



# Economic Update

 | RESEARCH

JUNE 12, 2025

## 1. CPI INFLATION

- According to the Bureau of Labor Statistics (BLS), the consumer price index (CPI) rose 0.1% month-over-month and 2.4% year-over-year in May, below expectations.
- The readings suggest that disinflationary momentum persists despite concerns about the potential cost pressures from the administration's tariffs.
- Core-CPI, which excludes the more volatile food and energy, also rose by 0.1% from April but slightly above headline inflation on an annual basis at 2.8%. Weakening energy prices helped offset a 0.3% increase in food prices.
- Following the CPI release, forecasts for the June FOMC policy meeting were barely changed, while the chances of multiple rate cuts in 2025 rose marginally.

## 2. MORTGAGE APPLICATIONS JUMP

- Mortgage applications jumped 12.5% during the week ending on June 6th, according to the latest data from the Mortgage Bankers Association (MBA).
- The sharp uptick arrives after several weeks of declining application volume, including a 3.9% drop in the week prior.
- Refinance applications, which tend to be more sensitive to week-to-week movements in rates, surged 15.6%, while purchase applications rose to their highest level in a month.
- According to an analysis by MBA, while uncertainty continues to affect the consistency of economic activity, loosening housing inventory in some markets is providing potential homebuyers with opportunities in the current landscape despite mortgage rates remaining elevated.

## 3. LOGISTICS ACTIVITY STABILIZES

- According to the Logistics Managers' Index (LMI), logistics activity ticked up in May, following a similar reading in April.
- Logistics activity appears to be stabilizing after several months of volatility—it hit a three-year high in February before collapsing to a seven-month low in March.



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- Smaller firms were the primary driver of May's increase in activity, which comes amid slowing inventory growth and rising costs.
- Notably, inventory costs surged between April and May, reaching their highest level since October 2022.
- As inventory growth fades, the uptick in costs suggests that much of the pre-tariff inventory buildup by firms at the start of the year remains static in warehouses. Warehousing capacity fell during the month. Transportation metrics were relatively steady.

## 4. BUSINESS OPTIMISM RISES

- According to the National Federation of Independent Business (NFIB), in May, small business optimism increased by its largest amount in three months.
- Optimism appeared to recover on the heels of higher expectations for 2025 sales growth. Still, many small business owners continue to cite high levels of uncertainty as a key headwind for the outlook.
- The net percent of business owners expecting better business conditions rose ten points from April to a net 25%, while the net percent of owners expecting higher real sales volumes rose 11 points from April to a net 10%.
- The uptick in optimism may reflect the subtlety of tariff discussions in recent weeks compared to April when the topic was more salient in business and financial circles.

## 5. FACTORY ORDERS FALL

- New orders for US manufactured goods, which can serve as a proxy for trends in industrial production and business investment, fell 3.7% month-over-month in April, the latest month of availability. It was the first decline in factory orders in five months and exceeded expectations of a 3.0% drop.
- Orders for transportation equipment fell 17.1% month-over-month, primarily driven by a 51.5% decline in non-defense aircraft parts as tariffs dampened demand.
- Orders for primary metals were down 0.1%, while orders for computers and electronics climbed 1.0%. Machinery (+0.6%) and fabricated metal products (+0.9%) also rose during the month. Inventories rose 0.2%.



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## 6. APARTMENT RENTS DECLINE

- According to recent Redfin data, more than half of US metros reported annual declines in apartment rents in May, marking the highest volume measured by Redfin since September 2023.
- Nationwide median asking rents averaged \$1,633 in May, a 1.0% decline compared to a year ago. Rents climbed 0.5% month-over-month in May.
- Apartment construction in the US is near a 50-year high, and while renter demand remains robust, weakening growth is a sign of the new supply's impact on the market.
- Austin posted the steepest median rent decline in May, falling 8.8% year-over-year to \$1,385, its lowest since February 2021. Austin was followed by Minneapolis (-6.3%), Columbus (-3.5%), Nashville (-3.4%), and Portland (-3.4%).
- Cincinnati saw rents rise the most year-over-year, climbing 7.4% to a record of \$1,460 in May, followed by Tampa (+4.2%), St. Louis (+4.0%), Pittsburgh (+3.5%), and Birmingham (2.4%).
- Meanwhile, Chicago (\$1,781), Memphis (\$1,274), and Washington, D.C. (\$2,104) each logged record-high rents in May.

## 7. CONSTRUCTION SPENDING

- According to the Census Bureau, US construction spending fell 0.4% month-over-month to a seasonally adjusted annual rate of \$2,152.4 billion in April, the latest month of data availability.
- April's decline followed a revised 0.8% decrease in March and came below market forecasts of a 0.3% increase. High borrowing costs, rising input prices, and growing inventories all continue to weigh down homebuilding activity.
- Private sector spending dropped 0.7%, with the residential segment contracting by 0.9%, driven primarily by declines in single-family unit construction. Non-residential construction spending fell 0.5% on the month, with religious buildings experiencing the sharpest drop.
- Public sector spending rose 0.4%, driven by an increase in the non-residential sector, namely healthcare (+3.3%), and office (+1.2%). The residential segment of public sector spending fell by 0.6%.



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## 8. MAY JOBS REPORT

- The US economy added 139,000 jobs in May, below April's 177,000 but above forecasts of 126,000, according to the Bureau of Labor Statistics (BLS). The unemployment rate held steady at 4.2%.
- May's employment report suggests that the labor market is proving resilient so far in the face of new tariff policies and the rising economic uncertainty that has accompanied them.
- However, revisions to March and April payrolls show that fewer jobs were added during those months than initially thought.
- Job growth continued to trend upward in health care, leisure and hospitality, and social assistance. Federal government jobs continue to decline. Overall, the labor market continues to soften gradually, but employment fundamentals have likely not shifted enough to move the Fed to cut rates.

## 9. FED BEIGE BOOK

- According to the Federal Reserve's Beige Book, nationwide economic activity declined slightly over the past six weeks, with half of all districts reporting slight to moderate declines, three districts reporting no change, and three districts reporting slight growth.
- Elevated policy and trade uncertainty persist from the previous Beige Book release, with businesses projecting a pessimistic outlook and pausing investment and hiring amid rising input costs.
- Labor markets remain stable, but hiring has slowed across most districts.
- Prices climbed moderately over the six weeks ending on June 4th, primarily driven by tariff-related cost pressures as many businesses preemptively raised prices in anticipation of the expected impact.
- Consumer spending was mixed. Most Districts reported slight decreases or no change. However, some districts reported increases in expenditures for items expected to be affected by tariffs.

## 10. WORLD BANK CUTS GROWTH FORECAST

- The World Bank has cut its 2025 growth forecast for both the Global and US economies, which were revised down to 2.3% and 1.4%, respectively. The US growth forecast was cut by 0.9 percentage points from its January forecast.



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- Trade uncertainty has been the primary catalyst for recent revisions, with the rising economic uncertainty it has created weighing down on investment and spending.
- The bank suggests that escalating trade tensions could push global growth even lower but that growth could improve by up to 0.2 percentage points on average over the next two years if lasting trade agreements are struck as a result of recent negotiations.



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## SUMMARY OF SOURCES

- (1) <https://www.bls.gov/news.release/cpi.nr0.htm>
- (2) <https://www.mba.org/news-and-research/newsroom/news/2025/06/11/mortgage-applications-increase-in-latest-mba-weekly-survey>
- (3) <https://www.the-lmi.com/may-2025-logistics-managers-index.html>
- (6) <https://www.globest.com/2025/06/06/apartment-rents-decline-in-more-than-half-of-us-markets/>
- (7) <https://www.census.gov/construction/c30/current/index.html>
- (8) <https://www.bls.gov/news.release/empcit.nr0.htm>
- (9) <https://www.federalreserve.gov/monetarypolicy/beigebook202505-summary.htm>
- (10) <https://openknowledge.worldbank.org/server/api/core/bitstreams/b9d7bf7d-b56a-4c3c-b284-a4acbf3679c7/content>