

Preview of the Week Ahead

The September inflation report will probably show a sharp monthly increase in headline consumer prices and a moderate rise in core prices, resulting in annual changes for both measures holding above 3%. Big jumps in beef and electricity prices are expected to have contributed to the higher inflation print. S&P Global's Flash PMIs will likely show a further moderation in economic activity in both manufacturing and services sectors. Boosted by lower mortgage rates, existing home sales probably rose last month. Weighed down by the government shutdown, consumer sentiment likely eased in October, while households' year-ahead and long-term inflation expectations are anticipated to have held steady.

The Week in Review

The federal government ran a deficit of \$1,775 billion for the entire 2024/25 fiscal year. That's a modest \$41 billion improvement in nominal dollar terms. But after accounting for the economy's growth, the Treasury Department estimates the deficit shrank from 6.3% of GDP in the '23/'24 fiscal year to 5.9% of GDP in the current one. Helped by a 153% increase in customs duties, which includes tariff receipts, revenues topped \$5 trillion. Among major revenue sources, corporate income taxes declined by nearly 15%. Spending rose above \$7 trillion for the first time ever, with many major expenditure items—Social Security, Medicare, Medicaid, defense, and interest payments—up notably.

The October Beige Book—the Federal Reserve's compilation of anecdotal information on current economic conditions across the nation—notes little change in economic activity since early September. Consumer spending, particularly on retail goods, was reported to have decreased slightly. Employment held steady in recent weeks, but demand for labor was “muted.” The report noted strains in labor supply in hospitality, agriculture, construction, and manufacturing due to changes in immigration policies. Inflation persisted and picked up in some regions, which the report attributed to tariffs and higher prices of insurance, healthcare, and technology services. Some firms passed on higher costs to customers, while others absorbed them to maintain market share.

The NFIB Small Business Optimism Index fell by two points to 98.9 in September, but remained above its 52-year average of 98. Uncertainty among small business owners jumped to the fourth-highest level in over 50 years. Supply chain disruptions and inflation remained the foremost problems faced by small business owners, while views of the economic outlook fell considerably. Businesses continue to struggle with labor quality issues. On a positive note, most small business owners surveyed by the NFIB reported that their businesses were healthy, and earning trends were the best since late 2021.

Led by a jump in future sales expectations, the NAHB / Wells Fargo Housing Market Index (HMI) rose by five points to 37 in October. Subindices tracking current conditions and current buyer traffic also increased. The trade association notes homebuilders expect further declines in interest rates, which they anticipate will lead to a “slightly improving sales environment, albeit one in which persistent supply-side cost factors remain a challenge.” About four in ten homebuilders cut prices to boost sales, while around two in three used incentives to sell homes.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 20-Oct	No market-moving economic releases	-	-	-
Tue 21-Oct	No market-moving economic releases	-	-	-
Wed 22-Oct	No market-moving economic releases	-	-	-
Thu 23-Oct	Initial Jobless Claims (Week of 10/18)*	-	228,000	240,000
	Continuing Jobless Claims (Week of 10/11)*	-	-	1,940,000
	Existing Home Sales (Sep)	4.00 million -0.2% M/M	4.06 million 1.5% M/M	4.05 million 1.3% M/M
Fri 24-Oct	Consumer Price Index (CPI, Sep)	0.4% M/M 2.9% Y/Y	0.4% M/M 3.1% Y/Y	0.5% M/M 3.2% Y/Y
	Core CPI Excluding Food and Energy (Sep)	0.3% M/M 3.1% Y/Y	0.3% M/M 3.1% Y/Y	0.3% Y/Y 3.1% Y/Y
	S&P Global US Manufacturing PMI (Oct - Flash Estimate)	52.0	51.7	51.0
	S&P Global US Services PMI (Oct - Flash Estimate)	54.2	53.5	53.0
	Michigan Consumer Sentiment (Oct - Final)	55.0	55.0	54.0
	Michigan 1-Yr Inflation Expectations (Oct - Final)	4.6%	-	4.7%
	Michigan 5-10-Yr Inflation Expectations (Oct - Final)	3.7%	-	3.7%
	New Home Sales (Sep)*	800,000 20.5% M/M	710,000 -11.3% M/M	675,000 -15.6% M/M

Note: Releases marked * may be delayed by the federal government shutdown.

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