

June 6, 2017

# MARKET EXPECTATIONS SURVEY

**Gus Faucher**  
Chief Economist

**Stuart Hoffman**  
Senior Economic Advisor

**William Adams**  
Senior Economist

**Kurt Rankin**  
Economist

**Mekael Teshome**  
Economist

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

The May jobs report was disappointing. The US economy added just 138,000 jobs in May, compared to the consensus expectation of 185,000. The private sector added 147,000 jobs in May, while government jobs fell by 9,000. There were also big downward revisions to job growth in April (to 174,000 from 211,000) and March (to 50,000 from 79,000), for a total net downward revision of 66,000. Job growth has averaged 121,000 over the past three months, a noticeable slowing from the pace of 187,000 per month for all of last year.

The unemployment rate fell to 4.3 percent in May, down from 4.4 percent in April; the last time the unemployment rate was this low was March 2001. However, the decline in the unemployment rate was not all good news. The number of people who reported having jobs in the household survey fell by 233,000, while the number of people in the labor force dropped by 429,000. The labor force participation rate dipped 0.2 percentage point to 62.7 percent; it remains well below its pre-recession level and has moved in the wrong direction over the past few months. The number of unemployed fell by 195,000 in May. The broader U-6 unemployment rate (unemployed, underemployed and too discouraged to look for a job) fell to 8.4 percent in May from 8.6 percent in April and 9.4 percent in January, and is at its lowest since late 2007.

Job growth was mixed across industries in May. Mining and logging employment rose by 6,000 in May, the seventh straight monthly increase, but it is still down by almost a quarter from its peak in the fall of 2014. Construction job growth was 11,000 in May. Manufacturing jobs fell by 1,000 in May, after five straight monthly increases. Private service-providing industries added 131,000 jobs in May. Local government jobs fell by 9,000 and state government jobs by 8,000 in May, while federal government employment was up by 8,000.

Wage growth was also disappointing. Average hourly earnings rose 0.2 percent in May. Wage growth in April was revised lower to 0.2 percent from 0.3 percent. Average hourly earnings were up 2.5 percent in May from one year earlier, which is soft given that the expansion is now 8 years old and the unemployment rate has been below 5 percent for a year. The average workweek was unchanged at 34.4 hours. With 138,000 new payroll workers and a flat average workweek, total hours worked rose 0.1 percent in May and aggregate weekly earnings were up 0.2 percent. The May CPI fell by 0.1 percent (to be reported on June 14), so workers' real income was up 0.3 percent

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Fed Funds Rate Target Range Mid-Point</b> <i>(after the FOMC meeting on 6/14/2017)</i> Range: 0.875-1.125 percent Median: 1.125 percent	<b>0.88%</b>	A hike to a 1.00-1.25 percent target range. After increasing the range for the federal funds rate by a quarter of a percentage point on March 15, the Federal Open Market Committee kept the rate in its current 0.75 to 1.00 percent range at their meeting in early May. We expect the FOMC's updated projections will indicate a close split between one and two more rate hikes this year. PNC expects one additional rate hike this year in December. It appears the Fed could start to shrink its \$4.5 trillion balance sheet late this year as a complement to gradual additional Fed funds rate hikes in 2018.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Apr Consumer Credit</b> (6/7, Wednesday) Range: \$14.0 to \$20.0 billion Median: \$15.8 billion	<b>\$16.4B</b> <b>(Mar)</b>	<u>Up</u> \$18 billion.
<b>May PPI</b> (6/13, Tuesday) Range: -0.2 to 0.4 percent Median: 0.1 percent	<b>0.5%</b> <b>(Apr)</b>	<u>Unchanged.</u> A decline in gasoline prices will hold down the headline PPI.
<b>May PPI (ex-food &amp; energy)</b> (6/13, Tuesday) Range: -0.2 to 0.2 percent Median: 0.2 percent	<b>0.7%</b> <b>(Apr)</b>	<u>Up</u> 0.2 percent.
<b>May CPI</b> (6/13, Tuesday) Range: -0.1 to 0.2 percent Median: 0.1 percent	<b>0.2%</b> <b>(Apr)</b>	<u>Down</u> 0.1 percent. A nearly 7 percent decline in gasoline prices will more than offset price increase in services and non-energy goods.
<b>May CPI (ex-food &amp; energy)</b> (6/13, Tuesday) Range: 0.1 to 0.2 percent Median: 0.2 percent	<b>0.1%</b> <b>(Apr)</b>	<u>Up</u> 0.2 percent. Back to the underlying trend after soft readings in March and April due mostly to lower mobile services, apparel and used car prices.
<b>May Retail Sales</b> (6/14, Wednesday) Range: -0.1 to 0.3 percent Median: 0.2 percent	<b>0.4%</b> <b>(Apr)</b>	<u>Up</u> 0.1 percent. Lower vehicle sales and gasoline station sales holds down the headline sales increase.
<b>May Retail Sales (ex-auto)</b> (6/14, Wednesday) Range: 0.0 to 0.4 percent Median: 0.2 percent	<b>0.3%</b> <b>(Apr)</b>	<u>Up</u> 0.2 percent. Control sales (total less vehicle, building materials, gasoline, and restaurant sales) will be <u>up</u> a solid 0.4 percent.
<b>Apr Business Inventories</b> (6/14, Wednesday) Range: -0.1 to 0.3 percent Median: 0.3 percent	<b>0.2%</b> <b>(Mar)</b>	<u>Down</u> 0.1 percent. Sales <u>up</u> 0.1 percent. Businesses continue to shed excessive inventories
<b>May Export Price Index</b> (6/15, Thursday) Range: 0.0 to 0.5 percent Median: 0.2 percent	<b>0.2%</b> <b>(Apr)</b>	<u>Up</u> 0.2 percent.
<b>May Import Price Index</b> (6/15, Thursday) Range: -0.1 to 0.5 percent Median: 0.1 percent	<b>0.5%</b> <b>(Apr)</b>	<u>Down</u> 0.1 percent, pulled down by falling crude oil prices.
<b>May Industrial Production</b> (6/15, Thursday) Range: -0.2 to 0.2 percent Median: 0.2 percent	<b>1.0%</b> <b>(Apr)</b>	<u>Unchanged.</u> Manufacturing production (which is 83 percent of the total) <u>fell</u> by 0.1 percent, pulled down by a decline in vehicle production.

<b>ACTION ECONOMICS SURVEY</b>	<b>LAST ACTUAL</b>	<b>PNC FINANCIAL SERVICES GROUP COMMENT</b>
<b>May Capacity Utilization</b> (6/15, Thursday) Range: 76.5 to 76.8 percent Median: 76.7 percent	<b>76.7%</b> <b>(Apr)</b>	<u>Down</u> to 76.6 percent.
<b>May Housing Starts</b> (6/16, Friday) Range: 1.157 to 1.240 million Median: 1.210 million	<b>1.172</b> <b>(Apr)</b>	<u>Up</u> 5.0 percent to 1.24 million. Building permits <u>up</u> 1.0 percent to 1.25 million.
<b>June U. Mich. Consumer Sentiment (prelim)</b> (6/16, Friday) Range: 96.5 to 98.0 Median: 97.5	<b>97.1</b> <b>(May)</b>	Down to 96.5. Consumer confidence ebbs with inaction in D.C. on tax and healthcare legislation.

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. © 2016 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

Mekael Teshome  
Economist

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

June 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																																					
<p><b>5</b></p> <p><b>MANUFACTURERS'</b></p> <table border="1"> <thead> <tr> <th></th> <th>Ship</th> <th>Inv</th> <th>Orders</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>0.3%</td> <td>0.2%</td> <td>0.8%</td> </tr> <tr> <td>Mar</td> <td>-0.2</td> <td>0.2</td> <td>1.0</td> </tr> <tr> <td>Apr</td> <td>0.0</td> <td>0.1</td> <td>-0.2</td> </tr> </tbody> </table> <p><b>ISM NON-MFG INDEX</b></p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>55.2</td> </tr> <tr> <td>Apr</td> <td>57.5</td> </tr> <tr> <td>May</td> <td>56.9</td> </tr> </tbody> </table> <p><b>Nonfarm Business (Q1 Revised)</b></p> <p><b>Productivity &amp; Costs</b></p> <table border="1"> <thead> <tr> <th></th> <th>Productivity</th> <th>Unit Labor Costs</th> </tr> </thead> <tbody> <tr> <td>1Q'16</td> <td>-0.7%</td> <td>-0.3%</td> </tr> <tr> <td>2Q'16</td> <td>-0.1</td> <td>6.2</td> </tr> <tr> <td>3Q'16</td> <td>3.3</td> <td>0.7</td> </tr> <tr> <td>4Q'16</td> <td>1.8</td> <td>-4.6</td> </tr> <tr> <td>1Q'17</td> <td>-0.6</td> <td>3.0</td> </tr> <tr> <td>1Q'17 (f)</td> <td>0.0</td> <td>2.2</td> </tr> </tbody> </table>		Ship	Inv	Orders	Feb	0.3%	0.2%	0.8%	Mar	-0.2	0.2	1.0	Apr	0.0	0.1	-0.2	Mar	55.2	Apr	57.5	May	56.9		Productivity	Unit Labor Costs	1Q'16	-0.7%	-0.3%	2Q'16	-0.1	6.2	3Q'16	3.3	0.7	4Q'16	1.8	-4.6	1Q'17	-0.6	3.0	1Q'17 (f)	0.0	2.2	<p><b>6</b></p>	<p><b>7</b></p> <p><b>CONSUMER CREDIT(\$B)</b></p> <table border="1"> <tbody> <tr> <td>Feb</td> <td>+13.7</td> </tr> <tr> <td>Mar</td> <td>+16.4</td> </tr> <tr> <td>Apr</td> <td></td> </tr> </tbody> </table>	Feb	+13.7	Mar	+16.4	Apr		<p><b>8</b></p>	<p><b>9</b></p>																																																				
	Ship	Inv	Orders																																																																																																						
Feb	0.3%	0.2%	0.8%																																																																																																						
Mar	-0.2	0.2	1.0																																																																																																						
Apr	0.0	0.1	-0.2																																																																																																						
Mar	55.2																																																																																																								
Apr	57.5																																																																																																								
May	56.9																																																																																																								
	Productivity	Unit Labor Costs																																																																																																							
1Q'16	-0.7%	-0.3%																																																																																																							
2Q'16	-0.1	6.2																																																																																																							
3Q'16	3.3	0.7																																																																																																							
4Q'16	1.8	-4.6																																																																																																							
1Q'17	-0.6	3.0																																																																																																							
1Q'17 (f)	0.0	2.2																																																																																																							
Feb	+13.7																																																																																																								
Mar	+16.4																																																																																																								
Apr																																																																																																									
<p><b>12</b></p> <p><b>Federal Budget (May)</b></p>	<p><b>13</b></p> <p><b>CONSUMER PRICE INDEX</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>-0.3%</td> <td>-0.1%</td> </tr> <tr> <td>Apr</td> <td>0.2</td> <td>0.1</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>PRODUCER PRICE INDEX</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Core</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>-0.1%</td> <td>0.1%</td> </tr> <tr> <td>Apr</td> <td>0.5</td> <td>0.7</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table>		Total	Core	Mar	-0.3%	-0.1%	Apr	0.2	0.1	May				Total	Core	Mar	-0.1%	0.1%	Apr	0.5	0.7	May			<p><b>14</b></p> <p><b>RETAIL SALES</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Autos</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>0.1%</td> <td>0.3%</td> </tr> <tr> <td>Apr</td> <td>0.4</td> <td>0.3</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>MFG and TRADE</b></p> <table border="1"> <thead> <tr> <th></th> <th>Inv</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>0.2%</td> <td>0.2%</td> </tr> <tr> <td>Mar</td> <td>0.2</td> <td>0.0</td> </tr> <tr> <td>Apr</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>FOMC Statement 2pm</b></p>		Total	Ex-Autos	Mar	0.1%	0.3%	Apr	0.4	0.3	May				Inv	Sales	Feb	0.2%	0.2%	Mar	0.2	0.0	Apr			<p><b>15</b></p> <p><b>IND PROD CAP UTIL</b></p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>0.4%</td> <td>76.1%</td> </tr> <tr> <td>Apr</td> <td>1.0</td> <td>76.7</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Import Prices (June)</b></p> <p><b>Philadelphia Fed Survey (June)</b></p>	Mar	0.4%	76.1%	Apr	1.0	76.7	May			<p><b>16</b></p> <p><b>HOUSING(000)</b></p> <table border="1"> <thead> <tr> <th></th> <th>Starts</th> <th>Permits</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>1,203</td> <td>1,260</td> </tr> <tr> <td>Apr</td> <td>1,172</td> <td>1,229</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>U of M June Consumer Sentiment (Prelim)</b></p>		Starts	Permits	Mar	1,203	1,260	Apr	1,172	1,229	May																																		
	Total	Core																																																																																																							
Mar	-0.3%	-0.1%																																																																																																							
Apr	0.2	0.1																																																																																																							
May																																																																																																									
	Total	Core																																																																																																							
Mar	-0.1%	0.1%																																																																																																							
Apr	0.5	0.7																																																																																																							
May																																																																																																									
	Total	Ex-Autos																																																																																																							
Mar	0.1%	0.3%																																																																																																							
Apr	0.4	0.3																																																																																																							
May																																																																																																									
	Inv	Sales																																																																																																							
Feb	0.2%	0.2%																																																																																																							
Mar	0.2	0.0																																																																																																							
Apr																																																																																																									
Mar	0.4%	76.1%																																																																																																							
Apr	1.0	76.7																																																																																																							
May																																																																																																									
	Starts	Permits																																																																																																							
Mar	1,203	1,260																																																																																																							
Apr	1,172	1,229																																																																																																							
May																																																																																																									
<p><b>19</b></p>	<p><b>20</b></p> <p><b>CURRENT ACCOUNT</b></p> <table border="1"> <tbody> <tr> <td>Q1'2016</td> <td>-\$133.1</td> </tr> <tr> <td>Q2'2016</td> <td>-\$119.7</td> </tr> <tr> <td>Q3'2016</td> <td>-\$116.0</td> </tr> <tr> <td>Q4'2016</td> <td>-\$112.4</td> </tr> <tr> <td>Q1'2017</td> <td></td> </tr> </tbody> </table>	Q1'2016	-\$133.1	Q2'2016	-\$119.7	Q3'2016	-\$116.0	Q4'2016	-\$112.4	Q1'2017		<p><b>21</b></p> <p><b>EXISTING HOME SALES(000)</b></p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>5,700</td> </tr> <tr> <td>Apr</td> <td>5,570</td> </tr> <tr> <td>May</td> <td></td> </tr> </tbody> </table>	Mar	5,700	Apr	5,570	May		<p><b>22</b></p> <p><b>LEADING INDICATORS</b></p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>0.3%</td> </tr> <tr> <td>Apr</td> <td>0.3</td> </tr> <tr> <td>May</td> <td></td> </tr> </tbody> </table>	Mar	0.3%	Apr	0.3	May		<p><b>23</b></p> <p><b>NEW HOME SALES(000)</b></p> <table border="1"> <tbody> <tr> <td>Mar</td> <td>642</td> </tr> <tr> <td>Apr</td> <td>569</td> </tr> <tr> <td>May</td> <td></td> </tr> </tbody> </table>	Mar	642	Apr	569	May																																																																										
Q1'2016	-\$133.1																																																																																																								
Q2'2016	-\$119.7																																																																																																								
Q3'2016	-\$116.0																																																																																																								
Q4'2016	-\$112.4																																																																																																								
Q1'2017																																																																																																									
Mar	5,700																																																																																																								
Apr	5,570																																																																																																								
May																																																																																																									
Mar	0.3%																																																																																																								
Apr	0.3																																																																																																								
May																																																																																																									
Mar	642																																																																																																								
Apr	569																																																																																																								
May																																																																																																									
<p><b>26</b></p> <p><b>ADV DURABLE GOODS</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Ex-Transp</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>2.3%</td> <td>0.8%</td> </tr> <tr> <td>Apr</td> <td>-0.7</td> <td>-0.4</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table>		Total	Ex-Transp	Mar	2.3%	0.8%	Apr	-0.7	-0.4	May			<p><b>27</b></p> <p><b>CASE-SHILLER HPI</b></p> <p><b>20-City Composite(SA)</b></p> <table border="1"> <thead> <tr> <th></th> <th>M/M</th> <th>Y/Y</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>0.7</td> <td>5.9</td> </tr> <tr> <td>Mar</td> <td>0.9</td> <td>5.9</td> </tr> <tr> <td>Apr</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>CB CONSUMER CONFIDENCE</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Current</th> <th>Expect</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>119.4</td> <td>140.3</td> <td>105.4</td> </tr> <tr> <td>May</td> <td>117.9</td> <td>140.7</td> <td>102.6</td> </tr> <tr> <td>June</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		M/M	Y/Y	Feb	0.7	5.9	Mar	0.9	5.9	Apr				Total	Current	Expect	Apr	119.4	140.3	105.4	May	117.9	140.7	102.6	June				<p><b>28</b></p> <p><b>UNEMPLOYMENT CLAIMS(000)</b></p> <table border="1"> <thead> <tr> <th></th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>June</th> </tr> </thead> <tbody> <tr> <td>252</td> <td>235</td> <td>236</td> <td></td> <td></td> </tr> <tr> <td>246</td> <td>234</td> <td>233</td> <td></td> <td></td> </tr> <tr> <td>261</td> <td>243</td> <td>235</td> <td></td> <td></td> </tr> <tr> <td>259</td> <td>257</td> <td>248</td> <td></td> <td></td> </tr> <tr> <td></td> <td>238</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Mar	Apr	May	June	252	235	236			246	234	233			261	243	235			259	257	248				238				<p><b>29</b></p> <p><b>PERSONAL</b></p> <table border="1"> <thead> <tr> <th></th> <th>Income</th> <th>Spending</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>0.2%</td> <td>0.0%</td> </tr> <tr> <td>Apr</td> <td>0.4</td> <td>0.4</td> </tr> <tr> <td>May</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Autos Light</b></p> <table border="1"> <thead> <tr> <th></th> <th>Dom</th> <th>For</th> <th>Truck</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Apr</td> <td>4.0</td> <td>2.0</td> <td>10.5</td> <td>16.9</td> </tr> <tr> <td>May</td> <td>4.2</td> <td>2.0</td> <td>10.5</td> <td>16.7</td> </tr> <tr> <td>June</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Chicago PMI (June)</b></p> <p><b>U of M June Consumer Sentiment (Final)</b></p>		Income	Spending	Mar	0.2%	0.0%	Apr	0.4	0.4	May				Dom	For	Truck	Total	Apr	4.0	2.0	10.5	16.9	May	4.2	2.0	10.5	16.7	June				
	Total	Ex-Transp																																																																																																							
Mar	2.3%	0.8%																																																																																																							
Apr	-0.7	-0.4																																																																																																							
May																																																																																																									
	M/M	Y/Y																																																																																																							
Feb	0.7	5.9																																																																																																							
Mar	0.9	5.9																																																																																																							
Apr																																																																																																									
	Total	Current	Expect																																																																																																						
Apr	119.4	140.3	105.4																																																																																																						
May	117.9	140.7	102.6																																																																																																						
June																																																																																																									
	Mar	Apr	May	June																																																																																																					
252	235	236																																																																																																							
246	234	233																																																																																																							
261	243	235																																																																																																							
259	257	248																																																																																																							
	238																																																																																																								
	Income	Spending																																																																																																							
Mar	0.2%	0.0%																																																																																																							
Apr	0.4	0.4																																																																																																							
May																																																																																																									
	Dom	For	Truck	Total																																																																																																					
Apr	4.0	2.0	10.5	16.9																																																																																																					
May	4.2	2.0	10.5	16.7																																																																																																					
June																																																																																																									