

March 15, 2024

- **Retail sales rose 0.6% in February, making up about one-half of January's decline; January sales were revised lower. Sales excluding food and energy rose a solid 0.3%.**
- **Consumer spending will continue to increase throughout 2024, although at a slower pace than last year.**
- **The producer price index for final demand rose a higher-than expected 0.6%, although much of that came from volatile food and energy prices. Wholesale inflation has slowed from 2022 but remains elevated.**

Retail sales rose 0.6% in February from January, making up part of January's 1.1% decline, which was revised lower from a 0.8% drop. The details of the February report were better, however. Core sales, excluding food and autos, rose 0.3%. Control sales—sales excluding autos and parts, food service, gasoline, and building materials, and which go into nominal consumer spending in GDP—were flat in February from January, weaker than the expected 0.4% increase. Growth was solid on a year-over-year basis in February, with total retail sales up 1.5%, and sales excluding autos and gasoline up 2.2%.

Sales of autos and parts rose 1.6% from January, with gasoline sales up 0.9% with higher prices. Sales at general merchandise stores rose 0.4%, sales of electronics and appliances were up 1.5%, sales of building materials rose 2.2%, and food and beverage sales increased 0.1%. Restaurant sales were up 0.4%. Sales at non-store retailers (primarily online) fell 0.1%.

The drivers for consumer spending in early 2024 are positive. The labor market is an excellent shape, with solid job growth and rising wages. A slowing in inflation over the past couple of years means that real (inflation-adjusted) wages are rising. Stock prices and home values are up, boosting household wealth. And although interest rates are up from a couple of years ago, long-term interest rates have fallen since the fall of 2023. Consumer spending should continue to increase this year, albeit at a slower pace than in 2023 as job gains gradually soften.

The producer price index rose a strong 0.6% in February from January, the largest increase since August 2023. Sales of final demand goods rose 1.2%, although much of that came from energy (up 4.4%) and foods (up 1.0%). This was the first increase in final demand goods prices since September. Final demand sales prices excluding trade, food, and energy were up 0.4%, a slowing from 0.6% growth in January. Final demand services prices rose 0.3% in February, after a 0.5% increase in January. Earlier on in the supply chain, sales of processed goods for intermediate demand rose 1.6%, with growth excluding food and energy 0.5%. Prices for unprocessed goods for intermediate demand rose 1.2% over the month.

The acceleration in PPI inflation in February is consistent with the consumer price index (CPI) inflation report released on Tuesday, which showed an acceleration in overall consumer inflation in February compared to January and continued moderate core CPI inflation (excluding food and energy).

Inflation should soften further over the course of 2024. In particular, shelter inflation, which makes up a large part of overall consumer inflation, should increase at a slower pace as weaker rent growth works its way into the numbers. The slightly higher inflation numbers in early 2024 should dissipate, and the Federal Open Market Committee will start to cut the fed funds rate, its key short-term policy rate, sometime in the summer.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 3/20/24)	5.38-5.38%	5.38%	5.38%	The FOMC will keep the funds rate at 5.25-5.50 percent at their meeting next Wednesday (3/20) and Powell will repeat that patience is needed to gain greater confidence that inflation is headed lower, especially given the “hot” CPI and PPI inflation reports for both January and February. We expect the first of three 25 bps rate cuts this year will be at the June 12 FOMC meeting.
Feb Housing Starts (3/19, Tuesday)	1.382-1.526M	1.428M	1.331M (Jan)	Up to 1.48 million. Building Permits up slightly to 1.52 million.
Initial Claims, Wk of 3/16/24 (3/21, Thursday)	206-215K	215K	209K (3/9/24)	Down to 206K.
Feb Leading Indicators (3/21, Thursday)	-0.3 to 0.0%	-0.2%	-0.4% (Jan)	Down 0.3 percent.
Feb Existing Home Sales (3/21, Thursday)	3.870-4.070M	3.930M	4.000M (Jan)	Down to 3.87 million. A lack of existing homes for sale and a rise in mortgage rates in February pushed down existing home sales.
Feb New Home Sales (3/25, Monday)	0.670-0.680M	0.671M	0.661M (Jan)	Up to 0.685 million. The number of new homes for sale is close to normal and homebuilders are buying down mortgage rates in the early years for buyers to make their homes more affordable.
Feb Durable Goods Orders (3/26, Tuesday)	1.6-4.0%	2.3%	-6.2% (Jan)	Up 3.0 percent. Civilian aircraft orders rebounded strongly despite Boeing's ongoing problems. Shipments rose 1.1 percent.
Mar Consumer Confidence (3/26, Tuesday)	105.0-107.8	106.9	106.7 (Feb)	Down to 105.
Q4 GDP Third Report (3/28, Thursday)	3.1-3.3%	3.2%	3.2% (Q4)	Minor revision up to 3.3 percent.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Q4 Chain Price Index Third Report (3/28, Thursday)	1.6-1.6%	1.6%	1.6% (Q4)	Unrevised at 1.6 percent.
Mar U of Mich Consumer Sentiment (final) (3/28, Thursday)	74.0-77.0	76.5	76.5 Prelim. (March)	Down to 75.0.
Feb Advance Trade in Goods (3/29, Friday)	-\$92.0 to -\$87.3B	-\$89.6B	-\$90.5B (Jan)	A widening to -\$92 billion.
Feb Personal Income (3/29, Friday)	0.2-0.7%	0.3%	1.0% (Jan)	Up 0.2 percent. After tax income rose a much stronger 0.7% as tax refunds jumped in February after a slow start in January.
Feb Personal Consumption Expend. (3/29, Friday)	0.3-0.5%	0.5%	0.2% (Jan)	Up 0.5 percent. The total PCED rose by 0.4% and remained at 2.4% from a year ago. The core PCED rose by 0.3% and remained at 2.8% from a year ago. This is a temporary stalling in the path toward the FOMC's 2% target.

Monthly Calendar of Economic Data: March 2024

Mar 19

	Housing (000)	
	Starts	Permits
Dec	1.562	1.493
Jan	1.331	1.470
Feb		

Mar 21

Current Account	
Q4'2022	-\$204.3
Q1'2023	-\$189.7
Q2'2023	-\$223.8
Q3'2023	-\$221.3
Q4'2024	

Unemployment Claims (000)				
Nov	Dec	Jan	Feb	Mar
216	216	198	213	210
228	205	194	211	209
213	207	221	200	
213	213	225	213	
	198			

Leading Indicators	
Dec	-0.2%
Jan	-0.4
Feb	

Existing Home Sales (000)	
Dec	3.880
Jan	4.000
Feb	

Mar 25

New Home Sales	
Dec	651
Jan	661
Feb	

Mar 26

Durable Goods		
	Total	Ex-Transp.
Dec	-0.3	-0.1
Jan	-6.1	-0.3
Feb		

Mar 28

CB Consumer Confidence			
	Total	Current	Expect
Jan	110.9	154.9	81.5
Feb	106.7	147.2	79.8
Mar			

Gross Domestic Product		
4th Qtr (3rd estimate)		
	Real GDP	Price Index
Q3'23	4.9	3.3
Q4'23(1 st)	3.3	1.5
Q4'23(2 nd)	3.2	1.7
Q4'23(3 rd)		

Mar U Mich. Consumer Sentiment (final)
Mar Chicago PMI

Mar 29

Personal		
	Income	Spending
Dec	0.3	0.7
Jan	1.0	0.2
Feb		

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