

MARKET EXPECTATIONS SURVEY

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

William Adams
Senior Economist

Kurt Rankin
Economist

THE PNC FINANCIAL SERVICES GROUP | The Tower at PNC Plaza | 300 Fifth Avenue | Pittsburgh, PA 15222-2401

In their meeting on May 1 and 2, Federal Open Market Committee participants supported further gradual increases in the federal funds rate if the economy continued to evolve as expected. In particular, the minutes from the meeting say that “Most participants judged that if incoming information broadly confirmed their current economic outlook, it would likely soon be appropriate for the Committee to take another step in removing policy accommodation.” This points to another fed funds rate hike at the FOMC’s next meeting, on June 12 and 13. Participants expressed some uncertainty about the outlook for inflation. Inflation has moved toward the FOMC’s 2 percent goal in 2018. However, after years of inflation below the goal, there were questions about whether inflation would stay at 2 percent, especially given moderate wage growth. Most participants expected inflation to stay at around 2 percent given still-expansionary monetary policy. The minutes emphasized the symmetric nature of the 2 percent goal, meaning that participants would support inflation temporarily above 2 percent. And the minutes said that “It was also noted that a temporary period of inflation modestly above 2 percent would be consistent with the Committee’s symmetric inflation objective and could be helpful in anchoring longer-run inflation expectations at a level consistent with that objective,” i.e., that at least some participants would like to see inflation stay above the goal temporarily.

The minutes noted discussion of the forward-looking language in the statement. For years FOMC statements have said that the “federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run,” and that “the stance of monetary policy remains accommodative.” However, some participants called for revisiting this language, noting that with a few more increases the fed funds rate could start to become a drag on economic growth, particularly given uncertainty around its long-run value.

With inflation now close to the goal, and the labor market in excellent shape (the unemployment rate fell to an 18-year low in May), the FOMC will continue to gradually raise the fed funds rate; PNC expects the next increase to come at the FOMC’s June 13 meeting. The fed funds futures market indicates a 92 percent probability of a June 13 rate increase. PNC’s baseline forecast then calls for another fed funds rate hike in December, for a total of three in 2018. This is consistent with the FOMC’s latest projections, from March; the committee will release new projections in June.

PNC is forecasting economic growth of 3.0 percent for all of 2018, up from 2.3 percent last year. This stronger growth will come from an acceleration in business investment, in part because of the corporate income tax cut; continued solid gains in consumer spending; further gradual improvement in the housing market; and greater federal government spending.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point <i>(after the FOMC meeting on 6/13/18)</i> Range: 1.75 to 2.00 percent Median: 1.875 percent	1.63%	We confidently expect the FOMC will hike the funds rate another 25 bps to a 1.75-2.00 percent target range at their June 12-13 meeting. Fed funds futures odds of a rate hike are 92 percent!

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
May PPI (6/13, Wednesday) Range: 0.1 to 0.5 percent Median: 0.3 percent	0.1% (Apr)	<u>Up</u> 0.3 percent.
May PPI (ex-food & energy) (6/13, Wednesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.2% (Apr)	<u>Up</u> 0.2 percent.
May Retail Sales (6/14, Thursday) Range: 0.2 to 0.6 percent Median: 0.4 percent	0.3% (Apr)	<u>Up</u> 0.3 percent.
May Retail Sales (ex-auto) (6/14, Thursday) Range: 0.3 to 0.7 percent Median: 0.5 percent	0.3% (Apr)	<u>Up</u> 0.4 percent. Control sales (excluding vehicle, building materials, gasoline and restaurant sales) <u>up</u> 0.3 percent.
May Export Price Index (6/14, Thursday) Range: 0.2 to 0.7 percent Median: 0.3 percent	0.6% (Apr)	<u>Up</u> 0.2 percent.
May Import Price Index (6/14, Thursday) Range: 0.2 to 0.7 percent Median: 0.4 percent	0.3% (Apr)	<u>Up</u> 0.3 percent.
Apr Business Inventories (6/14, Thursday) Range: 0.2 to 0.4 percent Median: 0.3 percent	0.0% (Mar)	<u>Up</u> 0.2 percent. Sales <u>up</u> 0.3 percent.
May Industrial Production (6/15, Friday) Range: -0.1 to 0.6 percent Median: 0.2 percent	0.7% (Apr)	<u>Down</u> 0.1 percent. Manufacturing production <u>down</u> 0.3 percent on weaker vehicle output.
May Capacity Utilization (6/15, Friday) Range: 77.8 to 78.5 percent Median: 78.1 percent	78.0% (Apr)	<u>Down</u> to 77.8 percent.
Jun U. Mich. Consumer Sentiment (prelim) (6/15, Friday) Range: 97.5 to 99.1 Median: 98.5	98.0 (May)	<u>Up</u> to 99.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
May Housing Starts (6/19, Tuesday) Range: 1.280 to 1.350 million Median: 1.309 million	1.287M (Apr)	<u>Down</u> to 1.28 million. Building permits <u>down</u> to 1.33 million.
May Existing Home Sales (6/20, Wednesday) Range: 5.300 to 5.600 million Median: 5.552 million	5.460M (Apr)	<u>Up</u> to 5.60 million.
May Leading Indicators (6/21, Thursday) Range: 0.2 to 0.4 percent Median: 0.3 percent	0.4% (Apr)	<u>Up</u> 0.4 percent.

Visit <http://www.pnc.com/economicreports> to view the full listing of economic reports published by PNC's economists.

Disclaimer: The material presented is of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation to buy or sell any security or adopt any investment strategy. 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 particular needs. © 2018 The PNC Financial Services Group, Inc. All rights reserved.



MONTHLY CALENDAR OF ECONOMIC DATA

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

William Adams
Senior Economist

Kurt Rankin
Economist

THE PNC FINANCIAL SERVICES GROUP | The Tower at PNC Plaza | 300 Fifth Avenue | Pittsburgh, PA 15222-2401

June 2018

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																																																
<p>4</p> <p>MANUFACTURERS'</p> <table border="1"> <thead> <tr> <th></th> <th>Ship</th> <th>Inv</th> <th>Orders</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>0.2%</td> <td>0.3%</td> <td>2.0%</td> </tr> <tr> <td>Mar</td> <td>0.7</td> <td>0.2</td> <td>1.7</td> </tr> <tr> <td>Apr</td> <td>0.0</td> <td>0.3</td> <td>-0.8</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>Dom</th> <th>For</th> <th>Truck</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>4.0</td> <td>1.6</td> <td>11.9</td> <td>17.5</td> </tr> <tr> <td>Apr</td> <td>3.9</td> <td>1.6</td> <td>11.7</td> <td>17.2</td> </tr> <tr> <td>May</td> <td>3.7</td> <td>1.6</td> <td>11.6</td> <td>16.9</td> </tr> </tbody> </table>		Ship	Inv	Orders	Feb	0.2%	0.3%	2.0%	Mar	0.7	0.2	1.7	Apr	0.0	0.3	-0.8		Dom	For	Truck	Total	Mar	4.0	1.6	11.9	17.5	Apr	3.9	1.6	11.7	17.2	May	3.7	1.6	11.6	16.9	<p>5</p> <p>ISM NON-MFG INDEX</p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>58.8</td> </tr> <tr> <td>Apr</td> <td>56.8</td> </tr> <tr> <td>May</td> <td>58.6</td> </tr> </tbody> </table>	Mar	58.8	Apr	56.8	May	58.6	<p>6</p> <p>Nonfarm Business (Q1 2nd)</p> <p>Productivity & Costs</p> <table border="1"> <thead> <tr> <th></th> <th>Productivity</th> <th>Unit Labor</th> <th>Costs</th> </tr> </thead> <tbody> <tr> <td>1Q'17</td> <td>0.2</td> <td>4.8</td> <td></td> </tr> <tr> <td>2Q'17</td> <td>1.7</td> <td>-1.2</td> <td></td> </tr> <tr> <td>3Q'17</td> <td>2.6</td> <td>1.0</td> <td></td> </tr> <tr> <td>4Q'17</td> <td>0.3</td> <td>2.5</td> <td></td> </tr> <tr> <td>1Q'18(1st)</td> <td>0.7</td> <td>2.7</td> <td></td> </tr> <tr> <td>1Q'18(2nd)</td> <td>0.4</td> <td>2.9</td> <td></td> </tr> </tbody> </table> <p>TRADE BALANCE (\$B)</p> <table border="1"> <tbody> <tr> <td>Feb</td> <td>-\$55.6</td> </tr> <tr> <td>Mar</td> <td>-\$47.2</td> </tr> <tr> <td>Apr</td> <td>-\$46.2</td> </tr> </tbody> </table>		Productivity	Unit Labor	Costs	1Q'17	0.2	4.8		2Q'17	1.7	-1.2		3Q'17	2.6	1.0		4Q'17	0.3	2.5		1Q'18(1 st)	0.7	2.7		1Q'18(2 nd)	0.4	2.9		Feb	-\$55.6	Mar	-\$47.2	Apr	-\$46.2	<p>7</p> <p>CONSUMER CREDIT(\$B)</p> <table border="1"> <tbody> <tr> <td>Feb</td> <td>+\$13.6</td> </tr> <tr> <td>Mar</td> <td>+\$11.6</td> </tr> <tr> <td>Apr</td> <td>+\$9.3</td> </tr> </tbody> </table> <p>Unemployment Claims (000)</p> <table border="1"> <thead> <tr> <th></th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>June</th> </tr> </thead> <tbody> <tr> <td>230</td> <td>233</td> <td>211</td> <td>222</td> <td></td> </tr> <tr> <td>226</td> <td>233</td> <td>223</td> <td></td> <td></td> </tr> <tr> <td>227</td> <td>209</td> <td>234</td> <td></td> <td></td> </tr> <tr> <td>218</td> <td>211</td> <td>223</td> <td></td> <td></td> </tr> <tr> <td>242</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Feb	+\$13.6	Mar	+\$11.6	Apr	+\$9.3		Mar	Apr	May	June	230	233	211	222		226	233	223			227	209	234			218	211	223			242					<p>8</p>
	Ship	Inv	Orders																																																																																																																	
Feb	0.2%	0.3%	2.0%																																																																																																																	
Mar	0.7	0.2	1.7																																																																																																																	
Apr	0.0	0.3	-0.8																																																																																																																	
	Dom	For	Truck	Total																																																																																																																
Mar	4.0	1.6	11.9	17.5																																																																																																																
Apr	3.9	1.6	11.7	17.2																																																																																																																
May	3.7	1.6	11.6	16.9																																																																																																																
Mar	58.8																																																																																																																			
Apr	56.8																																																																																																																			
May	58.6																																																																																																																			
	Productivity	Unit Labor	Costs																																																																																																																	
1Q'17	0.2	4.8																																																																																																																		
2Q'17	1.7	-1.2																																																																																																																		
3Q'17	2.6	1.0																																																																																																																		
4Q'17	0.3	2.5																																																																																																																		
1Q'18(1 st)	0.7	2.7																																																																																																																		
1Q'18(2 nd)	0.4	2.9																																																																																																																		
Feb	-\$55.6																																																																																																																			
Mar	-\$47.2																																																																																																																			
Apr	-\$46.2																																																																																																																			
Feb	+\$13.6																																																																																																																			
Mar	+\$11.6																																																																																																																			
Apr	+\$9.3																																																																																																																			
	Mar	Apr	May	June																																																																																																																
230	233	211	222																																																																																																																	
226	233	223																																																																																																																		
227	209	234																																																																																																																		
218	211	223																																																																																																																		
242																																																																																																																				
<p>11</p>	<p>12</p> <p>CONSUMER PRICE INDEX</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>-0.1%</td> <td>0.2%</td> </tr> <tr> <td>Apr</td> <td>0.2</td> <td>0.1</td> </tr> <tr> <td>May</td> <td>0.2</td> <td>0.2</td> </tr> </tbody> </table> <p>Federal Budget (May)</p>		Total	Core	Mar	-0.1%	0.2%	Apr	0.2	0.1	May	0.2	0.2	<p>13</p> <p>PRODUCER PRICE INDEX</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>0.3%</td> <td>0.4%</td> </tr> <tr> <td>Apr</td> <td>0.1</td> <td>0.2</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p>FOMC Statement - 2pm</p>		Total	Core	Mar	0.3%	0.4%	Apr	0.1	0.2	May			<p>14</p> <p>RETAIL SALES</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Autos</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>0.8%</td> <td>0.4%</td> </tr> <tr> <td>Apr</td> <td>0.3</td> <td>0.3</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p>MFG and TRADE</p> <table border="1"> <thead> <tr> <th></th> <th>Inv</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>0.6%</td> <td>0.5%</td> </tr> <tr> <td>Mar</td> <td>0.0</td> <td>0.5</td> </tr> <tr> <td>Apr</td> <td></td> <td></td> </tr> </tbody> </table> <p>Import Price (May)</p>		Total	Ex-Autos	Mar	0.8%	0.4%	Apr	0.3	0.3	May				Inv	Sales	Feb	0.6%	0.5%	Mar	0.0	0.5	Apr			<p>15</p> <p>IND PROD CAP UTIL</p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>0.7%</td> <td>77.6%</td> </tr> <tr> <td>Apr</td> <td>0.7</td> <td>78.0</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p>U of M June Consumer Sentiment (Prelim)</p>	Mar	0.7%	77.6%	Apr	0.7	78.0	May																																																									
	Total	Core																																																																																																																		
Mar	-0.1%	0.2%																																																																																																																		
Apr	0.2	0.1																																																																																																																		
May	0.2	0.2																																																																																																																		
	Total	Core																																																																																																																		
Mar	0.3%	0.4%																																																																																																																		
Apr	0.1	0.2																																																																																																																		
May																																																																																																																				
	Total	Ex-Autos																																																																																																																		
Mar	0.8%	0.4%																																																																																																																		
Apr	0.3	0.3																																																																																																																		
May																																																																																																																				
	Inv	Sales																																																																																																																		
Feb	0.6%	0.5%																																																																																																																		
Mar	0.0	0.5																																																																																																																		
Apr																																																																																																																				
Mar	0.7%	77.6%																																																																																																																		
Apr	0.7	78.0																																																																																																																		
May																																																																																																																				
<p>18</p>	<p>19</p> <p>HOUSING(000)</p> <table border="1"> <thead> <tr> <th></th> <th>Starts</th> <th>Permits</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>1,336</td> <td>1,377</td> </tr> <tr> <td>Apr</td> <td>1,287</td> <td>1,352</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table>		Starts	Permits	Mar	1,336	1,377	Apr	1,287	1,352	May			<p>20</p> <p>CURRENT ACCOUNT</p> <table border="1"> <tbody> <tr> <td>Q1'2017</td> <td>-\$112.9</td> </tr> <tr> <td>Q2'2017</td> <td>-\$123.7</td> </tr> <tr> <td>Q3'2017</td> <td>-\$101.5</td> </tr> <tr> <td>Q4'2017</td> <td>-\$128.2</td> </tr> <tr> <td>Q1'2018</td> <td></td> </tr> </tbody> </table> <p>EXISTING HOME SALES(000)</p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>5,600</td> </tr> <tr> <td>Apr</td> <td>5,460</td> </tr> <tr> <td>May</td> <td></td> </tr> </tbody> </table>	Q1'2017	-\$112.9	Q2'2017	-\$123.7	Q3'2017	-\$101.5	Q4'2017	-\$128.2	Q1'2018		Mar	5,600	Apr	5,460	May		<p>21</p> <p>LEADING INDICATORS</p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>0.4%</td> </tr> <tr> <td>Apr</td> <td>0.4</td> </tr> <tr> <td>May</td> <td></td> </tr> </tbody> </table> <p>Phil. Fed Survey (June)</p>	Mar	0.4%	Apr	0.4	May		<p>22</p>																																																																														
	Starts	Permits																																																																																																																		
Mar	1,336	1,377																																																																																																																		
Apr	1,287	1,352																																																																																																																		
May																																																																																																																				
Q1'2017	-\$112.9																																																																																																																			
Q2'2017	-\$123.7																																																																																																																			
Q3'2017	-\$101.5																																																																																																																			
Q4'2017	-\$128.2																																																																																																																			
Q1'2018																																																																																																																				
Mar	5,600																																																																																																																			
Apr	5,460																																																																																																																			
May																																																																																																																				
Mar	0.4%																																																																																																																			
Apr	0.4																																																																																																																			
May																																																																																																																				
<p>25</p> <p>NEW HOME SALES(000)</p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>672</td> </tr> <tr> <td>Apr</td> <td>662</td> </tr> <tr> <td>May</td> <td></td> </tr> </tbody> </table>	Mar	672	Apr	662	May		<p>26</p> <p>CASE-SHILLER HPI</p> <p>20-City Composite(SA)</p> <table border="1"> <thead> <tr> <th></th> <th>M/M</th> <th>Y/Y</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>0.6%</td> <td>6.8%</td> </tr> <tr> <td>Mar</td> <td>0.4</td> <td>6.8</td> </tr> <tr> <td>Apr</td> <td></td> <td></td> </tr> </tbody> </table> <p>CB CONSUMER CONFIDENCE</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Current</th> <th>Expect</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>125.6</td> <td>157.5</td> <td>104.3</td> </tr> <tr> <td>May</td> <td>128.0</td> <td>161.7</td> <td>105.6</td> </tr> <tr> <td>June</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		M/M	Y/Y	Feb	0.6%	6.8%	Mar	0.4	6.8	Apr				Total	Current	Expect	Apr	125.6	157.5	104.3	May	128.0	161.7	105.6	June				<p>27</p> <p>ADV DURABLE GOODS</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Transp</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>2.7%</td> <td>0.4%</td> </tr> <tr> <td>Apr</td> <td>-1.7</td> <td>0.9</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table>		Total	Ex-Transp	Mar	2.7%	0.4%	Apr	-1.7	0.9	May			<p>28</p> <p>GROSS DOMESTIC PRODUCT</p> <p>1st Qtr (3rd estimate)</p> <table border="1"> <thead> <tr> <th></th> <th>Real GDP</th> <th>Price Index</th> </tr> </thead> <tbody> <tr> <td>2Q'17</td> <td>3.1%</td> <td>1.0%</td> </tr> <tr> <td>3Q'17</td> <td>3.2</td> <td>2.1</td> </tr> <tr> <td>4Q'17</td> <td>2.9</td> <td>2.3</td> </tr> <tr> <td>1Q'18(2nd)</td> <td>2.2</td> <td>1.9</td> </tr> <tr> <td>1Q'18(3rd)</td> <td></td> <td></td> </tr> </tbody> </table>		Real GDP	Price Index	2Q'17	3.1%	1.0%	3Q'17	3.2	2.1	4Q'17	2.9	2.3	1Q'18(2 nd)	2.2	1.9	1Q'18(3 rd)			<p>29</p> <p>PERSONAL</p> <table border="1"> <thead> <tr> <th></th> <th>Income</th> <th>Spending</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>0.2%</td> <td>0.5%</td> </tr> <tr> <td>Apr</td> <td>0.3</td> <td>0.4</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p>Chicago PMI (June)</p> <p>U of M June Consumer Sentiment (Final)</p>		Income	Spending	Mar	0.2%	0.5%	Apr	0.3	0.4	May																																						
Mar	672																																																																																																																			
Apr	662																																																																																																																			
May																																																																																																																				
	M/M	Y/Y																																																																																																																		
Feb	0.6%	6.8%																																																																																																																		
Mar	0.4	6.8																																																																																																																		
Apr																																																																																																																				
	Total	Current	Expect																																																																																																																	
Apr	125.6	157.5	104.3																																																																																																																	
May	128.0	161.7	105.6																																																																																																																	
June																																																																																																																				
	Total	Ex-Transp																																																																																																																		
Mar	2.7%	0.4%																																																																																																																		
Apr	-1.7	0.9																																																																																																																		
May																																																																																																																				
	Real GDP	Price Index																																																																																																																		
2Q'17	3.1%	1.0%																																																																																																																		
3Q'17	3.2	2.1																																																																																																																		
4Q'17	2.9	2.3																																																																																																																		
1Q'18(2 nd)	2.2	1.9																																																																																																																		
1Q'18(3 rd)																																																																																																																				
	Income	Spending																																																																																																																		
Mar	0.2%	0.5%																																																																																																																		
Apr	0.3	0.4																																																																																																																		
May																																																																																																																				