

MARKET EXPECTATIONS SURVEY

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Consumer spending continues to boom! June's retail sales were up 19.8% from their level in February 2020, before the pandemic hit the U.S. Retail and food services sales rose 0.6% in June from May, better than the consensus forecast for a 0.3% decline; this was partially offset by a 0.4% downward revision to May's level of retail sales, which are now down 1.7% from April (had been -1.4%). In year-ago terms, retail and food services sales were up 18.0% in June.

Retail sales excluding motor vehicle and parts stores rose 1.3% in June, sales excluding gas stations rose 0.4%, and sales excluding both autos and gas rose 1.1%. Core sales—sales excluding autos, gasoline, food service and building materials, and which go into nominal consumer spending in GDP—rose 1.1% in June after falling 1.4% in May (revised from a 0.7% decline in the prior release).

The data for the food services sector are just astounding. Retail sales of food services and drinking places rose 2.3% in June from May, and are up 6.4% from their pre-crisis peak in January 2020. This is mostly but not all inflation. Retail sales are reported in nominal terms, and average consumer prices of food away from home are up a cumulative 5.7% over the same period in the June CPI report. So real sales of food services and drinking places are back above the pre-crisis level despite employment in the sector still down 10.3% from before the crisis (-1.27 million jobs). This is what usually happens in recessions: Businesses sharply cut employment as the economy turns down, then sales recover faster than headcount, translating into higher output per worker a.k.a. productivity in the recovery. But the effect is much, much larger for the recession of 2020 since job losses in the sector were so severe and the recovery so fast. Food services and drinking place businesses will continue to add jobs rapidly in coming months, but the sector will be leaner after the pandemic. Doing more with less will make it sustainable for businesses to pay higher wages and stay profitable.

Electronics and appliance sales rose 3.3% in June, health and personal care sales rose 1.6%, and general merchandise store sales rose 1.9% including a 5.9% jump at department stores. Food and beverage store sales rose 0.6%. Non-store retailers (mostly e-commerce) saw sales up 1.2% on the month, outpacing overall retail sales; the secular shift to e-commerce and away from brick-and-mortar retail continues even as Americans feel more comfortable venturing out.

Retail segments that boomed in the stay-at-home economy mostly saw sales fall on the month in June. Building material, garden equipment and supply dealer sales fell 1.6% on the month, sporting goods/hobby/musical instrument/book sales fell 1.7%, and furniture and home furnishing sales fell 3.6%. Motor vehicle and parts dealer sales dipped 2.0% on the month—this is mostly a supply issue caused by the semiconductor shortage and tight vehicle inventories. As the carmakers sort out their supply chain issues later this year, motor vehicle sales should be very strong.

Retail sales were stronger than expected in June, though much of recent sales growth reflects higher prices, not volumes. The consumer price index for urban consumers rose 2.3% in the second quarter of 2021 (not annualized), the highest quarterly inflation since 2005, when Hurricane Katrina made energy prices surge. But inflation will slow in the second half of 2021 and nominal spending will stay very strong, translating into continued real growth for retail.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
June Housing Starts (7/20, Tuesday) Range: 1.509 to 1.650 million Median: 1.586 million	1.572M (May)	Up to 1.60 million. Building permits up to 1.72 million.
Initial Claims, Week of 7/17/21 (7/22, Thursday) Range: 328K to 370K Median: 350K	360K (7/10/21)	Down to 350K.
June Leading Indicators (7/22, Thursday) Range: 0.6 to 1.1 percent Median: 0.9 percent	1.3% (May)	Up 0.7 percent. The coincident index rose 0.5 percent.
June Existing Home Sales (7/22, Thursday) Range: 5.460 to 6.250 million Median: 5.935 million	5.800M (May)	Up to 6.0 million.
June New Home Sales (7/26, Monday) Range: 0.789 to 0.850 million Median: 0.800 million	0.769M (May)	Up to 0.80 million.
June Durable Goods Orders (7/27, Tuesday) Range: -0.3 to 2.3 percent Median: 1.0 percent	2.3% (May)	Up 0.7 percent. Shipments up 0.5 percent.
July Consumer Confidence (7/27, Tuesday) Range: 121.0 to 129.0 Median: 126.9	127.3 (June)	Down to 124.0.
Q2 GDP Advance Report (7/29, Thursday) Range: 5.6 to 9.2 percent Median: 8.0 percent	6.4% (Q1)	Up 8.0 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Q2 Chain Price Index Advance Report (7/29, Thursday) Range: 3.8 to 6.0 percent Median: 5.3 percent	4.3% (Q1)	Up 6.0 percent.
Q2 Employee Cost Index (7/30, Friday) Range: 0.8 to 1.0 percent Median: 0.9 percent	0.9% (Q1)	Up 1.0 percent bringing the Y/Y rise up to 3.0 percent.
June Personal Income (7/30, Friday) Range: -0.9 to 4.4 percent Median: -0.4 percent	-2.0% (May)	Down 0.5 percent on lower stimulus checks and unemployment payments. Earned income rose 0.5 percent.
June Personal Consumption Expend. (7/30, Friday) Range: 0.4 to 3.8 percent Median: 0.6 percent	0.0% (May)	Up 0.7 percent. The total and core PCE price index rose by 0.7 percent and 0.6 percent, respectively, bringing the Y/Y gains to 4.1 percent and 3.6 percent, respectively.
July U. Mich. Consumer Sentiment (final) (7/30, Friday) Range: 80.8 to 89.4 Median: 83.2	80.8 (June)	Down to 84.0.

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MONTHLY CALENDAR OF ECONOMIC DATA

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July 2021

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																														
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12	13 CONSUMER PRICE INDEX <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>0.8%</td> <td>0.9%</td> </tr> <tr> <td>May</td> <td>0.6</td> <td>0.7</td> </tr> <tr> <td>June</td> <td>0.9</td> <td>0.9</td> </tr> </tbody> </table>		Total	Core	Apr	0.8%	0.9%	May	0.6	0.7	June	0.9	0.9	14 PRODUCER PRICE INDEX <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>0.6%</td> <td>0.7%</td> </tr> <tr> <td>May</td> <td>0.8</td> <td>0.7</td> </tr> <tr> <td>June</td> <td>1.0</td> <td>0.5</td> </tr> </tbody> </table>		Total	Core	Apr	0.6%	0.7%	May	0.8	0.7	June	1.0	0.5	15 <table border="1"> <thead> <tr> <th></th> <th>IND PROD</th> <th>CAP UTIL</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>0.0%</td> <td>74.6%</td> </tr> <tr> <td>May</td> <td>0.7</td> <td>75.1</td> </tr> <tr> <td>June</td> <td>0.4</td> <td>75.4</td> </tr> </tbody> </table>		IND PROD	CAP UTIL	Apr	0.0%	74.6%	May	0.7	75.1	June	0.4	75.4	16 MFG and TRADE <table border="1"> <thead> <tr> <th></th> <th>Inv</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>0.2%</td> <td>5.8%</td> </tr> <tr> <td>Apr</td> <td>0.1</td> <td>0.6</td> </tr> <tr> <td>May</td> <td>0.4</td> <td>-0.3</td> </tr> </tbody> </table> RETAIL SALES <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Autos</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>0.9%</td> <td>-0.1%</td> </tr> <tr> <td>May</td> <td>-1.7</td> <td>-0.9</td> </tr> <tr> <td>June</td> <td>0.6</td> <td>1.3</td> </tr> </tbody> </table> July U Mich Consumer Sentiment (prelim)		Inv	Sales	Mar	0.2%	5.8%	Apr	0.1	0.6	May	0.4	-0.3		Total	Ex-Autos	Apr	0.9%	-0.1%	May	-1.7	-0.9	June	0.6	1.3																																		
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