could be revised upward. At the same time, BEA did not have the February and March data on construction outlays at their disposal when they produced their initial estimate of Q1 GDP, and though by no means robust, business spending on structures was not as weak as the BEA’s initial estimate. On the flip side, more complete source data could show a slightly wider trade deficit than assumed in the BEA’s initial estimate, meaning trade would have been a slightly stronger drag on top-line real GDP growth.</p>
<p><b>Q1 GDP Price Index: 2<sup>nd</sup> estimate</b>                      Thursday, 5/28                  Range: 3.5 to 3.96 percent                  Median: 3.6 percent SAAR</p>	<p>Q1: 1<sup>st</sup> est. = +3.6% SAAR</p>	<p><u>Up</u> at an annualized rate of 3.8 percent.</p>
<p><b>April Personal Income</b>                      Thursday, 5/28                  Range: 0.2 to 0.7 percent                  Median: 0.4 percent</p>	<p>Mar = +0.6%</p>	<p><u>Up</u> by 0.4 percent. An increase in aggregate private sector hours worked should overcome a soft increase in average hourly earnings, with the net result being a solid increase in aggregate private sector wage and salary earnings. Continued declines in federal government payrolls, however, remain a drag on growth in public sector wage and salary earnings. A smaller increase in dividend income and continued modest growth in interest income will limit growth in asset-based income despite what we expect will be another solid increase in rental income. Transfer payments could once again have a meaningful impact on growth in total personal income. Declining ACA enrollments and lower Medicaid reimbursements have been powerful drags on growth in transfer payments, which has been notably weak thus far in 2026. We look for those drags to have abated somewhat in the April data, but if we’re wrong on this point our forecast for growth in total personal income could be too high. It’s also worth noting an additional drag on growth in transfer payments, in the form of payouts in unemployment insurance benefits having trended lower over the past nine months. While this would seemingly be a positive development, we think a large part of this downward trend reflects recipients exhausting their benefits as opposed to finding new jobs. Keep in mind that while the layoff rate remains below pre-pandemic norms, that the hiring rate has fallen so low suggests that those who do lose a job are having a harder time finding new jobs, and we know the duration of unemployment has drifted higher. Either way, this has intensified the drag on top-line income growth from atypically slow growth in transfer payments.</p>

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<b>April Personal Spending</b> Range: 0.3 to 0.7 percent Median: 0.5 percent	Thursday, 5/28	Mar = +0.9%	<u>Up</u> by 0.5 percent. While higher prices for goods and services have boosted nominal spending, what matters more is growth in real, i.e., adjusted for price changes, spending. Our forecast would leave real spending up just 0.1 percent in April, a tepid start for Q2 growth. Of particular interest to us will be discretionary services spending. Our proxy shows real discretionary services spending declined in Q1 and we look for that softness to have carried into April. While consumers have, at least on the whole, thus far been able to keep pace with higher prices it remains to be seen how much longer that can remain the case absent relief from elevated energy prices.
<b>April PCE Deflator</b> Range: 0.4 to 0.6 percent Median: 0.5 percent	Thursday, 5/28	Mar = +0.7%	<u>Up</u> by 0.4 percent, which would translate into a year-on-year increase of 3.8 percent. We look for the <u>core PCE Deflator</u> to be <u>up</u> by 0.3 percent, which would yield a year-on-year increase of 3.3 percent, the largest such increase since late-2023 and the fifth straight month of core PCE inflation at or above 3.0 percent. Even prior to the start of the conflict in the Middle East, we had argued that core PCE inflation wasn't going away quietly, and we think stubborn core inflation will be reinforced by spillovers of higher costs for producing and shipping goods. We do not, however, expect any such effects to be as strong in the April data as they will be in subsequent months, particularly as disruptions in energy production and global supply chains will take time to unwind even after the conflict is resolved.
<b>April Durable Goods Orders</b> Range: 0.5 to 9.8 percent Median: 3.9 percent	Thursday, 5/28	Mar = +0.8%	<u>Up</u> by 4.9 percent. A jump in civilian aircraft orders should provide a considerable boost to the headline orders print, the caveat here being that changes in unit aircraft orders don't always neatly map into the Census data on the dollar volume of orders. As always, the more relevant metric is core capital goods orders, an early indicator of business investment in equipment and machinery as reported in the GDP data. Recall that core capital goods orders rose by 3.4 percent in March which, aside from the height of the pandemic when the data were all over the map, is the largest monthly increase since September 2017. March's increase was dominated by orders for computer and communications equipment, but there were a few outsized increases in other components that lead us to expect some payback in the April data, as indicated below. Even if we're correct on this point, it still leaves core capital goods firmly trending higher, and we expect this trend has far further to run.
<b>April Durable Goods Orders: Ex-Trnsp.</b> Range: -0.2 to 1.0 percent Median: 0.5 percent	Thursday, 5/28	Mar = +0.9%	We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.4 percent and look for <u>core capital goods</u> orders (nondefense capital goods excluding aircraft and parts) to be <u>down</u> by 0.9 percent.
<b>April New Home Sales</b> Range: 600,000 to 695,000 units Median: 660,000 units SAAR	Thursday, 5/28	Mar = 682,000 units SAAR	<u>Down</u> to an annual rate of 672,000 million units. On a not seasonally adjusted basis, we look for sales of 61,000 units, down 4.7 percent from March, which would be larger than the typical April decline.
<b>April Advance Trade Balance: Goods</b> Range: -\$90.6 to -\$80.0 billion Median: -\$86.5 billion	Friday, 5/29	Mar = -\$87.4 billion	<u>Widening</u> to -\$90.6 billion.

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