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# MARKET EXPECTATIONS SURVEY

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The US will begin charging US importers a 10 percent incremental tariff—a type of tax—on purchases of \$200 billion of Chinese goods starting September 24. Unlike earlier tariffs on industrial products, this round applies to many types of consumer goods. The tariff rate will increase to 25 percent on January 1 if China does not satisfy US demands to alter economic and trade policies and reduce its trade surplus with the US. The Trump administration has threatened to place tariffs on all Chinese goods imports if China retaliates against US escalation. This escalation follows 25 percent tariffs the US put in place earlier this year on \$50 billion in Chinese goods imports, as well as tariffs on imported Chinese steel and aluminum. China, for its part, has reiterated pledges to retaliate with tariffs of their own on \$60 billion of US exports to China. China's president hinted at unspecified non-tariff retaliation as well: China might encourage its consumers and businesses to boycott American brands; permit Chinese businesses to violate sanctions against Iran, North Korea, and others sanctioned by the US government; or signal open seasons on violations of US intellectual property and theft of US trade secrets.

The latest tariffs will have a meaningful one-off impact on US inflation. Holding trade patterns unchanged, 10 percent tariffs on \$200 billion of imports would raise US prices by \$20 billion, equivalent to about 0.15 percent of US consumers' annual spending of \$14 trillion. If such a price increase was realized in a single quarter, it would add about 0.5 percentage point to annualized consumer inflation. But US prices will rise by less than this, since American importers will substitute non-Chinese products for tariffed imports, make offsetting cuts to other operating costs, and allow profit margins to narrow if they think end consumers are unable or unwilling to pay higher prices. US demand for Chinese imports will fall as prices rise. Chinese exporters will lower prices on sales to the US somewhat to preserve market share. Tariffs will have other repercussions. In addition to foreign retaliation against US exports, tariffs make the US a less attractive locale for global supply chains. This effect is already visible in plummeting foreign direct investment into the United States, which fell by more than one-half from 2015 to the first quarter of 2018. FDI is the canary in the coalmine, warning that global companies, the channel that spreads the most advanced technological and organizational innovations through the global economy, are looking elsewhere for their long-term growth.

Tariffs have cross-cutting implications for US monetary policy. They will increase inflation, but this will be a one-time impact; tariffs also increase downside risks to growth over the medium- to long-term. The Federal Reserve will closely monitor tariffs' effects on inflation, growth, and employment, but will only alter the course of monetary policy if the effects are large and persistent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Fed Funds Rate Target Range Mid-Point</b> (after the FOMC meeting on 9/26/18) Range: 2.00 to 2.25 percent Median: 2.125 percent	<b>1.88%</b>	Virtual guarantee of a 25 basis point funds rate target range hike to 2.00-2.25 percent at next Wednesday's FOMC meeting.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Sept Consumer Confidence</b> (9/25, Tuesday) Range: 130.8 to 135.0 Median: 131.5	<b>133.4</b> <b>(Aug)</b>	<u>Down</u> slightly to 132 but a still very confident consumer.
<b>Aug New Home Sales</b> (9/26, Wednesday) Range: 0.608 to 0.665 million Median: 0.632 million	<b>0.627M</b> <b>(July)</b>	<u>Down</u> slightly to 620,000.
<b>Aug Durable Goods</b> (9/27, Thursday) Range: 0.5 to 3.0 percent Median: 1.6 percent	<b>-1.7%</b> <b>(July)</b>	<u>Up</u> 2.0 percent as civilian aircraft orders rebounded strongly. Shipments <u>up</u> 1.2 percent.
<b>Q2 GDP Third Report</b> (9/27, Thursday) Range: 4.1 to 4.5 percent Median: 4.2 percent	<b>4.2%</b> <b>(Q2 2<sup>nd</sup> report)</b>	Revised <u>up</u> slightly to 4.3 percent.
<b>Q2 Chain Price Index Third Report</b> (9/27, Thursday) Range: 3.0 to 3.1 percent Median: 3.0 percent	<b>3.0%</b> <b>(Q2 2<sup>nd</sup> report)</b>	<u>Unrevised</u> at 3.0 percent.
<b>Aug Personal Income</b> (9/28, Friday) Range: 0.3 to 0.5 percent Median: 0.4 percent	<b>0.3%</b> <b>(July)</b>	<u>Up</u> 0.3 percent.
<b>Aug Personal Consumption Expend.</b> (9/28, Friday) Range: 0.2 to 0.4 percent Median: 0.3 percent	<b>0.4%</b> <b>(July)</b>	<u>Up</u> 0.4 percent. The PCE price index <u>up</u> 0.1 percent and the core is unchanged.
<b>Sept U of Mich Consumer Sentiment (final)</b> (9/28, Friday) Range: 99.8 to 101.0 Median: 100.8	<b>100.8</b> <b>(Aug)</b>	<u>Up</u> to 101.
<b>Sept ISM Manufacturing</b> (10/1, Monday) Range: 58.0 to 61.0 percent Median: 60.2 percent	<b>61.3%</b> <b>(Aug)</b>	A slight <u>dip</u> to a still very strong 60.8.
<b>Aug Construction Spending</b> (10/1, Monday) Range: 0.2 to 0.8 percent Median: 0.4 percent	<b>0.1%</b> <b>(July)</b>	<u>Up</u> 0.4 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Sept ADP Employment Survey</b> (10/3, Wednesday) Range: 150,000 to 195,000 Median: 177,000	<b>163</b> (Aug)	<u>Up</u> 170,000.
<b>Sept ISM-NMI</b> (10/3, Wednesday) Range: 57.3 to 59.5 percent Median: 58.0 percent	<b>58.5%</b> (Aug)	<u>Up</u> to a strong 59.
<b>Aug Factory Orders</b> (10/4, Thursday) Range: 0.4 to 1.0 percent Median: 0.8 percent	<b>-0.8%</b> (July)	<u>Up</u> 1.0 percent. Shipments <u>up</u> 0.5 percent.
<b>Sept Nonfarm Payrolls</b> (10/5, Friday) Range: 160,000 to 203,000 Median: 190,000	<b>201K</b> (Aug)	<u>Up</u> 160,000. Hurricane Florence could temporarily hold down the job gain.
<b>Sept Private Nonfarm Payrolls</b> (10/5, Friday) Range: 150,000 to 204,000 Median: 190,000	<b>204K</b> (Aug)	<u>Up</u> 155,000.
<b>Sept Manufacturing Payrolls</b> (10/5, Friday) Range: 0 to 21,000 Median: 10,000	<b>-3K</b> (Aug)	<u>Up</u> 5,000.
<b>Sept Unemployment Rate</b> (10/5, Friday) Range: 3.8 to 3.9 percent Median: 3.8 percent	<b>3.9%</b> (Aug)	<u>Down</u> to 3.8 percent as both household jobs and the labor force rebound from the decline in August.
<b>Sept Average Hourly Earnings</b> (10/5, Friday) Range: 0.2 to 0.4 percent Median: 0.3 percent	<b>0.4%</b> (Aug)	<u>Up</u> 0.2 percent. <u>Up</u> 2.8 percent Y/Y.
<b>Sept Hours Worked</b> (10/5, Friday) Range: 34.4 to 34.5 hours Median: 34.5 hours	<b>34.5hrs</b> (Aug)	<u>Unchanged</u> at 34.5 although Hurricane Florence could cause a temporary dip.
<b>Aug Trade Balance</b> (10/5, Friday) Range: -\$52.0 to -\$47.7 billion Median: -\$50.0 billion	<b>-\$50.1B</b> (July)	A <u>widening</u> to -\$52.0 billion.
<b>Aug Consumer Credit</b> (10/5, Friday) Range: \$12.4 to \$16.6 billion Median: \$15.0 billion	<b>\$16.6B</b> (July)	<u>Up</u> \$15 billion.

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# MONTHLY CALENDAR OF ECONOMIC DATA

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**Sept/Oct 2018**

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
17	18	19	20	21
		<b>CURRENT ACCOUNT</b> Q2'2017 -\$121.8 Q3' 2017 -\$103.4 Q4'2017 -\$116.1 Q1'2018 -\$121.7 Q2'2018 -\$101.5  <b>HOUSING(000)</b> <b>Starts Permits</b> June 1,177 1,292 July 1,174 1,303 Aug 1,282 1,229	<b>EXISTING HOME SALES(000)</b> June 5,380 July 5,340 Aug 5,340  <b>LEADING INDICATORS</b> June 0.5% July 0.7 Aug 0.4  <b>Phil. Fed Survey (Sept)</b>	
24	25	26	27	28
	<b>CASE-SHILLER HPI</b> <b>20-City Composite(SA)</b> <b>M/M Y/Y</b> May 0.2% 6.5% June 0.1 6.3 July  <b>CB CONSUMER CONFIDENCE</b> <b>Total Current Expect</b> July 127.9 166.1 102.4 Aug 133.4 172.2 107.6 Sept	<b>NEW HOME SALES(000)</b> June 638 July 627 Aug  <b>9/27</b> <b>ADV DURABLE GOODS</b> <b>Total Ex-Transp</b> June 0.7% 0.1% July -1.7 0.2 Aug  <b>FOMC Statement 2 pm</b>	<b>GROSS DOMESTIC PRODUCT</b> <b>2nd Qtr (3rd estimate)</b> <b>Real GDP Price</b> <b>Index</b> 2Q'17 3.0% 1.2% 3Q'17 2.8 2.2 4Q'17 2.3 2.5 1Q'18 2.2 2.0 2Q'18(1 <sup>st</sup> ) 4.1 3.0 2Q'18(2 <sup>nd</sup> ) 4.2 3.0 2Q'18(3 <sup>rd</sup> )  <b>Chicago PMI (Sept)</b> <b>U of M Sept Consumer Sentiment (Final)</b>	<b>PERSONAL</b> <b>Income Spending</b> June 0.4% 0.4% July 0.3 0.4 Aug
<b>Oct 1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>ISM MFG INDEX</b> July 58.1 Aug 61.3 Sept  <b>CONSTRUCTION SPENDING</b> June -0.8% July 0.1 Aug	<b>Autos Light</b> <b>Dom For Truck Total</b> July 3.4 1.9 11.5 16.8 Aug 3.3 1.8 11.6 16.7 Sept	<b>ISM NON-MFG INDEX</b> July 55.7 Aug 58.5 Sept  <b>ADP Employment (Sept)</b>	<b>MANUFACTURERS'</b> <b>Ship Inv Orders</b> June 1.0% 0.2% 0.6% July 0.0 0.8 -0.8 Aug  <b>Unemployment Claims (000)</b> June July Aug Sept 222 215 214 205 221 208 212 204 218 217 210 201 228 219 213 232	<b>EMPLOYMENT REPORT</b> <b>U.Rate Jobs(000)</b> July 3.9% +147 Aug 3.9 +201 Sept  <b>TRADE BALANCE (\$B)</b> June -\$45.7 July -\$50.1 Aug  <b>CONSUMER CREDIT(\$B)</b> June +\$8.5 July +\$16.6 Aug
<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
		<b>PRODUCER PRICE INDEX</b> <b>Total Core</b> July 0.0% 0.3% Aug -0.1 0.1 Sept	<b>CONSUMER PRICE INDEX</b> <b>Total Core</b> July 0.2% 0.2% Aug 0.2 0.1 Sept	<b>Import Price (Sept)</b> <b>U of M Oct Consumer Sentiment (Prelim)</b>  <b>Federal Budget (Sept)</b>