



MARKET EXPECTATIONS SURVEY

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- **The contraction in real GDP in the first half of 2022 was unrevised with the release of the annual revisions. But growth in real domestic income was revised much lower in the first half of the year, although it still increased in both the first and second quarters.**
- **With the revisions to real GDP the contraction in real GDP was slightly smaller than initially reported, and the recovery through 2021 was slightly stronger.**
- **The U.S. economy is not in a recession thus far in 2022 but recession risks are elevated for 2023 with the Federal Reserve aggressively raising interest rates in 2022.**

The annual revisions to GDP and gross domestic income indicate a weaker US economy in the first half of 2022 than initially reported. Real GDP was unrevised in the first and second quarters, but real gross domestic income was revised down in both quarters. In the first quarter, real gross domestic income was revised down from a 1.8% annualized increase to a 0.8% annualized increase. And annualized growth in real gross domestic income was revised much lower in the second quarter, from 1.4% to 0.1%. The revisions came primarily from new information on wages and salaries from unemployment insurance records.

Real GDP contracted 1.6% annualized in the first of 2022 and 0.6% in the second quarter. For the second quarter, there were upward revisions to consumer spending, federal government spending, and business fixed investment, offset by downward revisions to exports, investment in housing, and investment in inventories. Imports were revised lower in the second quarter; lower imports add to GDP.

Theoretically real GDP and real gross domestic income should be equal, but because they are measured in different ways, there are discrepancies. The divergence between the two measures was unusually large in the first half of 2022, and now some of the discrepancy has been lessened with the downward revisions to real gross domestic income. The discrepancy is still larger than normal, however.

This release from the Bureau of Economic Analysis also revises national accounts data back to 2009. Annual growth in real GDP from 2009 through 2019 was unrevised at 2.3%. During the Viral Recession in the first half of 2020 real GDP is now estimated to have contracted 9.6% (not annualized) in the first half of 2020, compared to the previous estimate of 10.1%. Growth in real GDP during the initial stages of the recovery, from the third quarter of 2020 through the fourth quarter of 2021, was 15.1% unannualized after the revisions, compared to 14.8% before the revisions. The recovery from the Viral Recession has been unusually rapid given the depth of the downturn, thanks to very aggressive monetary and fiscal policy.

The US economy is in transition in 2022, and the data are contradictory. Economic growth was very rapid in the second half of 2020 and throughout 2021, during the initial recovery from the Viral Recession. But growth has slowed significantly since then, as confirmed by the downward revisions to real gross domestic income in the first half of 2022. But although current growth is weak the economy is still expanding, as shown in numerous indicators, such as strong job growth, rising inflation-adjusted consumer spending and personal income (excluding government transfers), and expanding industrial production. Given this, it's very unlikely that the National Bureau of Economic Research, the most widely-accepted arbiter of recession in the US, will say that the US economy was in recession in the first half of 2022.

PNC's Fall 2022 semiannual Economic Outlook survey of small and mid-sized businesses reflects this transition; businesses are generally optimistic about their own prospects, but are concerned about the potential for recession.

Near-term recession risks are extremely elevated. With the Federal Reserve aggressively raising interest rates in an effort to cool off the labor market and slow inflation, interest-rate sensitive industries, most notably housing, are already contracting. The best outcome is soft near-term growth that results in a slight increase in unemployment and inflation that slows to 2% over the next couple of years. Consumers are holding up well, even with high inflation, and the labor market remains very strong. But there's a real possibility that the Fed could over do it, pushing the US economy into recession in the first half of 2023.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 11/2) Range: 3.875 to 3.875 percent Median: 3.875 percent	2.38 percent	We expect the FOMC will raise the Fed funds rate by 75 bps to a 3.75-4.00 percent target range at its November 2 meeting.
Sept ISM (10/3, Monday) Range: 51.5 to 53.5 Median: 52.0	52.8 (Aug)	Down to a still expansionary 51.8.
Aug Construction Spending (10/3, Monday) Range: -0.9 to 0.3 percent Median: -0.2 percent	-0.4% (July)	Down 0.5%, with weakness in residential construction.
Aug Factory Orders (10/4, Tuesday) Range: -0.6 to 0.4 percent Median: 0.0 percent	-1.0% (July)	Down 0.6 percent. Shipments down 0.1%.
Sept ADP Employment Survey (10/5, Wednesday) Range: 135K to 325K Median: 200K	132K (Aug)	Up 300K. The revamped ADP report started in August and underestimated the rise in private payroll jobs. Time will tell if this report will be an accurate precursor of the official payrolls jobs data from the BLS.
Aug Trade Balance (10/5, Wednesday) Range: -\$69.0 to -\$66.3 billion Median: -\$68.0 billion	-\$70.6B (July)	A narrowing to -\$68.0 billion.
Sept ISM-NMI (10/5, Wednesday) Range: 54.8 to 57.2 Median: 56.2	56.9 (Aug)	Down to a still solid 55.2.
Initial Claims, Week of 10/1/22 (10/6, Thursday) Range: 197K to 225K Median: 205K	193,000 (9/24/22)	Up to 205,000.
Sept Nonfarm Payrolls (10/7, Friday) Range: 200K to 350K Median: 250K	315K (Aug)	Up 325,000. This is below the 380,000 average rise in the past six months. The job market remains "hot" with employers still saying existing workers are hard to retain and new workers are hard to attract.
Sept Private Nonfarm Payrolls (10/7, Friday) Range: 180K to 335K Median: 280K	308K (Aug)	Up 310,000.
Sept Manufacturing Payrolls (10/7, Friday) Range: 15K to 25K Median: 20K	22K (Aug)	Up 20,000.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept Unemployment Rate (10/7, Friday) Range: 3.6 to 3.8 percent Median: 3.7 percent	3.7% (Aug)	Down to 3.6 percent.
Sept Average Hourly Earnings (10/7, Friday) Range: 0.3 to 0.4 percent Median: 0.3 percent	0.3% (Aug)	Up 0.4 percent, keeping the Y/Y rise at 5.2 percent.
Sept Hours Worked (10/7, Friday) Range: 34.4 to 34.6 hours Median: 34.5 hours	34.5hrs (Aug)	Up to 34.6 hours.
Aug Consumer Credit (10/7, Friday) Range: \$16.0 to \$33.1 billion Median: \$25.0 billion	\$23.8B (July)	Up \$16 billion.
Sept PPI (10/12, Wednesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	-0.1% (Aug)	Up 0.1 percent. Lower energy prices held down the increase.
Sept PPI (ex-food & energy) (10/12, Wednesday) Range: 0.2 to 0.4 percent Median: 0.3 percent	0.4% (Aug)	Up 0.2 percent.
Sept CPI (10/13, Thursday) Range: 0.1 to 0.4 percent Median: 0.2 percent	0.1% (Aug)	Up 0.2 percent. The Y/Y rise edged down to 8.1%. Gasoline prices fell by close to 6 percent in August.
Sept CPI (ex-food & energy) (10/13, Thursday) Range: 0.4 to 0.5 percent Median: 0.4 percent	0.6% (Aug)	Up 0.4 percent. The Y/Y rise edged up to 6.4 percent. Lower used car prices helped to moderate the increase in August.
Sept Retail Sales (10/14, Friday) Range: 0.1 to 0.5 percent Median: 0.3 percent	0.3% (Aug)	Up 0.3 percent, slightly above inflation, so real retail sales rose slightly on solid back-to-school sales.
Sept Retail Sales (ex-auto) (10/14, Friday) Range: 0.0 to 0.4 percent Median: 0.2 percent	-0.3% (Aug)	Up 0.4 percent. Control sales (excluding vehicles, building materials, gasoline and restaurant sales) rose a solid 0.6 percent. Lower gasoline prices helped lift other discretionary spending.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept Export Price Index (10/14, Friday) Range: -1.4 to -0.6 percent Median: -1.2 percent	-1.6% (Aug)	Down 0.8 percent.
Sept Import Price Index (10/14, Friday) Range: -1.4 to -0.4 percent Median: -1.2 percent	-1.0% (Aug)	Down 1.0 percent. A stronger dollar is reducing imported non-oil prices and imported oil prices fell.
Aug Business Inventories (10/14, Friday) Range: 0.3 to 1.0 percent Median: 0.5 percent	0.6% (July)	Up 1.0 percent. Sales rose 0.4 percent.
Oct U Mich Consumer Sentiment (prelim) (10/14, Friday) Range: 55.5 to 60.8 Median: 59.0	58.6 (Sept)	Down to 56 as lower stock prices and higher gasoline prices depressed sentiment.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Sept/Oct 2022

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																													
19	20	21	22	23																																																													
	HOUSING(000) <u>Starts</u> <u>Permits</u> June 1.575 1.696 July 1.404 1.685 Aug 1.575 1.517	EXISTING HOME SALES(000) June 5.110 July 4.820 Aug 4.800 FOMC statement 2pm	CURRENT ACCOUNT Q2'2021 -\$206.4 Q3'2021 -\$226.3 Q4'2021 -\$224.8 Q1'2022 -\$282.5 Q2'2022 -\$251.0 LEADING INDICATORS June -0.7% July -0.5 Aug -0.3																																																														
26	27	28	29	30																																																													
9/27 NEW HOME SALES(000) June 582 July 532 Aug 685	ADV DURABLE GOODS <u>Total</u> <u>Ex-Transp</u> June 2.3% 0.4% July -0.1 0.2 Aug -0.2 0.2 CB CONSUMER CONFIDENCE <u>Total</u> <u>Current</u> <u>Expect</u> July 95.3 139.7 65.6 Aug 103.6 145.3 75.8 Sept 108.0 149.6 80.3 CASE-SHILLER HPI 20-City Composite(SA) <u>M/M</u> <u>Y/Y</u> May 1.2 20.5 June 0.1 18.6 July -0.4 16.0		GROSS DOMESTIC PRODUCT 2nd Qtr (3rd estimate) <u>Real GDP</u> <u>Price Index</u> Q2'21 7.0% 6.3 Q3'21 2.7 6.2 Q4'21 7.0 6.8 Q1'22 -1.6 8.3 Q2'22(1 st) -0.9 8.7 Q2'22(2 nd) -0.6 8.9 Q2'22(3 rd) -0.6 9.0	PERSONAL <u>Income</u> <u>Spending</u> June 0.6% 1.2% July 0.3 -0.2 Aug 0.3 0.4 Sept U Mich Consumer Sentiment (final) Sept Chicago PMI																																																													
Oct 3	4	5	6	7																																																													
ISM MFG INDEX July 52.8 Aug 52.8 Sept CONSTRUCTION SPENDING June -0.5% July -0.4 Aug <table border="1"> <thead> <tr> <th></th> <th>Autos</th> <th>Light</th> <th>Truck</th> <th>Total</th> </tr> <tr> <th></th> <th>Dom</th> <th>For</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>July</td> <td>2.0</td> <td>0.8</td> <td>10.5</td> <td>13.3</td> </tr> <tr> <td>Aug</td> <td>2.0</td> <td>0.8</td> <td>10.4</td> <td>13.2</td> </tr> <tr> <td>Sept</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Autos	Light	Truck	Total		Dom	For			July	2.0	0.8	10.5	13.3	Aug	2.0	0.8	10.4	13.2	Sept					MANUFACTURERS' <u>Ship</u> <u>Inv</u> <u>Orders</u> June 0.8 0.4 1.8 July -0.9 0.1 -1.0 Aug	TRADE BALANCE (\$B) June -\$80.8 July -\$70.6 Aug ISM NON-MFG INDEX July 56.7 Aug 56.9 Sept Sept ADP Employment Survey	Unemployment Claims (000) <table border="1"> <thead> <tr> <th></th> <th>May</th> <th>June</th> <th>July</th> <th>Aug</th> <th>Sept</th> </tr> </thead> <tbody> <tr> <td>197</td> <td>232</td> <td>236</td> <td>252</td> <td>218</td> <td></td> </tr> <tr> <td>218</td> <td>231</td> <td>244</td> <td>245</td> <td>208</td> <td></td> </tr> <tr> <td>211</td> <td>233</td> <td>261</td> <td>237</td> <td>209</td> <td></td> </tr> <tr> <td>202</td> <td>231</td> <td>237</td> <td>228</td> <td>193</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>248</td> <td></td> <td></td> </tr> </tbody> </table>		May	June	July	Aug	Sept	197	232	236	252	218		218	231	244	245	208		211	233	261	237	209		202	231	237	228	193					248			EMPLOYMENT REPORT <u>U.Rate</u> <u>Jobs(000)</u> July 3.5% +526 Aug 3.7 +315 Sept CONSUMER CREDIT(\$B) June \$39.1 July \$23.8 Aug
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