Weekly Economic Roundup

PNC Economics

Headlines

- The economy appears to be accelerating in the third quarter of 2026, with a meaningful chance that real GDP growth exceeds 3%. The "core" of the economy, consumer spending and non-inventory investment, is tracking close to 5% according to the Atlanta Fed GDPNow model, a pace faster than more than 85% of quarters since 1990.

- Rising oil prices, hawkish Fed speak, and upside risks to growth helped push Treasury yields sharply higher over the last week, both through the belly and long-end of the curve. The yield on the 5YR Treasury increased by nearly 60bps over the course of September and currently sits at 5.1%, a level not seen since 2007. Odds of a rate hike in October have increased to near 70%, and the market is now pricing in almost four additional rate hikes through 2027. We believe the market reaction is slightly overdone and retain our baseline for two additional hikes, in December and March.

- The data calendar this week is packed. First up is Wednesday's Personal Income and Outlays report, which will provide an update on August consumer spending, income growth, and the Fed's preferred measure of inflation. In addition, the Bureau of Economic Analysis (BEA) will release its annual revisions to the national accounts, including material changes to Core PCE inflation. We estimate those changes could lower reported core inflation by roughly 20bps, as we've written about previously.

- Then on Friday, we'll receive the September employment report, which we expect to show the economy added 85k jobs and that the unemployment rate remained at 4.1%. Labor force growth has slowed markedly, meaning the bar for job growth needed to push down the unemployment rate remains unusually low.

Gus Faucher
augustine.faucher@pnc.com

Jay Hawkins
jay.hawkins@pnc.com

Ershang Liang
ershang.liang@pnc.com

Brian LeBlanc
brian.leblanc@pnc.com

Alex Mackle
alex.wyattmackle@pnc.com

Rayhan Momin
rayhan.momin@pnc.com

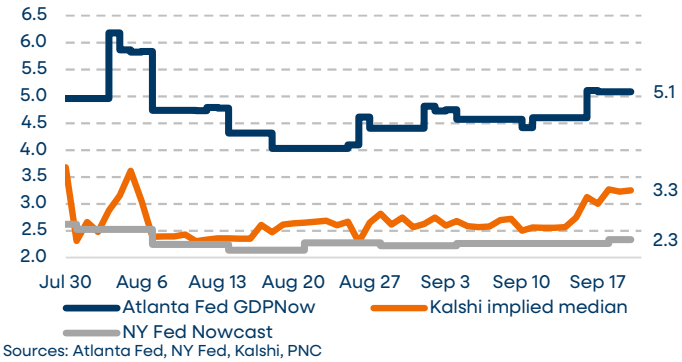
Isfar Munir
isfar.munir@pnc.com

Kurt Rankin
kurt.rankin@pnc.com

Growth looks strong in the third quarter...

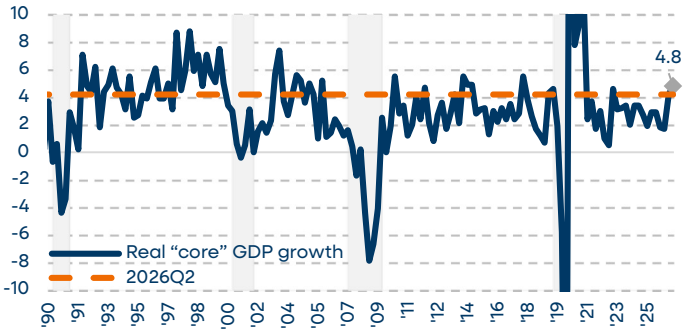
With roughly half of the data now in for the third quarter of 2026, real GDP growth appears to be tracking above 3% annualized, an acceleration from the 1.8% average pace recorded in the first half of the year. The two primary drivers of growth continue to be resilient consumer spending, which rebounded sharply in August following a weak July, and solid business fixed investment, much of it tied to the ongoing AI capex buildout. Though we currently only have July inventory data, inventory accumulation also appears to be contributing positively to Q3 growth as firms continue rebuilding stockpiles after allowing inventories to decline following the 2025 tariffs. Trade remains a drag on growth, however, and represents the largest downside risk to the final Q3 GDP estimate.

Figure 1: Q3 real GDP growth tracking (% chg., q/q annualized)



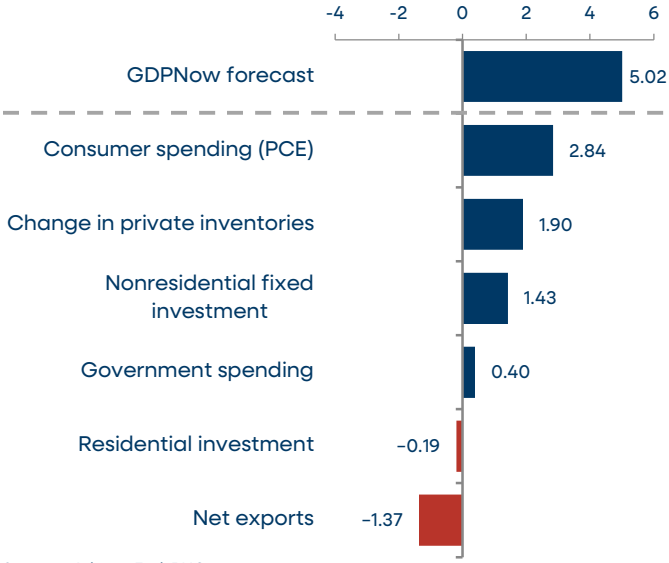
Sources: Atlanta Fed, NY Fed, Kalshi, PNC

Figure 2: Real "core" GDP growth (% chg., q/q annualized)



Sources: BEA, Atlanta Fed, PNC
Note: Note: Real "core" GDP is real personal consumption expenditures (PCE) plus private fixed investment. 2026Q3 is an Atlanta Fed GDPNow estimate; values capped at ±10%.

Figure 3: Atlanta Fed GDPNow Q3 real GDP annualized growth forecast and contributions



Sources: Atlanta Fed, PNC

... helping to push yields to multidecade highs

Rising upside risks to growth, higher oil prices, and hawkish Fed rhetoric helped push Treasury yields sharply higher over the past week, particularly across the belly and long end of the curve. The yield on the 5-year Treasury has increased by nearly 60 bps over the course of September and currently sits above 5% for the first time since 2007. Mortgage rates have moved higher as well, rising above 7% for the first time in the last several months (the last sustained period of over 7% mortgage rates was in H2 2023).

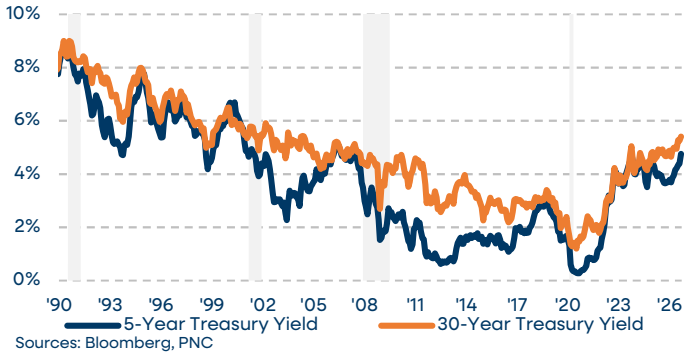
Widely-tracked term premium models (ACM, Kim-Wright) suggest limited term premium expansion in the last month, implying that the increase in intermediate and long-end rates is more of an expectations story. This is backed up by limited changes in market-based inflation expectations measures (TIPS breakeven, inflation swaps), which were little moved on net over the month of September. If inflation expectations and term premia didn't move very much, we are left with the market pricing in a significantly "higher for longer" Fed.

Current economic resilience despite elevated rates compared to pre-COVID is the market's best evidence that the neutral rate of interest is potentially higher than previously thought – the recent move in the Fed's long-run interest rate dot (the median jumped nearly 20bps) shows the Fed might be coming around to a similar conclusion.

Significantly, the increase in US yields isn't happening in isolation – global developed markets yields have increased notably in the last month. The BoJ and ECB have both delivered recent hikes and are expected to deliver more in the near-future, putting upward pressure on front-end rates in both Japan and Europe. Fiscal concerns have come back to the fore in Europe in particular, sending longer-dated yields soaring across the Eurozone. Global yields all trade in concert with one another – the increase in global yields can pull domestic yields higher too.

Markets were pricing in a full Fed easing cycle in February, which goes to show how quickly market narratives and pricing can shift as the data changes and economic outlook shifts.

Figure 4: Treasury yields have risen considerably



Sources: Bloomberg, PNC

Higher energy prices are adding to near-term inflation pressures

Brent crude remains near $100 per barrel as continued Middle East disruptions constrain global supply. Refined product markets are even tighter, with the diesel crack spread at record highs and jet-fuel margins also elevated. High jet-fuel prices feed directly into core inflation through airfares, while elevated diesel prices could place broader upward pressure on goods and services prices through higher freight and production costs. The sharp increase in airfares in August contributed to the firm core CPI reading, up 0.3% for the month.

The Trump administration is considering a temporary restriction on diesel exports amid exceptionally tight global fuel markets and record-high domestic diesel prices. The proposal is intended to increase domestic diesel availability and ease the cost pressures trucking, agriculture, and other fuel-intensive industries are facing. However, because U.S. refineries are deeply integrated into global product markets, restricting exports could reduce refinery utilization rates and unintentionally constrain overall fuel production, even for domestic use. Any impact on diesel prices is likely to be small.

Figure 5: 3-2-1 Crack Spread ($/barrel of crude processed)

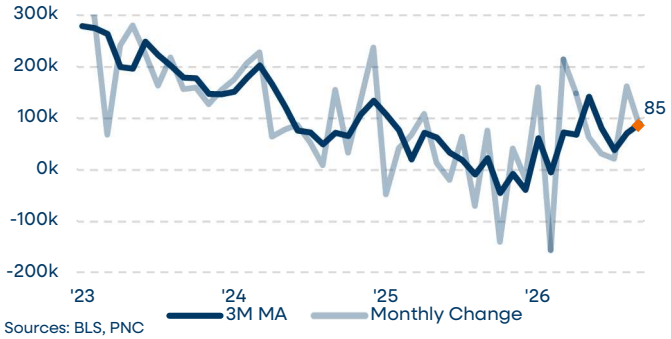
Sources: Bloomberg, PNC

Solid jobs report will keep an October hike on the table

The September jobs report is expected to show continued strength in the labor market. We're forecasting that payrolls increased by 85k, while the unemployment rate held steady at 4.1%. Jobs growth likely moderated from August's blowout number of 162k, which was inflated by concentrated increases in leisure and hospitality services and state and local government education, as those sectors caught up from previous months, along with unusually favorable

seasonal-adjustment factors. Even with possible downward revisions, the underlying pace of jobs growth is likely to remain above our estimate of the breakeven rate needed to keep the unemployment rate stable, which we peg at around 50k/month. This sets the stage for the unemployment rate to decline through the remainder of the year, potentially concerning for a Fed that already sees the labor market operating beyond its longer-run estimate of full employment, at 4.2%.

Figure 6: Nonfarm payroll job growth



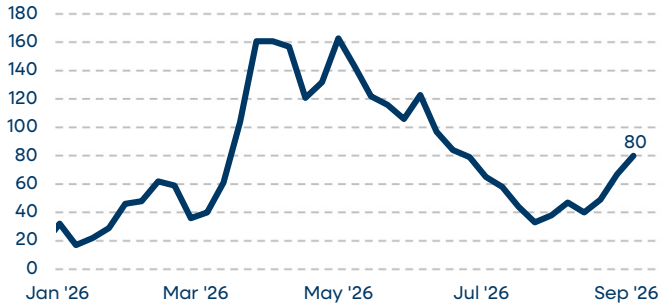
Sources: BLS, PNC
Note: September '26 forecast reported.

Figure 7: Unemployment rate (%)

Sources: BLS, PNC
Note: Oct. '25 data linearly interpolated by PNC. September '26 forecast reported.

Supporting our forecast are continued low levels of initial and continuing unemployment insurance claims, which suggest limited layoffs. Alternative private-sector payroll data point to a 70k to 80k increase in hiring in September, while the S&P Global flash PMI reported the strongest employment growth in more than four years across manufacturing and services. Regional Fed surveys were more mixed, but the broader survey evidence suggests that hiring conditions improved in September. Encouragingly, the breadth of job gains has also improved this year, with the payroll diffusion index rising to 55.6 in August from 45.4 a year earlier; a reading of above 50 indicates more private-sector industries increased employment over the month than reduced employment.

Figure 8: Weekly ADP data suggests pickup in private payrolls



Sources: ADP, Bloomberg, PNC
Note: Four-week cumulative change in ADP private employment, multiplied by four to show a monthly-rate equivalent.

So far, wage growth has decelerated even as jobs growth has firmed. At 3.1% year-over-year in August, wage growth remains broadly consistent with the Fed's 2% inflation objective. A key risk is that robust labor demand, combined with weak labor supply growth, could restart wage pressures and complicate the Fed's efforts to slow inflation to its 2% objective. The September jobs report is expected to leave an October hike very much on the table.

Additional charts and tables

Table 1: Data release calendar

Release	Date	Time	Period	PNC	Consensus	Last actual
Key Releases						
Dallas Fed Manf. Activity	Mon 9/28	10:30 am	Sep	--	7.8	9.8*
FHFA House Price Index M/M	Tue 9/29	9:00 am	Jul	--	0.1%	0.0%
S&P Cotality CS 20-City M/M SA	Tue 9/29	9:00 am	Jul	--	0.2%	0.2%
Conf. Board Consumer Confidence	Tue 9/29	10:00 am	Sep	89.0	89.1	89.4
JOLTS Job Openings	Tue 9/29	10:00 am	Aug	--	7225k	7271k
Dallas Fed Services Activity	Tue 9/29	10:30 am	Sep	--	1.6	4.2
MBA Mortgage Applications	Wed 9/30	7:00 am	Fri 9/25	--	--	-1.5%
ADP Employment Change	Wed 9/30	8:15 am	Sep	70k	74k	38k
Retail Inventories M/M	Wed 9/30	8:30 am	Aug	--	0.3%	0.7%
Personal Income	Wed 9/30	8:30 am	Aug	0.5%	0.4%	0.4%
Personal Spending	Wed 9/30	8:30 am	Aug	0.80%	0.90%	0.20%
PCE Price Index M/M	Wed 9/30	8:30 am	Aug	--	0.3%	0.2%
Core PCE Price Index M/M	Wed 9/30	8:30 am	Aug	--	0.3%	0.2%
GDP Annualized Q/Q	Wed 9/30	8:30 am	2Q T	1.5%	1.5%	1.5%
Advance Goods Trade Balance	Wed 9/30	8:30 am	Aug	-$107.0b	-$115.0b	-$118.8b
Wholesale Inventories M/M	Wed 9/30	8:30 am	Aug P	--	0.5%	1.3%
MNI Chicago PMI	Wed 9/30	9:45 am	Sep	--	51.0	47.1
Challenger Job Cuts Total	Thu 10/1	5:30 am	Sep	--	--	52881
Initial Jobless Claims	Thu 10/1	8:30 am	Sat 9/26	200k	200k	197k
Continuing Claims	Thu 10/1	8:30 am	Sat 9/19	--	1730k	1719k
ISM Manufacturing	Thu 10/1	10:00 am	Sep	54.9	55.0	54.6
Construction Spending M/M	Thu 10/1	10:00 am	Aug	-0.2%	0.0%	-0.5%
Omdia Total Vehicle Sales	Thu 10/1	12:00 am	Sep	16.5m	16.30m	16.76m
Change in Nonfarm Payrolls	Fri 10/2	8:30 am	Sep	85k	90k	162k
Unemployment Rate	Fri 10/2	8:30 am	Sep	4.1%	4.1%	4.1%
Factory Orders	Fri 10/2	10:00 am	Aug	0.2%	0.1%	0.9%

Sources: Bloomberg, PNC
*Released prior to publication

Conf. Board Consumer Confidence
- 89.0. Consumer confidence is expected to drop in September on higher gas and energy prices.

ADP Employment Change
- 70k. Private-sector employment gains are forecast to accelerate in September but remain fairly weak.

Personal Income and Consumption Expenditures
- **Personal Income**
  - 0.5%. Nominal personal income growth is projected to remain solid in August on a jump in nonfarm payrolls.
- **Personal Spending**
  - 0.8%. Nominal consumer spending growth is expected to accelerate sharply in August, partly due to higher prices.

Q2 GDP (Third Release)
- 1.5%. Q2 real GDP growth is expected to be unrevised in the third reading.

Advance Goods Trade Balance
- -$107.0b. The trade deficit is projected to narrow somewhat in August but remain 20% higher than a year ago.

Initial Jobless Claims
- 200k. Initial jobless claims are forecast to inch up but remain low.

ISM Manufacturing
- 54.9 Manufacturing activity is projected to expand for the ninth consecutive month in September amid the continued AI buildout.

Construction Spending M/M
- -0.2%. Construction spending is expected to decline again in August as home building remains weak amid rising interest rates.

Omdia Total Vehicle Sales
- 16.5m. Vehicle sales are forecast to moderate somewhat in September on higher interest rates but remain solid.

Payrolls Report
- **Change in Nonfarm Payrolls**
  - 85k. Nonfarm payrolls are projected to expand at a solid pace again in September and remain above the three-month moving average amid continued low levels of jobless claims.
- **Unemployment Rate**
  - 4.1%. The unemployment rate is projected to remain unchanged at a low level in September.
- **Private Nonfarm Payrolls**
  - 80k. Private sector payrolls are expected to post another solid gain in September but moderate somewhat from the August jump.
- **Manufacturing Payrolls**
  - 10k. Manufacturing payrolls are forecast to expand again in September, partly due to the AI buildout.
- **Average Hourly Earnings**
  - 0.3%. Average hourly earnings growth is expected to post another solid gain in September on continued job growth.
- **Hours Worked**
  - 34.3. Hours worked is forecast to slip slightly in September after an unexpected uptick in August.

Factory Orders
- 0.2%. Factory orders growth is projected to moderate in August, partly due to weak durable goods orders.

Disclosures

The material presented and the views expressed herein are of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation of any particular securities, financial instruments, strategies or banking services. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs. To the extent that these materials reference PNC data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial condition or performance of PNC.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

"PNC" is a registered mark of The PNC Financial Services Group, Inc.

© 2026 The PNC Financial Services Group, Inc. All rights reserved.