



# MARKET EXPECTATIONS SURVEY

**Gus Faucher**  
Chief Economist

**Stuart Hoffman**  
Senior Economic Advisor

**Kurt Rankin**  
Senior Economist

**Abbey Omodunbi**  
Senior Economist

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

- **Topline gauge of consumer prices saw inflation accelerate modestly in October 2022, rising 0.4% for the month. The pace of gains in the Core Consumer Price Index (CPI), less Food & Energy, decelerated to 0.3% in October 2022 versus the prior month.**
- **Transportation costs bounced in October 2022, up 0.7% for the month. Housing & Food prices continued to post strong growth in October 2022, joined by a resurgence in prices for consumer Recreation spending.**

The Consumer Price Index (CPI) for October 2022 was up by 0.4% in seasonally adjusted terms, only marginally above the pace seen in September (0.44% vs. 0.39%). This translates to a 7.8% year-over-year gain in topline prices. More importantly when evaluating current conditions, rather than the damage that price gains have done in the past year on aggregate, the October monthly rise equals a 5.4% annualized pace, representing consumer price inflation conditions if October's pace were to be maintained for a one-year period. Consumer price growth reaccelerated in October after moderating in the few months prior. The risk of inflation reigniting as consumer dive into holiday spending will keep the Federal Reserve firmly on their aggressive monetary policy tightening path.

Core CPI – which excludes volatile Food and Energy prices – saw its monthly growth rate halved in October 2022, coming in at a 0.3% gain for the month versus 0.6% in both August and September. The Core CPI metric more closely aligns with the Federal Reserve's inflation target (the Core Personal Consumption Expenditures (PCE) Deflator). Though growth in Core CPI decelerated in October, its annualized pace remains above the Fed's 2.5% target average at 3.3% for the month. Core CPI inflation will have to demonstrate a consistent trend of deceleration before the Fed can be expected to consider that they are en route to their goal of stable inflationary pressures. With the holiday shopping season set to boost consumer spending yet again – regardless of broadly weakening economic conditions – the Fed will continue to face an uphill battle.

The Housing component of the CPI index gained 0.5% in October 2022. This result is down somewhat from the August and September gains (0.7% and 0.5%, respectively), but still equals a 6.6% annualized pace. Housing accounts for more than 40% of the total CPI's weight, and continues to post some of the fastest price growth among the overall index's components. Along with Food & Beverages, Housing represents an unavoidable area of spending for households, and these components' strong gains are reinforcing why the Federal Reserve feels it necessary to continue to raise rates aggressively in order to quell inflation's impact.

Energy price growth bounced back in October 2022, gaining 1.8% for the month after three (3) consecutive months of declines. Gasoline prices were up 4.0% in October. Talk of China's economy transitioning from its "Zero COVID" strategy suggests that renewed upward pressure on oil prices is a possibility entering 2023. And if oil prices are pushed higher, consumer prices will surely follow. Such an external shock would not directly impact the Core CPI measure, but oil prices flow through to virtually all consumption categories in one way or another, be it transportation of goods to store shelves and restaurant tables, or even the plastics used in the production of goods. Inflationary pressures could extend into mid-2023 if the October 2022 bump in energy costs represents the start of a new upward trend.

The Federal Reserve's monetary policy tightening plans remain aggressive. Their data dependency message will require Core CPI inflation, especially, to ease before any course correction becomes a consideration. PNC is now forecasting a three-quarter recession in 2023 as its baseline outcome given that inflation and higher interest rates have and will continue to undercut U.S. consumer sentiment and spending capacity. To some extent, this is indeed the Fed's goal, since only a cessation in consumer demand can truly stabilize price pressures across the economy. But it must be noted that the potential for continued inflation at recent levels would be significantly more harmful than the mild recession PNC expects in 2023Q2-2023Q4.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Fed Funds Rate Target Range Mid-Point</b> (after the FOMC meeting on 12/14) Range: 4.375 to 4.375 percent Median: 4.375 percent	<b>2.38 percent</b>	We are in complete agreement with the market consensus that the FOMC will raise the funds rate by 50 bps at their December 14 meeting to a 4.25-4.50% target range.
<b>Oct PPI (11/15, Tuesday)</b> Range: 0.2 to 0.5 percent Median: 0.4 percent	<b>0.4%</b> <b>(Sept)</b>	Up 0.4%.
<b>Oct PPI (ex-food &amp; energy) (11/15, Tuesday)</b> Range: 0.2 to 0.4 percent Median: 0.3 percent	<b>0.3%</b> <b>(Sept)</b>	Up 0.3%.
<b>Oct Retail Sales (11/16, Wednesday)</b> Range: 0.4 to 1.3 percent Median: 1.0 percent	<b>0.0%</b> <b>(Sept)</b>	Up 0.9% on strength in new vehicles sales and gasoline station sales (mostly higher gasoline prices).
<b>Oct Retail Sales (ex-auto) (11/16, Wednesday)</b> Range: 0.2 to 0.9 percent Median: 0.4 percent	<b>0.1%</b> <b>(Sept)</b>	Up 0.4%. Control sales (excluding new vehicle, building supplies, gasoline station and restaurant sales) rose 0.2%.
<b>Oct Export Price Index (11/16, Wednesday)</b> Range: -0.6 to 0.4 percent Median: -0.3 percent	<b>-0.8%</b> <b>(Sept)</b>	Up 0.3%.
<b>Oct Import Price Index (11/16, Wednesday)</b> Range: -0.6 to 0.0 percent Median: -0.4 percent	<b>-1.2%</b> <b>(Sept)</b>	Down 0.2%.
<b>Oct Industrial Production (11/16, Wednesday)</b> Range: -0.2 to 0.3 percent Median: 0.2 percent	<b>0.4%</b> <b>(Sept)</b>	Up 0.3%. Factory output also rose 0.3%.
<b>Oct Capacity Utilization (11/16, Wednesday)</b> Range: 80.2 to 80.5 percent Median: 80.4 percent	<b>80.3%</b> <b>(Sept)</b>	Up to 80.4%.
<b>Sept Business Inventories (11/16, Wednesday)</b> Range: 0.4 to 0.6 percent Median: 0.5 percent	<b>0.8%</b> <b>(Aug)</b>	Up 0.5%. Sales rose 0.2%. There are excess inventories of many goods, such as appliances, apparel, used cars, and home goods that will be on sales this holiday season.
<b>Oct Housing Starts (11/17, Thursday)</b> Range: 1.367 to 1.505 million Median: 1.410 million	<b>1.439M</b> <b>(Sept)</b>	Down to 1.42 million. Permits fell to 1.50 million.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Initial Claims, Week of 11/12/22</b> (11/17, Thursday) Range: 218K to 230K Median: 228K	<b>225K</b> <b>(11/5/22)</b>	Up to 230K.
<b>Oct Leading Indicators</b> (11/18, Friday) Range: -0.5 to 0.2 percent Median: -0.4 percent	<b>-0.4%</b> <b>(Sept)</b>	Down 0.2%.
<b>Oct Existing Home Sales</b> (11/18, Friday) Range: 4.300 to 4.881 million Median: 4.350 million	<b>4.710M</b> <b>(Sept)</b>	Down to 4.35 million.
<b>Oct Durable Goods Orders</b> (11/23, Wednesday) Range: -1.5 to 1.2 percent Median: 0.1 percent	<b>0.4%</b> <b>(Sept)</b>	Up 1.0% on strength in civilian aircraft orders. Shipments up 0.8%.
<b>Oct New Home Sales</b> (11/23, Wednesday) Range: 0.540 to 0.658 million Median: 0.588 million	<b>0.603M</b> <b>(Sept)</b>	Down to 0.54 million.
<b>Nov U Mich Consumer Sentiment (final)</b> (11/23, Wednesday) Range: 54.7 to 60.0 Median: 58.0	<b>54.7</b> <b>(Nov prelim)</b>	Up to 57.

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

**Kurt Rankin**  
Senior Economist

**Abbey Omodunbi**  
Senior Economist

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

**Oct/Nov 2022**

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p>31</p> <p><b>ISM MFG INDEX</b> Aug 52.8 Sept 50.9 Oct 50.2</p> <p><b>CONSTRUCTION SPENDING</b> July -0.6% Aug -0.7 Sept 0.2</p> <p><b>Autos Light</b> <b>Dom For Truck Total</b> Aug 2.0 0.8 10.4 13.2 Sept 2.1 0.8 10.5 13.5 Oct 2.5 0.9 11.4 14.8</p> <p>Oct Chicago PMI</p>	<p>Nov 1</p> <p><b>11/3</b> <b>TRADE BALANCE(\$B)</b> July -\$70.4 Aug -\$67.4 Sept -\$73.3</p> <p><b>MANUFACTURERS'</b> <b>Ship Inv Orders</b> July -0.9 0.0 -1.0 Aug 0.5 -0.1 0.0 Sept 0.2 0.2 0.3</p> <p>Oct ADP Employment Survey</p>	<p>2</p> <p><b>Nonfarm Business (Q3 Prelim)</b> <b>Productivity &amp; Costs</b> <b>Productivity Unit Labor Costs</b> 3Q'21 -3.9 10.6 4Q'21 6.3 3.9 1Q'22 -7.4 12.7 Q2'22(p) -4.6 10.8 Q2'22(r) -4.1 10.2 Q3'22(p) 0.3 3.5</p> <p><b>ISM NON-MFG INDEX</b> Aug 56.9 Sept 56.7 Oct 54.4</p>	<p>3</p> <p><b>EMPLOYMENT REPORT</b> <b>U.Rate Jobs(000)</b> Aug 3.7% +292 Sept 3.5 +315 Oct 3.7 +261</p>	<p>4</p>
<p>7</p> <p><b>CONSUMER CREDIT(\$B)</b> July \$26.1 Aug \$32.2 Sept \$25.0</p>	<p>8</p>	<p>9</p>	<p>10</p> <p><b>CONSUMER PRICE INDEX</b> <b>Total Core</b> Aug 0.1% 0.6% Sept 0.4 0.6 Oct 0.4 0.3</p>	<p>11</p> <p>Nov U Mich Consumer Sentiment (prelim)</p>
<p>14</p>	<p>15</p> <p><b>PRODUCER PRICE INDEX</b> <b>Total Core</b> Aug -0.2% 0.2% Sept 0.4 0.4 Oct</p>	<p>16</p> <p><b>RETAIL SALES</b> <b>Total Ex-Autos</b> Aug 0.4% -0.1% Sept 0.0 0.1 Oct</p> <p><b>MFG and TRADE</b> <b>Inv Sales</b> July 0.5% -1.0% Aug 0.8 0.3 Sept</p> <p><b>IND PROD CAP UTIL</b> Aug -0.1% 80.1% Sept 0.4 80.3 Oct</p> <p>Oct Import Price Index</p>	<p>17</p> <p><b>HOUSING(000)</b> <b>Starts Permits</b> Aug 1.566 1.542 Sept 1.439 1.564 Oct</p> <p><b>Unemployment Claims (000)</b> <b>July Aug Sept Oct Nov</b> 236 252 218 219 225 244 245 208 226 261 237 209 214 237 228 190 217 248 217</p>	<p>18</p> <p><b>LEADING INDICATORS</b> Aug 0.0% Sept -0.4 Oct</p> <p><b>EXISTING HOME SALES(000)</b> Aug 4.780 Sept 4.710 Oct</p>
<p>21</p>	<p>22</p>	<p>23</p> <p><b>ADV DURABLE GOODS</b> <b>Total Ex-Transp</b> Aug 0.2% 0.0% Sept 0.4 -0.5 Oct</p> <p><b>NEW HOME SALES(000)</b> Aug 677 Sept 603 Oct</p>	<p>24</p> <p><b>Thanksgiving Day (All markets closed)</b></p>	<p>25</p> <p>Nov U Mich Consumer Sentiment (final)</p>