

- **Real GDP growth was unrevised in the second quarter at 2.1% annualized. Growth in the first quarter was revised up to 2.2%, from 2.0%.**
- **Real GDI growth has been running behind real GDP growth in recent quarters.**
- **Data updates show that the Viral Recession was not quite as severe as initially reported, but that the recovery from that recession has been somewhat weaker than initially reported.**
- **PNC expects a mild recession starting in the spring of 2024.**

Real GDP growth in the second quarter of 2023 was 2.1% annualized, according to the third estimate from the Bureau of Economic Analysis. This was unchanged from the second estimate, and down from 2.4% in the advance estimate. From the second estimate to the third estimate, downward revisions to consumer spending and federal government spending were offset by upward revisions to business fixed investment, exports, investment in inventories, and investment in housing.

Real growth in the first quarter of 2023 was revised higher to 2.2%, from 2.0%. Growth on a year-ago basis in the second quarter of 2023 was 2.4%, above the economy's long-run potential of about 1.7%.

Growth in real gross domestic income, an alternative measure of the size of the economy that is based on income going to households and businesses from economic activity, was revised higher in the second quarter to 0.7% annualized, from 0.5% in the second estimate. For the first quarter of 2023, there was a large upward revision to real GDI, from a 1.8% annualized decline to a 0.5% increase. Over the past year real GDI has increased 0.2%, much weaker than growth in real GDP.

This release also includes the comprehensive updates to GDP, based on new source data, with revisions going back decades. Based on the comprehensive update, the contraction in economic activity during the pandemic (2019Q4 to 2020Q2) was slightly smaller than initially reported, a decline of 9.1% peak-to-trough unannualized, compared to 9.6% before the revisions. But the recovery since then is somewhat weaker after the revisions, with annualized growth from the third quarter of 2020 to the first quarter of 2023 of 5.6%, revised lower from 5.8%.

The third quarter estimate of GDP and the historical updates do not change the picture much. As measured by GDP the U.S. economy has expanded strongly over the past year, with an acceleration in growth in the first half of 2023 from 2022. This acceleration has come from pickups in consumer spending, business investment and government spending, as well as a shrinking trade deficit. Housing remains a drag with higher mortgage rates. Growth in real gross domestic income has been noticeably weaker than growth in real GDP in recent quarters, however. It could be that the impact of tighter Federal Reserve monetary policy is showing up in GDI before it is in GDP.

PNC is expecting a mild recession starting in the second quarter of 2024 as the impact of higher interest rates continues to work its way through the economy. The UAW strike and the end of deferments on student loan repayments are also downside risks to the outlook. The recession should be mild, however, thanks to strong consumer balance sheets and a tight labor market that will deter layoffs. And there is still a 40% probability that the U.S. economy can avoid a recession next year, albeit with weaker growth and a modest increase in the unemployment rate.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
<b>Fed Funds Rate Target Range Mid-Point</b> (after the FOMC meeting on 11/1/23)	5.38-5.63%	5.38%	5.38%	FOMC holds target funds rate at 5.25-5.50% until summer 2024 when rate cuts begin.
<b>Sept ADP Employment Survey (10/3, Tuesday)</b>	120-210K	158K	177K (Aug)	Up 185K.
<b>Aug Factory Orders (10/4, Wednesday)</b>	0.0-1.3%	0.2%	-2.1% (July)	Up 0.2%.
<b>Sept ISM-NMI (10/4, Wednesday)</b>	53.0-54.5	53.5	54.5 (Aug)	Down to 53.2.
<b>Aug Trade Balance (10/5, Thursday)</b>	-\$66.2 to -\$55.7	-\$61.9	-\$65.0B (July)	A narrowing to -\$60 billion.
<b>Initial Claims, Wk of 9/30/23 (10/5, Thursday)</b>	209-225K	210K	204K (9/23/23)	Up to 212K.
<b>Sept Nonfarm Payrolls (10/6, Friday)</b>	140-250K	165K	187K (Aug)	Up 225K.
<b>Sept Private Nonfarm Payrolls (10/6, Friday)</b>	120-200K	150K	179K (Aug)	Up 190K.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
<b>Sept Manufacturing Payrolls (10/6, Friday)</b>	2-10K	5K	16K (Aug)	Up 2K.
<b>Sept Unemployment Rate (10/6, Friday)</b>	3.6-3.9%	3.7%	3.8% (Aug)	Down to 3.7%.
<b>Sept Average Hourly Earnings (10/6, Friday)</b>	0.2-0.5%	0.3%	0.2% (Aug)	Up 0.3% and the Y/Y rise edges down to 4.2%.
<b>Sept Hours Worked (10/6, Friday)</b>	34.3-34.4hrs	34.4hrs	34.4hrs (Aug)	Unchanged at 34.4 hours.
<b>Aug Consumer Credit (10/6, Friday)</b>	\$10.0-\$15.0B	\$12.0B	\$10.4B (July)	Up \$14 billion.
<b>Sept PPI (10/11, Wednesday)</b>	0.2-0.4%	0.3%	0.7% (Aug)	Up 0.2%.
<b>Sept PPI (ex-food &amp; energy) (10/11, Wednesday)</b>	0.0-0.3%	0.2%	0.2% (Aug)	Up 0.2%.
<b>Sept CPI (10/12, Thursday)</b>	0.2-0.5%	0.3%	0.6% (Aug)	Up 0.3% with gasoline prices up 2.2%.
<b>Sept CPI (ex-food &amp; energy) (10/12, Thursday)</b>	0.2-0.4%	0.3%	0.3% (Aug)	Up 0.2%

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Sept Export Price Index (10/13, Friday)	0.5-1.8%	0.7%	1.3% (Aug)	Up 1.0%.
Sept Import Price Index (10/13, Friday)	0.5-0.8%	0.7%	0.5% (Aug)	Up 0.6%.
Oct U. Mich. Consumer Sentiment (prelim) (10/13, Friday)	66.0-69.5	68.0	68.1 (Sept. final)	Down to 67.

## Monthly Calendar of Economic Data: October 2023

### Oct 2

ISM Manufacturing Index	
July	46.4
Aug	47.6
Sept	49.0

Construction Spending	
June	0.6
July	0.7
Aug	0.5

### Oct 3

	Autos		Light	
	Dom	For	Truck	Total
July	2.3	0.8	12.7	15.8
Aug	2.2	0.9	12.0	15.1
Sept				

Sept ADP Employment Survey

### Oct 4

Manufacturers'			
	Ship	Inv	Orders
June	0.2	-0.2	2.3
July	0.5	0.1	-2.1
Aug			

ISM Non-Mfg Index	
July	52.7
Aug	54.5
Sept	

### Oct 5

Trade Balance (\$B)	
June	-\$63.7
July	-\$65.0
Aug	

Unemployment Claims (000)				
May	June	July	Aug	Sept
231	262	249	250	217
225	264	237	240	221
230	265	228	232	202
233	236	221	229	204
		227		204

### Oct 6

	U. Rate	Jobs (000)
July	3.5	+157
Aug	3.8	+187
Sept		

Consumer Credit (\$B)	
June	\$14.0
July	\$10.4
Aug	

## Monthly Calendar of Economic Data: October 2023

### Oct 11

Producer Price Index		
	Total	Core
July	0.4	0.3
Aug	0.7	0.3
Sept		

### Oct 12

Consumer Price Index		
	Total	Core
July	0.2	0.2
Aug	0.6	0.3
Sept		

### Oct 13

Sept Import Price Index  
Oct U. Mich. Consumer Sentiment (prelim)

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