WELLS FARGO

Weekly — May 2, 2025

Weekly Economic & Financial Commentary

United States: **Steady Hiring, Wilting Confidence and a Yawning Trade Gap**

- There was plenty of employment data to digest this week, and broadly speaking, there is not yet hard data to support the notion that the labor market is rolling over, though it's clearly losing momentum. Meanwhile, a pre-tariff spending spree partly explains why March consumer spending was also better than expected.
- Next week: ISM Services (Mon.), Trade Balance (Tue.), FOMC (Wed.)

International: **Economics Is Like a Box of Chocolates**

- Sometimes economics is like a box of chocolates, and this week's international news is very much a mixed bag. The Bank of Japan held rates steady but highlighted trade concerns, and we have pushed back our expected rate hike to the October meeting. In Canada, PM Carney's Liberal Party won this week's election but fell short of an outright majority. On the data front, China's April PMIs surprised to the downside, while in the Eurozone, GDP growth and inflation data were slightly firmer than expected.
- Next week: Brazil Selic Rate (Wed.), Riksbank Policy Rate (Thu.), Bank of England Policy Rate (Thu.)

Credit Market Insights: **Vibe Check: How Resilient Is the U.S. Financial System?**

- The Federal Reserve Board recently published its biannual Financial Stability Report, which provides an assessment of the U.S. financial system. The report—which reflects market conditions and data as of April 11—reviews vulnerabilities and near-term risks related to valuation pressures, borrowing by businesses and households, financial-sector leverage and funding risks.

Topic of the Week: **Automakers Receive Some Tariff Relief**

- This week, the White House issued an update to the administration's 25% tariff policy on foreign-made auto imports, stating that the new 25% auto tariffs would not stack on top of other existing tariffs. Beyond the relief to domestic-based purchasers of U.S.-made autos, this provides some additional relief to foreign purchasers of these autos as well.

Wells Fargo U.S. Economic Forecast

	Actual				Forecast				Actual		Forecast	
	2024				2025				2023	2024	2025	2026
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	1.6	3.0	3.1	2.4	-0.3	1.7	-0.9	-1.1	2.9	2.8	1.1	1.5
Personal Consumption	1.9	2.8	3.7	4.0	1.8	2.0	-1.2	-0.3	2.5	2.8	2.0	1.5
Consumer Price Index [2]	3.2	3.2	2.7	2.7	2.7	2.6	2.9	3.0	4.1	3.0	2.8	2.9
"Core" Consumer Price Index [2]	3.8	3.4	3.3	3.3	3.1	3.3	3.7	3.8	4.8	3.4	3.5	3.2
Quarter-End Interest Rates [3]												
Federal Funds Target Rate [4]	5.50	5.50	5.00	4.50	4.50	4.25	3.75	3.25	5.23	5.27	3.94	3.25
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.35	6.15	6.00	6.80	6.72	6.29	6.19
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.00	3.85	3.75	3.96	4.21	3.96	4.05

Forecast as of: April 25, 2025 [1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages [4] Upper Bound of the Federal Funds Target Range

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

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U.S. Review

Mixed Signals as Trade War Begins to Show Up in Economic Indicators

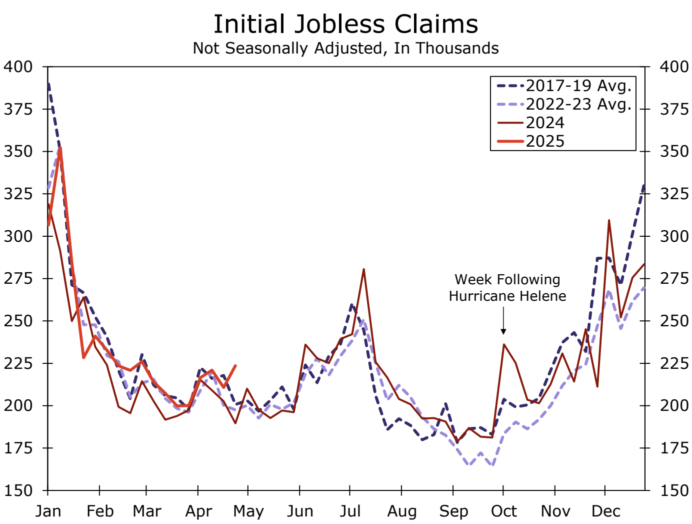
The economic data this week were a mix of pre- and post-"Liberation Day" data, although the impact of tariffs and trade war considerations were evident in all the week's reports.

There was plenty of employment data to digest this week, and broadly speaking, there is not yet hard data to support the notion that the labor market is rolling over. The 177K new jobs added in April was stronger than the 138K consensus expectation, but net revisions subtracted 58K jobs from the previously reported increases for the two months prior.

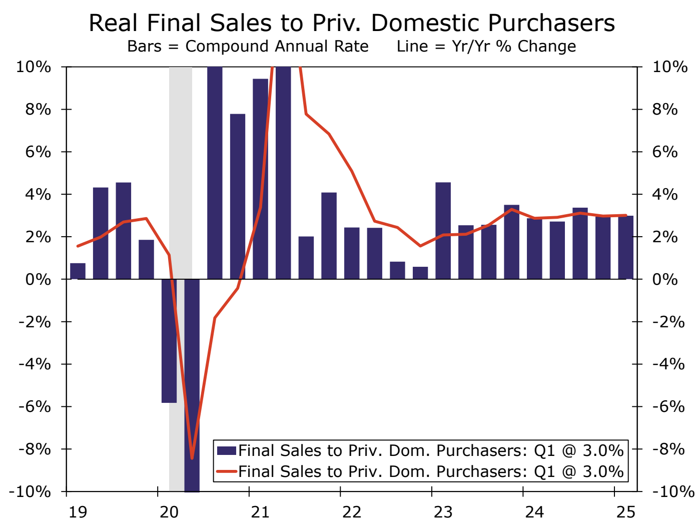
We hear mixed signals from businesses in our client meetings. Some are looking to cut costs and may lay off workers to offset tariff pressure. Yet others still reference shortages of qualified labor and say memories of the pandemic-era labor scarcity remain a viable rationale not to slash their workforce, especially for what some firms see as a 'temporary' economic slowdown.

For now, businesses are not hiring as many workers as they were previously, but they're not exactly laying off workers in droves yet either. Yes, initial jobless claims rose in the final week of April to the second-highest level of the past six months, but 241K claims is still a relatively benign reading (chart). The labor market is still growing, but that growth has now slowed in three out of the past four months.

Manufacturing employment fell slightly in April which was not a huge shock considering the employment component of the ISM Manufacturing Index has been in contraction for three straight months. The headline ISM fell for a third straight month to put this yardstick for American manufacturing back to around where it was in November, and production slowed to levels last seen during the height of the pandemic.



Source: U.S. Department of Labor and Wells Fargo Economics



Source: U.S. Department of Commerce and Wells Fargo Economics

The initial GDP estimate tells us economic output contracted at a 0.3% annualized pace in the first quarter, but that reflects a *massive* drag from trade that lopped almost five percentage points off the overall growth rate. Real final sales to domestic private purchasers, which excludes the ups and downs of trade and inventories, came in at 3.0%, which is more or less the same growth rate the economy has sustained for the past year (chart). However, this is still not free of tariff disruption as the underlying details suggest that households and businesses are somewhat pulling forward demand to get outlays in ahead of the transition to higher prices due to tariffs.

The start of this week brought an April reading that revealed a drop in April Consumer Confidence, though the details of that report showed that, while households are not overly pessimistic on current conditions, they're growing increasingly worried about the future—particularly when it comes to employment prospects and their income.

Hard data on personal income and spending for March offered greater details on how consumer spending actually fared. Real personal spending shot up 0.7% in March and February's comparatively modest nominal spending growth was revised higher. In what may be the last month without meaningful tariff impact, inflation was a non-factor in March, with both headline and core inflation flat over the month.

An immediately evident theme in the spending details, however, is how tariffs were already influencing consumer behavior. For example, those thinking about buying a new car, truck or SUV headed out to make that purchase in March before April tariffs had a chance to impact the sale price. The $57 billion increase in motor vehicles and parts was bigger than the increases of the next four largest categories combined.

A big question surrounding the outlook is to what extent households are not just willing but able to keep spending. Income is at the root of that answer. While tariffs are stoking fears of inflation and driving optimism lower, as long as income keeps flowing, households may not be so quick to curtail spending. The wobbly fundamentals for the labor market do not provide sufficient assurance for us and explain why our forecast includes a pullback in spending later this year. (Return to Summary)

U.S. Outlook

Weekly Indicator Forecasts

Domestic

Date	Indicator	Period	Consensus	Wells Fargo	Prior
5-May	ISM Services Index	Apr	50.2	50.0	50.8
6-May	Trade Balance	Mar	-$122.0B	-$138.5B	-$122.7B
7-May	FOMC Rate Decision (Upper Bound)	7-May	4.50%	4.50%	4.50%
8-May	Nonfarm Productivity (QoQ)	Q1	-0.5%	-0.7%	1.5%
8-May	Unit Labor Costs (QoQ)	Q1	5.4%	5.2%	2.2%

Forecast as of May 02, 2025

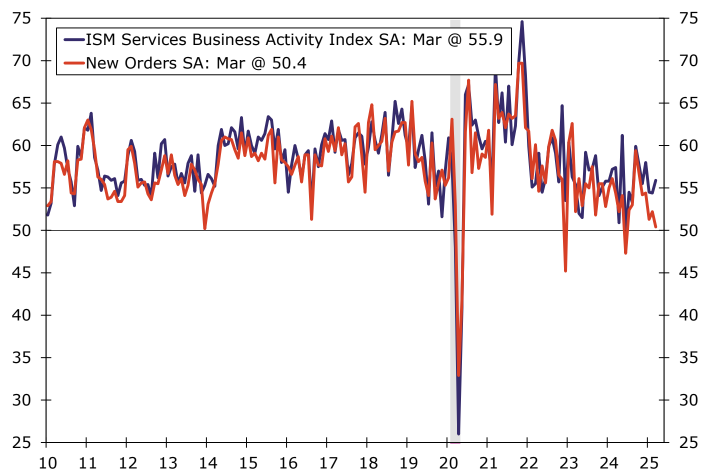
Source: Bloomberg Finance L.P. and Wells Fargo Economics

ISM Services Index • Monday

The April ISM Services Index will give a first look into how the services sector responded to wide-scale tariffs imposed on April 2. Service providers were increasingly unnerved in the lead up to the president's tariff announcement, providing anecdotal evidence of mounting supply chain disruptions and price pressures. The ISM Services Index descended 2.7 points in March to a nine-month low of 50.8. A precipitous drop in the employment component drove most of the plunge; however, businesses also reported weaker growth in orders from both domestic and international purchasers. On the upside, the measure for business activity moved modestly higher, likely a reflection of strong consumer spending on services in March.

We suspect that the ISM Services Index declined again in April. The scale of tariffs imposed on April 2 was much larger than anticipated by most. Even accounting for the 90-day tariff reductions and various carve-outs made since the initial announcement, the U.S. effective tariff rate is still sitting at its highest level in over 100 years. Consumer confidence is rocked, and economic uncertainty has business investment in a holding pattern. Furthermore, regional Federal Reserve Bank surveys point to weaker services sector activity in April. We forecast that the ISM Services Index slipped to 50.0 in April, which would reflect a services sector teetering on the edge of expansion and contraction.

ISM Services Business Activity vs. New Orders

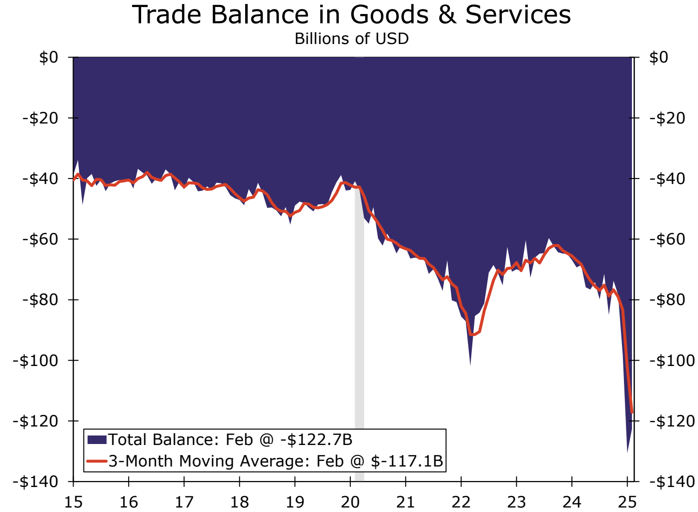


Source: Institute for Supply Management and Wells Fargo Economics

Trade Balance • Tuesday

Recent trade data is littered with evidence of businesses and consumers scrambling to get ahead of tariffs. After widening to a historical high point of $130.7B in January, the trade deficit remained highly elevated at $122.7B in February. For context, the trade deficit has only broken $100B one other time in records going back to 1992 (March 2022). Importers appear to have ramped up their stockpiling efforts in the month before Liberation Day. The advanced trade in goods report showed an uptick in auto and consumer goods imports in March, which is consistent with strong personal consumption expenditures. Industrial supplies imports also remained elevated ~37% above the year prior even as they clawed back slightly from prior months.

The pre-tariff surge in imports lopped off 4.8 percentage points from Q1's GDP print. A pickup in exports softened some of the blow, but net exports still exerted its largest GDP drag in history. The act of importing itself does not indicate economic weakness, just that domestic demand was stronger than domestic supply. Tariff front-loading in the first three months of the year will likely give way to softer imports in the months ahead. In March, however, we estimate that the trade deficit widened to $138.5B, which would supersede January as the widest trade gap on record.

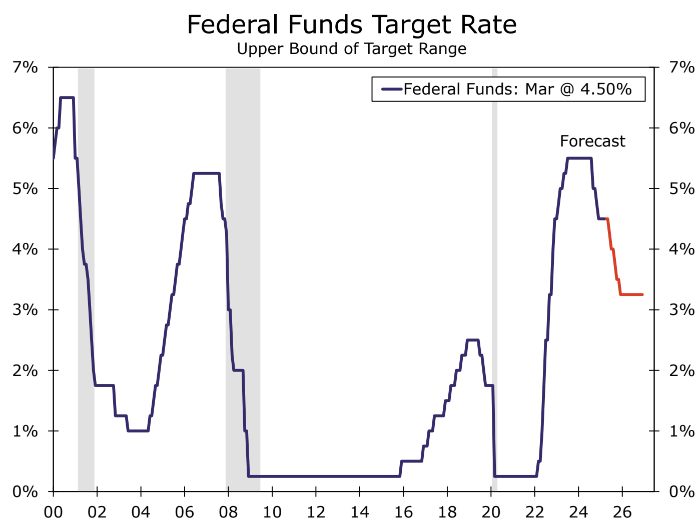


Source: U.S. Department of Commerce and Wells Fargo Economics

FOMC Decision • Wednesday

Expectations are nearly universal that the Fed will keep its policy rate unchanged at the May meeting. Although GDP came in soft in Q1, the underlying data do not signify a lull in economic activity. Job growth is steady, business investment sturdy and strong income growth continues to propel consumer spending. That said, plenty of "soft" indicators are trending in worrisome directions. Stock market indices are lower and corporate bond spreads wider than when the FOMC last met in March. Consumer surveys reveal mounting economic anxiety, while surveys of businesses point to rising input cost pressures and a hesitancy to invest. With tariff policy still evolving, recent public comments place FOMC members squarely in "wait-and-see" mode while economic developments unfold.

By simultaneously stoking higher prices and higher unemployment, tariffs nudge each side of the Fed's dual mandate further away from its goal. Our attention will be highly attuned to next week's post-meeting press conference for insight into how the Committee is thinking about the balance of risks. Our hunch is, once tariffs do start to influence hard economic data, the hit to U.S. economic growth and the labor market will induce the FOMC to lower rates even in the face of higher inflation. We currently look for the first 25 bps rate cut to occur in June with a total of 125 bps of easing penciled in for this year. That said, the possibility that levies will be reduced following new trade deals or product-specific carve-outs skew risks toward later/less easing.



Source: Federal Reserve Board and Wells Fargo Economics

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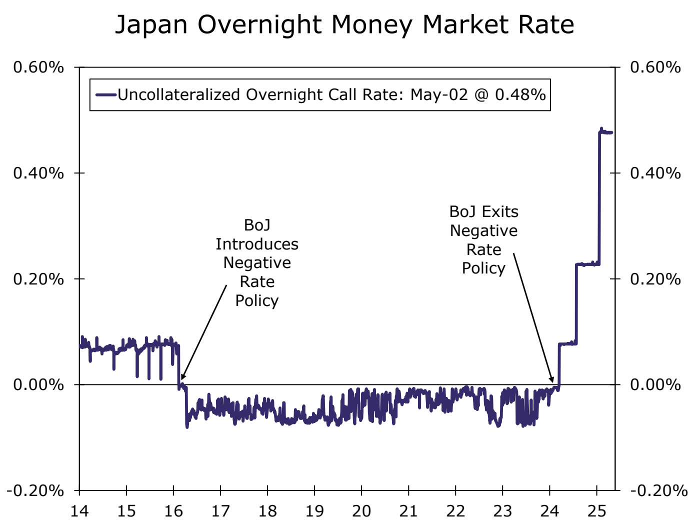
International Review

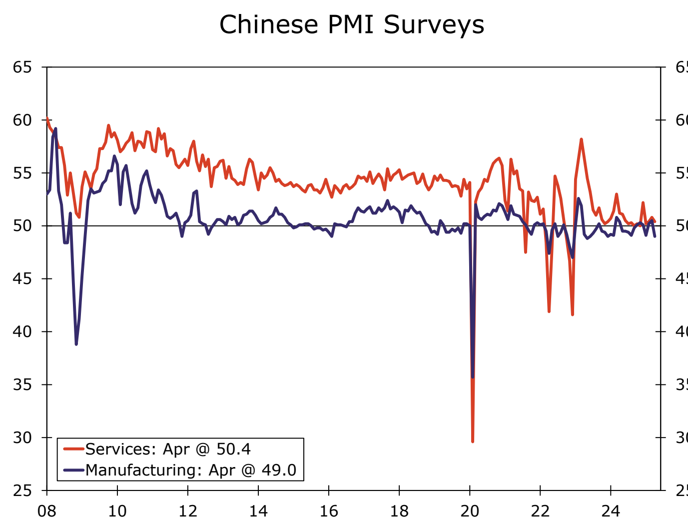
Economics Is Like a Box of Chocolates

In the words of Forrest Gump, economics is like a box of chocolates, in that you sometimes don't quite know what you're going to get. Among this week's key international events, the Bank of Japan (BoJ) held its policy rate at 0.50%. Uncertainty around trade policy appears to be a key factor that kept BoJ policymakers on the sidelines this month, and dovish-leaning elements of the decision and updated economic forecasts suggest this rate pause may extend for a bit longer. In terms of the updated forecasts, policymakers notched up their fiscal year 2024 (April 2024-March 2025) real GDP forecast to 0.7% from 0.5% previously, but downwardly revised their projections for FY2025 and FY2026 to 0.5% (1.1% previously) and 0.7% (1.0% previously), respectively, citing changes in trade policy. The BoJ also revised its inflation forecast lower. In terms of underlying price pressures (CPI ex-fresh food inflation), the BoJ kept its fiscal year 2024 forecast unchanged at 2.7% and revised its FY2025 and FY2026 forecasts down to 2.2% and 1.7%, respectively. For FY2027, the central bank sees CPI ex-fresh food inflation at 1.9%. Even though we had previously noted the likelihood of a July rate hike, we have now recalibrated our outlook and see the BoJ hiking its policy rate by 25 bps to 0.75% at its October meeting instead. By that point, we suspect that policymakers will have more clarity around global trade policy and local growth and inflation developments, and feel comfortable tightening monetary policy further.

Canada's federal election early this week saw Liberal Party leader and recently installed Prime Minister Mark Carney secure victory, although the result was much closer than expected. The Liberal Party won 169 seats, while the opposition Conservative Party won 144 seats, with Bloc Québécois and the New Democratic Party securing 22 and 7 seats, respectively. Importantly, the Liberal Party fell just short of the 172 seats needed for an outright majority, meaning Carney's government will need the support of smaller parties to pass budgets and other legislation. During the election campaign, Carney pledged increased defense and other spending, projecting deficits that were larger than those projected by the Parliamentary Budget Office's baseline. The implications of the election outcome for fiscal stimulus are mixed—the need to reach agreement with smaller parties means stimulus measures might be implemented a little later than initially envisaged, although even greater spending may be an element of those measures to secure support. Finally, in this week's most notable economic data, Canada's February GDP fell 0.2% month-over-month and, with the advance estimate for just a small GDP increase in March, Q1 GDP is expected to rise around 1.5% quarter-over-quarter annualized. That would be a slowdown from the pace of growth in Q4-2024 and also below the Bank of Canada's (BoC) forecast. Overall, the election outcome does not alter our broad outlook for the Canadian economy. We expect subpar economic growth of 0.9% in 2025 and 1.0% in 2026 and expect the BoC to lower its policy rate a further 75 bps to 2.00% by the end of this year.



Source: Bloomberg Finance L.P. and Wells Fargo Economics



Source: Datastream and Wells Fargo Economics

In this week's data releases, China released its official April PMI figures, with the manufacturing PMI falling more than expected from 50.0 to 49.0, compared to a consensus forecast of 49.7. The Caixin

PMI—which leans more toward small and medium-sized enterprises—fell to 50.4. Meanwhile, the non-manufacturing PMI, which covers the services and construction sectors, dropped slightly to 50.4. The lower-than-expected numbers coming out of China after Liberation Day tariffs paint a gloomier picture than Beijing may have hoped for. In consideration of these PMI readings, and what we view as a somewhat vulnerable growth environment for China going forward, we maintain our forecast for economic growth to slow to 4.1% in 2025. The Chinese economy has been trying to shift their drivers of growth to domestic consumption from being heavily reliant on trade and domestic infrastructure—a transition, however, that has not yet fully taken hold. This likely means the government will have to take other measures to mitigate the impact of the tariffs. In recent months, authorities have generally been more proactive with monetary and fiscal stimulus measures, a trend we think could continue in the months ahead.

In other important data, Eurozone Q1 GDP was stronger than expected, rising 0.4% quarter-over-quarter (versus a consensus forecast of 0.2%), while holding steady at 1.2% year-over-year. Many of the region's major economies eked out only modest growth, with German GDP rising 0.2% quarter-over-quarter, French GDP rising 0.1% and Italian GDP rising 0.3%. Spanish GDP was more solid, with a gain of 0.6%. While the upside surprise to Q1 growth was a pleasant surprise, softer confidence surveys—in particular the Eurozone April PMIs—still point to weaker growth ahead. The Eurozone April CPI print was mixed. Headline inflation head steady at 2.2% year-over-year versus expectations for a modest deceleration. Perhaps more notable, some measure of underlying inflation quickened more than expected last month. Core inflation firmed to 2.7%, while services inflation quickened to 3.9%. The pickup in underlying inflation could be temporary and related to the timing of Easter. That said, somewhat firmer growth and inflation could have some implications for the path of European Central Bank (ECB) monetary policy. We still expect an ECB rate cut in June, but how far and how fast the ECB eases monetary policy beyond that should depend on the extent to which Eurozone growth and inflation show renewed softening.

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International Outlook

Weekly International Indicator Forecasts

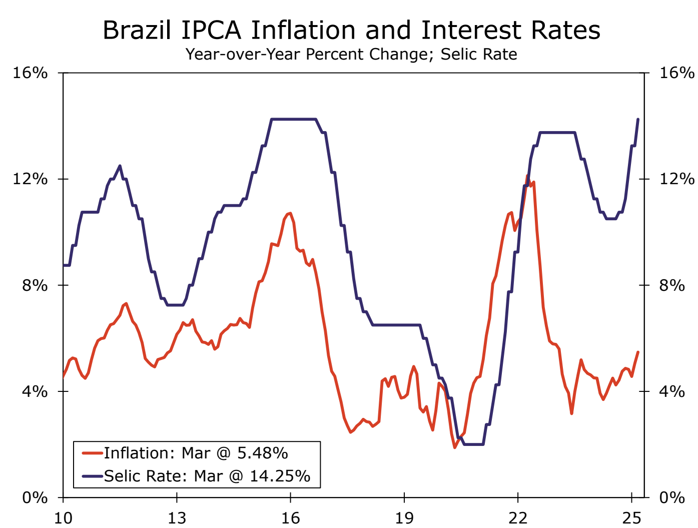
Date	Indicator	Period	Consensus	Wells Fargo	Prior
7-May	Brazilian Central Bank Selic Rate	7-May	14.75%	14.75%	14.25%
8-May	Riksbank Policy Rate	8-May	2.25%	2.25%	2.25%
8-May	Bank of England Policy Rate	8-May	4.25%	4.25%	4.50%

Forecast as of May 02, 2025

Source: Bloomberg Finance L.P and Wells Fargo Economics

Brazil Central Bank Selic Rate • Wednesday

Next week, the Brazilian Central Bank (BCB) will deliver its latest monetary policy decision. We, along with the consensus, expect policymakers to increase the benchmark Selic rate by 50 bps to 14.75%. While this would represent a further tightening of monetary policy, it would also be a step down from the pace of rate hikes from recent meetings, where the Selic rate has been raised in increments of 100 bps. Among the factors underpinning the BCB's continued tightening cycle is some pickup of inflation (in next week's data for example, the April CPI inflation rate is forecast to quicken to 5.55% year-over-year) and relatively steady growth in economic activity. Perhaps most important, concerns over a lack of fiscal discipline from the Lula administration are also a significant contributing factor to BCB tightening. There are concerns that fiscal discipline may erode further as we get closer to the 2026 presidential elections. While reasons for further tightening remain in place, the central bank's signaling of less aggressive tightening and relative stability in the currency recently should allow for a less forceful move on the part of the central bank. Against that backdrop, we forecast a 50 bps Selic rate hike next week, and a final 50 bps hike in June, which would bring the Selic to a peak of 15.25%.

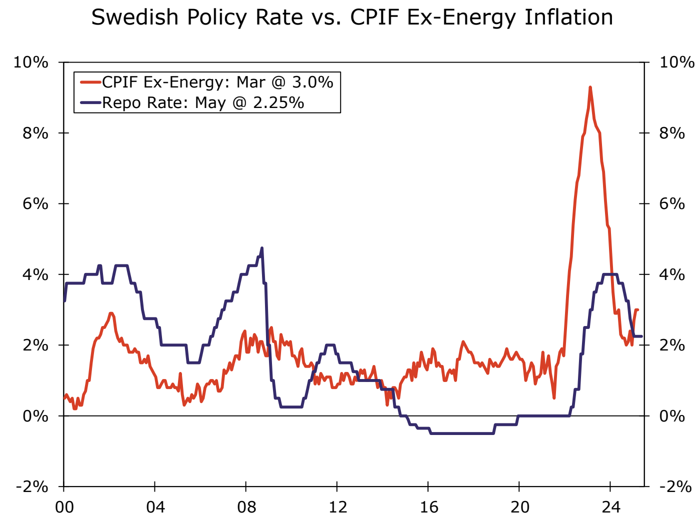


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Riksbank Policy Rate • Thursday

Sweden's central bank, the Riksbank, announces its latest monetary policy decision next Thursday. We expect the central bank to hold rates steady at 2.25%, as it did in its last meeting in March, an outcome that would also be in line with the consensus forecast.

After a series of policy rate cuts from a high of 4.00% in mid-2024, the Riksbank held rates steady in March and signaled that its tightening cycle was likely finished. The Riksbank's monetary easing had occurred amid a backdrop of sluggish economic activity and significantly slowing inflation. However, with Swedish economic activity showing tentative signs of improvement and underlying inflation having moved higher, the central bank now appears more comfortable with an "on hold" monetary policy stance. That said, there is uncertainty surrounding the Liberation Day tariffs and their potential impact on Sweden, where exports account for more than half of GDP. We would also be interested in any signal from the Riskbank on whether any renewed weakening in growth, or eventual slowdown of underlying inflation could potentially open the door to additional rate cuts. That does not appear imminent, however, and we note that April CPIF ex-energy inflation due next week is actually expected to quicken further to 3.3% year-over-year.

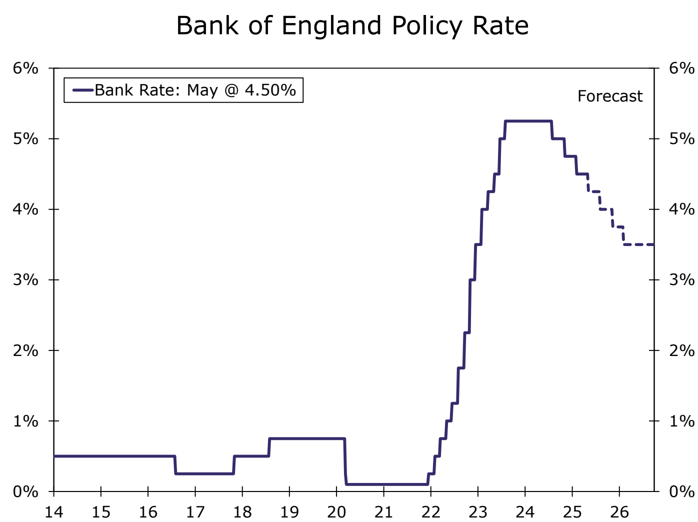


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Bank of England Policy Rate • Thursday

When Bank of England (BoE) policymakers meet next week, we—along with the consensus—expect that they'll announce a 25 bps cut to the policy rate, bringing it to 4.25%. This would come after a pause from their February announcement and continue the pattern of gradual BOE monetary easing at a 25-bps-per-quarter pace of cuts since mid-2024. While Bank of England interest rates are still clearly restrictive and U.K. economic growth was sluggish in the second half of 2024, the gradual pace of BoE rate cuts was driven by a similarly gradual declaration in wage growth and underlying inflation measures, such as services inflation. Some resilience in U.K. economic activity in early 2025 may have also reinforced the BoE's caution regarding the pace of monetary easing.

Looking forward, sentiment surveys point to a renewed slowing in growth ahead. The U.K composite PMI dipped below 50 in April, entering into contractionary territory, given weak output in the manufacturing and service sectors, although the cost and price aspects of that PMI survey still pointed to some inflationary pressures. Considering these conflicting signals, for now, we expect the BoE to continue to take a measured approach to monetary easing. Finally, we will be assessing the BoE's updated economic forecast in its Monetary Policy Report, the first since the Liberation Day tariffs were announced. We think it would take an especially sharp downgrade in the growth outlook, or medium-term inflation forecasts well below the 2% target, for market views to shift toward a more accelerated pace of Bank of England easing.



Source: Bloomberg Finance L.P. and Wells Fargo Economics

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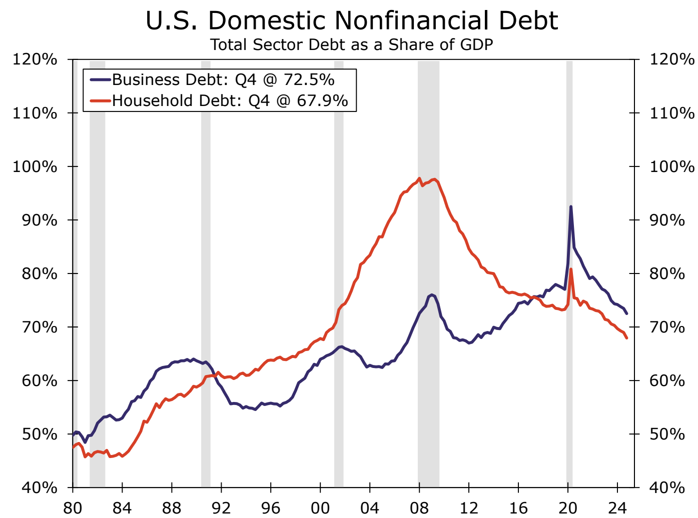
Credit Market Insights

Vibe Check: How Resilient Is the U.S. Financial System?

The Federal Reserve Board recently published its biannual Financial Stability Report, which provides an assessment of the U.S. financial system. The report—which reflects market conditions and data as of April 11—reviews vulnerabilities and near-term risks related to asset valuation pressures, borrowing by businesses and households, financial-sector leverage and funding risks. The financial system is considered "stable" when banks, lenders and/or financial markets are able to provide financing needs to borrowers, even when hit by adverse shocks. April's report showed the financial system remained resilient, but it also highlighted mounting vulnerabilities. We focus on risks posed to borrowing by businesses and households, as mounting economic uncertainty may cause businesses and households with high debt burdens to cut back on spending, thus affecting economic activity.

While the business debt-to-GDP ratio edged down in Q4, it remains elevated by historical standards. The low borrowing costs before the pandemic led to record bond issuance as businesses locked in long-term financing at low interest rates. While robust earnings and ample cash buffers have limited debt-servicing vulnerabilities, many businesses have adjusted their financing mix toward more short-term rates as long-term rates have risen. Therefore, if borrowing costs stay elevated, the risk of higher rates passing onto debt-servicing costs may increase, creating headwinds for businesses with high debt burdens.



Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Economics

Indeed, bond market measures suggest investors perceive growing risks around the financial health of the nonfinancial corporate sector. Corporate bond spreads have widened in recent weeks as fluctuations in trade policy have created uncertainty. With tariff decisions still unresolved and economic data wobbling, we would not be surprised to see credit spreads widen further in the coming months, posing risks for highly leveraged businesses.

Looking at the household sector, the household debt-to-GDP ratio has remained subdued, and the financial health of the aggregate household sector is generally strong. Much of this strength is attributable to low mortgage credit risk, as mortgage debt accounts for a majority of total household debt. Most mortgage debt carries an interest rate that is lower than the spot rate, so the higher interest rate environment has only partially passed through to household interest expenses. In addition, higher home prices have created large home equity cushions, allowing delinquency rates on mortgages to remain subdued.

Meanwhile, consumer debt—which includes student, auto and credit card loans—remains elevated by historical standards. Delinquency rates on auto and credit card balances are above pre-pandemic rates, though most of the delinquencies are attributable to borrowers with non-prime credit scores. As with the business sector, households may consider dialing back their debt burdens to mitigate financial risks due to increasing uncertainty.

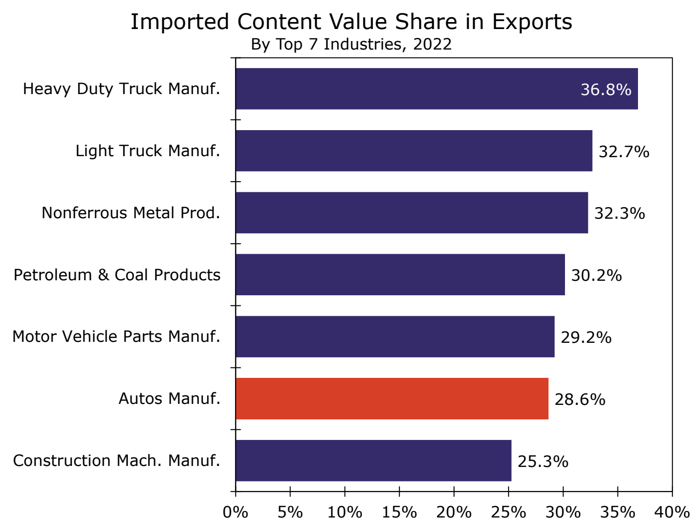
While the financial health of both business and household borrowers remains generally strong, economic uncertainty poses a significant headwind to both sectors. We expect tariffs to cause a modest stagflationary shock to the U.S. economy. As inflation moves higher in the coming months, real income growth will likely erode and cause real GDP growth to dip into negative territory. As stated in the Financial Stability Report, a sharp downturn in economic activity would likely depress business earnings and household incomes and reduce the debt-servicing capacity of households and businesses that are financially stretched. (Return)

Topic of the Week

Automakers Receive Some Tariff Relief

This week, the White House issued an update to the administration's 25% tariff policy on foreign-made auto imports, stating that the previously-announced 25% auto tariff would *not* stack on top of other existing tariffs. This means if a vehicle is already subject to separate tariffs, such as those on steel, aluminum or country-specific duties, the auto tariff would not stack on top of these tariffs. In addition, the move is retroactive, allowing automakers to be reimbursed for certain tariffs paid on imports going back through March. Foreign-made auto part imports also received some relief, with the administration announcing a reimbursement schedule to offset some of the duties over the following two years. Automakers will now be reimbursed up to 3.75% of the retail value of a domestically made auto for the first year and up to 2.50% of the retail value in the second year of the schedule. This effectively means that a domestically produced auto that is 85% domestic or made of USMCA-compliant parts will be duty free in the first year, and this will move up to 90% in the second year of the plan.

This update represents a *modest* softening of the administration's approach to trade policy. By avoiding cumulatively stacked tariffs, the inflationary impulse on autos looks to be less pronounced in the near term. The policy adjustment helps temper inflationary pressure and eases pressure on supply chains, particularly for multinational automakers that rely on complex international sourcing and the cross-border movement of parts. Beyond the relief to domestic-based purchasers of U.S.-made autos, this provides some additional relief to foreign purchasers of these autos as well. Out of about 130 domestic manufacturing industries that export, autos, trucks and parts make up four of the top six industries with the highest imported content as a share of its exports. In fact, nearly 29% of the value of autos exported from the U.S. were comprised of imported content in 2022, the latest year that these estimates are available (chart). Thus, even foreign purchasers of U.S. autos may see some price relief due to this clarification, highlighting how interconnected the global auto market is.



Source: U.S. Department of Commerce and Wells Fargo Economics

While the cap on total tariffs provides short-term relief, the auto tariffs remain significant, even with the new carve-outs. Ultimately, while the April 29 clarification limits some of the worst-case cost scenarios for automakers, there is still a lot of uncertainty in both the short- and long-term regarding the extent and impact of auto tariffs.

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Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 5/2/2025	1 Week Ago	1 Year Ago
SOFR	4.39	4.29	5.32
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.31	4.29	5.40
1-Year Treasury	3.85	3.85	5.24
2-Year Treasury	3.81	3.75	4.87
5-Year Treasury	3.91	3.86	4.57
10-Year Treasury	4.31	4.24	4.58
30-Year Treasury	4.79	4.70	4.73
Bond Buyer Index	5.14	5.24	4.07

Foreign Exchange Rates

	Friday 5/2/2025	1 Week Ago	1 Year Ago
Euro ($/€)	1.133	1.137	1.073
British Pound ($/₤)	1.328	1.332	1.253
British Pound (₤/€)	0.853	0.854	0.856
Japanese Yen (¥/$)	144.580	143.670	153.640
Canadian Dollar (C$/$)	1.379	1.386	1.367
Swiss Franc (CHF/$)	0.827	0.828	0.911
Australian Dollar (US$/A$)	0.644	0.640	0.657
Mexican Peso (MXN/$)	19.668	19.504	16.984
Chinese Yuan (CNY/$)	7.271	7.287	7.241
Indian Rupee (INR/$)	84.561	85.449	83.468
Brazilian Real (BRL/$)	5.650	5.683	5.112
U.S. Dollar Index	99.738	99.471	105.299

Foreign Interest Rates

	Friday 5/2/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	1.90	1.83	3.62
3-Month U.K. Govt Bill Yield	4.26	4.30	5.23
3-Month Canadian Govt Bill Yield	2.65	2.64	4.92
3-Month Japanese Govt Bill Yield	0.41	0.38	0.04
2-Year German Note Yield	1.76	1.72	2.99
2-Year U.K. Note Yield	3.85	3.86	4.43
2-Year Canadian Note Yield	2.57	2.59	4.25
2-Year Japanese Note Yield	0.61	0.69	0.29
10-Year German Bond Yield	2.53	2.47	2.54
10-Year U.K. Bond Yield	4.50	4.48	4.29
10-Year Canadian Bond Yield	3.20	3.18	3.74
10-Year Japanese Bond Yield	1.26	1.34	0.90

Commodity Prices

	Friday 5/2/2025	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	58.16	63.02	78.95
Brent Crude ($/Barrel)	61.19	66.87	83.67
Gold ($/Ounce)	3235.04	3319.72	2303.83
Hot-Rolled Steel ($/S.Ton)	872.00	944.00	810.00
Copper (¢/Pound)	460.20	484.00	449.40
Soybeans ($/Bushel)	10.54	10.62	11.74
Natural Gas ($/MMBTU)	3.59	2.94	2.04
Nickel ($/Metric Ton)	15,058	15,620	18,696
CRB Spot Inds.	558.19	564.53	551.90

Source: Bloomberg Finance L.P. and Wells Fargo Economics

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Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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