

Preview of the Week Ahead

President Trump on March 26 signed an executive order raising tariffs on imported cars and light trucks by 25 percent, which he said would become effective on April 3. Financial markets will be on edge as they wait to see if this latest tariff threat is another negotiating tactic or an actual hike. If enacted as pledged, the tariffs would contribute to the faster inflation foreseen by last week's consumer surveys.

The March jobs report will probably show a modest increase in employment and a small uptick in the unemployment rate. The average workweek is expected to have edged higher, while wages likely rose moderately. Job openings likely eased in February. The ISM Manufacturing PMI will probably report the manufacturing sector slipped back into contraction last month. The ISM Services PMI, on the other hand, is expected to show continued expansion of the services sector, though at a slower pace. Construction spending likely eased in February. The trade deficit in goods and services probably narrowed in February on the back of a lower goods trade shortfall.

The Week in Review

Economic growth in the fourth quarter of 2024 was revised up a hair to 2.4% annualized in the third estimate of real GDP from 2.3% in the second estimate. Real final sales to private domestic purchasers—spending by American households and businesses—rose a solid 2.9% annualized, indicating domestic demand was stronger than the headline figure. For all of 2024, the economy grew a healthy 2.8%, close to 2023's 2.9% increase.

However, real GDP is likely weakening in the first quarter. The goods trade deficit narrowed to \$148 billion in February from a record \$156 billion in January, but was still a staggering 60% higher than February 2024. The surge in the trade deficit is mostly due to importers frontrunning higher tariffs. January and February's large trade deficits will be a big drag on first quarter GDP growth.

Personal income jumped by 0.8% in February, led by sharp increases in government transfers and solid growth of compensation of employees. Personal consumption expenditures rose 0.4%, but were up just 0.1% after adjusting for inflation, following a downwardly-revised 0.6% contraction in January. The first quarter's weak consumer spending will, like the trade deficit, contribute to an ugly GDP report for the quarter. The PCE Price Index rose 0.3% in February for the third consecutive month, holding annual inflation steady at 2.5%. The core PCE Price Index was a tad hotter than the consensus and rose 0.4% on the month and 2.8% on the year.

Consumer confidence retreated for the fourth consecutive month in March according to The Conference Board's survey, with the expectations component tumbling to a 12-year low. Year-ahead inflation expectations rose to the highest since April 2023. Consumer sentiment also fell in the final release of the University of Michigan's consumer survey, with forward-looking expectations the worst since July 2022. In the Michigan survey, year-ahead inflation expectations were the highest since November 2022 and 5-to-10-year inflation expectations the highest since 1993.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 31-Mar	Dallas Fed Manufacturing Index (Mar)	-8.3	-5.0	-2.5
Tue 1-Apr	Wards Total Vehicle Sales (Mar)	16.0 million	16.0 million	15.8 million
	Construction Spending (Feb)	-0.2% M/M	0.3% M/M	-0.1% M/M
	Job Openings, Total Nonfarm (Feb)	7.74 million	7.68 million	7.65 million
	ISM Manufacturing PMI (Mar)	50.3	49.8	49.5
Wed 2-Apr	ADP Private Payroll Growth (Mar)	77,000	120,000	120,000
Thu 3-Apr	International Trade Balance in Goods and Services (Feb)	-\$131.4 billion	-\$123.4 billion	-\$123.5 billion
	Initial Jobless Claims (Week of 3/29)	224,000	225,000	224,000
	Continuing Jobless Claims (Week of 3/22)	1,856,000	1,867,000	1,870,000
	ISM Services PMI (Mar)	53.5	54.1	52.5
Fri 4-Apr	Change in Nonfarm Payrolls (Mar)	151,000	138,000	110,000
	Unemployment Rate (Mar)	4.1%	4.1%	4.2%
	Labor Force Participation Rate (Mar)	62.4%	62.4%	62.5%
	Average Weekly Hours (Mar)	34.1	34.2	34.2
	Average Hourly Earnings (Mar)	0.3% M/M 4.0% Y/Y	0.3% M/M 4.0% Y/Y	0.3% M/M 3.9% Y/Y

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