



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

The U.S. economy added 199,000 jobs in December which was well below the consensus expectation for an increase of 400,000. Private-sector employment increased by 211,000 in December, with government employment down by 12,000, the fifth straight monthly decline. Once again, however, the details of the report were much better than the headline number. In particular, job gains for previous months were revised higher. Job growth in November was revised up to 249,000, from the initially reported 210,000. And job growth in October saw another big upward revision to 648,000, from the 546,000 reported last month, and the 531,000 rise in the preliminary estimate two months ago. Revisions to payroll job growth in recent months have been upward and big, and so the December initial estimate of a soft 199,000 should be regarded with skepticism. The three-month moving average of job growth through December was a solid 365,000, well above the pace prior to the pandemic. Through December, the labor market has recovered almost 19 million of the 22 million jobs lost in March and April of 2020 due to the pandemic.

The unemployment rate fell to 3.9% in December, down from 4.2% in November. After peaking at 14.8% in April 2020, the unemployment rate is quickly approaching the 3.5% rate from before the pandemic. According to a survey of households, different from the survey of employers, employment increased by 651,000 in December. The labor force—the number of people either working or looking for work in the household survey—rose by 168,000 in December, after an increase of 516,000 in November and 139,000 in October. The labor force has increased for three straight months, perhaps an indication that people are starting to return to the job market in larger numbers. The labor force participation rate—the share of adults either working or looking for work—was steady at 61.9% in December from November. This is well below the 63% rate prior to the pandemic, but the increase in the labor force participation rate at the end of 2021 is very encouraging.

Goods-producing industries added 54,000 jobs in December, with gains of better than 20,000 in both construction and manufacturing. Private services-providing industries added 157,000 jobs over the month, including gains of 43,000 in professional/business services but only 53,000 in leisure/hospitality services, the industry most adversely affected by the spread of the omicron variant.

Average hourly earnings rose a strong 0.6% in December from November, as the tight labor market leads businesses to raise pay to retain their current workers and attract new ones. The average workweek was unchanged at 34.7 hours. With more jobs, a flat workweek, and a higher average wage, aggregate job market income rose a strong 0.8% last month. This was above our forecast of a 0.5% rise in the CPI.

In summary, once again, the headline December payroll jobs number was disappointing, but once again, the details were much better. Big upward revisions to job growth in recent months, the strong increase from the household jobs survey, very low unemployment insurance claims, and results from other job market measures (ADP, the ISM surveys) indicate that job growth was much stronger in December than the initial figure of 199,000 would suggest. The biggest impediment to stronger hiring in late 2021 was a shortage of workers; although the labor force is gradually increasing, it is still down by more than 2 million from before the pandemic. The data in the report were collected during mid-December, so reflect only a partial impact from the omicron variant. Unemployment insurance claims data from the very end of December show little weakening in the job market, but omicron could be a negative for the labor market in early 2022.

The decline in the unemployment rate in December, as well as strong wage growth, indicate that the job market is rapidly approaching full employment. With inflation well above the Federal Reserve's 2% objective and the labor market very tight, the Federal Open Market Committee is likely to first raise the Fed funds rate (so-called "lift-off") in the second quarter of 2022 and then continue with two more 25 basis point rate hikes by year-end 2022.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Dec CPI (1/12, Wednesday) Range: 0.2 to 0.5 percent Median: 0.5 percent	0.8% (Nov)	Up 0.5 percent lifting the Y/Y rise to 7.1 percent.
Dec CPI (ex-food & energy) (1/12, Wednesday) Range: 0.3 to 0.6 percent Median: 0.5 percent	0.5% (Nov)	Up 0.5 percent lifting the Y/Y rise to 5.2 percent.
Dec PPI (1/13, Thursday) Range: 0.2 to 0.6 percent Median: 0.4 percent	0.8% (Nov)	Up 0.4 percent.
Dec PPI (ex-food & energy) (1/13, Thursday) Range: 0.2 to 0.6 percent Median: 0.5 percent	0.7% (Nov)	Up 0.5 percent.
Initial Claims, Week of 1/8/22 (1/13, Thursday) Range: 190K to 225K Median: 205K	207K (1/1/22)	Down to 200K.
Dec Retail Sales (1/14, Friday) Range: -1.0 to 0.7 percent Median: 0.0 percent	0.3% (Nov)	Unchanged.
Dec Retail Sales (ex-auto) (1/14, Friday) Range: -1.3 to 0.7 percent Median: 0.2 percent	0.3% (Nov)	Up 0.2 percent. Control retail sales (excluding vehicles, gasoline and restaurant sales) rose by a solid 0.8 percent. Adding together October to December retail sales, the holiday sales season was very strong despite higher prices and some shortages of popular gift items.
Dec Export Price Index (1/14, Friday) Range: 0.3 to 0.7 percent Median: 0.3 percent	1.0% (Nov)	Up 0.7 percent.
Dec Import Price Index (1/14, Friday) Range: -0.5 to 0.5 percent Median: 0.3 percent	0.7% (Nov)	Up 0.4 percent.
Dec Industrial Production (1/14, Friday) Range: -0.2 to 0.6 percent Median: 0.3 percent	0.5% (Nov)	Up 0.4 percent. Manufacturing production also rose 0.4 percent.
Dec Capacity Utilization (1/14, Friday) Range: 76.8 to 77.2 percent Median: 77.0 percent	76.8% (Nov)	Up to 77.0 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Nov Business Inventories (1/14, Friday) Range: 0.3 to 1.4 percent Median: 1.1 percent	1.2% (Oct)	Up a large 1.3 percent as retailers correctly stocked-up for strong holiday sales.
Jan U. Mich. Consumer Sentiment (prelim) (1/14, Friday) Range: 67.0 to 72.0 Median: 70.0	70.6 (Dec)	Up to 72 percent, despite spreading omicron cases.
Dec Housing Starts (1/19, Wednesday) Range: 1.550 to 1.695 million Median: 1.660 million	1.679M (Nov)	Down to 1.63 million. Building permits dropped to 1.68 million. Home sales and residential construction rebounded in the fourth quarter after a decline in the middle two quarters of last year.
Dec Existing Home Sales (1/20, Thursday) Range: 6.350 to 6.650 million Median: 6.425 million	6.460M (Nov)	Down slightly to 6.35 million.
Dec Leading Indicators (1/21, Friday) Range: 0.3 to 0.8 percent Median: 0.6 percent	1.1% (Nov)	Up 0.6 percent. The Coincident index rose 0.2 percent.

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. © 2022 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

Dec 2021/Jan 2022

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																							
27	28	29	30	31																																																																																							
	CASE-SHILLER HPI 20-City Composite(SA) <table border="1"> <thead> <tr> <th></th> <th>M/M</th> <th>Y/Y</th> </tr> </thead> <tbody> <tr> <td>Aug</td> <td>1.1</td> <td>19.7</td> </tr> <tr> <td>Sept</td> <td>0.9</td> <td>19.1</td> </tr> <tr> <td>Oct</td> <td>0.9</td> <td>18.4</td> </tr> </tbody> </table>		M/M	Y/Y	Aug	1.1	19.7	Sept	0.9	19.1	Oct	0.9	18.4		Dec Chicago PMI																																																																												
	M/M	Y/Y																																																																																									
Aug	1.1	19.7																																																																																									
Sept	0.9	19.1																																																																																									
Oct	0.9	18.4																																																																																									
Jan 3	4	5	6	7																																																																																							
CONSTRUCTION SPENDING <table border="1"> <tbody> <tr> <td>Sept</td> <td>1.0%</td> </tr> <tr> <td>Oct</td> <td>0.4</td> </tr> <tr> <td>Nov</td> <td>0.4</td> </tr> </tbody> </table>	Sept	1.0%	Oct	0.4	Nov	0.4	ISM MFG INDEX <table border="1"> <tbody> <tr> <td>Oct</td> <td>60.8</td> </tr> <tr> <td>Nov</td> <td>61.1</td> </tr> <tr> <td>Dec</td> <td>58.7</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th colspan="2">Autos</th> <th colspan="2">Light</th> </tr> <tr> <th></th> <th>Dom</th> <th>For</th> <th>Truck</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Oct</td> <td>1.9</td> <td>0.9</td> <td>10.2</td> <td>13.0</td> </tr> <tr> <td>Nov</td> <td>1.9</td> <td>0.9</td> <td>10.2</td> <td>13.0</td> </tr> <tr> <td>Dec</td> <td>1.7</td> <td>0.8</td> <td>9.9</td> <td>12.4</td> </tr> </tbody> </table>	Oct	60.8	Nov	61.1	Dec	58.7		Autos		Light			Dom	For	Truck	Total	Oct	1.9	0.9	10.2	13.0	Nov	1.9	0.9	10.2	13.0	Dec	1.7	0.8	9.9	12.4	Dec ADP Employment Survey	TRADE BALANCE (\$B) <table border="1"> <tbody> <tr> <td>Sept</td> <td>-\$81.4</td> </tr> <tr> <td>Oct</td> <td>-\$67.1</td> </tr> <tr> <td>Nov</td> <td>-\$80.2</td> </tr> </tbody> </table> ISM NON-MFG INDEX <table border="1"> <tbody> <tr> <td>Oct</td> <td>66.7</td> </tr> <tr> <td>Nov</td> <td>69.1</td> </tr> <tr> <td>Dec</td> <td>62.0</td> </tr> </tbody> </table> MANUFACTURERS' <table border="1"> <thead> <tr> <th></th> <th>Ship</th> <th>Inv</th> <th>Orders</th> </tr> </thead> <tbody> <tr> <td>Sept</td> <td>1.0</td> <td>1.0</td> <td>0.5</td> </tr> <tr> <td>Oct</td> <td>2.0</td> <td>0.9</td> <td>1.2</td> </tr> <tr> <td>Nov</td> <td>0.7</td> <td>0.7</td> <td>1.6</td> </tr> </tbody> </table>	Sept	-\$81.4	Oct	-\$67.1	Nov	-\$80.2	Oct	66.7	Nov	69.1	Dec	62.0		Ship	Inv	Orders	Sept	1.0	1.0	0.5	Oct	2.0	0.9	1.2	Nov	0.7	0.7	1.6	EMPLOYMENT REPORT <table border="1"> <thead> <tr> <th></th> <th>U.Rate</th> <th>Jobs(000)</th> </tr> </thead> <tbody> <tr> <td>Oct</td> <td>4.6%</td> <td>+648</td> </tr> <tr> <td>Nov</td> <td>4.2</td> <td>+249</td> </tr> <tr> <td>Dec</td> <td>3.9</td> <td>+199</td> </tr> </tbody> </table> CONSUMER CREDIT(\$B) <table border="1"> <tbody> <tr> <td>Sept</td> <td>\$26.0</td> </tr> <tr> <td>Oct</td> <td>\$16.0</td> </tr> <tr> <td>Nov</td> <td>\$40.0</td> </tr> </tbody> </table>		U.Rate	Jobs(000)	Oct	4.6%	+648	Nov	4.2	+249	Dec	3.9	+199	Sept	\$26.0	Oct	\$16.0	Nov	\$40.0				
Sept	1.0%																																																																																										
Oct	0.4																																																																																										
Nov	0.4																																																																																										
Oct	60.8																																																																																										
Nov	61.1																																																																																										
Dec	58.7																																																																																										
	Autos		Light																																																																																								
	Dom	For	Truck	Total																																																																																							
Oct	1.9	0.9	10.2	13.0																																																																																							
Nov	1.9	0.9	10.2	13.0																																																																																							
Dec	1.7	0.8	9.9	12.4																																																																																							
Sept	-\$81.4																																																																																										
Oct	-\$67.1																																																																																										
Nov	-\$80.2																																																																																										
Oct	66.7																																																																																										
Nov	69.1																																																																																										
Dec	62.0																																																																																										
	Ship	Inv	Orders																																																																																								
Sept	1.0	1.0	0.5																																																																																								
Oct	2.0	0.9	1.2																																																																																								
Nov	0.7	0.7	1.6																																																																																								
	U.Rate	Jobs(000)																																																																																									
Oct	4.6%	+648																																																																																									
Nov	4.2	+249																																																																																									
Dec	3.9	+199																																																																																									
Sept	\$26.0																																																																																										
Oct	\$16.0																																																																																										
Nov	\$40.0																																																																																										
10	11	12	13	14																																																																																							
		CONSUMER PRICE INDEX <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Oct</td> <td>0.9%</td> <td>0.6%</td> </tr> <tr> <td>Nov</td> <td>0.8</td> <td>0.5</td> </tr> <tr> <td>Dec</td> <td></td> <td></td> </tr> </tbody> </table>		Total	Core	Oct	0.9%	0.6%	Nov	0.8	0.5	Dec			Unemployment Claims (000) <table border="1"> <thead> <tr> <th>Sept</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Jan</th> </tr> </thead> <tbody> <tr> <td>312</td> <td>329</td> <td>269</td> <td>188</td> <td>207</td> </tr> <tr> <td>335</td> <td>296</td> <td>270</td> <td>205</td> <td></td> </tr> <tr> <td>351</td> <td>291</td> <td>194</td> <td>206</td> <td></td> </tr> <tr> <td>364</td> <td>283</td> <td>227</td> <td>200</td> <td></td> </tr> <tr> <td></td> <td></td> <td>271</td> <td></td> <td></td> </tr> </tbody> </table> PRODUCER PRICE INDEX <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Oct</td> <td>0.6%</td> <td>0.4%</td> </tr> <tr> <td>Nov</td> <td>0.8</td> <td>0.7</td> </tr> <tr> <td>Dec</td> <td></td> <td></td> </tr> </tbody> </table>	Sept	Oct	Nov	Dec	Jan	312	329	269	188	207	335	296	270	205		351	291	194	206		364	283	227	200				271				Total	Core	Oct	0.6%	0.4%	Nov	0.8	0.7	Dec			RETAIL SALES <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Autos</th> </tr> </thead> <tbody> <tr> <td>Oct</td> <td>1.8%</td> <td>1.8%</td> </tr> <tr> <td>Nov</td> <td>0.3</td> <td>0.3</td> </tr> <tr> <td>Dec</td> <td></td> <td></td> </tr> </tbody> </table> IND PROD CAP UTIL <table border="1"> <tbody> <tr> <td>Oct</td> <td>1.7%</td> <td>76.5</td> </tr> <tr> <td>Nov</td> <td>0.5</td> <td>76.8</td> </tr> <tr> <td>Dec</td> <td></td> <td></td> </tr> </tbody> </table> MFG and TRADE <table border="1"> <thead> <tr> <th></th> <th>Inv</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Sept</td> <td>0.8%</td> <td>1.2%</td> </tr> <tr> <td>Oct</td> <td>1.2</td> <td>2.1</td> </tr> <tr> <td>Nov</td> <td></td> <td></td> </tr> </tbody> </table> Dec Import Price Index Jan U Mich Consumer Sentiment (prelim)		Total	Ex-Autos	Oct	1.8%	1.8%	Nov	0.3	0.3	Dec			Oct	1.7%	76.5	Nov	0.5	76.8	Dec				Inv	Sales	Sept	0.8%	1.2%	Oct	1.2	2.1	Nov		
	Total	Core																																																																																									
Oct	0.9%	0.6%																																																																																									
Nov	0.8	0.5																																																																																									
Dec																																																																																											
Sept	Oct	Nov	Dec	Jan																																																																																							
312	329	269	188	207																																																																																							
335	296	270	205																																																																																								
351	291	194	206																																																																																								
364	283	227	200																																																																																								
		271																																																																																									
	Total	Core																																																																																									
Oct	0.6%	0.4%																																																																																									
Nov	0.8	0.7																																																																																									
Dec																																																																																											
	Total	Ex-Autos																																																																																									
Oct	1.8%	1.8%																																																																																									
Nov	0.3	0.3																																																																																									
Dec																																																																																											
Oct	1.7%	76.5																																																																																									
Nov	0.5	76.8																																																																																									
Dec																																																																																											
	Inv	Sales																																																																																									
Sept	0.8%	1.2%																																																																																									
Oct	1.2	2.1																																																																																									
Nov																																																																																											
17	18	19	20	21																																																																																							
Martin Luther King, Jr. Day holiday (Stock Markets Closed)		HOUSING(000) <table border="1"> <thead> <tr> <th></th> <th>Starts</th> <th>Permits</th> </tr> </thead> <tbody> <tr> <td>Oct</td> <td>1,502</td> <td>1,653</td> </tr> <tr> <td>Nov</td> <td>1,679</td> <td>1,712</td> </tr> <tr> <td>Dec</td> <td></td> <td></td> </tr> </tbody> </table>		Starts	Permits	Oct	1,502	1,653	Nov	1,679	1,712	Dec			EXISTING HOME SALES(000) <table border="1"> <tbody> <tr> <td>Oct</td> <td>6,340</td> </tr> <tr> <td>Nov</td> <td>6,460</td> </tr> <tr> <td>Dec</td> <td></td> </tr> </tbody> </table>	Oct	6,340	Nov	6,460	Dec		LEADING INDICATORS <table border="1"> <tbody> <tr> <td>Oct</td> <td>0.9%</td> </tr> <tr> <td>Nov</td> <td>1.1</td> </tr> <tr> <td>Dec</td> <td></td> </tr> </tbody> </table>	Oct	0.9%	Nov	1.1	Dec																																																																
	Starts	Permits																																																																																									
Oct	1,502	1,653																																																																																									
Nov	1,679	1,712																																																																																									
Dec																																																																																											
Oct	6,340																																																																																										
Nov	6,460																																																																																										
Dec																																																																																											
Oct	0.9%																																																																																										
Nov	1.1																																																																																										
Dec																																																																																											