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MARKET EXPECTATIONS SURVEY

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Pharmaceuticals manufacturer Pfizer announced very encouraging early trial results of a potential vaccine for the coronavirus on November 8, raising the possibility that distribution could begin in late 2020 or early 2021. Yet, it is much too premature to declare the coronavirus pandemic over. Caseloads in the U.S. are at a record high, the vaccine needs to be approved, and there are huge logistical obstacles to distributing it. Even if the vaccine is highly effective, it would take months to make it available throughout the nation. But the rapid distribution of a vaccine and a faster end to the pandemic would support long-run U.S. economic growth.

While the vaccine news is good for the economy, the implications of the recent elections are mixed. President-elect Biden is more likely to push for big economic stimulus than President Trump would have been. But the odds of getting a big stimulus would be lower with a Republican-controlled Senate, depending on the outcome of the two Senator elections in Georgia. Republicans are likely to push back on the size of stimulus that President-elect Biden wants, both for political reasons (to avoid handing the new president a big win early in his term) and philosophical ones (sincere, albeit misguided, concern about increasing the nation's debt). That being said, Congress is likely to pass a productive stimulus package ahead of two runoff elections for the Senate in Georgia in early January; Senate Majority Leader McConnell would like to show progress to support the campaigns of the two incumbent Republican senators in the state.

The Pfizer announcement does not obviate the need for fiscal stimulus. In fact, stimulus could be more effective in the near term, since it could help bridge the gap to a stronger recovery following the distribution of a vaccine. Stimulus should focus on three main areas: aid to small and medium-sized businesses, support for households, and funding for state and local governments. Many small and medium-sized businesses face difficulties; a recent PNC survey found that one-third would go out of business within a year under current economic conditions. To let these businesses flounder with the end in sight would be a huge mistake, as it would take time for new businesses to arise and take their place, weighing on the recovery. Households have powered the nascent recovery as stimulus payments have funded consumer spending, but for many households with unemployed workers that aid is running out. A temporary income boost could help support their spending until the labor market rebounds. And without assistance from the federal government state and local governments could be forced to make enormous spending and job cuts to balance their budgets, dragging on growth.

PNC is not making major changes to its economic forecast following Pfizer's announcement and the elections. Our baseline forecast still assumes that the pandemic will abate in 2021, and that Congress will provide an additional \$1.0-\$1.5 trillion in stimulus in late 2020 or early 2021. PNC currently expects real GDP growth of around 5 percent at an annual rate in the fourth quarter of 2020, with growth of a little above 3 percent for all of 2021. With the vaccine announcement, risks to the outlook have become more balanced. There are still substantial downside risks, however, including an inability of Congress to pass additional stimulus funding and potential state restrictions on economic activity, given that daily coronavirus caseloads, hospitalizations and fatalities are now at record highs.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Oct Retail Sales (11/17, Tuesday) Range: -0.8 to 1.0 percent Median: 0.4 percent	1.9% (Sept)	Up a solid 0.6 percent. Consumers continued to spend even as Covid 19 cases rose. Amazon Prime Day helped lift spending online.
Oct Retail Sales (ex-auto) (11/17, Tuesday) Range: -0.8 to 1.1 percent Median: 0.6 percent	1.5% (Sept)	Up 0.7 percent. Control retail sales (excluding vehicle, building materials, gasoline dealers and restaurant sales) rose a strong 0.8 percent.
Oct Export Price Index (11/17, Tuesday) Range: -0.1 to 0.6 percent Median: 0.3 percent	0.6% (Sept)	Up 0.5 percent.
Oct Import Price Index (11/17, Tuesday) Range: -0.2 to 0.4 percent Median: 0.0 percent	0.3% (Sept)	Up 0.3 percent.
Oct Industrial Production (11/17, Tuesday) Range: 0.3 to 1.7 percent Median: 1.0 percent	-0.6% (Sept)	Up a solid 1.3 percent. Manufacturing output rose 1.2 percent as vehicle production rebounded to its pre-pandemic pace.
Oct Capacity Utilization (11/17, Tuesday) Range: 71.6 to 72.8 percent Median: 72.1 percent	71.5% (Sept)	Up to 72.6 percent.
Sept Business Inventories (11/17, Tuesday) Range: -0.2 to 0.6 percent Median: 0.5 percent	0.3% (Aug)	Up 0.6 percent. Sales rose 1.2 percent so the I/S ratio fell further.
Oct Housing Starts (11/18, Wednesday) Range: 1.380 to 1.520 million Median: 1.460 million	1.415M (Sept)	Up to 1.50 million. Building permits rose to 1.60 million.
Initial Claims, Week of 11/14/20 (11/19, Thursday) Range: 675,000 to 725,000 Median: 715,000	709,000 (Week of 11/7/20)	Down to 685,000.
Oct Leading Indicators (11/19, Thursday) Range: 0.0 to 0.8 percent Median: 0.7 percent	0.7% (Sept)	Up 0.8 percent. The coincident index rose 0.4 percent.

Oct Existing Home Sales (11/19, Thursday) Range: 6.313 to 6.700 million Median: 6.450 million	6.540M (Sept)	A slight dip to 6.40 million.
Nov Consumer Confidence (11/24, Tuesday) Range: 95.1 to 104.0 Median: 100.0	100.9 (Oct)	Down to 96 as rising Covid 19 cases and Presidential transfer of power depress confidence.
Oct Durable Goods Orders (11/25, Wednesday) Range: 0.6 to 5.9 percent Median: 1.1 percent	1.9% (Sept)	Up 1.1 percent. Shipments rose 0.7 percent.
Q3 GDP Second Report (11/25, Wednesday) Range: 33.0 to 34.2 percent Median: 33.2 percent	33.1% (Q3 1st report)	Revised up to 33.5 percent.
Q3 Chain Price Index Second Report (11/25, Wednesday) Range: 3.5 to 3.6 percent Median: 3.6 percent	3.6% (Q3 1st report)	Revised down to 3.5 percent.
Oct Personal Income (11/25, Wednesday) Range: 0.0 to 0.8 percent Median: 0.5 percent	0.9% (Sept)	Up 0.6 percent which helped boost spending.
Oct Personal Consumption Expend. (11/25, Wednesday) Range: 0.5 to 0.9 percent Median: 0.8 percent	1.4% (Sept)	Up 0.8 percent. The total and core PCE price index were both unchanged.
Oct New Home Sales (11/25, Wednesday) Range: 0.885 to 1.000 million Median: 0.966 million	0.959M (Sept)	Up to 1.0 million.
Nov U of Mich Consumer Sentiment (final) (11/25, Wednesday) Range: 77.0 to 83.6 Median: 79.0	77.0 (Nov. Prelim.)	Down to 76.3.

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MONTHLY CALENDAR OF ECONOMIC DATA

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MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p>2</p> <p>ISM MFG INDEX Aug 56.0% Sept 55.4 Oct 59.3</p> <p>CONSTRUCTION SPENDING July 1.1% Aug 0.8 Sept 0.3</p>	<p>3</p> <p>MANUFACTURERS' Ship Inv Orders July 4.7% -0.6% 6.5% Aug 0.3 0.0 0.6 Sept 0.3 0.0 1.1</p> <p>Autos Light Dom For Truck Total Aug 3.0 1.1 11.1 15.2 Sept 3.1 1.2 12.0 16.3 Oct 3.1 1.2 12.1 16.4</p>	<p>4</p> <p>TRADE BALANCE(\$B) July -\$63.4 Aug -\$67.0 Sept -\$63.9</p> <p>ISM NON-MFG INDEX Aug 56.9 Sept 57.8 Oct 56.6</p> <p>Oct ADP Employment Survey</p>	<p>5</p> <p>Nonfarm Business (Q3 Prelim) Productivity & Costs Productivity Unit Labor Costs 3Q'19 0.3 -0.4 4Q'19 1.6 1.7 1Q'20 -0.3 9.6 2Q'20 10.6 8.5 3Q'20(p) 4.9 -8.9</p> <p>FOMC Statement 2pm</p>	<p>6</p> <p>EMPLOYMENT REPORT U.Rate Jobs(000) Aug 8.4% 1,493 Sept 7.9 672 Oct 6.9 638</p> <p>CONSUMER CREDIT(\$B) July \$14.7 Aug -\$6.9 Sept \$16.2</p>
<p>9</p>	<p>10</p>	<p>11</p>	<p>12</p> <p>CONSUMER PRICE INDEX Total Core Aug 0.4% 0.4% Sept 0.2 0.2 Oct 0.0 0.0</p>	<p>13</p> <p>PRODUCER PRICE INDEX Total Core Aug 0.3% 0.3% Sept 0.4 0.4 Oct 0.3 0.2</p> <p>Nov U Mich Consumer Sentiment (prelim)</p>
<p>16</p>	<p>17</p> <p>RETAIL SALES Total Ex-Autos Aug 0.6% 0.5% Sept 1.9 1.5 Oct</p> <p>IND PROD CAPUTIL Aug 0.4% 72.0% Sept -0.6 71.5 Oct</p> <p>MFG and TRADE Inv Sales July 0.1% 3.4% Aug 0.3 0.6 Sept</p> <p>Oct Import Price Index</p>	<p>18</p> <p>HOUSING(000) Starts Permits Aug 1,388 1,476 Sept 1,415 1,553 Oct</p>	<p>19</p> <p>Unemployment Claims (000) Aug Sept Oct Nov 1,191 893 767 709 971 866 842 1,104 873 791 1,011 849 758 884 757</p> <p>LEADING INDICATORS Aug 1.4% Sept 0.7 Oct</p> <p>EXISTING HOME SALES(000) Aug 5,980 Sept 6,540 Oct</p>	<p>20</p>
<p>23</p>	<p>24</p> <p>CASE-SHILLER HPI 20-City Composite(SA) M/M Y/Y July 0.8% 4.1% Aug 0.5 5.2 Sept</p> <p>CB CONSUMER CONFIDENCE Total Current Expect Sept 101.3 98.9 102.9 Oct 100.9 104.6 98.4 Nov</p> <p>11/25 PERSONAL Income Spending Aug -2.5% 1.0% Sept 0.9 1.4 Oct</p> <p>NEW HOME SALES(000) Aug 994 Sept 959 Oct</p>	<p>25</p> <p>ADV DURABLE GOODS Total Ex-Transp Aug 0.4% 1.0% Sept 1.9 0.8 Oct</p> <p>GROSS DOMESTIC PRODUCT 3rd Qtr (2nd estimate) Real GDP Price Index 3Q'19 2.6% 1.5% 4Q'19 2.4 1.4 1Q'20 -5.0 1.4 Q2'20 -31.4 -1.8 Q3'20(1st) 33.1 3.6 Q3'20(2nd)</p> <p>Nov U Mich Consumer Sentiment (final)</p>	<p>26</p> <p>Thanksgiving Day Holiday (All markets closed)</p>	<p>27</p>