

Preview of the Week Ahead

Consumer and producer price indexes are forecasted to rise modestly in their July releases on stable energy prices. Core consumer prices likely rose faster than in June due to tariff passthrough. Inflation is expected to pick up slightly in year-over-year terms, which most Fed policymakers will see as a pebble on the scales against an interest rate cut at the September meeting.

Retail sales likely rose solidly on higher vehicle sales and nonstore retail sales (primarily e-commerce). Industrial production probably rose at a modest pace, as utilities production eased after a surge in June. Industrial capacity utilization likely held steady. Small business optimism probably edged down in July, but held above its long-run average.

The federal government's budget balance in July probably swung into the red following a surplus in June. The University of Michigan's survey of households will probably show new tariffs weighed on consumer sentiment again in August. The survey will likely show another increase in inflation expectations, particularly for the near-term (year-ahead period).

The Week in Review

The economic calendar was light last week. The trade deficit in goods and services dropped 16.0% in June, matching Comerica Economics' forecast and market expectations. Exports fell 0.5%, while imports tumbled 3.7%. Imports of goods from America's four largest trade partners have diverged since the president imposed sweeping reciprocal tariffs on April 2nd, with purchases from Mexico and the European Union up by 4.0% and 1.9%, respectively, from a year earlier in the second quarter. Imports of goods from China and Canada, on the other hand, have cratered and are down 35.5% and 14.7%, respectively. The US raised tariffs on imports of Indian goods to 50% from 25% in early August to penalize India for buying Russian oil; pharmaceuticals and electronics may be exempted. Tariffs on Swiss imports were raised to 39%; pharmaceuticals were reported to be temporarily exempted from the tariff hike, and there was uncertainty as to whether they would apply to trade in physical gold.

Growth of the services sector slowed in July, with the ISM Services PMI falling to 50.1% from 50.8% in June. The July ISM Services PMI was slightly below Comerica Economics' 50.3% forecast and well below the 51.5% median expectation. The underlying details were soft, with business activity (production) and new orders both lower. Employment shrank at a faster pace among surveyed businesses. Prices paid rose at the fastest pace since October 2022 in July.

Consumer credit rose by \$7.4 billion in June. The increase was driven solely by non-revolving credit—consisting mostly of student and auto loans—which increased by \$8.4 billion. Non-revolving credit has increased four months in a row. Revolving credit—mostly credit card loans—declined by \$1.1 billion. Revolving credit outstanding continued to decline for a seventh consecutive month, and was 2.5% lower than a year earlier.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 11-Aug	No market-moving economic releases	-	-	-
Tue 12-Aug	NFIB Small Business Optimism (Jul)	98.6	99.0	98.3
	Consumer Price Index (CPI) (Jul)	0.3% M/M 2.7% Y/Y	0.2% M/M 2.8% Y/Y	0.2% M/M 2.8% Y/Y
	Core CPI Excluding Food and Energy (Jul)	0.2% M/M 2.9% Y/Y	0.3% M/M 3.0% Y/Y	0.3% M/M 3.0% Y/Y
	Federal Budget Balance (Jul)	\$27.0 billion	-\$215.0 billion	-\$255.0 billion
Wed 13-Aug	No market-moving economic releases	-	-	-
Thu 14-Aug	Producer Price Index - Final Demand (PPI, Jul)	0.0% M/M 2.3% Y/Y	0.2% M/M 2.5% Y/Y	0.2% M/M 2.5% Y/Y
	Core PPI Excluding Food & Energy (Jul)	0.0% M/M 2.6% Y/Y	0.2% M/M 3.0% Y/Y	0.2% M/M 2.9% Y/Y
	Initial Jobless Claims (Week of 8/9)	226,000	225,000	230,000
	Continuing Jobless Claims (Week of 8/2)	1,974,000	1,968,000	1,984,000

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Fri 15-Aug	Retail Sales (Jul)	0.6% M/M	0.6% M/M	0.5% M/M
	Core Retail Sales Excluding Auto and Gas (Jul)	0.6% M/M	0.3% M/M	0.3% M/M
	Industrial Production (Jul)	0.3% M/M	0.0% M/M	0.1% M/M
	Capacity Utilization (Jul)	77.6%	77.6%	77.6%
	Michigan Consumer Sentiment (Aug - Preliminary)	61.7	62.0	60.5
	Michigan 1-Yr Inflation Expectations (Aug – Prelim.)	4.5%	4.4%	4.7%
	Michigan 5-10-Yr Inflation Exp. (Aug – Prelim.)	3.4%	3.3%	3.5%

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