

MARKET EXPECTATIONS SURVEY

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The US economy added just 134,000 jobs in September, the weakest job growth since September 2017. Hurricane Florence likely weighed on job growth in September 2018, just as Hurricanes Harvey and Irma weighed on job growth in September 2017.

There was a huge upward revision to job growth in August, to 270,000 from 201,000, and an upward revision to job growth in July to 165,000 from 147,000, for a combined upward revision of 87,000. Job growth has averaged **208,000 per month** thus far in 2018, up from 182,000 per month last year.

The unemployment rate fell 0.2 percentage point in September to 3.7 percent; this is the lowest the unemployment rate has been since 1969. Jobs increased in the household survey (different from the survey of employers) by a large 420,000 while the labor force grew by 150,000 in September. The labor force participation rate held steady at 62.7 percent.

With the tight labor market wages continue to increase. Average hourly earnings rose 0.3 percent last month, and were up 2.8 percent from one year earlier. This is a bit slower than the 2.9 percent year-over-year wage growth in August, but competition for workers is pushing up pay, consistent with the findings from PNC's semiannual small business survey, released earlier this week. We expect year-over-year wage growth rate will reach 3 percent in October or November.

The labor market is in excellent shape heading into the end of 2018, perhaps the best it has been in 50 years. Job growth was a bit softer in September, but some of that was from Hurricane Florence, and it should bounce back through the rest of 2018 and into 2019. Job growth is set to slow next year as an inability to find workers weighs on hiring. The unemployment rate may hold steady near 3.7 percent through the rest of 2018 and move down to 3.5 percent by early 2019. Job gains and wage growth will power increases in consumer incomes and spending; this should be an excellent holiday season.

The September jobs report does not change the outlook for interest rates. The Federal Open Market Committee will raise the federal funds rate at their meeting in mid-December in an attempt to make sure that an overheating job market does not lead to inflation consistently above the FOMC's 2 percent objective. The FOMC will continue to gradually raise the fed funds rate in 2019 as the job market continues to tighten. The 10 year Treasury note rate at 3.20 percent has reached its highest level in seven years as signs of economic strength abound while higher crude oil prices and tariffs will put modest additional upward pressure on inflation in the months ahead.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 11/8/18) Range: 2.00 to 2.25 percent Median: 2.125 percent	1.88%	We expect another 25 bps funds rate hike to a target range of 2.25-2.50 percent at the FOMC meeting on December 19.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept PPI (10/10, Wednesday) Range: 0.0 to 0.3 percent Median: 0.2 percent	-0.1% (Aug)	<u>Up</u> 0.3 percent with a boost from higher gasoline prices.
Sept PPI (ex-food & energy) (10/10, Wednesday) Range: 0.0 to 0.3 percent Median: 0.2 percent	0.1% (Aug)	<u>Up</u> 0.2 percent.
Sept CPI (10/11, Thursday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.2% (Aug)	<u>Up</u> 0.1 percent. Gasoline prices fell in September but are on track for a big rise in October as the rise in crude oil prices gets passed along to consumers at the gas station.
Sept CPI (ex-food & energy) (10/11, Thursday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.1% (Aug)	<u>Up</u> 0.2 percent.
Sept Export Price Index (10/12, Friday) Range: -0.2 to 0.3 percent Median: 0.1 percent	-0.1% (Aug)	<u>Up</u> 0.3 percent.
Sept Import Price Index (10/12, Friday) Range: 0.0 to 0.5 percent Median: 0.2 percent	-0.6% (Aug)	<u>Up</u> 0.5 percent partly reflecting higher prices of imported crude oil.
Oct U. Mich. Consumer Sentiment (prelim) (10/12, Friday) Range: 98.0 to 102.0 Median: 100.7	100.1 (Sept)	<u>Up</u> to an expansion high of 102.
Sept Retail Sales (10/15, Monday) Range: 0.2 to 0.7 percent Median: 0.5 percent	0.1% (Aug)	<u>Up</u> 0.5 percent partly reflecting a strong rise in new and used vehicle sales.
Sept Retail Sales (ex-autos) (10/15, Monday) Range: 0.2 to 0.5 percent Median: 0.4 percent	0.3% (Aug)	<u>Up</u> 0.3 percent. Control retail sales (excluding vehicles, building materials, gasoline and restaurant sales) <u>up</u> a solid 0.4 percent.
Aug Business Inventories (10/15, Monday) Range: 0.2 to 0.6 percent Median: 0.5 percent	0.6% (July)	<u>Up</u> 0.5 percent. Rebuilding of depleted inventories will be a big boost to real GDP growth in the third quarter. Business sales <u>up</u> 0.5 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept Industrial Production (10/16, Tuesday) Range: -0.1 to 0.4 percent Median: 0.3 percent	0.4% (Aug)	Up 0.4 percent. Manufacturing output up 0.5 percent on a strong rise in vehicle (SUV) production. Mining and utilities output weaker partly due to Hurricane Florence.
Sept Capacity Utilization (10/16, Tuesday) Range: 77.9 to 78.3 percent Median: 78.1 percent	78.1% (Aug)	<u>Up</u> to 78.3 percent.
Sept Housing Starts (10/17, Wednesday) Range: 1.200 to 1.250 million Median: 1.230 million	1.282M (Aug)	<u>Down</u> 3 percent to 1.24 million. Permits <u>up</u> 4 percent to 1.28 million.
Sept Leading Indicators (10/17, Wednesday) Range: 0.2 to 0.6 percent Median: 0.3 percent	0.4% (Aug)	<u>Up</u> 0.3 percent.
Sept Existing Home Sales (10/19, Friday) Range: 5.260 to 5.390 million Median: 5.320 million	5.340M (Aug)	<u>Down</u> slightly to 5.32 million. Lack of inventory, and higher house prices and mortgage rates are hurting sales.

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

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MONTHLY CALENDAR OF ECONOMIC DATA

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Oct 2018

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																														
<p>1</p> <p>ISM MFG INDEX</p> <table> <tr><td>July</td><td>58.1</td></tr> <tr><td>Aug</td><td>61.3</td></tr> <tr><td>Sept</td><td>59.8</td></tr> </table> <p>CONSTRUCTION SPENDING</p> <table> <tr><td>June</td><td>-0.7%</td></tr> <tr><td>July</td><td>0.2</td></tr> <tr><td>Aug</td><td>0.1</td></tr> </table>	July	58.1	Aug	61.3	Sept	59.8	June	-0.7%	July	0.2	Aug	0.1	<p>2</p> <table> <tr><th colspan="4">Autos Light</th></tr> <tr><th>Dom</th><th>For</th><th>Truck</th><th>Total</th></tr> <tr><td>July</td><td>3.4</td><td>1.9</td><td>11.5 16.8</td></tr> <tr><td>Aug</td><td>3.3</td><td>1.8</td><td>11.6 16.7</td></tr> <tr><td>Sept</td><td>3.5</td><td>1.9</td><td>12.0 17.4</td></tr> </table>	Autos Light				Dom	For	Truck	Total	July	3.4	1.9	11.5 16.8	Aug	3.3	1.8	11.6 16.7	Sept	3.5	1.9	12.0 17.4	<p>3</p> <p>ISM NON-MFG INDEX</p> <table> <tr><td>July</td><td>55.7</td></tr> <tr><td>Aug</td><td>58.5</td></tr> <tr><td>Sept</td><td>61.6</td></tr> </table> <p>ADP Employment (Sept)</p>	July	55.7	Aug	58.5	Sept	61.6	<p>4</p> <p>MANUFACTURERS'</p> <table> <tr><th>Ship</th><th>Inv</th><th>Orders</th></tr> <tr><td>June</td><td>1.0%</td><td>0.2% 0.6%</td></tr> <tr><td>July</td><td>0.0</td><td>0.9 -0.5</td></tr> <tr><td>Aug</td><td>0.5</td><td>-0.1 2.3</td></tr> </table> <p>Unemployment Claims (000)</p> <table> <tr><th>July</th><th>Aug</th><th>Sept</th><th>Oct</th></tr> <tr><td>215</td><td>214</td><td>205</td><td></td></tr> <tr><td>208</td><td>212</td><td>204</td><td></td></tr> <tr><td>217</td><td>210</td><td>202</td><td></td></tr> <tr><td>219</td><td>213</td><td>215</td><td>207</td></tr> </table>	Ship	Inv	Orders	June	1.0%	0.2% 0.6%	July	0.0	0.9 -0.5	Aug	0.5	-0.1 2.3	July	Aug	Sept	Oct	215	214	205		208	212	204		217	210	202		219	213	215	207	<p>5</p> <p>EMPLOYMENT REPORT</p> <table> <tr><th colspan="2">U.Rate</th><th>Jobs(000)</th></tr> <tr><td>July</td><td>3.9%</td><td>+165</td></tr> <tr><td>Aug</td><td>3.9</td><td>+270</td></tr> <tr><td>Sept</td><td>3.7</td><td>+134</td></tr> </table> <p>TRADE BALANCE (\$B)</p> <table> <tr><td>June</td><td>-\$45.7</td></tr> <tr><td>July</td><td>-\$50.0</td></tr> <tr><td>Aug</td><td>-\$53.2</td></tr> </table> <p>CONSUMER CREDIT(\$B)</p> <table> <tr><td>June</td><td>+\$8.5</td></tr> <tr><td>July</td><td>+\$16.6</td></tr> <tr><td>Aug</td><td></td></tr> </table>	U.Rate		Jobs(000)	July	3.9%	+165	Aug	3.9	+270	Sept	3.7	+134	June	-\$45.7	July	-\$50.0	Aug	-\$53.2	June	+\$8.5	July	+\$16.6	Aug	
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