ECONOMIC OUTLOOK

REGIONS

April 2025



# Wait, What . . . You Mean There IS An Alternative?

For more than a decade following the Great Financial Crisis, TINA seemingly ruled global equity markets. No, not any one particular person named Tina who rocked the all-caps look, but the premise that there is no alternative to U.S. equities. Over more recent years, that premise broadened to include not only U.S. equities but other asset classes as well, to the point that well before anyone actually uttered the phrase "U.S. exceptionalism," global investors were behaving as though that were a thing, funneling capital to U.S. dollar-denominated assets. Investors and money managers were seemingly hard-pressed to make a strong case for allocating meaningful shares of funds anywhere outside of the U.S., and you'd be hard-pressed to make a case that significant and steady inflows of foreign capital were not critical in holding down U.S. interest rates and propping up U.S. equity prices. In the wake of the 2024 U.S. elections, the case for U.S. dollar-denominated assets seemingly strengthened, as perceptions that the gaps between U.S. and foreign growth – economic and earnings – and interest rates would widen further only seemed to strengthen TINA's hold over global investors and money managers.

The funny, though not necessarily in a humorous sense, thing about dynasties, which in a sense TINA could be considered, is that they don't last forever, the only questions being how and when they will come to a close. And even if it is a stretch to say TINA's reign over global financial markets has come to an end, it is very much the case that global investors have realized that there are actually alternatives elsewhere around the globe. Recent weeks have seen sharp shifts in global capital flows, with capital flowing out of U.S. dollar-denominated assets and finding homes across an array of countries, particularly within the Euro Zone.

It isn't as though global investors simply woke up one day and decided enough was enough. Instead, the outflow of capital from the U.S. is, at least to some degree, an extension of changes in U.S. trade and fiscal policy perceived by many to be detrimental to U.S. growth – economic and earnings – while fueling further inflation pressures, at least in the near term, with the potential for meaningful fiscal policy support across the Euro Zone leading many to adopt a more constructive growth outlook. At the same time, there is a growing sense that interest rate differentials between the U.S. and other parts of the globe may be narrower than been thought at year-end 2024. For instance, the prospects of firmer growth may mean the European Central Bank is nearing the end of its current cutting cycle while many expect the Bank of Japan to take further, albeit small, steps toward a more normal policy stance, whereas there is a growing sense that the FOMC will ultimately have to look past inflation being above their target rate and resume cutting the Fed funds rate in response to a dimming growth outlook and deteriorating labor market conditions.

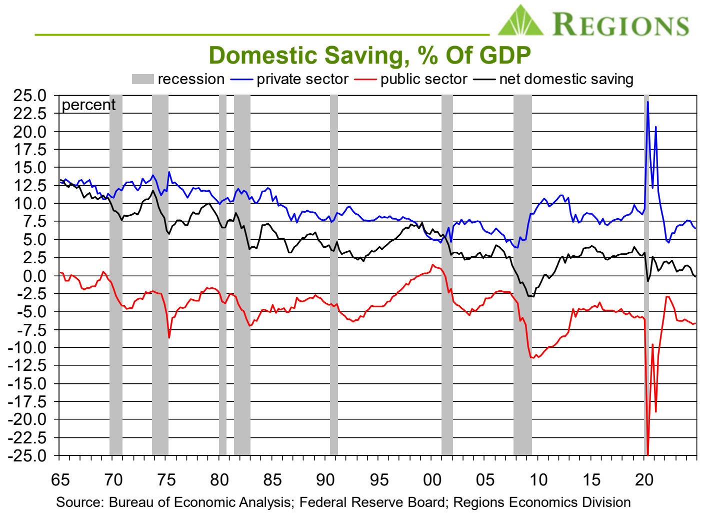
Though the flight of capital out of U.S. dollar-denominated assets has come as somewhat of a jolt given the speed at which it has occurred, we'd suggest being careful about rushing to sweeping conclusions as to how far it might go. After all, the sustained inflow of capital into the U.S. in no small measure reflected what were perceived to be relative economic and financial market advantages over much of the rest of the globe. As such, it is reasonable to ask whether these relative advantages will reassert themselves if trade tensions subside and if the more growth-friendly aspects of U.S. regulatory and fiscal policy are enacted, even if at present there is considerable uncertainty as to whether and when these policy shifts would occur. Also, it could be that what we have been seeing of late is no more than an overdue rebalancing of positions that to some degree had become overweighted in favor of U.S. dollar-denominated assets. Along those lines, it is worth noting that while the U.S. dollar has given back the sharp gains seen in the wake of the November 2024 elections, this leaves the dollar in the range that prevailed over most of 2023-24. Clearly, further declines in the value of the dollar in the months ahead cannot be ruled out, but the point here is that capital flows are not, at least thus far, signaling an all-out rout of U.S. dollar-denominated assets.

Regardless of the drivers and without knowing how far it will go, the shift in capital flows seen over the past several weeks raises a very important point, albeit one we think gets significantly less attention than it merits. Put simply, the U.S. is highly vulnerable to pronounced and sustained capital outflows, a position we've put ourselves in thanks to a gaping fiscal imbalance in the form of outsized federal government budget deficits. The past few weeks illustrate what we see as two very important points. First, the potential danger of engaging the rest of the world, or most of it anyway, in a protracted battle over tariffs and, second, the importance of having your fiscal house in order if you do choose to engage in a protracted battle over tariffs.

We discussed what we and many others see as an unsustainable fiscal path in detail in the July 2024 *Outlook*, and the catalyst for that discussion was the Congressional Budget Office's (CBO) mid-year update of their projections of the paths of federal government revenue, spending, deficits, and debt. Those projections showed annual budget deficits hovering near $2 trillion over the next several years before getting even larger, absolutely and as a share of GDP, over the later years of the CBO's forecast horizon. The CBO's most recent update, issued in late-March, painted a similarly dour outlook, and while that doesn't necessarily shed any new light on our discussion from last July, we do think the topic is worth revisiting. One reason is that the Federal Reserve recently released its "*Flow of Funds*" data, a comprehensive look at financial flows through the household, corporate, and government sectors, for Q4 2024, offering an updated look at net domestic saving. That, in turn, serves as a jumping off point for a discussion of U.S. reliance on foreign capital flows and how those flows may be altered, to a much greater degree than has been seen over recent weeks, by

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

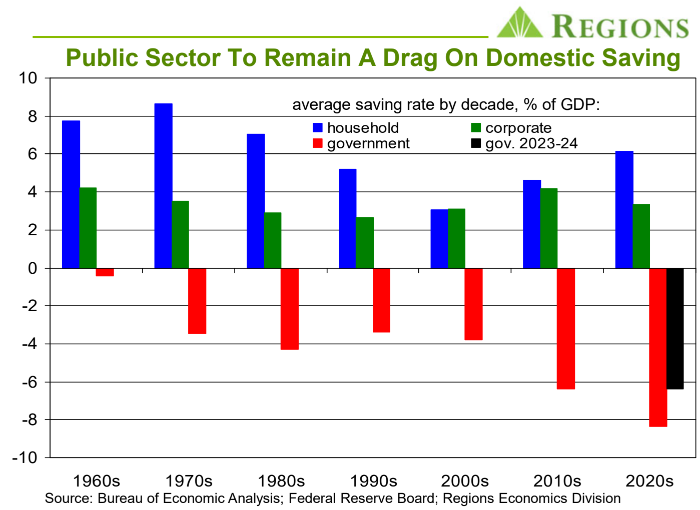
mounting trade tensions, which would in turn have implications for U.S. interest rates and equity prices.




The chart above is an updated edition of one we used last July and one we often use in this context. As of Q4 2024, net domestic saving, i.e., combined saving across the household, corporate, and government sectors, was negative and equivalent to 0.16 percent of nominal GDP. It helps to recall, however painful doing so may be, one of the most basic points in any introductory course on macroeconomics, which is that in any economy the aggregate level of investment equals the aggregate level of savings. Further, as we have said and written more times than we could possibly begin to count, investment is the main fuel of any economy's growth over time. Any single sector of the economy can engage in dissaving (i.e., run a negative saving rate), as has long been the case with the public sector of the U.S. economy. In a closed economy, negative saving in one or more sectors must be offset by saving in the remaining sector(s), but in an open economy foreign saving can compensate for a lack of or a low level of domestic saving. By definition, however, for any economy the flip side of lower (higher) levels of net saving is lower (higher) levels of total investment which, over time, is associated with lower (higher) rates of sustainable economic growth.

Another point, often overlooked but important in this context, is that the other side of a trade deficit is a capital surplus. That the U.S. buys more goods and services abroad than it sells is offset by foreigners buying more in U.S. assets than U.S. citizens are buying in foreign assets. One reason the trade deficit gets so much focus is that in terms of simple GDP accounting, exports add to GDP while imports deduct from GDP, meaning that a trade deficit is a negative for GDP. That this simple GDP accounting ignores a key distinction – roughly one-half of imports into the U.S. are either raw materials or intermediate goods used by firms here in the U.S. to produce final goods – is a point we've made countless times.

Either way, that dissaving in the public sector soaks up so much of, or in Q4 2024 more than all of, private sector saving, points to the U.S. being so heavily reliant on foreign purchases of U.S. assets, specifically federal government debt obligations, to finance federal government budget deficits. One reason foreigners have been so willing to do so is that the U.S. dollar remains the de facto global reserve currency, with the bulk of global trade being denominated in U.S. dollars. As such, anything that disrupts or diminishes trade in goods and services between the U.S. and the rest of the world will have a corresponding effect on net foreign purchases of U.S. assets, including federal government debt obligations. Less foreign demand will put upward pressure on the interest rates at which the U.S. will be able to find buyers its debt obligations, which is somewhat unsettling given the projected path of federal government budget deficits over the next several years.




The chart above is another way of looking at net domestic saving, breaking out the three sectors and showing average saving, as a percentage of GDP, by decade over time. It should be noted that the averages for the household and government sectors during the 2020s will be impacted by the financial transfers to the household sector and the added government spending tied, at least ostensibly, to the pandemic. To avoid that surge in spending having an undue influence on the average for the government sector, we thought it would be useful to show the average over 2023-2024 separately, as we do with the black bar. That, however, only illustrates the extent to which our fiscal house is out of order. These were, after all, years in which real GDP growth was well above the economy's "speed limit," with healthy job and income growth and solid growth in corporate profits, yet federal government budgets were close to $2 trillion in each year.

As for why many, including the CBO, see little hope of deficits getting meaningfully smaller over coming years, between growth in mandatory outlays, including Medicare and Social Security, over the coming decade and the rapid growth in interest payments on outstanding debt (now the second largest line item in the federal government budget), it gets tougher and tougher to narrow the budget gap without decimating defense and other discretionary government spending and/or raising significantly more revenue. Put differently, the fiscal path we are now on may be sustainable for a time but is simply not sustainable indefinitely.

This goes straight to the two points we made above regarding the importance of having your fiscal house in order if you are going to engage in trade battles. At least in theory, steps being taken to reduce the size and scope of the federal government are intended to help in that process, though it is very much of an open question whether the totality of these steps will make a meaningful dent in the path of deficits projected out over the next decade-plus. One could also argue that doing these things sequentially, with getting the fiscal house in order coming first, rather than simultaneously would be less disruptive, but that is pretty much a moot point at this juncture. Either way, diminished trade flows and diminished global reliance on the U.S. dollar will almost surely result in less foreign capital flowing into the U.S., meaning that in the absence of a meaningful adjustment to the fiscal path we are now on, persistently large federal government budget deficits will siphon larger and larger shares of funds away from the private investment needed to fuel longer-term economic growth. That, in turn, would have implications for interest rates and inflation over time, with both higher than would otherwise be the case.

While it can be argued that our fiscal position will be made more tenuous if sweeping and more punitive tariffs are implemented and kept in place for an extended period, it is important to realize that while expanded tariffs may alter, i.e., pull forward, the timing of the fiscal reckoning the U.S. is in store for, it has long been a question of when, not if, the U.S. would face such a reckoning. Recall that in the early weeks of 2025, when tariffs were generally seen as more a negotiating tool than actual policy, interest rates on longer-term U.S. Treasury securities were significantly higher than they are today, and many – us included – expected them to continue to drift higher as it became increasingly clear that the U.S. was on an unsustainable fiscal path. Those concerns have, at least for now, been displaced by concerns over a deteriorating growth outlook, in which tariffs have played a large role, but they have not suddenly vanished.

To be sure, some have for years been warning of an imminent fiscal crisis, leading many to simply dismiss such warnings out of hand, which is usually the right response. Still, even those who have taken a more measured approach to this issue, as we've always tried to do, have found it difficult to get their message through, in part because many seem to want to know a specific date on which a fiscal crisis will come or want to know what the specific trigger for such a crisis will be. Our view, however, is that there won't be a specific trigger on a specific day, rather, the effects of diminished (net) capital inflows into the U.S. would be felt gradually over time. After all, it would make no sense for foreign holders, public or private, of U.S. dollar-denominated assets, including U.S. Treasury securities, to suddenly sell those holdings off en masse, as doing so would likely lead to sizable capital losses. What is far more likely is that, while some dollar-denominated assets will be sold, capital flows will adjust more gradually, with proceeds of maturing securities being reinvested elsewhere and/or newly deployed capital being put to use elsewhere. The effects are the same, in terms of putting upward pressure on U.S. interest rates but take place more gradually.

We can make the same point about the possibility of the U.S. dollar losing its status as the world's reserve currency. There is at present no viable alternative, but that could easily change over time, and throwing the global trade system into turmoil is likely to speed up the search for alternatives. We've long argued that it is highly unlikely that any single currency will displace the U.S. dollar in the role of a global reserve currency. Instead, with trade becoming less globalized and more regionalized, it could be that several different currencies serve in this capacity for different regions of the world. Another possibility is that trade remains more globalized but increasingly bypasses the U.S. with, say, Canada and Mexico aligning more closely with Europe and Asia with less emphasis on the U.S. all the way around. In the end, though, this would still lead to a diminished role for the U.S. dollar and less capital, on net, flowing into the U.S.

One thing none of us know at this point is how long the newly implemented tariffs will remain in place. Even if they are at some point relaxed, however, this episode may have a lasting impact on how global investors view the U.S. It also helps to recall that one reason, perhaps the main reason, the U.S. has been such an attractive destination for foreign capital is that our economy has been stronger and more dynamic than almost all others, and our capital markets have been deeper and more flexible. While those advantages may be diminished, the degree to which that will be the case and the length of time they will remain so are open questions, and no one is suggesting the U.S. will cease to attract foreign capital altogether. Either way, the bottom line is that a diminished global footprint for the U.S. highlights the need for the U.S. to get its fiscal house in order.

## Transitory – Part Deux?

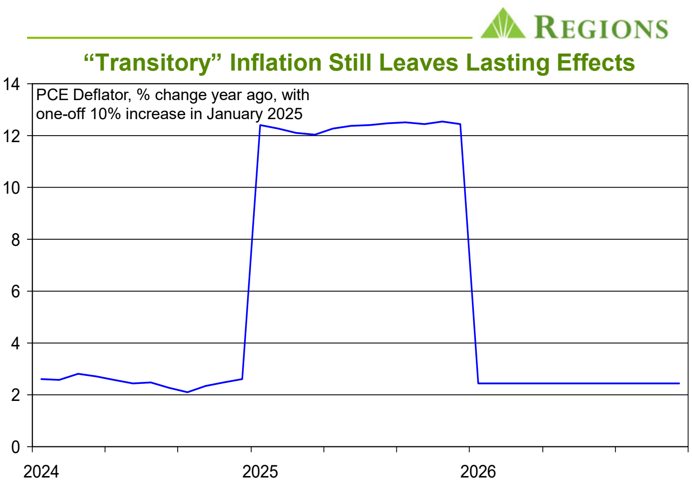
It may be a debate that only economists and central bankers could love but, be that as it may, one of the main points of discussion of the potential impacts of higher and more broadly based tariffs is whether, or to what extent, they will be inflationary. While there is little doubt that tariffs will push some prices higher, that does not necessarily mean there will be a lasting effect on inflation, as measured by the year-on-year percentage change in a given price index such as the Consumer Price Index or the PCE Deflator. The answer to that question will, many think, influence how the FOMC might respond to the effects of higher tariffs. In other words, should higher tariffs lead to meaningfully slower economic growth and deteriorating labor market conditions, whether, or to what extent, the FOMC would respond by lowering the Fed funds rate will at least in part depend on how tariffs impact inflation given that inflation stubbornly remained above the FOMC's 2.0 percent target rate even before any impacts of higher tariffs.

Chair Powell has weighed in on this question. In his press conference following the March FOMC meeting, Chair Powell noted that the inflationary impact of tariffs was expected to be transitory. While his use of that word surprised many who thought it had been relegated to the dustbin of history after its first stint in the limelight didn't go all that well, he was nonetheless making the distinction between higher inflation on a sustained basis and a one-off increase in prices, which is how many view the impact of tariffs on prices. Still, in an April 4 speech, i.e., after the specifics of the expanded tariffs had been made known, Chair Powell seemed to have shifted his views at least a bit, acknowledging the possibility of there being more sustained effects on prices. In so doing, Chair Powell dashed the hopes many market participants seemed to be harboring of the FOMC riding to the rescue by aggressively lowering the Fed funds rate, with Chair Powell once again stressing that the FOMC was "well positioned" to await further clarity on the policy front and more fully assess the potential impacts.

The following example, intentionally simplistic, helps illustrate the distinction. During 2024, the average monthly increase in the PCE Deflator was 0.214 percent which, in December 2024 left the PCE

Deflator up 2.6 percent year-on-year. Suppose, however, that in January 2025 there had been a one-off ten percent increase in the PCE Deflator, after which the monthly increases revert back to the 2024 average of 0.214 percent. As can be seen in the chart below, the one-off increase of ten percent ratchets the year-on-year change up to over twelve percent in January 2025, and the year-on-year changes remain elevated until January 2026, when they revert back to the 2.6 percent increase seen in December 2024.

**"Transitory" Inflation Still Leaves Lasting Effects**




Source: Bureau of Economic Analysis; Regions Economics Division

Again, this is a simplistic example, but it nonetheless illustrates the effects of a one-off increase in the level of prices similar to the effect of uniform tariffs taking effect at a point in time. Obviously, the increase in the overall level of prices would be less than the increase in the tariff rate, as not all prices would be subjected to higher tariffs. Either way, the point made by those who argue tariffs would have only a transitory effect on inflation is that the FOMC would be willing to look past that interlude and cut the Fed funds rate to counter deteriorating conditions in the labor market and the broader economy. The problem with this view, however, is that it does not account for retaliatory tariffs imposed by foreign countries which would lead the U.S. to respond with further tariff hikes. Nor does it account for phased in effects over time if higher tariffs are sustained. For instance, firms may initially be willing, or able, to absorb higher tariffs but ultimately may feel they have no choice but to pass higher tariffs along in the form of higher prices, or supply chains may be stressed to the point that there are successive rounds of input price increases that ultimately find their way into final goods prices. These are just some of the ways in which higher tariffs could lead to more sustained increases in prices and, in turn, measured inflation.

As to where we come down on this question, well, earlier we noted that this was a debate only economists or central bankers could love, which does not mean that all economists love this debate. Trust us, we do not even like this debate, let alone love it. No, it's not us being triggered by the word "transitory," for those who recall how we were immediately and vehemently on the other side of the "transitory inflation" argument when it was first made. We wrote in April 2021 that inflation would be higher, more broadly based, and more persistent than those in the transitory camp argued would be the case. This time around, "transitory" just doesn't have the same effect on us. Instead, we think this debate misses what, for the vast majority of those neither economists nor central bankers, is the most important point. To argue that higher tariffs have only a transitory impact on inflation masks the fact that even a one-off increase in the level of prices means that real incomes are suddenly lower – by ten percent in our simple example – which in turn means a loss of purchasing power. That purchasing power, by the way, is not magically restored when the impact of a one-off increase in the level of prices washes out of the measured inflation rate – as it does in January 2026 in our simple example. Measured inflation does indeed fall at that point, prices do not, but instead simply resume rising at a slower pace, which we doubt would be of much comfort to a consumer already struggling with the cumulative effects of higher prices.

Sure, we get that the distinction would matter for FOMC members pondering whether, and when, to resume cutting the Fed funds rate in response to deteriorating conditions in the labor market and the broader economy. That is, after all, why this topic is discussed/debated as much as it is. The reality, however, is unlikely to be so straightforward, and it is easy to envision an outcome in which an initial level-change in prices is followed by subsequent rounds of price increases which sustain a higher rate of inflation than that which prevailed at the start which, by the way, was well above the FOMC's target rate and seemed likely to remain so for quite some time. Either way, it seems increasingly likely that the FOMC will at some point feel compelled to resume cutting the Fed funds rate and that, when they do, inflation will still be easily ahead of their 2.0 percent target rate.

## *Road Ahead Rockier And More Uncertain*

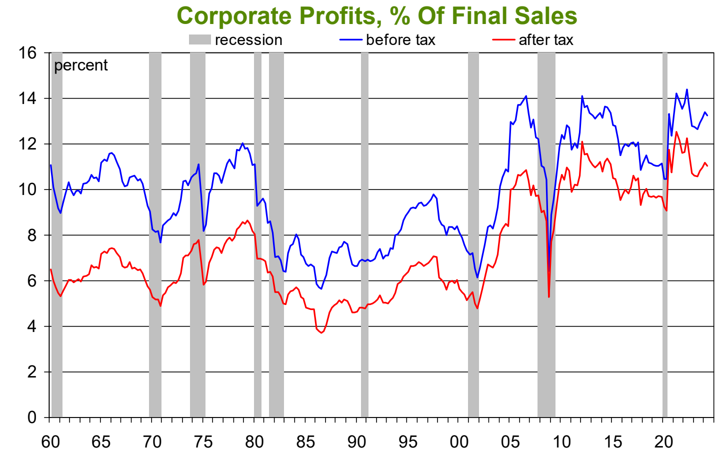
In last month's *Outlook* we discussed our growing concerns over the state of the U.S. economy. Though atypically harsh winter weather in both January and February made it difficult to gauge – recall that in each month over 1.7 million people had their usual work schedules disrupted by adverse weather and there were clear impacts on consumer spending, construction, and industrial production – it seemed clear that the economy had lost some of the momentum it carried into 2025. Consumer and business sentiment were souring, and quickly so, even if many were quick to dismiss that on the grounds that the "soft" data don't necessarily impact the "hard" data, i.e., measures of economic activity. At the same time, a growing sense of uncertainty, and in some instances unease, over the course of policy, was weighing on businesses trying to plan for a future that seemed increasingly likely to look different than the future they had expected. Though we did not make a recession our base case, we did acknowledge that the downside risks to our baseline outlook had risen while noting that if enough of these downside risks hit in close proximity, a recession would be hard to avoid.

A month later, we're more, not less, concerned about the state of the U.S. economy. Though it was clear that higher and more broadly based tariffs were on the way, the tariffs announced on April 2 exceeded what many of us envisioned would be the worst-case outcome and would push the trade-weighted effective tariff rate to the highest in over one hundred years. With global trade and supply chains upended in such drastic fashion, it is all but given that the near-term effects will be slower economic growth and higher prices. That the downside risks to the labor market are now meaningfully higher poses risks throughout the economy, while businesses must rethink investment plans and map out what could be dramatically different supply chains. The longer-term outcome is so uncertain that it seems futile at this point in time to even try to assess what that may look like. What none of us know at this point is whether, or to what extent, there is room for the tariffs announced on April 2 to be softened and how long that might take. We also do not know whether, in what manner, and to what extent foreign nations will retaliate against higher U.S. tariffs, though China's quick and stern response helped answer that question.

While our April baseline forecast reflects a meaningfully more downbeat outlook, the reality is that there is so much uncertainty looming over the economy and financial markets that it's hard to have much, if any, confidence in any forecast made at this point. It may be better to view forecasts being made at present as more of a directional guide than a destination, and it is likely of no more comfort to anyone else than it is to us, which is to say none at all, that the last time we felt this way was at the onset of the pandemic. Still, one thing we routinely stress is that starting points matter. As such, while we do not know what lies ahead for the U.S. economy, we think there are a few points worth making about where the post-April 2 journey is starting from.

To the extent that firms and households have taken steps over the past few months to avoid the impacts of higher prices and disjointed supply chains, that poses the risk of a sharp and sudden slowdown in the middle quarters of 2025. For instance, we've pointed to notably strong spending on consumer durable goods over the final months of 2024, and that carried into this year. In other words, consumers have been pulling purchases of goods such as motor vehicles, appliances, electronics, and furniture forward to avoid tariff-related price hikes later this year. Perhaps the most dramatic illustration of that is unit sales of new motor vehicles spiked to an annual rate of 17.8 million units in March, the highest monthly sales rate since April 2021 and higher than the pre-pandemic sales rate. That some of these sales are to businesses rather than to consumers doesn't change the point, which is that to the extent this spike reflects sales being pulled forward to avoid higher tariffs, sales are likely to fall sharply in the months ahead. We can also point to retailers pulling orders forward and manufacturers pulling purchases of raw materials and intermediate goods forward for the same reasons. To the extent such pre-emptive buying/inventory stocking supported Q1 real GDP growth, there will be payback, likely harsh, in the Q2 data.

We think it also worth noting that corporate profit margins remain meaningfully above historical norms, particularly compared to the years immediately prior to the pandemic. Elevated profit margins give firms capacity to absorb at least some portion of the increased costs associated with higher tariffs, and it could be that many will go this route for at least some period of time to assess just how entrenched higher tariffs may prove to be. In other words, elevated profit margins can, in a sense, be seen as buying time to see how policy unfolds over coming months, and that would include changes in tax policy as well as in trade policy. While one could argue that this may amount to no more than delaying the inevitable, our point is that nothing at this moment seems set in stone, and elevated profit margins may help smooth the adjustment to whatever lies ahead.



Source: Bureau of Economic Analysis; Regions Economics Division

It is also the case that, whatever may lie ahead, the starting point is a labor market that while by no means as hot as had been the case is nonetheless still solid, as we saw in the March employment report. Many were quick to dismiss the report, which showed total nonfarm payrolls rose by 228,000 jobs in March, as the calm before the coming storm which will consist of not only the effects of higher tariffs but also the effects of cuts in federal government employment and spending. Obviously, we know that storm is coming, but with job growth back in line with the pre-pandemic trend and what should be sharply slower growth in labor supply this year than in the past two, the disruptions to the labor market could be less severe than would be the case were the starting point significantly weaker labor market conditions.

In last month's *Outlook* we pointed to declines in equity prices triggering negative wealth effects as an emerging downside risk to our baseline outlook. Given the extent to which equity prices sank in the wake of the April 2 tariff announcements, that downside risk now seems significantly more pronounced. That said, we know from the *Flow of Funds* data that household net worth ended 2024 at $169.4 trillion, easily the highest on record. One key component of that is owner equity positions in residential real estate being stronger than has been the case in decades. Even if we allow for a hit of over $10 trillion in the form of lower equity prices thus far this year, that would leave net worth right at where it was at the start of 2024. Still, while there is considerable financial capacity in the household sector to absorb an adverse shock, one issue is that the most vulnerable households have no such cushion.

It is interesting that the reaction in credit spreads was much more muted than was the reaction in equity prices. Though spreads did widen, they did so from notably narrow starting points and, at least thus far, remain well below longer-term norms. One interpretation is that investors see this as a disruption in growth rather than a credit event, which goes to the degree of liquidity in the corporate space. To be sure, a prolonged period of escalating trade wars could, and likely would, turn a disruption in growth into an adverse credit event. On the whole, the U.S. economy was still on fairly solid ground prior to April 2, and while that cannot forestall the coming storm, it can at least help cushion the blow. The extent to which that will be the case, however, largely depends on whether April 2 was itself a starting point rather than the final word.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

# ECONOMIC OUTLOOK

REGIONS

April 2025

| Q3 '24 (a) | Q4 '24 (a) | Q1 '25 (f) | Q2 '25 (f) | Q3 '25 (f) | Q4 '25 (f) | Q1 '26 (f) | Q2 '26 (f) | | 2022 (a) | 2023 (a) | 2024 (a) | 2025 (f) | 2026 (f) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3.1 | 2.5 | 0.7 | 0.2 | -1.5 | 0.1 | 0.6 | 1.6 | Real GDP[1] | 2.5 | 2.9 | 2.8 | 1.1 | 0.7 |
| 3.7 | 4.0 | 0.6 | 0.4 | -2.0 | -0.2 | 0.8 | 1.5 | Real Personal Consumption[1] | 3.0 | 2.5 | 2.8 | 1.3 | 0.7 |
| 4.0 | -2.9 | 5.4 | -1.3 | -3.9 | -1.3 | 0.5 | 2.1 | Real Business Fixed Investment[1] | 7.0 | 6.0 | 3.6 | 0.7 | 0.3 |
| 10.8 | -8.7 | 10.9 | -5.5 | -9.8 | -3.7 | -0.2 | 2.9 | Equipment[1] | 4.4 | 3.5 | 3.4 | 0.2 | -0.8 |
| 3.1 | -0.5 | 3.3 | 3.2 | 2.0 | 2.6 | 3.1 | 3.9 | Intellectual Property and Software[1] | 11.2 | 5.8 | 3.9 | 2.2 | 3.2 |
| -5.0 | 2.9 | -0.5 | -2.4 | -4.8 | -5.0 | -3.9 | -3.8 | Structures[1] | 3.6 | 10.8 | 3.5 | -1.6 | -4.1 |
| -4.3 | 5.5 | 5.0 | -1.8 | -3.7 | -2.8 | -2.8 | -0.3 | Real Residential Fixed Investment[1] | -8.6 | -8.3 | 4.2 | 0.5 | -1.7 |
| 5.1 | 3.1 | 0.5 | -0.8 | 0.8 | 0.8 | 0.6 | 0.6 | Real Government Expenditures[1] | -1.1 | 3.9 | 3.4 | 1.5 | 0.5 |
| -1,069.2 | -1,052.7 | -1,195.8 | -1,091.3 | -1,016.5 | -1,031.4 | -1,044.5 | -1,041.9 | Real Net Exports[2] | -1,041.7 | -932.8 | -1,033.6 | -1,083.7 | -1,045.8 |
| 971 | 1,018 | 1,033 | 970 | 938 | 933 | 933 | 935 | Single Family Housing Starts, ths. of units[3] | 1,006 | 949 | 1,014 | 969 | 936 |
| 361 | 374 | 375 | 366 | 359 | 362 | 367 | 378 | Multi-Family Housing Starts, ths. of units[3] | 546 | 473 | 354 | 365 | 381 |
| 3.6 | 3.3 | 2.7 | 2.4 | 1.5 | 0.4 | -0.4 | -0.6 | CoreLogic House Price Index[5] | 13.0 | 4.1 | 4.3 | 1.7 | -0.3 |
| 15.6 | 16.5 | 16.4 | 15.9 | 15.0 | 15.1 | 15.2 | 15.4 | Vehicle Sales, millions of units[3] | 13.8 | 15.5 | 15.8 | 15.6 | 15.5 |
| 4.2 | 4.1 | 4.1 | 4.3 | 4.6 | 4.9 | 4.9 | 4.8 | Unemployment Rate, %[4] | 3.6 | 3.6 | 4.0 | 4.5 | 4.8 |
| 1.3 | 1.2 | 1.2 | 1.1 | 0.7 | 0.3 | 0.0 | -0.1 | Non-Farm Employment[5] | 4.3 | 2.2 | 1.3 | 0.8 | 0.2 |
| 0.2 | 1.9 | 3.0 | -1.0 | -4.1 | -0.9 | 3.3 | 1.9 | Real Disposable Personal Income[1] | -5.6 | 5.1 | 2.7 | 0.4 | 0.9 |
| 2.3 | 2.4 | 2.6 | 2.9 | 3.7 | 4.1 | 3.9 | 3.5 | GDP Price Deflator[5] | 7.1 | 3.6 | 2.4 | 3.3 | 3.1 |
| 2.3 | 2.5 | 2.4 | 2.9 | 4.1 | 4.6 | 4.4 | 3.9 | PCE Deflator[5] | 6.6 | 3.8 | 2.5 | 3.5 | 3.3 |
| 2.7 | 2.7 | 2.8 | 3.2 | 4.5 | 4.9 | 4.5 | 4.0 | Consumer Price Index[5] | 8.0 | 4.1 | 3.0 | 3.9 | 3.5 |
| 2.7 | 2.8 | 2.7 | 3.2 | 4.4 | 4.8 | 4.6 | 4.0 | Core PCE Deflator[5] | 5.4 | 4.1 | 2.8 | 3.8 | 3.4 |
| 3.3 | 3.3 | 3.2 | 3.7 | 4.9 | 5.2 | 5.0 | 4.3 | Core Consumer Price Index[5] | 6.2 | 4.8 | 3.4 | 4.3 | 3.7 |
| 5.31 | 4.69 | 4.38 | 4.38 | 4.34 | 3.89 | 3.63 | 3.63 | Fed Funds Target Rate Range Mid-Point, %[4] | 1.73 | 5.07 | 5.19 | 4.24 | 3.63 |
| 3.95 | 4.28 | 4.45 | 4.00 | 3.84 | 3.93 | 4.08 | 4.21 | 10-Year Treasury Note Yield, %[4] | 2.95 | 3.96 | 4.21 | 4.06 | 4.26 |
| 6.51 | 6.63 | 6.83 | 6.35 | 6.20 | 6.26 | 6.37 | 6.42 | 30-Year Fixed Mortgage, %[4] | 5.34 | 6.81 | 6.72 | 6.41 | 6.44 |
| -4.2 | -4.1 | -4.6 | -4.2 | -4.5 | -4.1 | -4.2 | -3.8 | Current Account, % of GDP | -3.9 | -3.3 | -3.9 | -4.4 | -3.8 |

a = actual; f = forecast; p = preliminary

Notes: 1 - annualized percentage change 2 - chained 2017 $ billions 3 - annualized rate 4 - quarterly average 5 - year-over-year percentage change

**Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203**

**Richard F. Moody**
Chief Economist

**Greg McAtee**
Senior Economist