

MARKET EXPECTATIONS SURVEY

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

William Adams
Senior Economist

Kurt Rankin
Economist

Abbey Omodunbi
Senior Economist

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

Inflation as measured by producer prices stayed historically high in August, but there are signs that price increases are already starting to cool. The producer price index (PPI) for final demand rose 0.7% in August after increases of 1.0% in June and July. Final demand energy prices rose 0.4%; final demand foods rose 2.9% after falling 2.1% in July; final demand transportation and warehousing rose 2.8%, and final demand trade services rose 1.5%. **PPI final demand less foods, energy, and trade slowed to 0.3% in August and was the lowest since November 2020.**

The Bureau of Labor Statistics explains that over 30% of August's increase in services prices was due to a 7.8% jump in margins for health, beauty, and optical goods retailing, while about a quarter of the month's increase in goods prices was due to an 8.5% jump in meat prices. Another notable price increase was passenger transportation, up 8.7% on the month; its weight is around 1% of the PPI final demand index.

In year-over-year terms, PPI final demand rose 8.3% in August, up from 7.8% in July and **marking another record increase since comparable data became available in 2010.** An older aggregate of producer prices, the PPI for all commodities index, rose 19.9% on the year in August, up from 19.8% in July and **the fastest increase since 1974.**

The huge bottlenecks in trucking, ports, and other parts of the logistics system remain severe drivers of inflation. The combination of stimulus payments boosting household spending power on the one hand, and the pandemic redirecting household spending from services and toward durable goods on the other hand, caused a huge spike in demand for the goods side of the economy, overloading the logistics system and causing shortages of intermediate goods like the semiconductors needed to manufacture cars. Strong demand and shortages have translated into a surge in prices. But consumer spending is already shifting back to services and away from durable goods. U.S. real personal consumption expenditures on durable goods peaked in March and are down a cumulative 10.1% from then through July (the latest release), while services spending has continued to recover, although it remains below the pre-crisis level after adjusting for inflation.

Over the next few months, the shift of consumer spending back to services—spending on travel, entertainment, and restaurants—and away from goods will relieve the stress on supply chains and further cool inflation.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Aug CPI (9/14, Tuesday) Range: 0.2 to 0.5 percent Median: 0.4 percent	0.5% (July)	Up 0.4 percent. Gasoline prices up 2.5 percent.
Aug CPI (ex-food & energy) (9/14, Tuesday) Range: 0.0 to 0.4 percent Median: 0.3 percent	0.3% (July)	Up 0.3 percent. Flattish used car and car rental prices tempered the rise. These are two of the "transitory" price hikes referenced by Chairman Powell.
Aug Export Price Index (9/15, Wednesday) Range: 0.2 to 1.0 percent Median: 0.5 percent	1.3% (July)	Up 1.0 percent.
Aug Import Price Index (9/15, Wednesday) Range: -0.2 to 0.6 percent Median: 0.3 percent	0.3% (July)	Up 0.6 percent.
Aug Industrial Production (9/15, Wednesday) Range: -0.1 to 0.6 percent Median: 0.4 percent	0.9% (July)	Up 0.5 percent. Manufacturing up 0.3 percent and very hot weather boosted utility (AC) usage.
Aug Capacity Utilization (9/15, Wednesday) Range: 75.9 to 76.6 percent Median: 76.4 percent	76.1% (July)	Up to 76.4 percent.
Aug Retail Sales (9/16, Thursday) Range: -2.0 to 0.9 percent Median: -0.8 percent	-1.1% (July)	Down 0.5 percent. Vehicle sales fell by close to 6 percent as inventories are very low.
Aug Retail Sales (ex-auto) (9/16, Thursday) Range: -1.0 to 0.5 percent Median: -0.1 percent	-0.4% (July)	Up 0.5 percent. Control sales (excluding vehicles, building materials, gasoline and restaurant sales) up 0.5 percent on good "back to school" sales.
Initial Claims, Week of 9/11/21 (9/16, Thursday) Range: 315K to 355K Median: 320K	310K (9/4/21)	A rebound to 350K as Ida temporarily depressed claims the previous week.
July Business Inventories (9/16, Thursday) Range: 0.4 to 0.5 percent Median: 0.5 percent	0.8% (June)	Up 0.5 percent. Sales also up 0.5 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept U of Mich Consumer Sentiment (prelim) (9/17, Friday) Range: 69.8 to 74.0 Median: 72.0	70.3 (Aug)	A partial rebound to 74.
Aug Housing Starts (9/21, Tuesday) Range: 1.190 to 1.625 million Median: 1.550 million	1.534M (July)	Up slightly to 1.54 million. Building permits fell to 1.61 million.
Aug Existing Home Sales (9/22, Wednesday) Range: 5.450 to 6.025 million Median: 5.815 million	5.990M (July)	A slight dip to 5.95 million.
Aug Leading Indicators (9/23, Thursday) Range: 0.3 to 0.9 percent Median: 0.6 percent	0.9% (July)	Up 0.4 percent. The coincident index rose 0.3 percent.
Aug New Home Sales (9/24, Friday) Range: 0.645 to 0.760 million Median: 0.725 million	0.708M (July)	Up to 0.725 million.

Visit <http://www.pnc.com/economicreports> to view the full listing of economic reports published by PNC's economists.

Disclaimer: The material presented is of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation to buy or sell any security or adopt any investment strategy. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your particular needs. © 2021 The PNC Financial Services Group, Inc. All rights reserved.



MONTHLY CALENDAR OF ECONOMIC DATA

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

William Adams
Senior Economist

Kurt Rankin
Economist

Abbey Omodunbi
Senior Economist

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

Aug/Sept 2021

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																																																									
30	31	Sept 1	2	3																																																																																																																									
	<p>CASE-SHILLER HPI 20-City Composite(SA)</p> <table border="1"> <thead> <tr> <th></th> <th>M/M</th> <th>Y/Y</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>1.7%</td> <td>15.1%</td> </tr> <tr> <td>May</td> <td>1.8</td> <td>17.1</td> </tr> <tr> <td>June</td> <td>1.8</td> <td>19.1</td> </tr> </tbody> </table> <p>CB CONSUMER CONFIDENCE</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Current</th> <th>Expect</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>128.9</td> <td>159.6</td> <td>108.5</td> </tr> <tr> <td>July</td> <td>125.1</td> <td>157.2</td> <td>103.8</td> </tr> <tr> <td>Aug</td> <td>113.8</td> <td>147.3</td> <td>91.4</td> </tr> </tbody> </table> <p>Aug Chicago PMI</p>		M/M	Y/Y	Apr	1.7%	15.1%	May	1.8	17.1	June	1.8	19.1		Total	Current	Expect	June	128.9	159.6	108.5	July	125.1	157.2	103.8	Aug	113.8	147.3	91.4	<table border="1"> <thead> <tr> <th></th> <th>Autos Dom</th> <th>Light For</th> <th>Truck</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>2.5</td> <td>1.1</td> <td>11.8</td> <td>15.4</td> </tr> <tr> <td>July</td> <td>2.3</td> <td>1.0</td> <td>11.4</td> <td>14.7</td> </tr> <tr> <td>Aug</td> <td>2.1</td> <td>0.9</td> <td>10.1</td> <td>13.1</td> </tr> </tbody> </table> <p>ISM MFG INDEX</p> <table border="1"> <tbody> <tr> <td>June</td> <td>60.6</td> </tr> <tr> <td>July</td> <td>59.5</td> </tr> <tr> <td>Aug</td> <td>59.9</td> </tr> </tbody> </table> <p>CONSTRUCTION SPENDING</p> <table border="1"> <tbody> <tr> <td>May</td> <td>0.7%</td> </tr> <tr> <td>June</td> <td>0.0</td> </tr> <tr> <td>July</td> <td>0.3</td> </tr> </tbody> </table> <p>Aug ADP Employment Survey</p>		Autos Dom	Light For	Truck	Total	June	2.5	1.1	11.8	15.4	July	2.3	1.0	11.4	14.7	Aug	2.1	0.9	10.1	13.1	June	60.6	July	59.5	Aug	59.9	May	0.7%	June	0.0	July	0.3	<p>TRADE BALANCE (\$B)</p> <table border="1"> <tbody> <tr> <td>May</td> <td>-\$68.5</td> </tr> <tr> <td>June</td> <td>-\$73.2</td> </tr> <tr> <td>July</td> <td>-\$70.1</td> </tr> </tbody> </table> <p>Nonfarm Business (Q2 Revised) Productivity & Costs</p> <table border="1"> <thead> <tr> <th></th> <th>Productivity</th> <th>Unit Labor Costs</th> </tr> </thead> <tbody> <tr> <td>2Q'20</td> <td>11.2</td> <td>10.3</td> </tr> <tr> <td>3Q'20</td> <td>4.6</td> <td>-9.9</td> </tr> <tr> <td>4Q'20</td> <td>-3.4</td> <td>13.3</td> </tr> <tr> <td>1Q'21</td> <td>4.3</td> <td>-2.8</td> </tr> <tr> <td>2Q'21(p)</td> <td>2.3</td> <td>1.0</td> </tr> <tr> <td>2Q'21(r)</td> <td>2.1</td> <td>1.3</td> </tr> </tbody> </table> <p>MANUFACTURERS'</p> <table border="1"> <thead> <tr> <th></th> <th>Ship</th> <th>Inv</th> <th>Orders</th> </tr> </thead> <tbody> <tr> <td>May</td> <td>0.9</td> <td>1.1</td> <td>2.3</td> </tr> <tr> <td>June</td> <td>1.9</td> <td>1.0</td> <td>1.5</td> </tr> <tr> <td>July</td> <td>1.6</td> <td>0.5</td> <td>0.4</td> </tr> </tbody> </table>	May	-\$68.5	June	-\$73.2	July	-\$70.1		Productivity	Unit Labor Costs	2Q'20	11.2	10.3	3Q'20	4.6	-9.9	4Q'20	-3.4	13.3	1Q'21	4.3	-2.8	2Q'21(p)	2.3	1.0	2Q'21(r)	2.1	1.3		Ship	Inv	Orders	May	0.9	1.1	2.3	June	1.9	1.0	1.5	July	1.6	0.5	0.4	<p>EMPLOYMENT REPORT</p> <table border="1"> <thead> <tr> <th></th> <th>U.Rate</th> <th>Jobs(000)</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>5.9%</td> <td>+962</td> </tr> <tr> <td>July</td> <td>5.4</td> <td>+1,053</td> </tr> <tr> <td>Aug</td> <td>5.2</td> <td>+235</td> </tr> </tbody> </table> <p>ISM NON-MFG INDEX</p> <table border="1"> <tbody> <tr> <td>June</td> <td>60.1</td> </tr> <tr> <td>July</td> <td>64.1</td> </tr> <tr> <td>Aug</td> <td>61.7</td> </tr> </tbody> </table>		U.Rate	Jobs(000)	June	5.9%	+962	July	5.4	+1,053	Aug	5.2	+235	June	60.1	July	64.1	Aug	61.7
	M/M	Y/Y																																																																																																																											
Apr	1.7%	15.1%																																																																																																																											
May	1.8	17.1																																																																																																																											
June	1.8	19.1																																																																																																																											
	Total	Current	Expect																																																																																																																										
June	128.9	159.6	108.5																																																																																																																										
July	125.1	157.2	103.8																																																																																																																										
Aug	113.8	147.3	91.4																																																																																																																										
	Autos Dom	Light For	Truck	Total																																																																																																																									
June	2.5	1.1	11.8	15.4																																																																																																																									
July	2.3	1.0	11.4	14.7																																																																																																																									
Aug	2.1	0.9	10.1	13.1																																																																																																																									
June	60.6																																																																																																																												
July	59.5																																																																																																																												
Aug	59.9																																																																																																																												
May	0.7%																																																																																																																												
June	0.0																																																																																																																												
July	0.3																																																																																																																												
May	-\$68.5																																																																																																																												
June	-\$73.2																																																																																																																												
July	-\$70.1																																																																																																																												
	Productivity	Unit Labor Costs																																																																																																																											
2Q'20	11.2	10.3																																																																																																																											
3Q'20	4.6	-9.9																																																																																																																											
4Q'20	-3.4	13.3																																																																																																																											
1Q'21	4.3	-2.8																																																																																																																											
2Q'21(p)	2.3	1.0																																																																																																																											
2Q'21(r)	2.1	1.3																																																																																																																											
	Ship	Inv	Orders																																																																																																																										
May	0.9	1.1	2.3																																																																																																																										
June	1.9	1.0	1.5																																																																																																																										
July	1.6	0.5	0.4																																																																																																																										
	U.Rate	Jobs(000)																																																																																																																											
June	5.9%	+962																																																																																																																											
July	5.4	+1,053																																																																																																																											
Aug	5.2	+235																																																																																																																											
June	60.1																																																																																																																												
July	64.1																																																																																																																												
Aug	61.7																																																																																																																												
6	7	8	9	10																																																																																																																									
Labor Day Holiday (All markets closed)		<p>CONSUMER CREDIT(\$B)</p> <table border="1"> <tbody> <tr> <td>May</td> <td>\$35.0</td> </tr> <tr> <td>June</td> <td>\$37.9</td> </tr> <tr> <td>July</td> <td>\$17.0</td> </tr> </tbody> </table>	May	\$35.0	June	\$37.9	July	\$17.0		<p>PRODUCER PRICE INDEX</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>1.0%</td> <td>0.5%</td> </tr> <tr> <td>July</td> <td>1.0</td> <td>0.9</td> </tr> <tr> <td>Aug</td> <td>0.7</td> <td>0.3</td> </tr> </tbody> </table>		Total	Core	June	1.0%	0.5%	July	1.0	0.9	Aug	0.7	0.3																																																																																																							
May	\$35.0																																																																																																																												
June	\$37.9																																																																																																																												
July	\$17.0																																																																																																																												
	Total	Core																																																																																																																											
June	1.0%	0.5%																																																																																																																											
July	1.0	0.9																																																																																																																											
Aug	0.7	0.3																																																																																																																											
13	14	15	16	17																																																																																																																									
	<p>CONSUMER PRICE INDEX</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>0.9%</td> <td>0.9%</td> </tr> <tr> <td>July</td> <td>0.5</td> <td>0.3</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </tbody> </table>		Total	Core	June	0.9%	0.9%	July	0.5	0.3	Aug			<p>IND PROD CAP UTIL</p> <table border="1"> <tbody> <tr> <td>June</td> <td>0.2%</td> <td>75.4%</td> </tr> <tr> <td>July</td> <td>0.9</td> <td>76.1</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </tbody> </table> <p>9/16 MFG and TRADE</p> <table border="1"> <thead> <tr> <th></th> <th>Inv</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>May</td> <td>0.6%</td> <td>-0.2%</td> </tr> <tr> <td>June</td> <td>0.8</td> <td>1.4</td> </tr> <tr> <td>July</td> <td></td> <td></td> </tr> </tbody> </table> <p>Aug Import Price Index</p>	June	0.2%	75.4%	July	0.9	76.1	Aug				Inv	Sales	May	0.6%	-0.2%	June	0.8	1.4	July			<p>Unemployment Claims (000)</p> <table border="1"> <thead> <tr> <th></th> <th>June</th> <th>July</th> <th>Aug</th> <th>Sept</th> </tr> </thead> <tbody> <tr> <td></td> <td>374</td> <td>386</td> <td>377</td> <td>310</td> </tr> <tr> <td></td> <td>418</td> <td>368</td> <td>349</td> <td></td> </tr> <tr> <td></td> <td>416</td> <td>424</td> <td>354</td> <td></td> </tr> <tr> <td></td> <td>368</td> <td>399</td> <td>345</td> <td></td> </tr> <tr> <td></td> <td></td> <td>387</td> <td></td> <td></td> </tr> </tbody> </table> <p>RETAIL SALES</p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Autos</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>0.7%</td> <td>1.6%</td> </tr> <tr> <td>July</td> <td>-1.1</td> <td>-0.4</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </tbody> </table> <p>Sept U Mich Consumer Sentiment (prelim)</p>		June	July	Aug	Sept		374	386	377	310		418	368	349			416	424	354			368	399	345				387				Total	Ex-Autos	June	0.7%	1.6%	July	-1.1	-0.4	Aug																																																	
	Total	Core																																																																																																																											
June	0.9%	0.9%																																																																																																																											
July	0.5	0.3																																																																																																																											
Aug																																																																																																																													
June	0.2%	75.4%																																																																																																																											
July	0.9	76.1																																																																																																																											
Aug																																																																																																																													
	Inv	Sales																																																																																																																											
May	0.6%	-0.2%																																																																																																																											
June	0.8	1.4																																																																																																																											
July																																																																																																																													
	June	July	Aug	Sept																																																																																																																									
	374	386	377	310																																																																																																																									
	418	368	349																																																																																																																										
	416	424	354																																																																																																																										
	368	399	345																																																																																																																										
		387																																																																																																																											
	Total	Ex-Autos																																																																																																																											
June	0.7%	1.6%																																																																																																																											
July	-1.1	-0.4																																																																																																																											
Aug																																																																																																																													
20	21	22	23	24																																																																																																																									
	<p>HOUSING(000)</p> <table border="1"> <thead> <tr> <th></th> <th>Starts</th> <th>Permits</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>1,650</td> <td>1,594</td> </tr> <tr> <td>July</td> <td>1,534</td> <td>1,635</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </tbody> </table> <p>CURRENT ACCOUNT</p> <table border="1"> <tbody> <tr> <td>Q2'2020</td> <td>-\$153.9</td> </tr> <tr> <td>Q3'2020</td> <td>-\$172.4</td> </tr> <tr> <td>Q4'2020</td> <td>-\$175.1</td> </tr> <tr> <td>Q1'2021</td> <td>-\$195.7</td> </tr> <tr> <td>Q2'2021</td> <td></td> </tr> </tbody> </table>		Starts	Permits	June	1,650	1,594	July	1,534	1,635	Aug			Q2'2020	-\$153.9	Q3'2020	-\$172.4	Q4'2020	-\$175.1	Q1'2021	-\$195.7	Q2'2021		<p>EXISTING HOME SALES(000)</p> <table border="1"> <tbody> <tr> <td>June</td> <td>5,870</td> </tr> <tr> <td>July</td> <td>5,990</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </tbody> </table> <p>FOMC Statement 2pm</p>	June	5,870	July	5,990	Aug		<p>LEADING INDICATORS</p> <table border="1"> <tbody> <tr> <td>June</td> <td>1.5%</td> </tr> <tr> <td>July</td> <td>0.9</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </tbody> </table>	June	1.5%	July	0.9	Aug		<p>NEW HOME SALES(000)</p> <table border="1"> <tbody> <tr> <td>June</td> <td>701</td> </tr> <tr> <td>July</td> <td>708</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </tbody> </table>	June	701	July	708	Aug																																																																																		
	Starts	Permits																																																																																																																											
June	1,650	1,594																																																																																																																											
July	1,534	1,635																																																																																																																											
Aug																																																																																																																													
Q2'2020	-\$153.9																																																																																																																												
Q3'2020	-\$172.4																																																																																																																												
Q4'2020	-\$175.1																																																																																																																												
Q1'2021	-\$195.7																																																																																																																												
Q2'2021																																																																																																																													
June	5,870																																																																																																																												
July	5,990																																																																																																																												
Aug																																																																																																																													
June	1.5%																																																																																																																												
July	0.9																																																																																																																												
Aug																																																																																																																													
June	701																																																																																																																												
July	708																																																																																																																												
Aug																																																																																																																													