



Weekly Economic Roundup

PNC Economics

Headlines

- **The Senate advanced a bill over the weekend that would end the longest government shutdown in U.S. history.** The deal provides stopgap funding through this coming January and funds most of the government through September 2026. Hurdles remain and it will likely take several days for the shutdown to formally end. **Betting markets predict an opening by the end of the week.**
- **The Supreme Court appeared skeptical in initial arguments last week around the Trump Administration's use of IEEPA to justify nearly \$90 billion of the roughly \$160 billion in tariff revenue raised in 2025.** We expect the Administration to pivot quickly to other tariff authorities if the court rules against them, limiting the overall impact. **Refunds of IEEPA tariffs would provide a modest boost to growth in 2026.**
- **Available data points to continued labor market cooling in October.** ADP private sector hiring rose to a modest 42k, but the three-month average remains near zero. Announced job cuts surged to pandemic-era highs, though unemployment claims stayed muted, signaling **gradual softening rather than sharp deterioration.**
- **Consumer sentiment fell near historic lows in early November, broadly declining across income and political groups.** The only exception was top equity holders, whose confidence jumped 11%, buoyed by strong stock market performance despite widespread concerns over personal finances and business conditions during the prolonged shutdown.
- Even if the government reopens this week, it will take some time to work through the backlog of data releases, meaning the October CPI and retail sales prints originally due this week will be delayed again.

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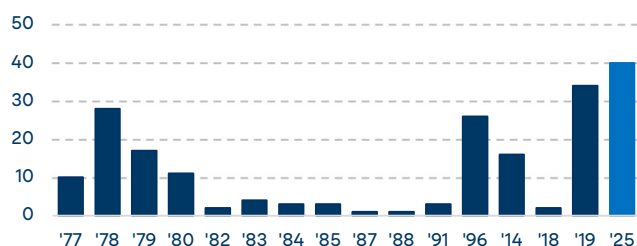
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Senate votes to end shutdown, clearing major hurdle

The Senate took a major step over the weekend towards ending the longest government shutdown in history, with a group of Senate democrats voting with Republicans in a filibuster-proof 60-40 vote. The agreement funds many agencies of the government through September 2026, provides temporary funding for others, restores SNAP benefits, reverses around 4k federal layoffs that have occurred since the start of the shutdown, and secures a vote on healthcare subsidies in mid-December.¹

Figure 1: Length of government shutdowns in days



Source: U.S. House Archive, PNC

Hurdles remain and it's likely to be a few days before the shutdown officially ends – in the best-case scenario. The Senate will need to vote on the final measure before sending it to the House for a vote, which has been out-of-session since late September. After that, President Trump will need to sign the bill into law. **Betting markets predict an opening by the end of the week.**

Moving through the backlog of data releases will take time. The Bureau of Labor Statistics (BLS) is likely to release the September employment report relatively quickly, but the releases for October raise more questions. It remains unclear if the BLS can release an October CPI report, and how they'll produce the October Household Survey of Employment.

We expect the Federal government shutdown had modestly negative impacts on growth in Q4 that will mostly recover when the government reopens, and federal workers start to receive backpay.

Supreme Court skeptical of key Trump-era tariffs

The Supreme Court last week heard arguments on the **legality of the tariffs imposed under the International Emergency and Economic Powers Act (IEEPA)**. This case represents the most significant legal challenge to President Trump's tariff agenda to date, with IEEPA tariffs **accounting for about \$89 billion of the \$159 billion** in customs revenue collected in fiscal year 2025. If the Court rules against the administration, **this revenue will likely need to be refunded to importers**, a process expected to be complex and drawn out.

The Justices's questioning signaled broad skepticism towards the administration's interpretation of IEEPA, and betting markets now peg the likelihood that the court will side with the Trump Administration **at just 23%**. Justices Gorsuch and Barret in particular voiced concern over "the accretion of power in the executive branch" and the scope and breadth of the tariffs issued under IEEPA.

*It's a one-way ratchet toward gradual but **continual accretion of power in the executive branch** and away from the people's elected representatives.*



What happens if the tariffs are overturned? **First, we expect the Trump Administration to pivot quickly to other, more legally durable, tariff authorities to reimpose the majority of the IEEPA tariffs.** The question at hand isn't whether the President has the legal authority to issue tariffs – he does – but rather the specific use of IEEPA to do so.

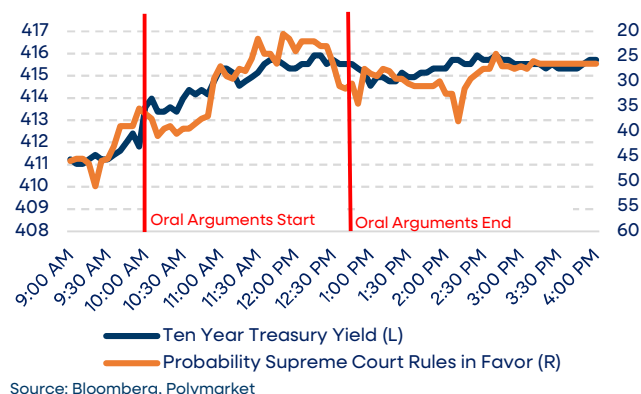
¹ See Table 3 in Appendix.



Still, we're skeptical that all of the IEEPA tariffs will be replaced one-for-one, providing a modest benefit to inflation in 2026. We now expect the effective tariff rate will settle at **around 12.5%**, down from our previous expectation of 15%. **This should help shave around 10bps from 2026 inflation, all else equal.**

Economic implications are modest. Over \$100bn in tariff refunds could lift real GDP growth by 10-20bps. Markets responded to the hearing with higher yields, reflecting expectations for stronger growth and larger deficits, despite inflation tailwinds.

Figure 2: Ten Year Treasury yields closely tracked betting market odds Wednesday



Gradual labor market cooling continued in October, signals mixed

Though we did not receive an employment report from the Bureau of Labor Statistics (BLS) last week, **alternative data suggest the labor market continued to cool at a gradual pace in October.**

ADP showed that private sector hiring rebounded somewhat in October to a (still soft) +42k, bringing the 3M moving average of monthly job gains to just 3k, after job losses in August and September. Large firms drove the gains, while smaller firms shed jobs, suggesting uneven resilience across business sizes.

PNC expects total job growth across the private and public sectors declined by 90K in October, driven by deferred resignations in the federal government and

furloughed workers during the shutdown. This dynamic is likely to produce an **increase in the unemployment rate**, even as underlying private-sector trends remain more encouraging. Alternative data from Revelio Labs echoes the expectation of net job losses, though at a smaller magnitude (around -9K), with much of the weakness concentrated in government-related roles.

Figure 3: ADP Private-Sector Job Growth

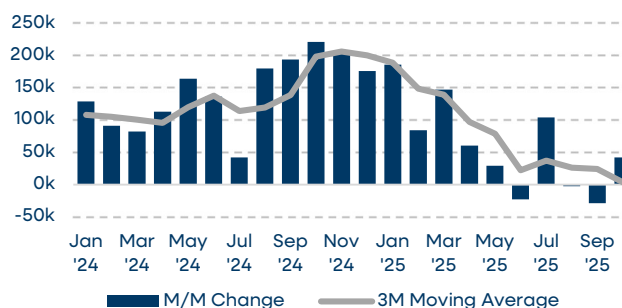
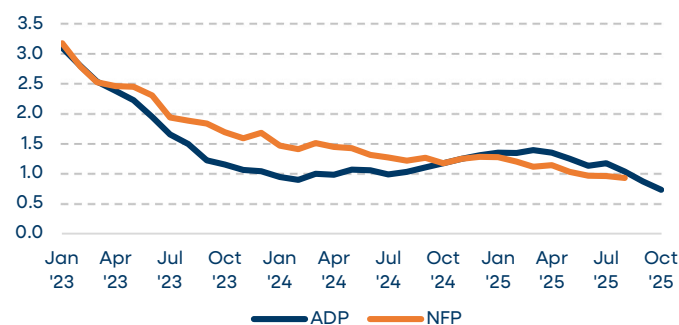


Figure 4: Payroll growth (YoY % change) across ADP and official NFP is increasingly correlated



On the more concerning side, Challenger announced job cuts surged to 153K in October, the highest month since the pandemic outside of warehousing-related distortions. However, this series is notoriously noisy and tends to capture large company announcements rather than actual separations, so its correlation with JOLTS or realized layoffs is weak. **Importantly, initial and continuing unemployment insurance claims have not shown a corresponding spike, remaining near recent ranges** – though continuing claims have drifted higher over the past few months, hinting at gradual labor market softening.



Another trend worth monitoring is the decline in high-frequency job openings data, particularly Indeed's index, which slipped to 102 from 104 in September. This suggests cooling demand for labor, even as NFIB's small business hiring plans remain relatively stable.

Bottom line: October's labor market picture is clouded by temporary government effects and noisy indicators. While private sector hiring appears to have stabilized somewhat, broader signals – from rising announced layoffs to falling job postings – point to a gradual loss of momentum.

Consumer sentiment falls to near lowest level of record

The University of Michigan's index of consumer sentiment declined broadly in November, falling to near its lowest level since the survey began in 1978. The drop was widespread across age, income, and political affiliation, driven by concerns over personal finances and business conditions amid the prolonged federal government shutdown.

Figure 5: Index of Consumer Sentiment



Source: University of Michigan

There was one notable exception in the November sentiment data: **“consumers with the largest percentile of stock holdings posted a notable 11% increase in sentiment**, supported by continued strength in stock markets,” according to the press release.

There is a growing gap in both the economic realities and sentiment of higher- and lower-income consumers in the U.S. Accumulated wealth over the

past several years has supported spending and sentiment across higher-income households.

In contrast, lower-income households are facing mounting financial pressures. Delinquency rates on consumer loans have climbed to their highest levels since 2012, and delayed SNAP payments are forcing many to reallocate spending toward essentials, reducing discretionary consumption. Sentiment among these groups has deteriorated sharply, with Morning Consult data showing a pronounced dip in confidence among households earning less than \$50K.

While household balance sheets remain historically strong overall – supported by low debt service ratios and elevated net worth – **the uneven distribution of financial resilience is becoming more apparent.** The top earners continue to benefit from asset appreciation and lower borrowing costs, while the bottom half grapples with stagnant income growth and rising cost burdens.

Looking ahead, PNC expects the Federal Reserve to cut interest rates by 25bps in each of the December and January meetings, which should ease financial conditions and support broader consumption. However, **the trajectory of consumer spending will likely remain bifurcated**, with equity-rich households maintaining momentum – if the stock market holds up – and lower-income groups constrained by tighter budgets and elevated inflation.

Data schedule very light this week due to the shutdown

The planned October Consumer Price Index (originally scheduled for November 13) and Retail Sales (November 14) reports will be delayed due to the shutdown, even if the government opens midweek. The focus will likely remain on the timing of when the government will reopen, as well as more guidance from statistical agencies as to when the backlog of statistical releases will be made available to the public.



Additional charts and tables

Table 1: Data release calendar

Release	Date	Time	Period	PNC	Consensus	Last actual
Key Releases						
NFIB Small Business Optimism	Tue 11/11	6:00 am	Oct	--	98.2	98.8
MBA Mortgage Applications	Wed 11/12	7:00 am	Fri 11/7	--	--	-1.90%
Initial Jobless Claims*	Thu 11/13	8:30 am	Sat 11/8	230k	--	--
CPI M/M*	Thu 11/13	8:30 am	Oct	0.10%	0.20%	0.30%
Core CPI M/M*	Thu 11/13	8:30 am	Oct	0.20%	0.30%	0.20%
Real Avg Hourly Earning Y/Y*	Thu 11/13	8:30 am	Oct	--	--	--
Real Avg Weekly Earnings Y/Y*	Thu 11/13	8:30 am	Oct	--	--	--
Continuing Claims*	Thu 11/13	8:30 am	Sat 11/1	--	--	--
Federal Budget Balance*	Thu 11/13	2:00 pm	Oct	--	--	\$198.0b
Retail Sales Advance M/M*	Fri 11/14	8:30 am	Oct	-0.20%	--	--
Retail Sales Control Group*	Fri 11/14	8:30 am	Oct	--	--	--
PPI Final Demand M/M*	Fri 11/14	8:30 am	Oct	--	--	--
Business Inventories*	Fri 11/14	10:00 am	Sep	--	--	--

Sources: BBG, PNC

* Delayed in event of continued government shutdown.

Initial Jobless Claims*

- 230k. Initial claims remained range bound in October based on estimates using state claims data.

CPI M/M*

- 0.10%. Gasoline prices fell 2.7% last month subtracting 0.1% from headline consumer prices.

Core CPI M/M*

- 0.20%. Shelter prices are expected to be higher, and goods prices will rise with tariff pass through.

Retail Sales*

- -0.20%. Big decline in new vehicles sales, partly due to the expiration of the EV tax credit on September 30.

* Indicates it could be delayed by the government shutdown.

**Table 2:** Fed Funds Rate Projections: PNC vs. other forecasters

Forecaster	Next Cut	Terminal
BoA	June '26	3.00-3.25%
Barx	December '25	3.00-3.25%
Citi	December '25	3.00-3.25%
DB	December '25	3.50-3.75%
GS	December '25	3.00-3.25%
JPM	December '25	3.25-3.50%
MS	December '25	2.75-3.00%
PNC	December '25	3.25-3.50%

Table 3: Senate bill summary

Senate Vote	- Passed 60–40 with bipartisan support
Duration of Funding	- Full-year funding for: Agriculture, FDA, Veterans Affairs, Military Construction, Congress - Temporary funding (until Jan. 30, 2026) for other agencies
Federal Workers	- Back pay guaranteed - Rehiring of laid-off workers - Layoff freeze until Jan. 30
ACA Subsidies	- No immediate extension - Guaranteed Senate vote in December on tax credit extension
SNAP Benefits	- Restored under the bill



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