

September 5, 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 August jobs report was a bit disappointing. Job growth over the month was 156,000, below the consensus expectation of 185,000 and slightly below PNC's forecast of 160,000. There was also a combined downward revision to job growth in June and July of 41,000. The unemployment rate ticked up slightly to 4.4 percent from 4.3 percent in July, as jobs in the household survey (different from the survey of employers) fell by 74,000, while the labor force expanded by 77,000.

Average hourly earnings rose a 0.1 percent in August, and were up 2.5 percent from one year earlier. The average workweek fell by one-tenth of an hour to 34.4 hours in August from July.

Although job growth was somewhat softer in August, and there were downward revisions to job growth in both June and July, the labor market remains in good shape. The economy has added 185,000 jobs per month on average over the past three months. This is about double the pace needed to keep up with underlying growth in the labor force, and thus job market slack continues to diminish. The unemployment rate rose over the month but the change was minimal, and it should move slightly lower over the rest of 2017 and into 2018.

The one ongoing problem remains persistently soft wage growth. Average hourly earnings were up just 0.1 percent in August, the smallest gain since March. On a year-over-year basis wage growth was 2.5 percent, stuck where it has been for most of 2017. Given the low unemployment rate and persistent complaints from firms about difficulty in finding workers, wage growth should be stronger. Wage growth is likely to pick up as the job market continues to tighten.

This report does not include impact from Hurricane Harvey; the survey was taken a couple of weeks ago, before the storm hit. Job growth will weaken substantially in the wake of Harvey, and jobs in September could fall over the month. But job growth will quickly pick back up as workers temporarily laid off in the immediate aftermath of the storm are rehired and reconstruction efforts begin.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point <i>(after the FOMC meeting on 9/20/17)</i> Range: 1.00 to 1.25 percent Median: 1.125 percent	0.88%	The FOMC gave a clear signal that they intend to start to normalize (shrink) the Fed's balance sheet "relatively soon," which means at their September 19-20 meeting. No funds rate hike until their December meeting, assuming inflation awakens from its spring slumber in autumn months, as we expect.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
July Trade Balance (9/6, Wednesday) Range: -\$44.9 to -\$43.9 billion Median: -\$44.6 billion	-\$43.6B (June)	A <u>widening</u> to -\$45 billion.
Aug ISM-NMI (9/6, Wednesday) Range: 54.0 to 56.5 percent Median: 55.4 percent	53.9% (July)	<u>Up</u> to 56.5.
Q2 Nonfarm Productivity (Revised) (9/7, Thursday) Range: 0.9 to 1.7 percent Median: 1.2 percent	0.9% (Q2 prelim)	Revised <u>up</u> to 1.3 percent.
Q2 Unit Labor Costs (Revised) (9/7, Thursday) Range: -0.1 to 0.6 percent Median: 0.4 percent	0.6% (Q2 prelim)	Revised <u>down</u> to 0.4 percent.
July Consumer Credit (9/8, Friday) Range: \$14.0 to \$17.4 billion Median: \$15.0 billion	\$12.4B (June)	<u>Up</u> \$15 billion.
Aug PPI (9/13, Wednesday) Range: 0.2 to 0.4 percent Median: 0.2 percent	-0.1% (July)	<u>Up</u> 0.4 percent with higher gasoline prices even before Hurricane Harvey caused wholesale and retail gasoline prices to spike in its aftermath.
Aug PPI (ex-food & energy) (9/13, Wednesday) Range: -0.1 to 0.2 percent Median: 0.1 percent	-0.1% (July)	<u>Up</u> 0.2 percent.
Aug CPI (9/14, Thursday) Range: 0.2 to 0.3 percent Median: 0.3 percent	0.1% (July)	<u>Up</u> 0.4 percent. Gasoline prices rose by nearly 6 percent even before Hurricane Harvey caused wholesale and retail gasoline prices to spike in its aftermath. The ongoing September spike in gasoline prices will be close to 10 percent before falling by an equal amount in October and November. Gas prices go up faster than they come down!

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Aug CPI (ex-food & energy) (9/14, Thursday) Range: 0.1 to 0.2 percent Median: 0.2 percent	0.1% (July)	<u>Up</u> 0.2 percent.
Aug Retail Sales (9/15, Friday) Range: 0.3 to 0.4 percent Median: 0.3 percent	0.6% (July)	<u>Down</u> 0.1 percent with vehicle sales down in the Hurricane Harvey impacted regions near the end of the month.
Aug Retail Sales (ex-auto) (9/15, Friday) Range: 0.3 to 0.6 percent Median: 0.4 percent	0.5% (July)	<u>Up</u> 0.4 percent. Control (ex-auto, gasoline, building materials and restaurant sales) <u>rose</u> 0.4 percent reflecting solid back-to-school sales.
Aug Industrial Production (9/15, Friday) Range: -0.6 to 0.4 percent Median: 0.3 percent	0.2% (July)	<u>Up</u> 0.5 percent as vehicle production rebounded from a sharp decline in July.
Aug Capacity Utilization (9/15, Friday) Range: 76.4 to 77.1 percent Median: 76.9 percent	76.7% (July)	<u>Up</u> to 77.0 percent.
July Business Inventories (9/15, Friday) Range: 0.2 to 0.3 percent Median: 0.3 percent	0.5% (June)	<u>Up</u> 0.2 percent. Sales <u>up</u> 0.3 percent.
Sept U. Mich Consumer Sentiment (prelim) (9/15, Friday) Range: 96.5 to 97.0 Median: 97.0	97.6 (Aug)	<u>Down</u> to 95 reflecting Hurricane Harvey and N. Korean concerns.

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

Sept 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																					
<p>4</p> <p>Labor Day Markets Closed</p>	<p>5</p> <p>MANUFACTURERS' Ship Inv Orders</p> <table> <tr> <td>May</td> <td>0.3%</td> <td>-0.2%</td> <td>-0.3%</td> </tr> <tr> <td>June</td> <td>0.1</td> <td>0.3</td> <td>3.2</td> </tr> <tr> <td>July</td> <td>0.3</td> <td>0.2</td> <td>-3.3</td> </tr> </table>	May	0.3%	-0.2%	-0.3%	June	0.1	0.3	3.2	July	0.3	0.2	-3.3	<p>6</p> <p>TRADE BALANCE (\$B)</p> <table> <tr> <td>May</td> <td>-\$46.4</td> </tr> <tr> <td>June</td> <td>-43.6</td> </tr> <tr> <td>July</td> <td></td> </tr> </table> <p>ISM NON-MFG INDEX</p> <table> <tr> <td>June</td> <td>57.4%</td> </tr> <tr> <td>July</td> <td>53.9</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </table> <p>Fed Beige Book</p>	May	-\$46.4	June	-43.6	July		June	57.4%	July	53.9	Aug		<p>7</p> <p>Nonfarm Business (Q2 2nd Estimate) Productivity & Costs</p> <table> <tr> <td></td> <td>Productivity</td> <td>Unit Labor Costs</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>0.0</td> <td>2.2</td> </tr> <tr> <td>2Q'17 (p)</td> <td>0.9</td> <td>0.6</td> </tr> <tr> <td>2Q'17 (2nd)</td> <td></td> <td></td> </tr> </table>		Productivity	Unit Labor Costs	3Q'16	3.3%	0.7%	4Q'16	1.8	-4.6	1Q'17	0.0	2.2	2Q'17 (p)	0.9	0.6	2Q'17 (2 nd)			<p>8</p> <p>CONSUMER CREDIT(\$B)</p> <table> <tr> <td>May</td> <td>+18.3</td> </tr> <tr> <td>June</td> <td>+12.4</td> </tr> <tr> <td>July</td> <td></td> </tr> </table>	May	+18.3	June	+12.4	July																						
May	0.3%	-0.2%	-0.3%																																																																						
June	0.1	0.3	3.2																																																																						
July	0.3	0.2	-3.3																																																																						
May	-\$46.4																																																																								
June	-43.6																																																																								
July																																																																									
June	57.4%																																																																								
July	53.9																																																																								
Aug																																																																									
	Productivity	Unit Labor Costs																																																																							
3Q'16	3.3%	0.7%																																																																							
4Q'16	1.8	-4.6																																																																							
1Q'17	0.0	2.2																																																																							
2Q'17 (p)	0.9	0.6																																																																							
2Q'17 (2 nd)																																																																									
May	+18.3																																																																								
June	+12.4																																																																								
July																																																																									
<p>11</p>	<p>12</p>	<p>13</p> <p>PRODUCER PRICE INDEX</p> <table> <tr> <td></td> <td>Total</td> <td>Core</td> </tr> <tr> <td>June</td> <td>0.1%</td> <td>0.1%</td> </tr> <tr> <td>July</td> <td>-0.1</td> <td>-0.1</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table> <p>Federal Budget (Aug)</p>		Total	Core	June	0.1%	0.1%	July	-0.1	-0.1	Aug			<p>14</p> <p>CONSUMER PRICE INDEX</p> <table> <tr> <td></td> <td>Total</td> <td>Core</td> </tr> <tr> <td>June</td> <td>0.0%</td> <td>0.1%</td> </tr> <tr> <td>July</td> <td>0.1</td> <td>0.1</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table> <p>MFG and TRADE</p> <table> <tr> <td></td> <td>Inv</td> <td>Sales</td> </tr> <tr> <td>May</td> <td>0.3%</td> <td>0.1%</td> </tr> <tr> <td>June</td> <td>0.5</td> <td>0.3</td> </tr> <tr> <td>July</td> <td></td> <td></td> </tr> </table>		Total	Core	June	0.0%	0.1%	July	0.1	0.1	Aug				Inv	Sales	May	0.3%	0.1%	June	0.5	0.3	July			<p>15</p> <p>RETAIL SALES Total Ex-Autos</p> <table> <tr> <td>June</td> <td>0.3%</td> <td>0.1%</td> </tr> <tr> <td>July</td> <td>0.6</td> <td>0.5</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table> <p>IND PROD CAP UTIL</p> <table> <tr> <td>June</td> <td>0.4%</td> <td>76.7%</td> </tr> <tr> <td>July</td> <td>0.2</td> <td>76.7</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table> <p>U of M Sept Consumer Sentiment (Prelim)</p>	June	0.3%	0.1%	July	0.6	0.5	Aug			June	0.4%	76.7%	July	0.2	76.7	Aug																	
	Total	Core																																																																							
June	0.1%	0.1%																																																																							
July	-0.1	-0.1																																																																							
Aug																																																																									
	Total	Core																																																																							
June	0.0%	0.1%																																																																							
July	0.1	0.1																																																																							
Aug																																																																									
	Inv	Sales																																																																							
May	0.3%	0.1%																																																																							
June	0.5	0.3																																																																							
July																																																																									
June	0.3%	0.1%																																																																							
July	0.6	0.5																																																																							
Aug																																																																									
June	0.4%	76.7%																																																																							
July	0.2	76.7																																																																							
Aug																																																																									
<p>18</p> <p>CURRENT ACCOUNT</p> <table> <tr> <td>Q2'2016</td> <td>-\$108.2</td> </tr> <tr> <td>Q3'2016</td> <td>-\$110.3</td> </tr> <tr> <td>Q4'2016</td> <td>-\$114.0</td> </tr> <tr> <td>Q1'2017</td> <td>-\$116.8</td> </tr> <tr> <td>Q2'2017</td> <td></td> </tr> </table> <p>HOUSING(000) Starts Permits</p> <table> <tr> <td>June</td> <td>1,213</td> <td>1,275</td> </tr> <tr> <td>July</td> <td>1,155</td> <td>1,223</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table> <p>Import Prices (Aug)</p>	Q2'2016	-\$108.2	Q3'2016	-\$110.3	Q4'2016	-\$114.0	Q1'2017	-\$116.8	Q2'2017		June	1,213	1,275	July	1,155	1,223	Aug			<p>19</p> <p>EXISTING HOME SALES(000)</p> <table> <tr> <td>June</td> <td>5,510</td> </tr> <tr> <td>July</td> <td>5,440</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </table> <p>FOMC Statement – 2pm</p>	June	5,510	July	5,440	Aug		<p>20</p> <p>LEADING INDICATORS</p> <table> <tr> <td>June</td> <td>0.6%</td> </tr> <tr> <td>July</td> <td>0.3</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </table> <p>Unemployment Claims (000)</p> <table> <tr> <td></td> <td>May</td> <td>June</td> <td>July</td> <td>Aug</td> </tr> <tr> <td>236</td> <td>245</td> <td>250</td> <td>244</td> <td></td> </tr> <tr> <td>233</td> <td>238</td> <td>248</td> <td>232</td> <td></td> </tr> <tr> <td>235</td> <td>242</td> <td>234</td> <td>235</td> <td></td> </tr> <tr> <td>255</td> <td>244</td> <td>245</td> <td>236</td> <td></td> </tr> <tr> <td></td> <td></td> <td>241</td> <td></td> <td></td> </tr> </table>	June	0.6%	July	0.3	Aug			May	June	July	Aug	236	245	250	244		233	238	248	232		235	242	234	235		255	244	245	236				241			<p>21</p>	<p>22</p>								
Q2'2016	-\$108.2																																																																								
Q3'2016	-\$110.3																																																																								
Q4'2016	-\$114.0																																																																								
Q1'2017	-\$116.8																																																																								
Q2'2017																																																																									
June	1,213	1,275																																																																							
July	1,155	1,223																																																																							
Aug																																																																									
June	5,510																																																																								
July	5,440																																																																								
Aug																																																																									
June	0.6%																																																																								
July	0.3																																																																								
Aug																																																																									
	May	June	July	Aug																																																																					
236	245	250	244																																																																						
233	238	248	232																																																																						
235	242	234	235																																																																						
255	244	245	236																																																																						
		241																																																																							
<p>25</p> <p>CASE-SHILLER HPI 20-City Composite(SA)</p> <table> <tr> <td></td> <td>M/M</td> <td>Y/Y</td> </tr> <tr> <td>May</td> <td>0.1%</td> <td>5.7%</td> </tr> <tr> <td>June</td> <td>0.1</td> <td>5.7</td> </tr> <tr> <td>July</td> <td></td> <td></td> </tr> </table> <p>CB CONSUMER CONFIDENCE Total Current Expect</p> <table> <tr> <td>July</td> <td>120.0</td> <td>145.4</td> <td>103.0</td> </tr> <tr> <td>Aug</td> <td>122.9</td> <td>151.2</td> <td>104.0</td> </tr> <tr> <td>Sept</td> <td></td> <td></td> <td></td> </tr> </table> <p>NEW HOME SALES(000)</p> <table> <tr> <td>June</td> <td>630</td> </tr> <tr> <td>July</td> <td>571</td> </tr> <tr> <td>Aug</td> <td></td> </tr> </table>		M/M	Y/Y	May	0.1%	5.7%	June	0.1	5.7	July			July	120.0	145.4	103.0	Aug	122.9	151.2	104.0	Sept				June	630	July	571	Aug		<p>26</p> <p>ADV DURABLE GOODS</p> <table> <tr> <td></td> <td>Total</td> <td>Ex-Transp</td> </tr> <tr> <td>June</td> <td>6.4%</td> <td>0.1%</td> </tr> <tr> <td>July</td> <td>-6.8</td> <td>0.5</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table>		Total	Ex-Transp	June	6.4%	0.1%	July	-6.8	0.5	Aug			<p>27</p> <p>GROSS DOMESTIC PRODUCT 2nd Qtr (3rd estimate)</p> <table> <tr> <td></td> <td>Real GDP</td> <td>Price Index</td> </tr> <tr> <td>4Q'16</td> <td>1.8%</td> <td>2.0%</td> </tr> <tr> <td>1Q'17</td> <td>1.2</td> <td>2.0</td> </tr> <tr> <td>2Q'17(1st)</td> <td>2.6</td> <td>1.0</td> </tr> <tr> <td>2Q'17(2nd)</td> <td>3.0</td> <td>1.0</td> </tr> <tr> <td>2Q'17(3rd)</td> <td></td> <td></td> </tr> </table>		Real GDP	Price Index	4Q'16	1.8%	2.0%	1Q'17	1.2	2.0	2Q'17(1 st)	2.6	1.0	2Q'17(2 nd)	3.0	1.0	2Q'17(3 rd)			<p>28</p> <p>PERSONAL Income Spending</p> <table> <tr> <td>June</td> <td>0.0%</td> <td>0.2%</td> </tr> <tr> <td>July</td> <td>0.4</td> <td>0.3</td> </tr> <tr> <td>Aug</td> <td></td> <td></td> </tr> </table> <p>Chicago PMI (Sept) U of M Sept Consumer Sentiment (Final)</p>	June	0.0%	0.2%	July	0.4	0.3	Aug			<p>29</p>
	M/M	Y/Y																																																																							
May	0.1%	5.7%																																																																							
June	0.1	5.7																																																																							
July																																																																									
July	120.0	145.4	103.0																																																																						
Aug	122.9	151.2	104.0																																																																						
Sept																																																																									
June	630																																																																								
July	571																																																																								
Aug																																																																									
	Total	Ex-Transp																																																																							
June	6.4%	0.1%																																																																							
July	-6.8	0.5																																																																							
Aug																																																																									
	Real GDP	Price Index																																																																							
4Q'16	1.8%	2.0%																																																																							
1Q'17	1.2	2.0																																																																							
2Q'17(1 st)	2.6	1.0																																																																							
2Q'17(2 nd)	3.0	1.0																																																																							
2Q'17(3 rd)																																																																									
June	0.0%	0.2%																																																																							
July	0.4	0.3																																																																							
Aug																																																																									