

Weekly — July 18, 2025

Weekly Economic & Financial Commentary

United States: **Economic Data Clears the Bar, but Doesn't Raise It**

- The economic data calendar was packed this week. Better-than-expected retail sales, industrial production and home construction suggest activity has regained its footing after a loss of momentum during the first five months of the year. At the same time, data on inflation indicate the costs of tariffs are starting to get passed on to consumers, albeit slowly.
- Next week: Existing Homes Sales (Wed.), Durable Goods Orders (Fri.)

International: **Mixed Signals from Foreign Economies**

- This week's economic data painted a mixed global picture. China's Q2 GDP growth beat expectations but underlying momentum appears fragile. The United Kingdom faced an unwelcome inflation surprise, Canada saw its first inflation uptick in months, while Japan's inflation cooled modestly. Meanwhile, in emerging markets, India's inflation dropped sharply, strengthening the case for further easing.
- Next week: U.K. PMIs (Thu.), European Central Bank (Thu.)

Interest Rate Watch: **Fighting Fire with Fire**

- The potential firing of Chair Powell jolted markets this week. Even if President Trump were to bring in a dovish successor, changes in monetary policy are determined by a voting committee and the long end of the curve is influenced by factors outside the Federal Reserve's purview.

Credit Market Insights: **Methodological Changes Cloud Recent Consumer Credit Trends**

- Overall credit outstanding dropped by a whopping \$110.9 billion in December 2024, the largest single-month decline since records began in 1968. Although more modest credit uptake lends additional evidence that tariffs are weakening consumer resolve, this nosedive likely overstates the extent to which consumers are pulling back.

Topic of the Week: **Foreign Suppliers Resisting Tariff Pressures**

- If foreign exporters were absorbing the cost of tariffs, U.S. import prices would be declining in proportion to the rise in the tariff rate. Yet, nonfuel import prices, which exclude the cost of tariffs, rose 1.2% year-over-year in June. With little relief on import prices, domestic firms are stomaching the cost of higher tariffs and starting to pass it on to consumers.

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	-0.5	1.8	0.9	1.0	2.9	2.8	1.4	1.9
Personal Consumption	1.9	2.8	3.7	4.0	0.5	1.3	0.6	0.4	2.5	2.8	1.8	1.7
Consumer Price Index ²	3.2	3.2	2.7	2.7	2.7	2.6	2.9	3.0	4.1	3.0	2.7	2.8
"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	3.0
Quarter-End Interest Rates ³												
Federal Funds Target Rate ⁴	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	5.23	5.27	4.25	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.82	6.65	6.55	6.80	6.72	6.67	6.51
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.24	4.30	4.25	3.96	4.21	4.26	4.33

Forecast as of: July 10, 2025

¹ Compound Annual Growth Rate Quarter-over-Quarter² Year-over-Year Percentage Change³ Quarterly Data - Period End; Annual Data - Annual Averages⁴ 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

Submit a question to our ["Ask Our Economists"](#) podcast at askoureconomists@wellsfargo.com.

U.S. Review

Economic Data Clears the Bar, but Doesn't Raise It

The economic data calendar was packed this week. Better-than-expected retail sales, industrial production and home construction suggest activity has regained its footing after a loss of momentum during the first five months of the year. At the same time, data on inflation indicate that the costs of tariffs are starting to get passed on to consumers, albeit slowly. With the potential for further tariff hikes coming Aug. 1, we see upside risks to inflation and downside risks to output growth in the months ahead.

Higher tariffs have had a modest effect on overall inflation thus far. The Consumer Price Index rose 0.3% in June and 2.7% over the past year, which is a softer pace than at the start of the year. Beneath the surface, however, tariff pressures are emerging in goods inflation. Core goods prices rose 0.20% compared to an average monthly increase of 0.07% the prior six months. When excluding vehicles, which have struggled in the wake of a pre-tariff rush of purchases, core goods saw the strongest monthly price increase since early 2022. The pickup in core services prices was softer than its recent trend and prices for discretionary services such as hotel and airline fares fell over the month, suggesting firms' pricing power has diminished amid cautious consumer demand. Overall, it is still too early to see the full impact of higher tariffs on consumer prices, given that June's CPI report came shortly after the large tariff increases in April and May and preemptive inventory building is likely delaying the pass-through.

Similarly, it is too early to assess the full effects of tariffs on the factory sector. Industrial production rose more-than-expected in June on the heels of an upward revision to May activity. Growth came from a rebound in utilities output and from manufacturing, with factory output rising 0.1% in June on top of an upwardly revised gain the month prior. Though the manufacturing sector performed better than expected last month, continued uncertainty around trade policy will likely prevent many businesses from taking on new capital expenditures in the near term, presenting downside risk on the outlook for domestic production.

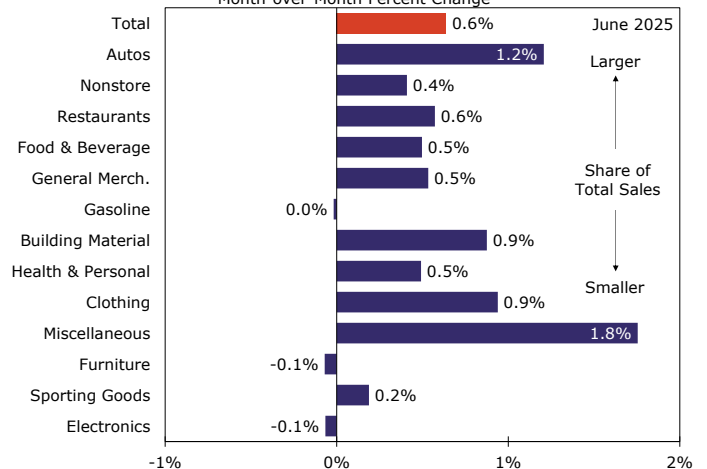
There's a similar narrative going on in residential construction, where uncertainty and high costs are prohibiting construction. After a soft start to the year, housing starts rebounded 4.6% in June to a 1.32 million-unit annualized pace. The turnaround was sparked by a recovery in multifamily starts specifically, and building permits also rose last month, pointing to a strengthening trend in multifamily construction this year. Single-family housing came in much softer in June, with housing starts falling to the weakest pace since July of last year amid persistent affordability concerns.

Core Goods vs. Core Services CPI
Year-over-Year Percent Change



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

Monthly Change in Retail Sales by Retailer
Month-over-Month Percent Change



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

Despite tariff concerns, consumers are still spending. Retail sales rose 0.6% in June, with gains reported in 10 out of the 13 categories. Though the strength may point to a somewhat stronger consumer than previously thought, we are not completely rethinking our forecast for a soft second half. For one, retail sales are not adjusted for inflation, and the firming in core goods prices suggests some of the

rise is tied to higher prices, rather than higher volume. The retail sales report also primarily measures spending on goods, which only comprises about a third of consumer outlays—the remainder being services. Consumers have pared back services outlays, which has manifested itself in the ongoing slide in discretionary services prices in the CPI report. We will wait for the broader personal spending report, which has greater detail on services spending, to get a better picture of the health of consumer spending.

There's also the fact that consumers are still broadly pessimistic. Consumer sentiment measured by the University of Michigan rose in the preliminary read for July mostly due to a more favorable read on current conditions, but even as sentiment notched a five-month high, it remains historically depressed. Tariffs are still top of mind, although consumers' views on year-ahead inflation came in lower for the second straight month and longer-run inflation expectations remain well-anchored. Ultimately, sentiment and confidence measures are somewhat flawed predictors of actual spending, but they tell us that consumers are still cautious and worried about tariffs and inflation generally, which may lead to more cautious spending behavior and slower growth in the months ahead.

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U.S. Outlook

Weekly Indicator Forecasts

Domestic					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
21-Jul	Leading Index (MoM)	Jun	-0.2%	-0.3%	-0.1%
23-Jul	Existing Home Sales (SAAR)	Jun	4.00M	4.02M	4.03M
24-Jul	New Home Sales (SAAR)	Jun	650K	653K	623K
25-Jul	Durable Goods Orders (MoM)	Jun	-10.0%	-11.0%	16.4%
25-Jul	Durables Ex Transportation (MoM)	Jun	0.0%	0.1%	0.5%

Forecast as of July 18, 2025

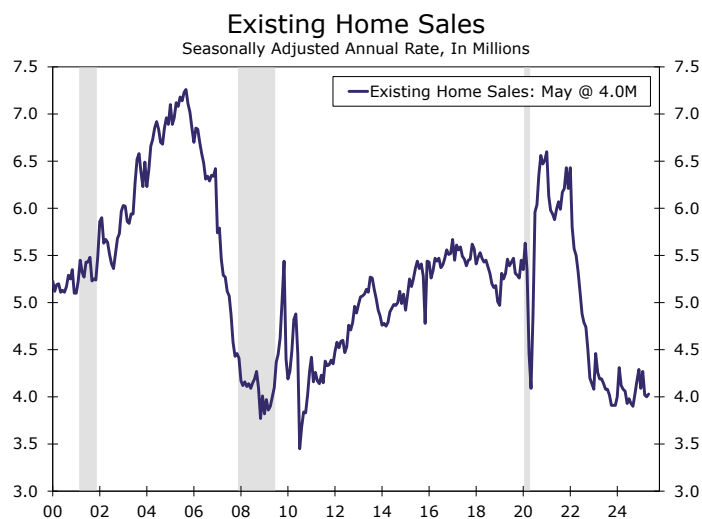
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Existing Home Sales • Wednesday

Existing home sales increased moderately in May after declining for two straight months, rising 0.8% to a 4.03 million-unit annualized pace ([chart](#)). Affordability headwinds continue to weigh on sales activity as resales remain low compared with pre-pandemic trends. Single-family sales increased 1.1% in May, up from the lowest level since September 2024. The supply of single-family homes remains tight compared to pre-pandemic levels, but has shown some improvement since the onset of the pandemic with the months' supply currently residing at 4.4 months. Multifamily sales dropped 2.7%, with the months' supply standing at 6.7 months, surpassing the pre-pandemic average.

Reflecting elevated mortgage rates and sharp increases in home prices since the pandemic, total existing home sales are down 0.7% compared to a year ago. Running historically high, the median price of an existing home strengthened to \$422.8K, a 1.3% increase from a year ago. Encouragingly, the improving supply picture is beginning to place some downward pressure on home prices. That said, existing home sales will likely remain range bound at its low baseline until mortgage rates come down from their current elevated level.

For June, we look for existing home sales to fall 0.3% on the month to a 4.02 million-unit annualized pace. In a separate release on Thursday, we look for new home sales to rebound in June, increasing 4.8% to a 653K annualized pace after dropping 13.7% in May.



Source: NAR and Wells Fargo Economics

Durable Goods Orders • Friday

At 16.4%, the surge in May durable goods orders was largely driven by the bumper crop of civilian aircraft orders resulting from the Boeing-Qatar Airways deal announced during President Trump's visit to the region. Outside of aircraft, there were additional pockets of strength including a second straight monthly gain in defense orders, alongside increases in computers & electronic products, electrical equipment and primary and fabricated metals. Even as May durable goods orders exuded some positive signals, an ongoing theme in recent reports has been a slowing in the underlying trend of orders. Excluding the transportation sector, durable goods orders have not moved more than half of a percentage point in either direction since September 2024, with May's print coming in at 0.5% ([chart](#)). For June, we look for durable goods orders to reverse and decline 11%.

Looking ahead, conditions are not supportive for an increased appetite for capital expenditures. The manufacturing sector remains in a cautious holding pattern as businesses are confronted with increased uncertainty around trade policy, reemerging cost pressures and a cloudy outlook for economic growth and policy. That squeeze is forcing firms to cut costs, delay hiring and tighten capital expenditure plans. We look for business equipment investment to decline in the second half of the year as survey details still point to worries about tariff impact, high input costs and potential supply chain disruption.

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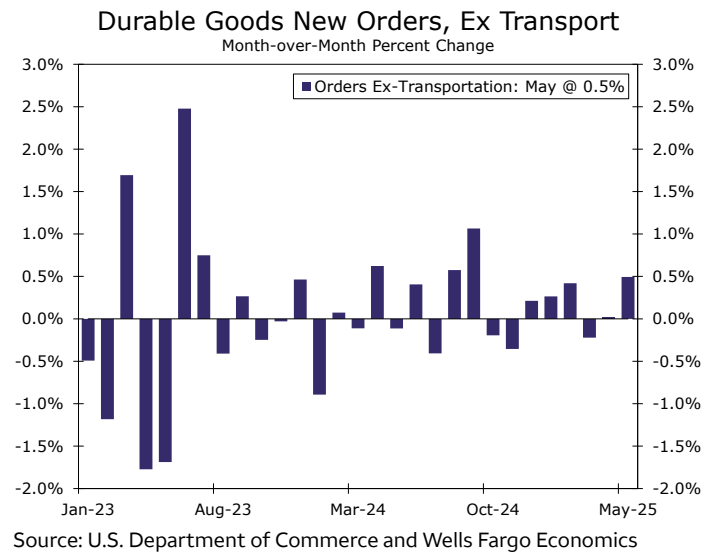
International Review

Mixed Signals from Foreign Economies

China released a wide range of economic data this week, offering a mixed picture of the country's momentum heading into the second half of 2025. While GDP growth modestly outpaced expectations, rising 1.1% quarter-over-quarter and 5.2% year-over-year versus the consensus of 0.9% and 5.1%, respectively, a closer look at the underlying drivers suggests the momentum may prove short-lived without further reforms. The upside surprise was in part driven by front-loaded export activity rather than any significant improvement in domestic demand or investment. This could be seen in monthly activity figures as well with strength in industrial production figures for June, which accelerated to 6.8% year-over-year, well above expectations and up from 5.8% previously. Domestic demand, however, remains a weak spot. Retail sales in June disappointed at 4.8% versus expectations of 5.3%. While categories like home appliances, communications equipment and furniture saw strong gains—thanks to subsidized government trade-in programs—other areas, such as cosmetics, beverages and catering services, underperformed.

Looking ahead, the outlook remains cautious. The temporary boost from subsidies is already fading, with some local governments halting programs amid concerns that funding may soon be exhausted. The government-backed trade-in initiative has been effective but is not sustainable without further support. Meanwhile, the upcoming expiration of the trade truce on Aug. 11 and the anticipated drag from higher tariffs are expected to weigh on exports and broader economic activity. Without a shift toward more forceful fiscal stimulus, something policymakers appear reluctant to pursue given fiscal constraints, China's growth is likely to slow in the second half of the year as domestic tailwinds fade and external headwinds intensify. With that said, we continue to forecast Chinese GDP growth at 4.7% in 2025, down from the 5.0% GDP growth registered in 2024.

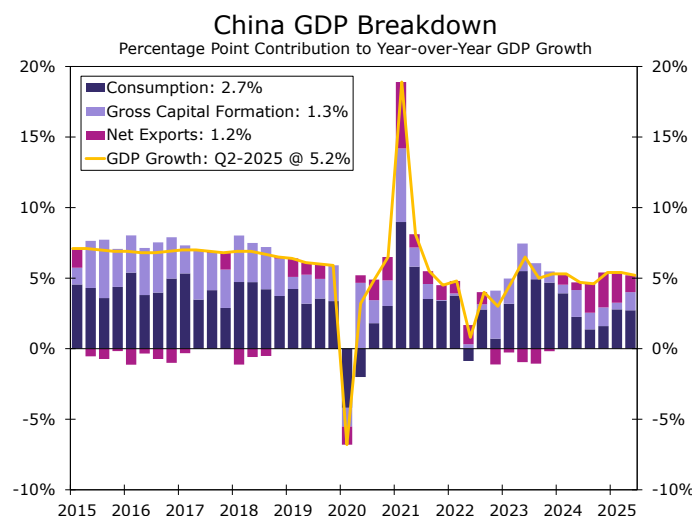
Turning to the United Kingdom, this week's data delivered an unwelcome surprise on the inflation front. Headline CPI accelerated to 3.6% year-over-year in June, above expectations for an unchanged 3.4% reading. Core inflation also surprised to the upside, rising to 3.7% versus the consensus forecast of 3.5%. Transport costs—particularly motor fuels—were the largest contributors to the increase, while underlying pressures remained persistent, partly reflecting companies passing on April's National Insurance Contribution hikes in the form of increased prices. Services inflation held steady at 4.7%,



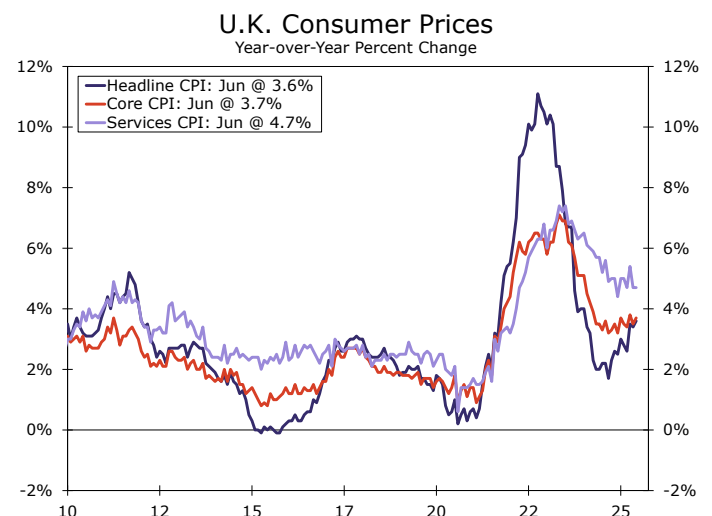
defying expectations for a modest slowing to 4.5% and reinforcing concerns about sticky price pressures. Meanwhile, the labor market showed tentative signs of loosening. The UK's unemployment rate ticked up to 4.7%, driven by higher labor force participation, while average weekly earnings growth slowed to 5.0%, in line with expectations. The inflation data will likely weigh heavily on the Monetary Policy Committee's deliberations at its August meeting. While we continue to expect a 25 bps rate cut to 4.00%, the persistence of core and services inflation may prompt renewed hawkish dissent. That said, rising unemployment, slower wage growth and ongoing economic softness should keep the BoE on track to maintain its quarterly cadence of easing.

In Japan, the latest inflation figures for June showed some easing in price pressures. Headline inflation rose 3.3% year-over-year, in line with consensus expectations and down from 3.5% in May. Core inflation also matched the headline rate at 3.3%, reaching its slowest pace in three months. The moderation was broad-based. Electricity and gas prices rose at a much slower pace and inflation eased across categories like housing, transport, healthcare and recreation. However, food inflation accelerated to 7.2%, the highest level since March, driven by a sharp 100.2% year-over-year surge in rice prices, despite government efforts to stabilize staple food costs. On a seasonally-adjusted monthly basis, consumer prices edged up just 0.1%, following a 0.3% increase in May, reinforcing the view that inflationary momentum is cooling. This could give the Bank of Japan (BoJ) more room to maintain its cautious policy stance amid global uncertainty. We expect the BoJ to keep rates steady at 0.50% at its next meeting at the end of July, while the rate hike we currently forecast for October could be delayed until later in 2025 or even early 2026.

In Canada, headline inflation rose to 1.9% year-over-year in June, marking the first increase in four months and aligning with consensus expectations. Underlying inflation remained firm with average core inflation ticking up to 3.1%, above the consensus and Bank of Canada's (BoC) target range. While base-year effects from last year's sharper gasoline price declines continued to exert upward pressure on headline inflation, the underlying data also pointed to broad-based price pressures. Most notably, durable goods such as passenger vehicles and furniture saw significant price increases, likely reflecting the pass-through effects of elevated tariffs. Taken together, June's inflation data and an unexpectedly strong June employment report suggests a likely delay to BoC rate cuts, even amid subdued GDP growth and slowing wage gains. While our prior forecast anticipated rate cuts in July and October, we now expect the BoC to hold rates steady at its upcoming July meeting, with a 25 bps rate cut likely in September and a possible follow-up cut in December. The December move, however, remains uncertain and will depend on the pace of economic growth and core inflation softening over the second half of the year.



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



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

In emerging markets, India's headline inflation surprised to the downside in June, easing sharply to 2.1% year-over-year from 2.8% in May—well below consensus expectations of 2.3% and significantly undershooting the Reserve Bank of India's (RBI) second quarter projection of 3.4%. This marks a move

close to the RBI's lower target band of 2.0%, largely driven by a sharp correction in food and vegetable prices and reflecting favorable base effects from last year's surge. Subdued goods prices also helped offset the impact of rising gold prices. While core inflation edged up slightly to 4.55% from 4.35%, it remains comfortably within the central bank's target range. With inflation well-contained and growth momentum appearing less robust, the June CPI data strengthens the case for additional monetary easing. Despite the RBI's recent shift to a "neutral" policy stance, we expect policymakers to deliver another 25 bps cut at the upcoming August meeting, bringing the Repurchase Rate to 5.25%.

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International Outlook

Weekly International Indicator Forecasts					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
24-Jul	U.K. Manufacturing PMI	Jul	48	—	47.7
24-Jul	U.K. Services PMI	Jul	52.8	—	52.8
24-Jul	European Central Bank Deposit Rate	24-Jul	2.00%	2.00%	2.00%
24-Jul	Eurozone Manufacturing PMI	Jul	49.8	—	49.5
24-Jul	Eurozone Services PMI	Jul	50.7	—	50.5

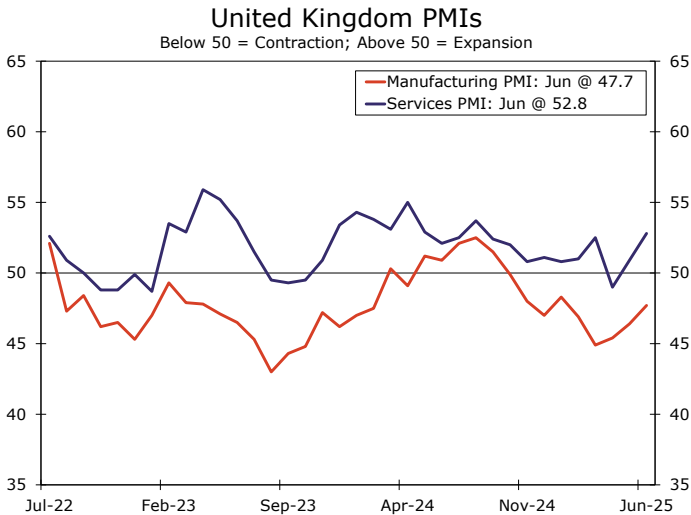
Forecast as of July 18, 2025

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

U.K. PMIs • Thursday

The UK's July PMIs, due next week, are expected to indicate a still-subdued economic outlook amid muted business sentiment. June's composite PMI came in at 52.0 and the July reading is expected to ease slightly to 51.6, still in expansion territory but suggesting a softer pace of growth. The manufacturing sector remains under pressure, though some stabilization is expected. After rising to 47.7 in June, the manufacturing PMI is expected to inch up to 48.0 in July, below the 50-mark that signals expansion but showing signs of improvement. Meanwhile, the services sector, which is responsible for the bulk of UK output, is expected to hold steady at 52.8.

The still relatively subdued readings suggest a moderate pace of growth could continue through the balance of this year. U.K. GDP fell in both April and May, while budget pressures suggest the government may need to adopt a more fiscally conservative approach later this year. Given these developments, the PMIs will continue to be watched closely in the months ahead for signs of resilience, or further softening in the UK economy.



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

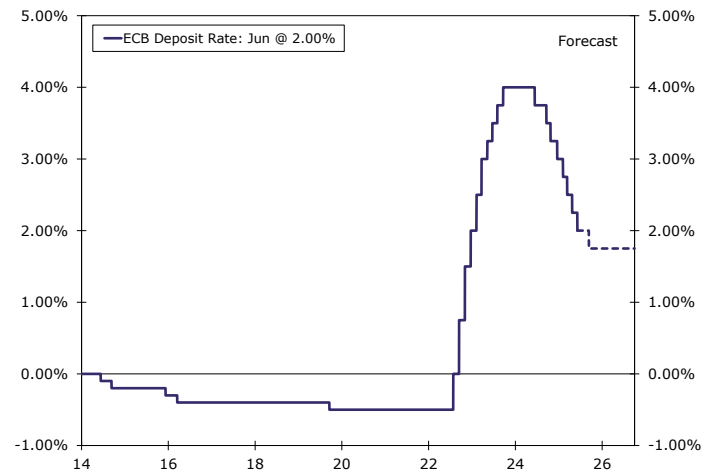
European Central Bank • Thursday

Next week's European Central Bank (ECB) meeting and the release of July PMIs will be closely watched for signals on the Eurozone's economic and monetary policy trajectory. The ECB is widely expected to keep its Deposit Rate unchanged at 2.00% amid an uncertain global backdrop. June inflation data showed headline inflation at 2.0% year-over-year, with core inflation steady at 2.3%. However, services inflation edged up to 3.3%.

Despite the pause, we believe the ECB is not yet done easing. Policymakers have emphasized a data-dependent approach, and we continue to expect a final 25 bps rate cut by September, which would bring the Deposit Rate to 1.75%. President Trump recently threatened to impose a 30% tariff on EU goods starting Aug. 1, but with negotiations still under way and a previous pattern of walking back or delaying the implementation of tariffs, there's still some expectation that the final tariff rate could be scaled back. As a result, there is little urgency for the ECB to respond with a rate cut at its July meeting. Still, the ECB's "good place" could increasingly be at risk from renewed trade frictions, a stronger euro and persistent geopolitical tensions in Ukraine and the Middle East. Meanwhile, July's flash PMIs will offer a timely read on the region's growth momentum. June's composite PMI came in at 50.6, with manufacturing at 49.5 and services at 50.5. Consensus expectations for July point to modest improvements: Manufacturing is seen rising to 49.8, services to 50.7 and the composite index to 50.8, with Germany's manufacturing sector expected to lead the gains. While these figures suggest tentative stabilization, global uncertainties and unpredictable trade policies continue to weigh on sentiment and supply chains, which further reinforces the case for a cautious and flexible ECB.

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ECB Deposit Rate



Source: Datastream and Wells Fargo Economics

Interest Rate Watch

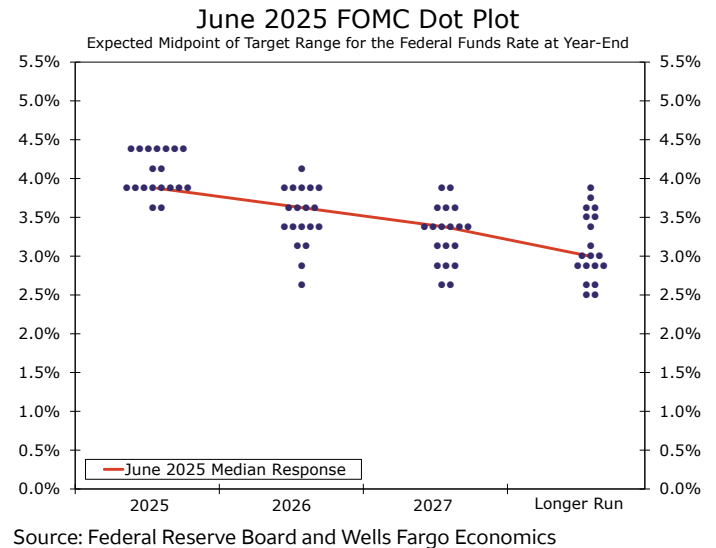
Fighting Fire with Fire

This week, several media outlets reported that President Trump had drafted a letter outlining steps to fire Jerome Powell, current Chair of the Federal Reserve. President Trump denied that such a move was forthcoming, saying that firing the Fed Chair was "unlikely." One of President Trump's main frustrations with Chair Powell is that he has not eased monetary policy quickly enough and that interest rates should be significantly lower than where they currently stand. The market reaction to the news that Chair Powell would be ousted was dramatic. In the space of an hour, most major equity indexes declined, the U.S. dollar index fell sharply and the 10-year Treasury yield shot higher.

After President Trump threw cold water on the idea of firing Chair Powell before his term expires in May 2026, conditions generally retraced back to their previous levels. The spike-up in long-term Treasury yields, however, demonstrates the complexity of debt markets. Even if President Trump were to bring in a dovish successor more willing to reduce the federal funds target rate, changes in monetary policy are determined by a voting committee of 12 Federal Open Market Committee (FOMC) members. The Chair clearly has a lot of influence, but there are many voices involved. What's more, the long end of the curve is influenced by factors outside the Federal Reserve's purview. For example, economic policy uncertainty, which has risen sharply this year, is likely exerting upward pressure on long-term interest rates at present. U.S. Treasury supply and demand is another factor that influences rates.

Although there may be growing disagreement in Washington, D.C., about the appropriate speed of monetary easing, a lower federal funds target rate does appear to be immediately on the horizon. At the most recent FOMC meeting in June, the "dot plot" included in the Summary of Economic Projections indicated that the median official believed 50 bps of easing this year would be appropriate. Our own forecast calls for 75 bps of cuts by year-end. A rate cut at the next meeting in July seems unlikely, given the recent strength in economic data and warm inflation pressures. Still, dimming economic growth prospects means further easing of monetary policy is still on the menu, regardless of who is seated at the head of the table.

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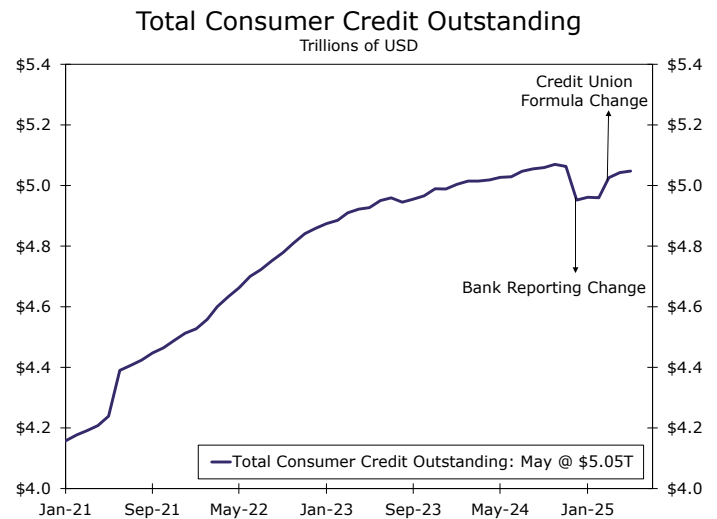
Credit Market Insights

Methodological Changes Cloud Recent Consumer Credit Trends

Consumer credit has posted some eye-catching prints as of late. Overall credit outstanding dropped by a whopping \$110.9 billion in December 2024, the largest single-month decline since records began in 1968. Separately reported PCE data suggest that households are tapping the breaks on discretionary outlays. However, December's nosedive in credit overstates the extent to which consumers are pulling back.

The plunge in credit outstanding in December was owed specifically to a decline in credit held by depository institutions. Every insured bank, whether a member of the Federal Reserve system or not, is required to file quarterly reports sharing detailed financial information. Last December, banks were instructed to report margin and securities-based loans in a category called "loans for purchasing or carrying securities," an administrative change that reduced the value of loans included in the "consumer credit" bucket. Revolving credit outstanding fell by \$42 billion and nonrevolving credit fell by \$69 billion that month.

A separate change was made in March 2025, when the Fed updated its methodology to better estimate the value of personal loans held by credit unions. This formula change prompted a \$69 billion *increase* in credit held by credit unions. Each of these adjustments amount to level shifts in the amount of credit outstanding and structural breaks in the series.



Source: Federal Reserve Board and Wells Fargo Economics

To look through big swings like these, the Fed publishes annualized percent change estimates, which exclude the effects of methodological changes. Overall consumer credit outstanding rose at a 6.2% annualized rate in December, suggesting that consumers leaned into credit last holiday season as opposed to dumping it. This coincides with solid holiday retail sales, which we wrote about earlier this year. Credit outstanding rose again in March 2025, but at a more modest 1.9% annualized rate.

Are consumers really as impervious as they appear? Despite a solid June retail sales report out this week, we published a [report](#) on consumer discretionary spending habits in which we detailed several indications that tariffs are weakening consumer resolve. Data on consumer credit lends additional evidence. Based on the Fed's annualized estimates, revolving credit has grown at just a 2.6% monthly average rate in the first five months of 2025, well below the 6.0% monthly average posted in the first five months of 2024. This slowdown does not flash recession, but it does point to increasingly stretched household budgets.

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Topic of the Week

Foreign Suppliers Resisting Tariff Pressures

After several escalations, delays and negotiations, we estimate the effective tariff rate is roughly 16% today, up from 2% in 2024. There are a few ways the cost of higher tariffs can be distributed, as we discussed in a [report](#) earlier this year. Domestic firms can pass it along via higher selling prices, absorb it via profit margin compression or a combination of the two. Yet, even before products arrive at U.S. docks, foreign suppliers can also indirectly shoulder higher tariffs by lowering their list prices to ameliorate the total cost burden faced by domestic firms. Exporters may provide such relief to maintain market share.

In June, import prices excluding fuels were up 1.2% year-over-year and running at an annualized rate of 1.9% over the past three months. The lift has not been driven by tariffs themselves. Since the Import Price Index is primarily used to calculate the inflation-adjusted value of imports in GDP, it excludes tariffs from the prices paid by importers, because the income generated from tariffs is transferred to the federal government, not the importing firm.

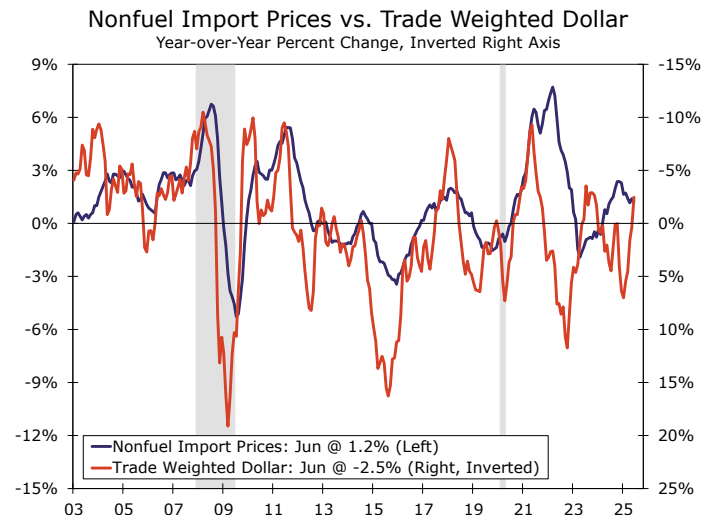
If foreign exporters were absorbing the cost of tariffs, import prices would be declining in proportion to the rise in the tariff rate. A look at import prices through June, however, shows prices excluding fuel marginally *higher* than where they would have been had they continued to rise in line with their recent trend. Thus, the recent rise in import prices points to foreign suppliers generally resisting price cuts.

So, why is overall import price inflation holding up? The dollar's slide has played a major role. Approximately 95% of the nation's imports are denominated in U.S. dollars, and the Federal Reserve's trade-weighted dollar index is down 6.3% since the start of the year and 2.5% from a year ago. The broad depreciation has likely incentivized foreign suppliers to bump up their invoice prices, as dollar-denominated revenues are not stretching as far when translated to their home currencies.

With little relief from import prices, domestic firms are stomaching the cost of higher tariffs and starting to [pass it on to consumers](#). Excluding vehicles, the core goods CPI posted its strongest monthly increase since February 2022 in June, with widespread gains across furniture, apparel, motor vehicle parts and recreational items. U.S. firms also appear to be absorbing some of the additional product cost brought on by tariffs. The trade services component of the Producer Price Index, which is a measure of product margins for wholesalers and retailers, has slowed sharply in recent months, illustrative of margin compression.

Import price growth has room to weaken but is unlikely to plunge. While softer consumer spending in the United States could weigh on foreign production and encourage more exporters to cut their prices in the second half of the year, our expectation for the dollar to [continue weakening](#) over the same time frame will likely counteract the deflationary impulse from weaker demand. For more detail, see the full report: [Few Signs of Foreign Exporters Absorbing U.S. Tariff Hikes](#).

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

Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 7/18/2025	1 Week Ago	1 Year Ago
SOFR	4.34	4.31	5.35
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.33	4.33	5.33
1-Year Treasury	3.85	3.85	5.24
2-Year Treasury	3.87	3.89	4.47
5-Year Treasury	3.96	3.97	4.12
10-Year Treasury	4.43	4.41	4.20
30-Year Treasury	4.99	4.95	4.42
Bond Buyer Index	5.30	5.21	3.92

Foreign Exchange Rates			
	Friday 7/18/2025	1 Week Ago	1 Year Ago
Euro (\$/€)	1.166	1.169	1.090
British Pound (\$/£)	1.345	1.349	1.294
British Pound (£/€)	0.866	0.866	0.842
Japanese Yen (¥/\$)	148.400	147.430	157.370
Canadian Dollar (C\$/ \$)	1.372	1.369	1.371
Swiss Franc (CHF/\$)	0.800	0.797	0.888
Australian Dollar (US\$/A\$)	0.653	0.658	0.671
Mexican Peso (MXN/\$)	18.731	18.637	17.965
Chinese Yuan (CNY/\$)	7.175	7.170	7.262
Indian Rupee (INR/\$)	86.159	85.803	83.659
Brazilian Real (BRL/\$)	5.539	5.560	5.545
U.S. Dollar Index	98.234	97.853	104.173

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

Foreign Interest Rates			
	Friday 7/18/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	1.78	1.81	3.38
3-Month U.K. Govt Bill Yield	4.13	4.14	5.19
3-Month Canadian Govt Bill Yield	2.67	2.67	4.47
3-Month Japanese Govt Bill Yield	0.39	0.38	0.02
2-Year German Note Yield	1.87	1.90	2.77
2-Year U.K. Note Yield	3.91	3.86	3.98
2-Year Canadian Note Yield	2.80	2.74	3.71
2-Year Japanese Note Yield	0.77	0.78	0.34
10-Year German Bond Yield	2.69	2.73	2.43
10-Year U.K. Bond Yield	4.67	4.62	4.06
10-Year Canadian Bond Yield	3.55	3.50	3.38
10-Year Japanese Bond Yield	1.54	1.52	1.04

Commodity Prices			
	Friday 7/18/2025	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	68.50	68.45	82.82
Brent Crude (\$/Barrel)	70.42	70.36	85.11
Gold (\$/Ounce)	3355.20	3355.59	2445.08
Hot-Rolled Steel (\$/S.Ton)	875.00	882.00	659.00
Copper (¢/Pound)	550.95	556.20	426.60
Soybeans (\$/Bushel)	10.30	10.14	11.35
Natural Gas (\$/MMBTU)	3.60	3.31	2.13
Nickel (\$/Metric Ton)	14,898	15,092	16,177
CRB Spot Inds.	575.47	575.94	555.62

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