

MARKET EXPECTATIONS SURVEY

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Payroll employment increased by 130,000 in August, below market expectations for an increase of 160,000. There were also downward revisions to job growth in July (to 159,000, from 164,000) and June (to 178,000 from 193,000), for a combined downward revision of 20,000. Private-sector hiring was soft at 96,000; there was a big increase in federal government employment (+34,000) as hiring for the 2020 Census started to ramp up. Over the past three months job growth has averaged 156,000 per month, down from an average of 168,000 per month in the year through March 2019 (after preliminary revisions).

Jobs increased by 84,000 in services-providing industries and 12,000 in goods-producing industries. The biggest gains were in business/professional services (+37,000) and education/healthcare (+32,000). Manufacturing employment rose by 3,000 over the month. Traditional retailing continues to contract, with job losses of 11,000 in July, and 84,000 over the past year.

The August unemployment rate held steady at 3.7 percent for a third straight month. Outside of a couple of months earlier this year, this is the lowest unemployment rate in almost 50 years. There was a big increase in employment of almost 600,000 in the household survey (different from the survey of employers). The labor force increased by 571,000, and the labor force participation rate rose to 63.2 percent, tied for the highest reading in six years. Strong wage growth is pulling in more potential workers off the “sidelines”. Still, the labor force participation rate is far below the 66 percent rate that prevailed before the Great Recession.

August income measures were more positive compared to job growth. Average hourly earnings rose 0.4 percent, the biggest gain in a year; wage growth was also revised higher in June and July. On a year-ago basis the average wage was up 3.2 percent in August, a slight slowing from 3.3 percent growth in July. Also, the average workweek bounced back to 34.4 hours, after a temporary slowing to 34.3 hours in July. With hours worked and wages up in August, earned income rose about 0.5 percent, while ahead of our estimate flat consumer price index last month. This higher income is the main reason consumer spending has remained solid, supporting the overall economy.

Job growth has slowed in 2019, due to a tight labor market that is making it more difficult for firms to hire and slower global economic growth. The acceleration in the trade war between the U.S. and China since early August has caused firms to turn more cautious. Job growth is likely to soften further into 2020 as U.S. growth slows in the second half of this year and early next year due to the combined impacts of slower world economic growth, and the ongoing trade war and associated uncertainty. With slower job growth the unemployment rate will move a bit higher by early 2020. Wage growth will remain solid, however, due to the still-tight labor market.

Although job growth will slow, the U.S. economy should avoid recession. Job growth is still above the pace needed to keep up with underlying growth in the labor force. With slower, but still-solid job gains and good wage growth, households will continue to spend; consumer spending accounts for almost 70 percent of the U.S. economy. With job growth decent but slowing and the trade war heating up, the Federal Reserve will cut the fed funds rate by 0.25 percentage point when it meets on September 17 and 18, to a range of 1.75 to 2.00 percent. PNC expects another 0.25 percentage point fed funds rate cut in late October.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 9/19/19) Range: 1.75 to 2.00 percent Median: 1.88 percent	2.38%	At their upcoming September 18-19 meeting, we expect the Federal Open Market Committee will again cut the fed funds rate by 25 bps to a 1.75 to 2.00 percent target range. They will likely again cite global economic and financial “uncertainties” and muted inflation pressures as reasons to cut the funds rate. Fed funds futures are pricing in a nearly unanimous 94 percent chance of a 25 bps rate reduction at the September 19 FOMC meeting.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
July Consumer Credit (9/9, Monday) Range: \$13.2 to \$17.0 billion Median: \$16.0 billion	\$14.6B (June)	<u>Up</u> \$17.5 billion.
Aug PPI (9/11, Wednesday) Range: -0.1 to 0.3 percent Median: 0.1 percent	0.2% (July)	<u>Unchanged</u> . Wholesale gasoline prices <u>fell</u> sharply in August.
Aug PPI (ex-food & energy) (9/11, Wednesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	-0.1% (July)	<u>Up</u> 0.2 percent.
Aug CPI (9/12, Thursday) Range: -0.1 to 0.2 percent Median: 0.1 percent	0.3% (July)	<u>Unchanged</u> . Retail gasoline prices <u>fell</u> by close to 3 percent.
Aug CPI (ex-food & energy) (9/12, Thursday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.3% (July)	<u>Up</u> 0.2 percent.
Aug Retail Sales (9/13, Friday) Range: 0.0 to 0.5 percent Median: 0.2 percent	0.7% (July)	<u>Up</u> 0.3 percent.
Aug Retail Sales (ex-auto) (9/13, Friday) Range: 0.0 to 0.6 percent Median: 0.1 percent	1.0% (July)	<u>Up</u> 0.1 percent. Control retail sales (excluding vehicle, building materials, gasoline and restaurant sales) <u>rose</u> 0.3 percent on solid back-to-school sales online and in-line.
Aug Export Price Index (9/13, Friday) Range: -0.5 to 0.1 percent Median: -0.3 percent	0.2% (July)	<u>Up</u> 0.1 percent.
Aug Import Price Index (9/13, Friday) Range: -0.7 to 0.0 percent Median: -0.4 percent	0.2% (July)	<u>Down</u> 0.3 percent, partly reflecting lower imported crude oil prices.
July Business Inventories (9/13, Friday) Range: 0.1 to 0.4 percent Median: 0.3 percent	0.0% (June)	<u>Up</u> 0.4 percent. Sales also <u>up</u> 0.4 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept U Mich Consumer Sentiment (prelim) (9/13, Friday) Range: 89.0 to 94.0 Median: 90.3	89.8 (Aug final)	<u>Up</u> to 93, lifted in part by higher stock prices.
Aug Industrial Production (9/17, Tuesday) Range: 0.0 to 0.6 percent Median: 0.2 percent	-0.2% (July)	<u>Up</u> 0.1 percent. Manufacturing output <u>up</u> 0.2 percent but both mining and utility output <u>fell</u> .
Aug Capacity Utilization (9/17, Tuesday) Range: 77.3 to 77.8 percent Median: 77.6 percent	77.5% (July)	<u>Unchanged</u> at 77.5 percent.
Aug Housing Starts (9/18, Wednesday) Range: 1.230 to 1.283 million Median: 1.250 million	1.191M (July)	<u>Up</u> to 1.26 million as lower mortgage rates are supporting homebuilding and sales. Building permits fell slightly to 1.33 million.
Aug Leading Indicators (9/19, Thursday) Range: -0.3 to 0.3 percent Median: 0.2 percent	0.5% (July)	<u>Down</u> 0.1 percent. Coincident indicator index <u>up</u> 0.1 percent.
Aug Existing Home Sales (9/19, Thursday) Range: 5.330 to 5.410 million Median: 5.380 million	5.420M (July)	<u>Down</u> to 5.38 million.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Aug/Sept 2019

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