



# MARKET EXPECTATIONS SURVEY

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Gains in the Consumer Price Index (CPI) eased modestly in April 2022, posting an 8.3 percent increase versus one year ago. This result met median estimates of a 0.3 percent monthly increase on a seasonally adjusted basis, down sharply from March's topline 1.2 percent gain that accounted for that month's spike in energy prices. Price hikes resulting from the spike in energy prices induced by Russia's invasion of Ukraine remain entrenched, however. Gasoline prices remained up 43.6 percent year-over-year, despite dropping by 6.1 percent from March to April 2022. Topline CPI growth remains at its fastest pace since 1982's descent from hyperinflationary highs, with the all-time peak then having reached 14.6 percent (April 1980). Although the pace of price growth may be at or past its peak, the likelihood of an outright retreat in prices from current highs is virtually nil. The Federal Reserve has signaled that it is all-in on fighting inflation, but calming year-over-year growth from its current 8-percent range to something closer to the Fed's 2-percent target will be an effort that stretches into 2023.

Core CPI re-accelerated in April 2022, gaining 0.6 percent for the month and nearing some of the strongest numbers seen in the second half of 2021 as structural inflation concerns were just taking flight. Without the decline in gasoline prices to temper growth, as it is excluded from the Core CPI measure by design along with other volatile food & energy components, the pressure on household budgets remains clearly evident. The strongest CPI component index gains for April 2022 were all in consumer necessity categories. Housing was up by 0.6 percent (vs. 0.7 percent in March 2022), Food & Beverages increased by 0.8 percent (vs. 1.0 percent in March 2022), and Medical Care also saw a second consecutive month of strong monthly price gains at 0.4 percent (vs. 0.5 percent in March 2022). Apparel prices did decline for the first time since September 2021 (-0.8 percent). But at less than 3 percent of the total index representing a household's typical basket of monthly expenditures, this offset will provide little relief on the aggregate.

Recreation CPI inflation ticked higher for April 2022, in what is likely to be the start of a trend as the summer months approach and consumers look to shift spending from goods to services. The 0.4 percent gain in Recreation CPI for April 2022 translates to a 4.3 percent year-over-year increase, down slightly from March's 4.8 percent rise. The results for this component index were volatile through the second half of 2021 and to start the new year as concerns over COVID-19 variants persisted. The all-clear may not yet have been signaled regarding the virus' impact on the U.S. economy, but all indications are that consumers are willing and able to resume in-person spending trends this year, adding upward pressure to Recreation prices that are already rising on continuing labor supply issues and supply chain disruptions.

Consumer spending habits are adjusting to persistent inflation – and in a way that bodes ill for the U.S. economy over the coming 12-18 months. Consumer spending in March 2022 using revolving credit lines, including credit cards, spiked to its 3<sup>rd</sup> strongest pace since 1980, accompanying that month's peak inflation rate (thus far). Although wage gains remain stronger than their pre-pandemic norms – and, indeed, as compared to even longer-term trends, they are not keeping up with the pace of inflation which, again, is being driven in significant part by household necessities. To bridge this gap, it appears that consumers are taking on debt and/or digging into savings to maintain current standards of living. With the Federal Reserve showing full resolve in fighting inflation by raising interest rates, consumers will not only be paying more through accumulated debt now, but they will be paying more later when those bills fall victim to rising credit card interest rates.

In order to fight inflationary pressures, PNC has the Federal Reserve raising interest rates by 50 basis points at both the June and July meetings. Even if the worst effects of energy prices are passed, there is enough price growth in key household categories and consumer spending momentum to force the Federal Reserve's response to inflation to remain on track throughout the second half of 2022. The potential for one or more 75 basis point hikes was quashed by Fed Chair Jerome Powell in comments after the May FOMC meeting. But all other public comments have so far reinforced that it is full-speed ahead (at 50 bps per meeting) for both the Fed Funds rate and *Quantitative Tightening* with the Fed shrinking its balance sheet starting next month and thus pressuring long-term rates higher. Inflation will remain elevated throughout the next 12 months, but not for lack of effort on the Fed's part.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Fed Funds Rate Target Range Mid-Point</b> (after the FOMC meeting on 6/15) Range: 1.375 to 1.625 percent Median: 1.375 percent		We expect a 50 bps funds rate hike at both the June and July FOMC meetings.
<b>Apr Retail Sales</b> (5/17, Tuesday) Range: 0.4 to 1.3 percent Median: 0.8 percent	<b>0.7%</b> <b>(Mar)</b>	Up 0.6 percent. Lower gasoline prices gave consumers more money to spend on other items, especially food at home and at restaurants. New vehicle sales rose but used vehicle sales fell.
<b>Apr Retail Sales (ex-auto)</b> (5/17, Tuesday) Range: 0.0 to 0.7 percent Median: 0.4 percent	<b>1.4%</b> <b>(Mar)</b>	Up 0.3 percent. Control sales (excluding new and used vehicles, building materials, gasoline and restaurant sales) rose by a solid 0.7 percent.
<b>Apr Industrial Production</b> (5/17, Tuesday) Range: 0.2 to 0.9 percent Median: 0.4 percent	<b>0.9%</b> <b>(Mar)</b>	Up 0.3 percent for total and manufacturing production.
<b>Apr Capacity Utilization</b> (5/17, Tuesday) Range: 78.4 to 79.0 percent Median: 78.6 percent	<b>78.3%</b> <b>(Mar)</b>	Up to 78.4 percent.
<b>Mar Business Inventories</b> (5/17, Tuesday) Range: 0.4 to 2.0 percent Median: 1.9 percent	<b>1.5%</b> <b>(Feb)</b>	Up 1.4 percent. Sales also rose 1.4 percent so the Inventory/Sales ratio remains low due partly to supply chain disruptions and the lockdown in China.
<b>Apr Housing Starts</b> (5/18, Wednesday) Range: 1.651 to 1.803 million Median: 1.765 million	<b>1.793M</b> <b>(Mar)</b>	Down to 1.74 million. Building permits fell to 1.82 million.
<b>Initial Claims, Week of 5/14/22</b> (5/19, Thursday) Range: 180K to 210K Median: 199K	<b>203K</b> <b>(5/7/22)</b>	Down to 198K.
<b>Apr Leading Indicators</b> (5/19, Thursday) Range: -0.3 to 0.4 percent Median: 0.0 percent	<b>0.3%</b> <b>(Mar)</b>	Down 0.2 percent. Much lower stock prices were a big drag on the index.
<b>Apr Existing Home Sales</b> (5/19, Thursday) Range: 5.600 to 6.000 million Median: 5.650 million	<b>5.770M</b> <b>(Mar)</b>	Down to 5.65 million. Rising mortgage rates (fixed and variable) and low inventory are damping sales.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Apr New Home Sales</b> (5/24, Tuesday) Range: 0.745 to 0.780 million Median: 0.755 million	<b>0.763M</b> <b>(Mar)</b>	Down to 0.75 million.
<b>Apr Durable Goods Orders</b> (5/25, Wednesday) Range: 0.3 to 1.3 percent Median: 0.6 percent	<b>0.8%</b> <b>(Mar)</b>	Up 0.4 percent. Shipments also up 0.4 percent.
<b>Q1 GDP Second Report</b> (5/26, Thursday) Range: -1.5 to -1.2 percent Median: -1.4 percent	<b>-1.4%</b> <b>(Q1 1<sup>st</sup> report)</b>	A small revision to -1.3 percent.
<b>Q1 Chain Price Index Second Report</b> (5/26, Thursday) Range: 8.0 to 8.1 percent Median: 8.1 percent	<b>8.0%</b> <b>(Q1 1<sup>st</sup> report)</b>	A small revision to 8.1 percent.
<b>Apr Advance Trade in Goods</b> (5/27, Friday) Range: -\$120.0 to -\$100.0 Median: -\$114.5	<b>-\$127.1</b> <b>(Mar)</b>	Narrow to -\$116.0. Imports from China likely declined because of COVID lockdowns.
<b>Apr Personal Income</b> (5/27, Friday) Range: 0.3 to 0.8 percent Median: 0.5 percent	<b>0.5%</b> <b>(Mar)</b>	Up 0.6 percent on solid gains in workers and their wages.
<b>Apr Personal Consumption Expend.</b> (5/27, Friday) Range: 0.4 to 0.8 percent Median: 0.7 percent	<b>1.1%</b> <b>(Mar)</b>	Up 0.7 percent. Spending on services, especially travel, entertainment and restaurants, is replacing spending on goods. PCE total and core inflation rose 0.2 percent and 0.4 percent, respectively. This lowered the Y/Y percent change to 6.3 percent and 4.9 percent, respectively. A small step in the right direction but inflation remains much too high!
<b>May U. of Mich. Consumer Sentiment (final)</b> (5/27, Friday) Range: 58.5 to 59.1 Median: 59.1	<b>59.1</b> <b>(Apr)</b>	Down to 58.5. Final sentiment for May likely fell from the preliminary reading of 59.1 as gasoline prices moved noticeably higher in the middle of the month.

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# MONTHLY CALENDAR OF ECONOMIC DATA

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**May 2022**

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p><b>2</b></p> <p><b>ISM MFG INDEX</b></p> <p>Feb 56.5 Mar 58.3 Apr 57.1</p> <p><b>CONSTRUCTION SPENDING</b></p> <p>Jan 3.0% Feb 0.5 Mar 0.1</p>	<p><b>3</b></p> <p><b>MANUFACTURERS'</b></p> <p><b>Ship Inv Orders</b></p> <p>Jan 1.4 0.8 1.5 Feb 1.1 0.9 0.1 Mar 2.3 1.3 2.2</p> <p><b>Autos Light</b></p> <p><b>Dom For Truck Total</b></p> <p>Feb 2.1 0.8 11.2 14.1 Mar 1.9 0.8 10.6 13.3 Apr 2.2 0.9 11.2 14.3</p>	<p><b>4</b></p> <p><b>TRADE BALANCE(\$B)</b></p> <p>Jan -\$89.2 Feb -\$89.7 Mar -\$109.8</p> <p><b>ISM NON-MFG INDEX</b></p> <p>Feb 56.5 Mar 58.3 Apr 57.1</p> <p><b>FOMC Statement 2pm</b> <b>Apr ADP Employment Survey</b></p>	<p><b>5</b></p> <p><b>Nonfarm Business (Q1 Prelim)</b></p> <p><b>Productivity &amp; Costs</b></p> <p><b>Productivity Unit Labor Costs</b></p> <p>1Q'21 2.2 -2.7 2Q'21 3.2 5.8 3Q'21 -3.9 10.6 4Q'21 6.3 1.0 1Q'22(p) -7.5 11.6</p>	<p><b>6</b></p> <p><b>EMPLOYMENT REPORT</b></p> <p><b>U.Rate Jobs(000)</b></p> <p>Feb 3.8% +714 Mar 3.6 +428 Apr 3.6 +428</p> <p><b>CONSUMER CREDIT(\$B)</b></p> <p>Jan \$17.0 Feb \$37.7 Mar \$52.4</p>
<p><b>9</b></p>	<p><b>10</b></p>	<p><b>11</b></p> <p><b>CONSUMER PRICE INDEX</b></p> <p><b>Total Core</b></p> <p>Feb 0.8% 0.5% Mar 1.2 0.3 Apr 0.3 0.6</p>	<p><b>12</b></p> <p><b>PRODUCER PRICE INDEX</b></p> <p><b>Total Core</b></p> <p>Feb 1.1% 0.2% Mar 1.6 0.9 Apr 0.5 0.6</p>	<p><b>13</b></p> <p><b>Apr Import Price Index</b> <b>May U Mich Consumer Sentiment (prelim)</b></p>
<p><b>16</b></p>	<p><b>17</b></p> <p><b>RETAIL SALES</b></p> <p><b>Total Ex-Autos</b></p> <p>Feb 0.8% 0.6% Mar 0.7 1.4 Apr</p> <p><b>MFG and TRADE</b></p> <p><b>Inv Sales</b></p> <p>Jan 1.3% 4.1% Feb 1.5 1.0 Mar</p> <p><b>IND PROD CAP UTIL</b></p> <p>Feb 0.9% 77.7 Mar 0.9 78.3 Apr</p>	<p><b>18</b></p> <p><b>HOUSING(000)</b></p> <p><b>Starts Permits</b></p> <p>Feb 1.788 1.865 Mar 1.793 1.873 Apr</p>	<p><b>19</b></p> <p><b>LEADING INDICATORS</b></p> <p>Feb 0.6% Mar 0.3 Apr</p> <p><b>Unemployment Claims (000)</b></p> <p>Jan Feb Mar Apr May</p> <p>224 191 198 168 203 238 209 177 186 240 198 166 185 222 182 171 181 214 202</p> <p><b>EXISTING HOME SALES(000)</b></p> <p>Feb 5.930 Mar 5.770 Apr</p>	<p><b>20</b></p>
<p><b>23</b></p>	<p><b>24</b></p> <p><b>NEW HOME SALES(000)</b></p> <p>Feb 835 Mar 763 Apr</p>	<p><b>25</b></p> <p><b>ADV DURABLE GOODS</b></p> <p><b>Total Ex-Transp</b></p> <p>Feb -1.7% 0.1% Mar 1.1 1.4 Apr</p>	<p><b>26</b></p> <p><b>GROSS DOMESTIC PRODUCT 1st Qtr (2nd estimate)</b></p> <p><b>Real GDP Price Index</b></p> <p>Q1'21 6.3 4.3 Q2'21 6.7 6.1 Q3'21 2.3 6.0 Q4'21 6.9 7.1 Q1'22(1<sup>st</sup>) -1.4 8.0 Q1'22(2<sup>nd</sup>)</p>	<p><b>27</b></p> <p><b>PERSONAL Income Spending</b></p> <p>Feb 0.7% 0.6% Mar 0.5 1.1 Apr</p> <p><b>May U Mich Consumer Sentiment (final)</b></p>