

MARKET EXPECTATIONS SURVEY

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Nonfarm payroll employment rose by a strong 250,000 in October from September, rebounding after September's sluggish gain due to the impact of Hurricane Florence. The unemployment rate was unchanged at 3.7 percent in October, the lowest since 1969. PNC had forecast a 190,000 increase in payroll employment with the unemployment rate unchanged at 3.7 percent. The household measure of jobs surged by 600,000 while the labor force rose by 711,000 which kept combined to keep the unemployment rate unchanged at 3.7 percent.

There was a 16,000 downward revision to payroll job growth in September, to 118,000 from 134,000, and a 16,000 upward revision to job growth in August to 286,000, meaning no net revision of prior months' job growth. Job growth averaged 218,000 per month for the past three months, very close to the 213,000 per month average thus far in 2018, up from 182,000 per month in all of 2017.

Amid an extremely tight job market (the number of job openings has exceeded that of active jobseekers since March), wage growth has accelerated to the fastest since April 2009. Average hourly earnings rose 0.2 percent in October and 3.1 percent from a year earlier. Other measures of wage growth have also been trending higher, like the wages and salaries component of the employment cost index, which rose 3.0 percent from a year earlier in the third quarter and was the fastest since the second quarter of 2008.

The U.S. labor market is in excellent shape in October. The unemployment rate is the lowest since 1969, wage growth is the strongest since 2009, and the number of job openings has exceeded active jobseekers since March. Some of October's strong payroll growth is catch-up after the impact of Hurricane Florence, but the trend in 2018 has been strong. This strength in job and income growth, combined with a high level of consumer confidence, bodes very well for a strong holiday sales season.

The Federal Open Market Committee will raise the federal funds rate by 25 bps 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. We expect a temporary pause in the first half of 2019 followed by both a late-June and mid-September 25 basis point funds rate hike. We expect that resulting target range of 2.75-3.00 percent a year from now will persist well into 2020.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point <i>(after the FOMC meeting on 11/8/18)</i> 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. The strong October jobs report fully justifies a December rate hike.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Oct ISM-NMI (11/5, Monday) Range: 57.5 to 62.0 percent Median: 59.3 percent	61.6% (Sept)	A <u>drop</u> to a still very strong 59.2.
Sept Consumer Credit (11/7, Wednesday) Range: \$14.0 to \$20.1 billion Median: \$16.5 billion	\$20.1B (Aug)	<u>Up</u> \$16 billion.
Oct PPI (11/9, Friday) Range: 0.1 to 0.4 percent Median: 0.3 percent	0.2% (Sept)	<u>Up</u> 0.1 percent.
Oct PPI (ex-food & energy) (11/9, Friday) Range: 0.2 to 0.4 percent Median: 0.2 percent	0.2% (Sept)	<u>Up</u> 0.2 percent.
Nov U Mich Consumer Sentiment (prelim) (11/9, Friday) Range: 97.0 to 99.3 Median: 98.2	98.6 (Oct)	A <u>dip</u> to a still highly confidence consumer at 98.2.
Oct CPI (11/14, Wednesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.1% (Sept)	<u>Up</u> 0.3 percent. Gasoline prices <u>rose</u> by close to 3 percent.
Oct CPI (ex-food & energy) (11/14, Wednesday) Range: 0.1 to 0.2 percent Median: 0.2 percent	0.1% (Sept)	<u>Up</u> 0.2 percent.
Oct Retail Sales (11/15, Thursday) Range: 0.2 to 0.7 percent Median: 0.4 percent	0.1% (Sept)	<u>Up</u> 0.4 percent.
Oct Retail Sales (ex-auto) (11/15, Thursday) Range: 0.3 to 0.6 percent Median: 0.5 percent	-0.1% (Sept)	<u>Up</u> 0.5 percent. Control sales (excluding autos, building materials, gasoline and restaurant sales) <u>up</u> 0.2 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Oct Export Price Index (11/15, Thursday) Range: -0.1 to 0.4 percent Median: 0.1 percent	0.0% (Sept)	<u>Up</u> 0.2 percent.
Oct Import Price Index (11/15, Thursday) Range: -0.2 to 0.5 percent Median: 0.1 percent	0.5% (Sept)	<u>Up</u> 0.2 percent.
Sept Business Inventories (11/15, Thursday) Range: 0.3 to 0.4 percent Median: 0.3 percent	0.5% (Aug)	<u>Up</u> 0.4 percent. Sales also <u>up</u> 0.4 percent.
Oct Industrial Production (11/16, Friday) Range: 0.0 to 0.4 percent Median: 0.3 percent	0.3% (Sept)	<u>Up</u> 0.2 percent. Manufacturing production <u>up</u> 0.1 percent.
Oct Capacity Utilization (11/16, Friday) Range: 77.9 to 78.3 percent Median: 78.1 percent	78.1% (Sept)	<u>Unchanged</u> at 78.1.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Oct/Nov 2018

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
29	30	31	Nov 1	2
PERSONAL <u>Income</u> <u>Spending</u> July 0.3% 0.5% Aug 0.4 0.5 Sept 0.2 0.4	CASE-SHILLER HPI 20-City Composite(SA) <u>M/M</u> <u>Y/Y</u> June 0.1% 6.3% July 0.1 5.9 Aug 0.1 5.5 CB CONSUMER CONFIDENCE <u>Total</u> <u>Current</u> <u>Expect</u> Aug 134.7 172.8 109.3 Sept 135.3 169.4 112.5 Oct 137.9 172.8 114.6	Employment Cost Index <u>Total</u> <u>W&S</u> <u>Fringes</u> 3Q'17 0.7 0.7 0.8 4Q'17 0.6 0.5 0.5 1Q'18 0.8 0.9 0.7 2Q'18 0.6 0.5 0.9 3Q'18 0.8 0.9 0.4 ADP Employment (Oct) Chicago PMI (Oct)	ISM MFG INDEX Aug 61.3 Sept 59.8 Oct 57.7 CONSTRUCTION SPENDING July 0.2% Aug 0.8 Sept 0.0 Nonfarm Business (Q3 1st) Productivity & Costs <u>Productivity</u> <u>Unit Labor Costs</u> 3Q'17 2.3 2.8 4Q'17 -0.3 2.3 1Q'18 0.3 3.4 2Q'18 3.0 -1.0 3Q'18(1st) 2.2 1.2	EMPLOYMENT REPORT <u>U.Rate</u> <u>Jobs(000)</u> Aug 3.9% +286 Sept 3.7 +118 Oct 3.7 +250 TRADE BALANCE (\$B) July -\$50.0 Aug -\$53.3 Sept -\$54.0 <u>Autos</u> <u>Light</u> <u>Dom</u> <u>For</u> <u>Truck</u> <u>Total</u> Aug 3.3 1.8 11.6 16.7 Sept 3.5 1.9 12.0 17.4 Oct 3.7 2.0 11.8 17.5 MANUFACTURERS' <u>Ship</u> <u>Inv</u> <u>Orders</u> July 0.0% 0.9% -0.5% Aug 0.7 0.1 2.6 Sept 0.9 0.5 0.7
5	6	7	8	9
ISM NON-MFG INDEX Aug 58.5 Sept 61.6 Oct		CONSUMER CREDIT(\$B) July +\$16.6 Aug +\$20.1 Sept	Unemployment Claims (000) <u>July</u> <u>Aug</u> <u>Sept</u> <u>Oct</u> 215 214 205 215 208 212 204 210 217 210 202 216 219 213 215 214 207 FOMC Statement 2pm	PRODUCER PRICE INDEX <u>Total</u> <u>Core</u> Aug -0.1% 0.1% Sept 0.2 0.2 Oct U of M Nov Consumer Sentiment (Prelim)
12	13	14	15	16
Federal Budget (Oct)		CONSUMER PRICE INDEX <u>Total</u> <u>Core</u> Aug 0.2% 0.1% Sept 0.1 0.1 Oct	RETAIL SALES <u>Total</u> <u>Ex-Autos</u> Aug 0.1% 0.2% Sept 0.1 -0.1 Oct MFG and TRADE <u>Inv</u> <u>Sales</u> July 0.7% 0.2% Aug 0.5 0.5 Sept Import Price (Oct) Phil. Fed Survey (Nov)	<u>IND PROD</u> <u>CAP UTIL</u> Aug 0.4% 78.1% Sept 0.3 78.1 Oct
19	20	21	22	23
	HOUSING(000) <u>Starts</u> <u>Permits</u> Aug 1,268 1,249 Sept 1,201 1,241 Oct	ADV DURABLE GOODS <u>Total</u> <u>Ex-Transp</u> Aug 4.6% 0.3% Sept 0.8 0.1 Oct EXISTING HOME SALES(000) Aug 5,330 Sept 5,150 Oct LEADING INDICATORS Aug 0.4% Sept 0.5 Oct U of M Nov Consumer Sentiment (Final)	Thanksgiving Day (Markets Closed)	