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MARKET EXPECTATIONS SURVEY

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Job growth was solid in July at 164,000, close to the consensus of 162,000 and PNC's forecast of 160,000. However, there was a combined downward revision of 41,000 in May and June (May revised down 10,000 to 62,000; June revised down 31,000 to 193,000). Job growth has averaged 140,000 over the past three months, and 165,000 per month for all of 2019, down from 223,000 per month last year.

The private sector added 148,000 jobs in July. Big gainers were education/health services (up 66,000) and professional/business services (up 38,000). Manufacturing employment rose by 16,000 over the month. Employment in retail trade fell by 6,000 in July, the sixth straight monthly decline; online sales continue to eat away at traditional retailing.

The unemployment rate held steady at 3.7 percent in July; outside of a 3.6 percent rate in April and May, this is the lowest the unemployment rate has been in 49 years. Employment rose by 283,000 in July in the household survey (different from the survey of employers), while the labor force increased by 370,000. The labor force participation rate rose to 62.9 percent in July from 62.8 percent in June. The big July increase in the labor force is a vote of confidence in the U.S. job market.

Average hourly earnings rose 0.3 percent in July from June; June wage growth was revised up to 0.3 percent, from 0.2 percent. The average wage was up 3.2 percent in July from one year earlier, slightly better than the 3.1 percent pace in May and June. The tight labor market is leading businesses to raise pay, but wage growth has not really accelerated this year, even with the unemployment rate consistently below 4 percent.

After an acceleration in 2018, job growth in 2019 is somewhat slower but still solid. A tight labor market that is making it difficult to find workers, reduced fiscal stimulus, trade tensions, slower global growth, and business uncertainty are all weighing on the labor market. Economic growth is set to slow further in the second half of this year with these drags. But with the labor market in excellent shape households will continue to spend; consumer spending makes up more than two-thirds of the US economy, and thus provides a solid basis for continued growth. The current economic expansion, now the longest in U.S. history, will continue at least into 2020. However, President Trump's recent announcement about additional tariffs on Chinese-made goods will create an additional drag on growth.

After cutting the fed funds rate by one-quarter of a percentage point on July, the Federal Open Market Committee will keep the rate in a range of 2.00 to 2.25 percent at its mid-September meeting. In cutting the rate earlier this week, the FOMC cited downside risks as the primary reason; the committee described current economic conditions as generally solid. Risks have moved to the downside in mid-2019 because of trade tensions and associated business uncertainty, and softer global growth; President Trump's proposed new tariffs have moved risks even further to the downside. Given this, PNC expects another fed funds rate cut of 0.25 percentage point on October 30, bringing the rate down to 1.75 to 2.00 percent by the end of this year. With inflation stuck below the Fed's 2 percent objective, there is little concern that easier monetary policy would lead to a rapid acceleration in inflation, given the central bank the leeway to cut rates.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point *(after the FOMC meeting on 9/18/19)* Range: 1.75 to 2.25 percent Median: 2.13 percent	**2.38%**	At their July 30-31 meeting, the Federal Open Market Committee cut the fed funds rate by 25 bps to a 2.00 to 2.25 percent target range. They cited global "uncertainties" and muted inflation pressures as reasons to cut the funds rate. We expect another 25 bps cut at the FOMC's October 30 meeting. Imposition of a 10 percent tariff on $300 billion of Chinese imports on September 1 will worsen the global economic outlook.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
July ISM-NMI (8/5, Monday) Range: 54.5 to 56.5 Median: 55.5	**55.1 (June)**	Up to 55.5.
June Consumer Credit (8/7, Wednesday) Range: $14.4 to $17.0 billion Median: $16.5 billion	**$17.1B (May)**	Up $15 billion.
July PPI (8/9, Friday) Range: 0.1 to 0.3 percent Median: 0.2 percent	**0.1% (June)**	Up 0.2 percent. Gasoline prices up about 4 percent.
July PPI (ex-food & energy) (8/9, Friday) Range: 0.1 to 0.2 percent Median: 0.2 percent	**0.0% (June)**	Up 0.2 percent.
July CPI (8/13, Tuesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	**0.1% (June)**	Up 0.3 percent. Gasoline prices up 2.5 percent.
July CPI (ex-food & energy) (8/13, Tuesday) Range: 0.1 to 0.2 percent Median: 0.2 percent	**0.3% (June)**	Up 0.2 percent.
July Export Price Index (8/14, Wednesday) Range: -0.4 to 0.3 percent Median: -0.2 percent	**-0.7% (June)**	Down 0.4 percent.
July Import Price Index (8/14, Wednesday) Range: -0.3 to 0.4 percent Median: 0.0 percent	**-0.9% (June)**	Unchanged.
July Retail Sales (8/15, Thursday) Range: 0.0 to 0.4 percent Median: 0.3 percent	**0.4% (June)**	Up 0.3 percent.
July Retail Sales (ex-auto) (8/15, Thursday) Range: 0.3 to 0.5 percent Median: 0.5 percent	**0.4% (June)**	Up 0.4 percent. Strong Amazon Prime Days sales lifted total retail spending. Control sales (excluding vehicle, building materials, gasoline and restaurant sales) rose a solid 0.4 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Q2 Nonfarm Productivity (Prelim) (8/15, Thursday) Range: 1.0 to 2.5 percent Median: 1.3 percent	**3.4%** **(Q1)**	Up 1.0 percent.
Q2 Unit Labor Costs (Prelim) (8/15, Thursday) Range: 0.7 to 2.8 percent Median: 1.9 percent	**-1.6%** **(Q1)**	Up 2.0 percent.
July Industrial Production (8/15, Thursday) Range: -0.1 to 0.5 percent Median: 0.4 percent	**0.0%** **(June)**	Unchanged. Manufacturing down 0.4 percent. But this was offset by the heat wave in July boosted utility output by 4 percent.
July Capacity Utilization (8/15, Thursday) Range: 77.7 to 78.2 percent Median: 77.9 percent	**77.9%** **(June)**	Down to 77.7 percent.
June Business Inventories (8/15, Thursday) Range: 0.1 to 0.2 percent Median: 0.2 percent	**0.3%** **(May)**	Up 0.1 percent. Sales up 0.4 percent.
July Housing Starts (8/16, Friday) Range: 1.200 to 1.289 million Median: 1.260 million	**1.253M** **(June)**	Up to 1.28 million. Building permits up to 1.29 million.
Aug U Mich Consumer Sentiment (prelim) (8/16, Friday) Range: 98.2 to 100.0 Median: 98.9	**98.4** **(July)**	Up to 100.

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MONTHLY CALENDAR OF ECONOMIC DATA

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July /Aug 2019

Monday	Tuesday	Wednesday	Thursday	Friday
22	**23** **EXISTING HOME SALES(000)** Apr 5,210 May 5,360 June 5.270	**24** **NEW HOME SALES(000)** Apr 658 May 604 June 646	**25** **ADV DURABLE GOODS** Total / Ex-Transp Apr -2.8% / -0.2% May -2.3 / 0.5 June 2.0 / 1.2 **Unemployment Claims (000)** Apr / May / June / July 197 / 228 / 219 / 208 193 / 212 / 222 / 216 230 / 212 / 217 / 207 230 / 218 / 229 / 215 222	**26** **GROSS DOMESTIC PRODUCT** **2nd Qtr (1st estimate)** Real GDP / Price Index 2Q'18 3.5% / 3.2% 3Q'18 2.9 / 2.0 4Q'18 1.1 / 1.6 1Q'19 3.1 / 1.1 2Q'19(1st) 2.1 / 2.4
29	**30** **PERSONAL** Income / Spending Apr 0.4% / 0.6% May 0.4 / 0.5 June 0.4 / 0.3 **CASE-SHILLER HPI** **20-City Composite(SA)** M/M / Y/Y Mar 0.3% / 2.6% Apr 0.0 / 2.5 May 0.1 / 2.4 **CB CONSUMER CONFIDENCE** Total / Current / Expect May 131.3 / 170.7 / 105.0 June 124.3 / 164.3 / 97.6 July 135.7 / 170.9 / 112.2	**31** **Employment Cost Index** Total / W&S / Fringes 2Q'18 0.7 / 0.5 / 0.9 3Q'18 0.8 / 0.9 / 0.4 4Q'18 0.7 / 0.7 / 0.7 1Q'19 0.7 / 0.7 / 0.7 2Q'19 0.6 / 0.7 / 0.5 **FOMC Statement 2:00 pm** **July ADP Employment Survey** **July Chicago PMI**	**Aug 1** **ISM MFG INDEX** May 52.1% June 51.7 July 51.2 **CONSTRUCTION SPENDING** Apr 0.9% May -0.5 June -1.3 Autos Dom / Autos For / Light Truck / Total May 3.6 / 1.4 / 12.4 / 17.4 June 3.7 / 1.4 / 12.1 / 17.2 July 3.5 / 1.3 / 12.2 / 17.0	**2** **EMPLOYMENT REPORT** U.Rate / Jobs(000) May 3.6% / +62 June 3.7 / +193 July 3.7 / +164 **TRADE BALANCE ($B)** Apr -$51.2 May -$55.3 June -$55.2 **MANUFACTURERS'** Ship / Inv / Orders Apr -0.6% / 0.2% / -1.2% May 0.1 / 0.2 / -1.3 June 0.4 / 0.2 / 0.6 **July U Mich Consumer Sentiment (final)**
5 **ISM NON-MFG INDEX** May 56.9 June 55.1 July	**6**	**7** **CONSUMER CREDIT($B)** Apr +$17.5 May +$17.1 June	**8**	**9** **PRODUCER PRICE INDEX** Total / Core May 0.1% / 0.4% June 0.1 / 0.0 July
12	**13** **CONSUMER PRICE INDEX** Total / Core May 0.1% / 0.1% June 0.1 / 0.3 July	**14** **8/15** **RETAIL SALES** Total / Ex-Autos May 0.4% / 0.4% June 0.4 / 0.4 July **Import Price Index (July)**	**15** **Nonfarm Business (Q2 1st)** **Productivity & Costs** Productivity / Unit Labor Costs 2Q'18 2.9 / -2.8 3Q'18 1.9 / 1.6 4Q'18 1.3 / -0.4 1Q'19 3.4 / -1.6 2Q'19(1st) IND PROD / CAP UTIL May 0.4% / 78.1% June 0.0 / 77.9 July **MFG and TRADE** Inv / Sales Apr 0.5% / -0.2% May 0.3 / 0.2 June	**16** **HOUSING(000)** Starts / Permits May 1,265 / 1,299 June 1,253 / 1,220 July **Aug U Mich Consumer Sentiment (prelim)**