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USA OUTLOOK

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Photo: Reuters

US deficit grows to \$291 billion in July despite tariff revenue surge

The U.S. budget deficit rose to \$291 billion in July 2025, nearly 20% higher than a year earlier, despite a surge in tariff revenues from President Trump's trade policies. Customs duty collections tripled to almost \$21 billion for the month, reflecting higher tariff rates, yet government spending grew much faster than revenues. Outlays hit a record \$630 billion in July, while receipts only increased 2% to \$338 billion.

For the first 10 months of the fiscal year, the deficit reached \$1.63 trillion, up 7% from the same period in 2024. Revenue climbed to a record \$4.35 trillion, but expenses rose more sharply to nearly \$6 trillion. Key drivers of spending growth included healthcare programs (+10%), Social Security (+9%), and interest payments on the public debt (+6%), which alone surpassed \$1 trillion.

While Trump has highlighted tariff revenues as a major success, economists note that these duties are paid by importers and often passed on to consumers. Analysts also warn that some imports remain in bonded warehouses awaiting potential tariff reductions, which could trigger a temporary

Source:

[https://www.reuters.com/world/us/us-deficit-grows-291-billion-july-despite-tariff-revenue-surge-2025-08-](https://www.reuters.com/world/us/us-deficit-grows-291-billion-july-despite-tariff-revenue-surge-2025-08-17/)

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Trump signs order to ensure 'resilient' supply chain for essential medicines in US

President Donald Trump signed an executive order aimed at securing a more "resilient" U.S. supply chain for essential medicines. The directive tasks the Department of Health and Human Services, through the Office of the Assistant Secretary for Preparedness and Response, with developing a list of roughly 26 drugs deemed vital to national health and security. Based on that list, the government will fill the Strategic Active Pharmaceutical Ingredients Reserve (SAPIR) with the core components needed to manufacture these critical medicines.

The main goal is to reduce U.S. dependence on foreign suppliers — particularly China and India, which dominate global pharmaceutical ingredient production — and to avoid potential disruptions in access to vital drugs during emergencies or geopolitical crises. The White House emphasized that the initiative is designed to anticipate vulnerabilities in the medical supply chain and strengthen the country's ability to respond swiftly to health risks, natural disasters, or even conflicts.

In essence, the order blends national security with public health policy, underscoring Washington's growing concern over safeguarding strategic resources like pharmaceuticals amid a global environment shaped by trade tensions and inflationary pressures.



Source:

<https://www.reuters.com/business/healthcare-pharmaceuticals/trump-signs-order-ensure-resilient-supply-chain-essential-medicines-us-2025-08-13/>



Photo: Reuters

US retail sales rise in July; softening job market poses risk to spending

U.S. retail sales rose 0.5% in July, boosted by strong auto demand and aggressive discounting by major retailers like Amazon and Walmart. June's figures were also revised upward, helping to ease concerns that consumer activity was stalling after months of weak job growth. Core retail sales, which better reflect consumer spending in GDP, climbed 0.5% as well, though adjusted for inflation the gain was a more modest 0.3%. The data suggest that household spending remains resilient, but mounting risks from a cooling labor market, rising import costs, and higher consumer prices could slow momentum in the coming months.

The July increase was led by car sales—helped in part by consumers rushing to buy electric vehicles before federal tax credits expire—along with gains in online shopping, clothing, and furniture. However, spending fell in categories like building materials, electronics, and restaurants, hinting at growing pressure on discretionary purchases. A University of Michigan survey showed consumer sentiment weakening in August, while inflation expectations rose to their highest in a year, reflecting concerns about purchasing power amid new tariffs and rising import prices.

Source:

<https://www.reuters.com/sustainability/sustainable-finance-reporting/us-retail-sales-rise-july-softening-job-market-poses-risk-spending-2025-08-15/>

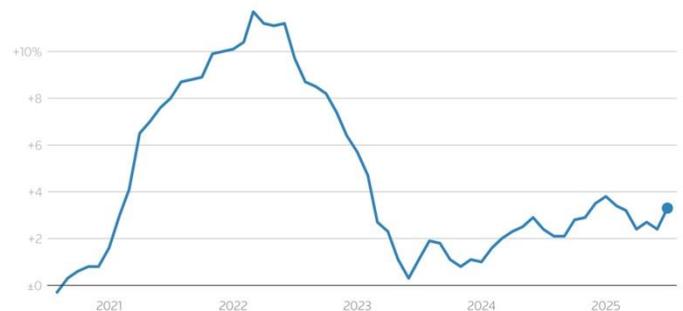
Wall Street ends flat, but S&P hits another closing high as rate-cut bets waver

Wall Street closed mostly flat on Thursday, with the S&P 500 inching up to another record high while the Dow Jones and Nasdaq ended little changed. The mixed performance came after a report showed U.S. producer prices rose more than expected in July, their sharpest increase in three years, fueling concerns about renewed inflation and tempering expectations of aggressive Federal Reserve rate cuts this year. Traders now expect about 56.7 basis points of cuts for 2025, down from earlier forecasts of 63, though markets still fully anticipate a quarter-point cut in September.

The stronger inflation data raised doubts about how far the Fed will go in easing policy, with analysts suggesting any September move is likely to be a “hawkish cut.” Meanwhile, jobless claims declined last week, highlighting lingering resilience in the labor market. On the corporate side, Intel shares jumped after reports that the U.S. government may take a stake in the company, while Cisco fell on a cautious forecast. Deere and Tapestry both slumped after warning that U.S. tariffs were pressuring their businesses. Broader concerns about high valuations also weighed on sentiment, with the S&P 500 trading at a significant premium to historical averages.

Annual change in US Producer Price Index

Input prices rose 3.3% year over year in July, a step up from the previous month.



Source:

<https://www.reuters.com/world/us/wall-street-ends-flat-sp-hits-another-closing-high-rate-cut-bets-waver-2025-08-14/>

Photo: Reuters



Photo: Reuters

US Fed to cut rates in September and once more this year, say most economists: Reuters poll

Most economists polled by Reuters expect the U.S. Federal Reserve to cut interest rates in September 2025, marking the first reduction this year, with the possibility of another cut before year-end. The outlook reflects growing concerns about the health of the U.S. economy, as inflation has begun rising again, partly due to tariffs imposed by President Donald Trump, while recent revisions to employment data suggest the labor market is weakening.

According to the survey, 61 percent of economists predict that the Fed will lower its benchmark rate by 25 basis points to a range of 4.00 to 4.25 percent at its September 17 meeting, while a smaller group expects either no change or a larger cut. A majority also anticipates one or two cuts in total by the end of 2025, though there is little agreement on the exact level of rates at year-end. Futures markets, in contrast, are signaling a stronger expectation for at least two cuts and possibly a third.

The divergence between market sentiment and economists' forecasts is partly due to uncertainty surrounding the reliability of recent economic data, doubts about the Fed's independence amid political pressure from Trump, and the upcoming release of key inflation and employment figures. While most respondents believe the inflationary impact of tariffs will be temporary and see no significant threat to Fed independence before Chair Jerome Powell's term ends in May 2026, they expect inflation to remain above the Fed's two percent target through at least 2027. Unemployment is projected to stay close to the current rate of 4.2 percent, though further weak jobs data could alter expectations.

Overall, economists view a September rate cut as likely but stress that the Fed will remain cautious, keeping its options open depending on how incoming data on inflation and employment evolve.

Source:

<https://www.reuters.com/business/us-fed-cut-rates-september-once-more-this-year-say-most-economists-2025-08-15/>