

Preview of the Week Ahead

The economic calendar will be light this week. Existing home sales likely rose in April despite lower consumer confidence. However, new home sales likely took a breather following an outsized increase in March. The flash releases of the Manufacturing and Services PMIs from S&P Global probably will show the manufacturing sector contracted slightly in May, while the services sector expanded modestly.

The Week in Review

Milder-than-expected CPI and PPI reports showed that businesses absorbed the first wave of tariff-induced price increases in April rather than passing them on to consumers. The Consumer Price Index (CPI) rose by 0.2% and was up 2.3% from a year earlier, the smallest year-over-year increase since early 2021. Core CPI, which excludes volatile food and energy categories, also was up 0.2% in April, resulting in the annual comparison holding steady at 2.8%—tying for the lowest since early 2021. Energy rose 0.7% on a sharp increase in electricity and utility (piped) gas costs, partially offset by slightly cheaper gasoline. Food was mixed: Food at home—mostly groceries—tumbled 0.4% as egg prices dropped, while food away from home—mostly restaurants—rose 0.4% for the third month running. Prices of goods categories that are likely to be affected by tariffs, such as new and used vehicles and apparel, were either down, flat, or only mildly higher. Shelter rose a modest 0.3%. Lodging away from home, which includes hotel and motels, fell for a second consecutive month. Airfares fell for the third month in a row and are down nearly 8% from a year ago.

The Producer Price Index (PPI) for final demand fell a steep 0.5%, and the annual increase slowed to 2.4%. Producer prices of goods were unchanged as food and energy prices tumbled. Prices of core goods less energy and foods rose 0.4%. Service prices fell on a sharp drop in trade services, which measure wholesaler and retailer margins, and which pulled back a big 1.6%.

The federal government posted a surplus of \$258.4 billion in April, reducing the deficit in the fiscal year-to-date to \$1.048 trillion from \$1.307 trillion in March. The surplus was due to the seasonal jump in personal income tax receipts; revenues were up nearly 10% year-over-year. Corporate tax receipts rose modestly. Customs duty collections nearly doubled from March, but at \$16 billion were still just two percent of all government receipts; with tariff rates down in May, this tax is unlikely to bring in enough revenue to dent the deficit. Government expenditures rose 4.4% from a year earlier to nearly \$600 billion. Over the past four months, government spending has risen 7.4% from the same period of last year.

Sales at retail and food and drinking establishments rose a modest 0.1% in April following an upwardly-revised 1.7% gain in March. There were declines in seven out of 13 retail subcategories and no change in another. Food service and drinking place sales were up a strong 1.2%, a bright spot in the report. While consumer confidence has fallen in recent months, solid spending at restaurants indicates that consumers are not behaving as cautiously as they are telling the pollsters that they feel.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 19-May	No market-moving economic releases			
Tue 20-May	No market-moving economic releases			
Wed 21-May	No market-moving economic releases			
Thu 22-May	Initial Jobless Claims (Week of 5/17)	229,000	226,000	230,000
	Continuing Jobless Claims (Week of 5/10)	1,881,000	-	1,885,000
	S&P Global US Manufacturing PMI (May - Preliminary)	50.2	49.8	49.5
	S&P Global US Services PMI (May - Preliminary)	50.8	50.6	50.5
	Existing Home Sales (Apr)	4.02 million -5.9% M/M	4.15 million 3.2% M/M	4.25 million 5.7% M/M
Fri 23-May	New Home Sales (Apr)	724,000 7.4% M/M	695,500 -4.0% M/M	700,000 -3.3% M/M

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