| **Gus Faucher** | **Stuart Hoffman** | **William Adams** | **Kurt Rankin** | **Abbey Omodunbi** |
| Chief Economist | Senior Economic Advisor | Senior Economist | Economist | Economist |

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

U.S. employment increased by just 75,000 in May, well below the consensus expectation of 180,000. This was the weakest month for job growth since a gain of 56,000 in February. April job growth was revised substantially lower, to 224,000 from 263,000, while March job growth was also revised down to 153,000, from 189,000. The combined downward revision was large 75,000. Employment in the private sector rose by 90,000 in May, while government employment fell by 15,000. Job growth has averaged 165,000 per month so far in 2019, down from better than 220,000 per month last year.

The unemployment rate held steady at 3.6 percent, its lowest level since 1969. Employment in the household survey (different from the survey of employers) rose by 113,000, while the number of people in the labor force rose by 168,000. The labor force participation rate held steady at 62.8 percent in May.

Average hourly earnings rose 0.2 percent over the month, in line with the recent trend, and were up 3.1 percent from one year earlier, a slight slowing from April. The tight labor market is forcing businesses to raise pay to remain competitive.

The softness in job growth was due primarily to slower growth in most industries, and not job losses in some industries, suggesting that the weakness could be due to uncertainty in the economy. Private-service providing industries added 82,000 jobs over the month. There were job losses in retail trade; that industry has been losing jobs for a couple of years with the increasing prevalence of online sales. Good-producing industries added 8,000 jobs in May, with small gains in both construction and retail.

The May jobs report was disappointing, with much weaker job growth than expected. This could simply be one month of softness, and job growth could bounce back, as it did after a disappointing February. Or it could be that uncertainty, particularly over the trade outlook, has caused businesses to turn more cautious. The tight labor market and an inability to find workers may also be weighing on job growth.

Assuming that the trade situation does not deteriorate further, job growth should stay near its current pace of around 160,000 per month through the rest of this year, with the unemployment rate ending 2019 at around 3.5 percent. However, economic growth risks are weighted to the downside. A trade war is the biggest risk, as disputes between the U.S. and its major trading partners could lead to reduced exports, greater business cautiousness, disrupted supply lines, and higher prices for consumers.

The Federal Open Market Committee is likely to maintain the fed funds rate in its current range of 2.25 to 2.50 percent when it meets on June 18-19. However, if June job numbers are also soft, the FOMC could start to cut rates later this year.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point *(after the FOMC meeting on 6/19/19)* Range: 2.25 to 2.50 percent Median: 2.38 percent	**1.88%**	At their upcoming June 18-19 meeting, we expect the Federal Open Market Committee will keep the fed funds rate in its current 2.25 to 2.50 percent target range. Once again they will likely cite global economic and financial developments and muted inflation pressures as reasons to remain "patient" in making changes to the fed funds rate. Fed funds futures are pricing in a 94 percent chance of at least one 25 bps rate cut by September 2019.

MARKET EXPECTATIONS SURVEY

Action Economics Survey	Last Actual	PNC Financial Services Group Comment

May PPI (6/11, Tuesday)
  Range: 0.0 to 0.4 percent
  Median: 0.2 percent
	0.2%
	(Apr)
		Up 0.2 percent.

May PPI (ex-food & energy)
(6/11, Tuesday)
  Range: 0.1 to 0.3 percent
  Median: 0.2 percent
	0.4%
	(Apr)
		Up 0.2 percent.

May CPI (6/12, Wednesday)
  Range: 0.1 to 0.2 percent
  Median: 0.1 percent
	0.3%
	(Apr)
		Up 0.2 percent. Gasoline prices rose slightly but are falling in June.

May CPI (ex-food & energy)
(6/12, Wednesday)
  Range: 0.1 to 0.2 percent
  Median: 0.2 percent
	0.1%
	(Apr)
		Up 0.2 percent.

May Export Price Index
(6/13, Thursday)
  Range: -1.0 to 0.4 percent
  Median: -0.1 percent
	0.2%
	(Apr)
		Up 0.2 percent.

May Import Price Index
(6/13, Thursday)
  Range: -1.0 to 0.2 percent
  Median: -0.3 percent
	0.2%
	(Apr)
		Up 0.1 percent.

May Retail Sales (6/14, Friday)
  Range: 0.3 to 2.0 percent
  Median: 0.6 percent
	-0.2%
	(Apr)
		Up 0.7 percent.

May Retail Sales (ex-auto)
(6/14, Friday)
  Range: 0.1 to 1.2 percent
  Median: 0.4 percent
	0.1%
	(Apr)
		Up 0.4 percent. Control sales (excluding vehicle, building materials, and gasoline and restaurant sales) up 0.4 percent.

May Industrial Production
(6/14, Friday)
  Range: -0.8 to 0.5 percent
  Median: 0.2 percent
	-0.5%
	(Apr)
		Up 0.2 percent.

MARKET EXPECTATIONS SURVEY

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT

May Capacity Utilization
(6/14, Friday)
  Range: 77.5 to 78.2 percent
  Median: 78.0 percent
	77.9%
	(Apr)
		<u>Up</u> to 78 percent.

Apr Business Inventories
(6/14, Friday)
  Range: -0.1 to 0.6 percent
  Median: 0.3 percent
	0.0%
	(Mar)
		<u>Up</u> 0.5 percent. Sales <u>down</u> 0.3 percent.

June U Mich Consumer Sentiment
(prelim) (6/14, Friday)
  Range: 97.0 to 101.0
  Median: 98.0
	100.0
	(May)
		<u>Down</u> slightly to 99.

May Housing Starts (6/18, Tuesday)
  Range: 1.235 to 1.277 million
  Median: 1.240 million
	1.235M
	(Apr)
		<u>Down</u> slightly to 1.22 million. Building permits <u>up</u> to 1.31 million.

May Leading Indicators
(6/20, Thursday)
  Range: 0.0 to 0.2 percent
  Median: 0.2 percent
	0.2%
	(Apr)
		Unchanged.

May Existing Home Sales
(6/21, Friday)
  Range: 5.200 to 5.350 million
  Median: 5.245 million
	5.190M
	(Apr)
		<u>Up</u> to 5.35 million.

MONTHLY CALENDAR OF ECONOMIC DATA

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

William Adams
Senior Economist

Kurt Rankin
Economist

Abbey Omodunbi
Economist

May/June 2019

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
27 **Memorial Day Holiday** **(Markets Closed)**	**28** **CASE-SHILLER HPI** **20-City Composite(SA)** **M/M** **Y/Y** Jan 0.1% 3.5% Feb 0.3 2.9 Mar 0.1 2.6 **CB CONSUMER CONFIDENCE** **Total Current Expect** Mar 124.2 163.0 98.3 Apr 129.2 169.0 103.0 May 134.1 175.2 106.6	**29**	**30** **GROSS DOMESTIC PRODUCT** **1st Qtr (2nd estimate)** Real GDP Price Index 1Q'18 2.2% 2.0% 2Q'18 4.2 3.0 3Q'18 3.4 1.8 4Q'18 2.2 1.7 1Q'19(1st) 3.2 0.9 1Q'19(2nd) 3.1 0.8	**31** **PERSONAL** **Income** **Spending** Feb 0.2% 0.0% Mar 0.1 1.1 Apr 0.5 0.3 **May Chicago PMI** **May U Mich Consumer Sentiment (final)**
June 3 **ISM MFG INDEX** Mar 55.3% Apr 52.8 May 52.1 **CONSTRUCTION SPENDING** Feb 1.0% Mar 0.1 Apr 0.0 Autos Light Dom For Truck Total Mar 3.8 1.5 12.2 17.5 Apr 3.5 1.4 11.5 16.4 May 3.6 1.4 12.4 17.4	**4** **MANUFACTURERS'** **Ship Inv Orders** Feb 0.3% 0.3% -1.0% Mar 0.2 0.4 1.3 Apr -0.5 0.3 -0.8	**5** **ISM NON-MFG INDEX** Mar 56.1 Apr 55.5 May 56.9 **May ADP Employment Survey**	**6** **TRADE BALANCE ($B)** Feb -$50.0 Mar -$52.0 Apr -$50.8 **Nonfarm Business (Q1 2nd)** **Productivity & Costs** **Productivity Unit Labor Costs** 1Q'18 0.7 3.5 2Q'18 2.9 -2.8 3Q'18 1.9 1.6 4Q'18 1.3 -0.4 1Q'19 (1st) 3.6 -0.9 1Q'19 (2nd) 3.4 -1.6	**7** **EMPLOYMENT REPORT** **U.Rate Jobs(000)** Mar 3.8% +153 Apr 3.6 +224 May 3.6 +75 **CONSUMER CREDIT($B)** Feb +$15.5 Mar +$11.0 Apr +$17.5
10	**11** **PRODUCER PRICE INDEX** **Total Core** Mar 0.6% 0.0% Apr 0.2 0.4 May	**12** **CONSUMER PRICE INDEX** **Total Core** Mar 0.4% 0.1% Apr 0.3 0.1 May	**13** **Unemployment Claims (000)** Mar Apr May June 223 197 228 218 224 193 212 216 230 212 212 230 218 204 **May Import Price Index**	**14** **RETAIL SALES** **Total Ex-Autos** Mar 1.7% 1.3% Apr -0.2 0.1 May **MFG and TRADE** **Inv Sales** Feb 0.3% 0.2% Mar 0.0 1.6 Apr **IND PROD CAP UTIL** Mar 0.2% 78.5% Apr -0.5 77.9 May **June U Mich Consumer Sentiment (prelim)**
17	**18** **HOUSING(000)** **Starts Permits** Mar 1,168 1,288 Apr 1,235 1,296 May	**19**	**20** **CURRENT ACCOUNT** Q1'2018 -$123.9 Q2'2018 -$103.6 Q3'2018 -$126.6 Q4'2018 -$134.4 Q1'2019 **LEADING INDICATORS** Mar 0.3% Apr 0.2 May	**21** **EXISTING HOME SALES(000)** Mar 5,210 Apr 5,190 May