



MARKET EXPECTATIONS SURVEY

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

William Adams
Senior Economist

Kurt Rankin
Economist

Abbey Omodunbi
Economist

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

The U.S. economy lost 140,000 jobs in December based on a survey of employers, the first month of net job losses since April, when the pandemic was devastating the labor market. There were job losses of almost 500,000 in leisure/hospitality services in December, including 372,000 in the restaurant industry, as the pandemic led consumers to avoid going out and states reinstated some restrictions on economy activity. The private sector lost 95,000 jobs over the month, while government employment fell by 45,000.

The U.S. economy lost 22.3 million jobs in March and April as consumers stayed home, states imposed restrictions on economic activity, and businesses closed temporarily. The economy added 7.5 million jobs combined in May and June as businesses reopened and consumers started to venture out again. But job growth has slowed in every month since June, and then employment actually fell in December with a resurgence of the pandemic. Employment in December was 8.5 million, or 6 percent, below its pre-recession peak in February.

The unemployment rate held steady at 6.7 percent in December; it had fallen in every month from May to November. There was actually a small increase in employment as measured in a survey of households, different from the survey of employers. The unemployment rate jumped from 3.5% in February to a record high of 14.8% in April. Although it has fallen steadily since then, it remains elevated.

Despite overall employment losses in December, many industries added jobs over the month. Goods-producing industries added 93,000 jobs, with solid gains in both manufacturing and construction. Private services-providing industries lost 188,000 jobs, although there were gains in most major industry categories, including professional/business services (+160,000) and retail trade (+120,000).

Record caseloads of the coronavirus caused a reversal in the labor market at the end of 2020. Consumers stayed home and many states and municipalities required businesses to cut back on capacity or close altogether. Restaurants were hit particularly hard, with job losses in other leisure/hospitality industries as well.

The labor market is likely to remain weak over the next few months, and employment could decline again early this year. Coronavirus caseloads are set to increase in early 2021 due to travel and parties over the Christmas and New Year's holidays. But conditions should improve by the spring as vaccine distribution continues, warmer weather allows for more outdoor activity, consumers spend their stimulus funds, caseloads fall, and states gradually loosen restrictions on businesses. Job growth in the latter half of 2021 will be very strong and sustained, with the unemployment rate down to near 6 percent by year-end 2021 and falling further in 2022.

The Democrats control of Congress and the White House is positive for another near term temporary fiscal "stimulus" package and for longer term positives like a greatly needed infrastructure program, updated "Bidencare" health insurance, and a partial reversal of the overly large Trump corporate profits and top individual income tax rate cuts to help pay for some of this additional Federal spending. This fiscal support under the Biden administration is an upside potential for the economy and labor market outlook over the next couple of years.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Dec CPI (1/13, Wednesday) Range: 0.2 to 0.4 percent Median: 0.4 percent	0.2% (Nov)	Up 0.3 percent. Gasoline prices jumped by close to 7.5 percent (with another big rise underway in January) as oil prices keep moving higher.
Dec CPI (ex-food & energy) (1/13, Wednesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.2% (Nov)	Up 0.1 percent as residential rent and homeownership prices rise more slowly.
Dec Export Price Index (1/14, Thursday) Range: 0.3 to 1.4 percent Median: 0.5 percent	0.6% (Nov)	Up 0.5 percent.
Dec Import Price Index (1/14, Thursday) Range: -0.1 to 1.1 percent Median: 0.6 percent	0.1% (Nov)	Up 0.6 percent.
Initial Claims, Week of 1/9/21 (1/14, Thursday) Range: 770K to 835K Median: 800K	787K (1/2/21)	Down to 775K.
Dec Retail Sales (1/15, Friday) Range: -0.9 to 0.6 percent Median: 0.2 percent	-1.1% (Nov)	Up 0.4 percent on strength in vehicles sales and online shopping but partly offset by a big drop in restaurant sales.
Dec Retail Sales (ex-auto) (1/15, Friday) Range: -1.0 to 0.5 percent Median: -0.1 percent	-0.9% (Nov)	Up 0.1 percent. Control sales (excluding vehicle, building materials, gasoline and restaurant sales) up a solid 0.6 percent. Holiday shopping finished strongly.
Dec PPI (1/15, Friday) Range: -0.5 to 0.6 percent Median: 0.4 percent	0.1% (Nov)	Up 0.3 percent.
Dec PPI (ex-food & energy) (1/15, Friday) Range: -0.5 to 0.6 percent Median: 0.2 percent	0.1% (Nov)	Up 0.2 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Dec Industrial Production (1/15, Friday) Range: 0.1 to 0.7 percent Median: 0.5 percent	0.4% (Nov)	Up a strong 0.7 percent. Manufacturing production rose 0.6 percent boosted by higher vehicle, aerospace, food and gasoline production.
Dec Capacity Utilization (1/15, Friday) Range: 73.0 to 73.9 percent Median: 73.7 percent	73.3% (Nov)	Up to 73.9 percent.
Nov Business Inventories (1/15, Friday) Range: 0.2 to 0.5 percent Median: 0.5 percent	0.7% (Oct)	Up 0.4 percent. Sales were flat.
Jan U of Mich Consumer Sentiment (prelim) (1/15, Friday) Range: 78.0 to 83.0 Median: 81.0	80.7 (Dec)	Up to 82.5 despite the surge in Covid 19 cases.
Dec Housing Starts (1/21, Thursday) Range: 1.451 to 1.577 million Median: 1.560 million	1.547M (Nov)	Up to 1.57 million as housing remains very strong. Building permits dip to a still high 1.60 million.
Dec Existing Home Sales (1/22, Friday) Range: 6.230 to 6.750 million Median: 6.500 million	6.690M (Nov)	Down to 6.45 million as low inventories rather than reduced demand constrain sales.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Dec 2020/Jan 2021

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