

## Preview of the Week Ahead

Real GDP likely grew around one-and-a-half percent annualized in the second quarter of 2024 after growth of 1.4% annualized in the first. Growth has downshifted since the turn of the year after 3.8% annualized in the second half of 2023. This reflects headwinds from high interest rates, cooler spending from low- and moderate-income Americans, and a larger trade deficit.

The Fed's preferred measure of inflation is expected to tick lower in the June release, paralleling the month's slower CPI inflation. As with the CPI, both total PCE inflation and core PCE inflation excluding food and energy likely slowed on the month.

Personal consumption expenditures likely grew slower than personal income again in June, raising the personal saving rate for a third consecutive month. Spending on nondurable goods likely fell, since lower gas prices allowed consumers to spend less filling their gas tanks. Spending on durable goods was likely lower as well, reflecting slower car sales during the CDK hack. Spending on services likely rose modestly in the month. Personal income likely rose solidly reflecting increases of both employment and average earnings. Public sector workers are seeing faster wage gains than private workers this year after their wages lagged earlier in the expansion. This should help personal income outperform average hourly earnings, which only measure incomes of private sector workers.

## The Week in Review

Key data releases last week showed the economy ended the second quarter on a strong note after a lackluster start. Sales at retail, food service, and drinking establishments were flat last month. Motor vehicle dealership sales fell 2.0%, affected by the CDK hack. Excluding autos, retail sales were up a respectable 0.4%. Core retail sales, which exclude spending at gas stations and a couple of other categories and which are used to calculate nominal GDP, rose a rock-solid 0.9%. Additionally, April and May's sales were revised higher. June's solid core retail sales should help assuage concerns if the second quarter GDP report shows a lackluster quarter for consumer spending growth.

Industrial production (IP) rose 0.6% in June, double the consensus estimate. Utilities production, up 2.8%, led the overall gain, as vast swathes of the country experienced record temperatures. Manufacturing and mining output both grew, up 0.4% and 0.3%, respectively. Production in April and May was revised up. Overall, IP rose a solid 4.3% annualized in the second quarter. Capacity utilization rose to the highest in several months, but was still nearly a percentage point below its long-term average.

Building permits rose a larger-than-expected 3.4% in June, helped by a nearly 20% increase in multifamily permits. Permits for single family homes declined for a fifth consecutive month. Housing starts rose by 3.0% in June, also above the consensus estimate of 1.8%, led by 22.0% increase in multifamily. Single-family starts fell 2.2%. The value of residential construction put in place, used in computing residential investment in the GDP report, is up an annualized 7.3% in the first two months of Q2. Residential investment could yet again contribute to economic growth.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 7/22	Chicago Fed National Activity Index (Jun)	0.18	-0.06	0.10
Tue 7/23	Existing Home Sales (Jun)	4.11 million -0.7% M/M	3.99 million -2.9% M/M	4.15 million 1.0% M/M
Wed 7/24	Advance Goods Trade Balance (Jun)	-\$99.4 bn (R)	-\$98.0 bn	-\$98.7 billion
	S&P Global Manufacturing PMI (Jul – Preliminary)	51.6	51.7	51.3
	S&P Global Services PMI (Jul – Preliminary)	55.3	54.5	54.0
	New Home Sales (Jun)	619,000 11.3% M/M	644,000 4.0% M/M	625,000 1.0% M/M
Thu 7/25	Durable Goods Orders (Jun)	0.1% M/M	0.5% M/M	0.0% M/M
	Nondefense Capital Goods Orders Ex. Aircraft (Jun)	-0.6% M/M	0.1% M/M	0.3% M/M
	Real GDP (2 <sup>nd</sup> Quarter Advance Estimate, Seasonally-Adjusted Annualized Rate /SAAR)	1.4%	1.9%	1.4%
	GDP Price Index (2 <sup>nd</sup> Quarter Advance Estimate / SAAR)	3.1%	2.6%	2.6%
	Initial Jobless Claims (Week of 7/20)	243,000	239,000	235,000
	Continuing Jobless Claims (Week of 7/13)	1,867,000	1,862,000	1910,000
Fri 7/26	Personal Income (Jun)	0.5%	0.4%	0.5% M/M
	Personal Consumption Expenditures (“PCE”, Jun)	0.2%	0.3%	0.1% M/M
	PCE Price Index (Jun)	0.0% M/M 2.6% Y/Y	0.1% M/M 2.4% Y/Y	-0.1% M/M 2.3% Y/Y
	Core PCE Price Index Less Food and Energy (Jun)	0.1% M/M 2.6% Y/Y	0.2% M/M 2.5% Y/Y	0.1% M/M 2.5% Y/Y

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	Michigan Consumer Sentiment (Jul – Final)	66.0	66.5	66.0
	Michigan 1-Year Ahead Consumer Inflation Expectations (Jul – Final)	2.9%	--	2.9%
	Michigan 5-10-Year Ahead Consumer Inflation Expectations (Jul – Final)	2.9%	--	2.9%

(R) – Revised

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