

# Investment & Economic Principles

Wednesday, February 21, 2024  
2:00 – 3:00 p.m. ET



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### LOU CESTELLO

Head of Regional Markets and  
Regional President Pittsburgh  
And Southwest PA, PNC Bank

## SPEAKERS

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### AMANDA E. AGATI, CFA®

Executive Vice President,  
Chief Investment Officer  
The PNC Financial Services Group



### GUS FAUCHER

Chief Economist  
The PNC Financial Services Group



# Economic Outlook

US Economy Looking Solid Entering 2024

**Augustine Faucher**

Chief Economist

The PNC Financial Services Group

Investment & Economic Principles Webinar  
February 21, 2024

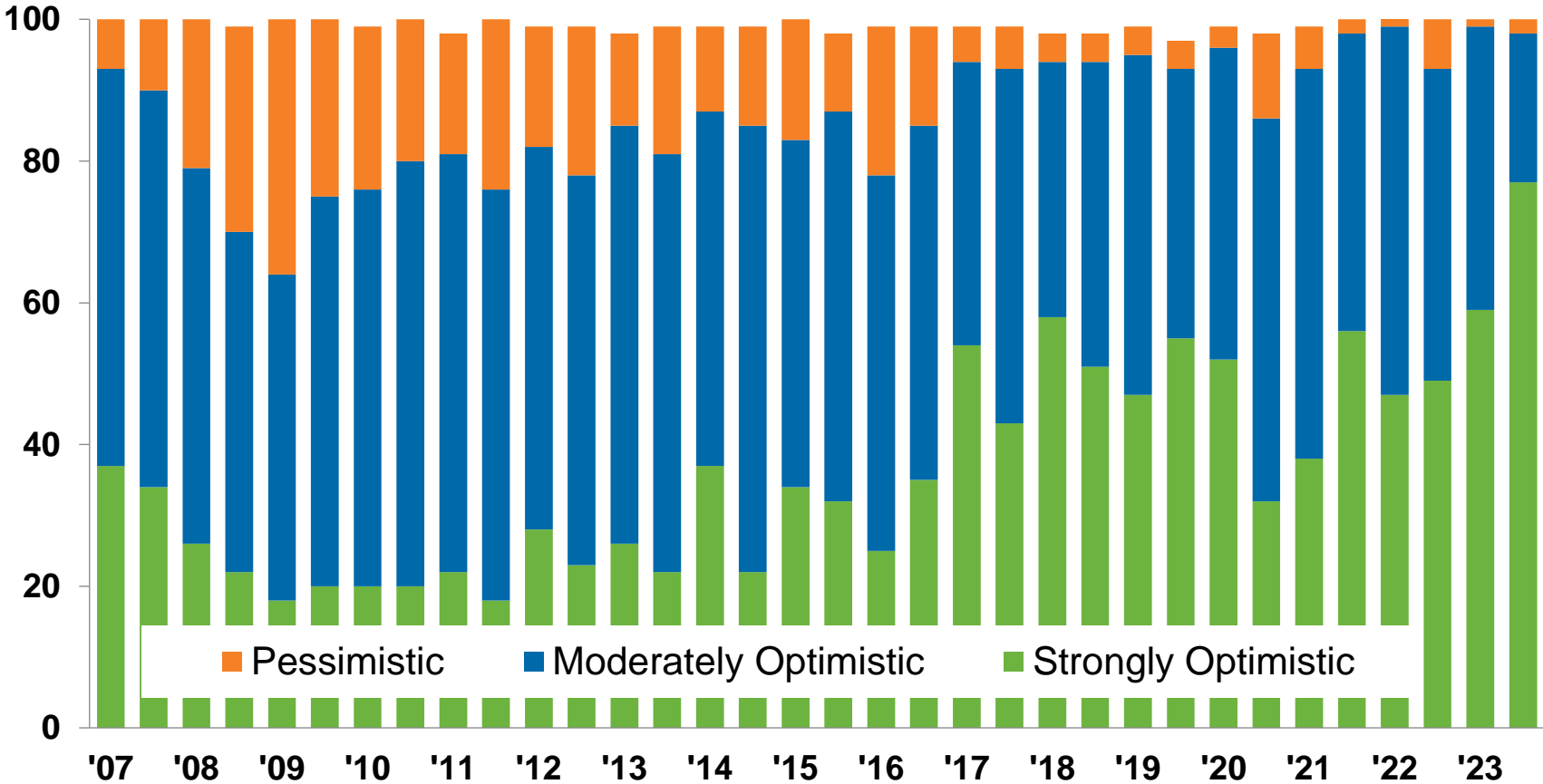


**PNC**

# Best Small Business Optimism in Decades...



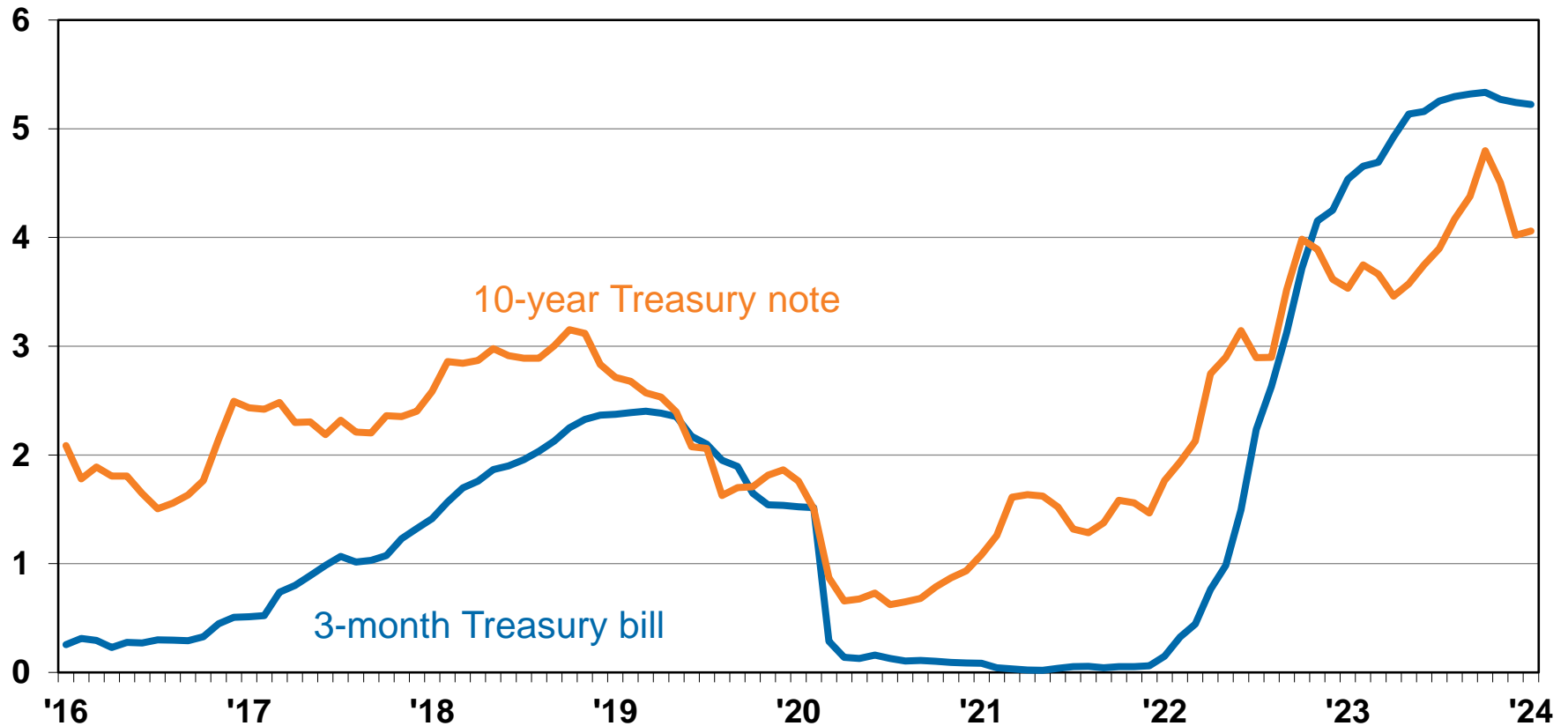
Expectations for own company's prospects, next 6 months, %



Source: PNC

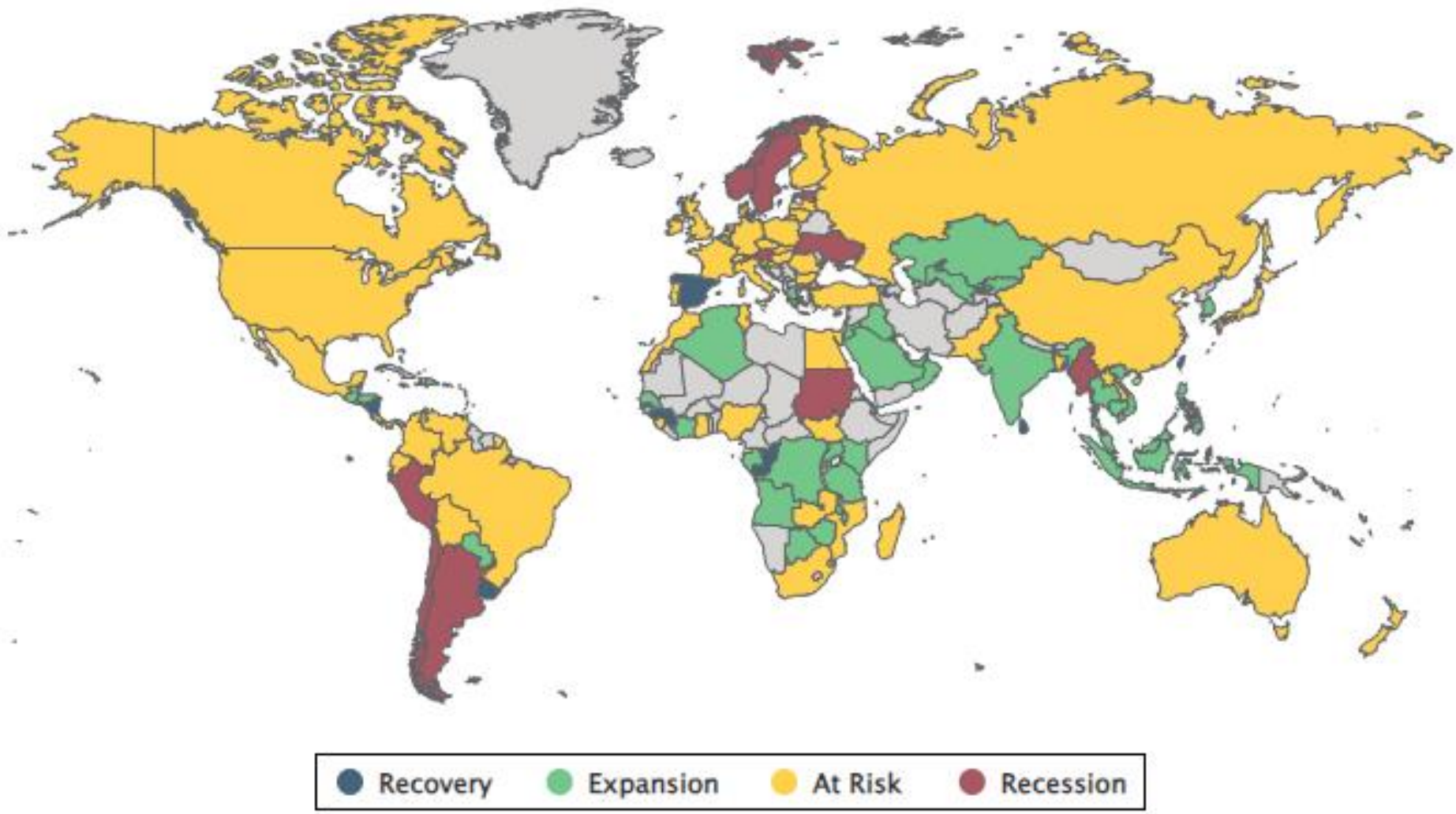
# ...And Interest Rates Appear to Have Peaked

Yield, %



Source: Federal Reserve Board

# The Global Economy Is at Risk

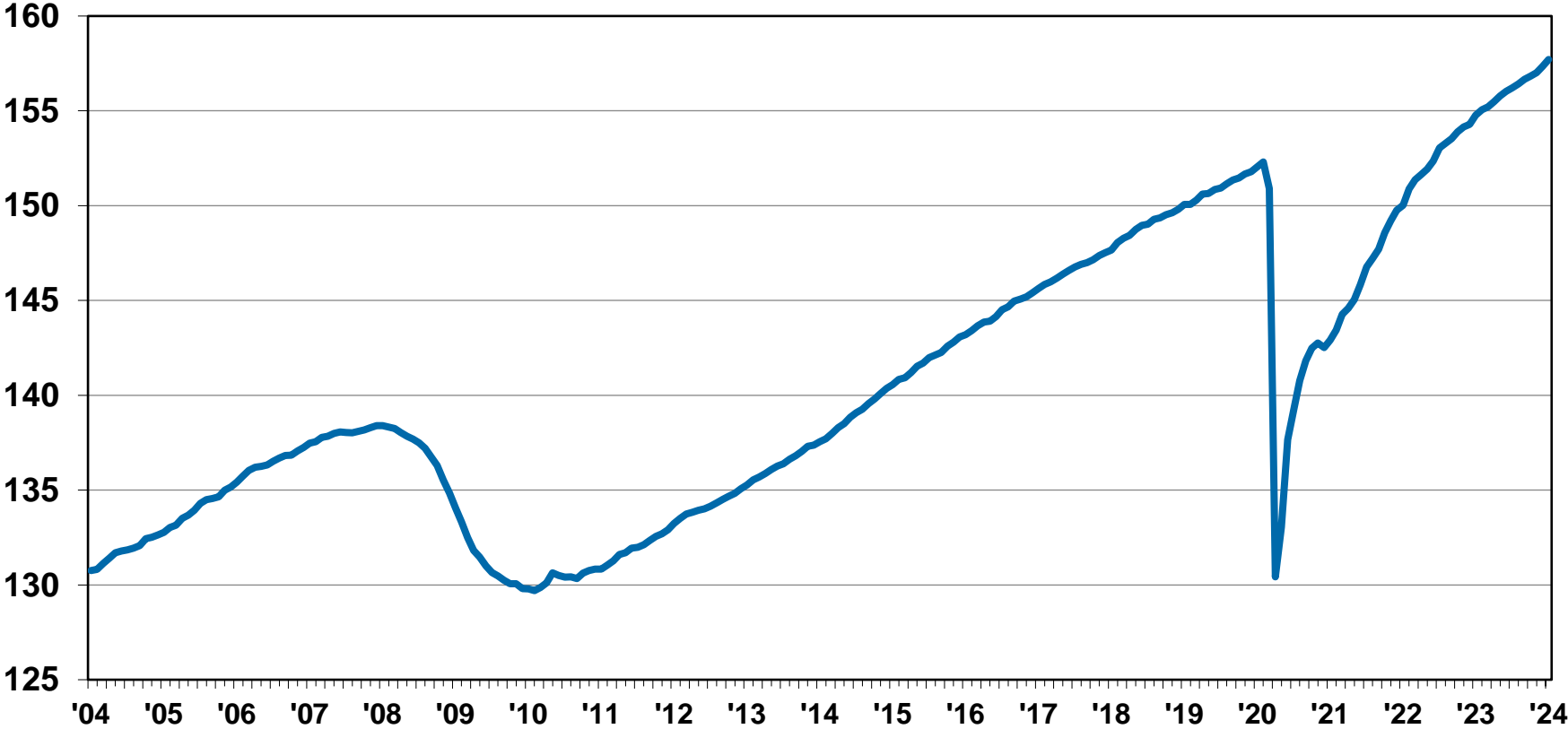


Source: Moody's Analytics

# Employment Has Fully Recovered From the Pandemic



Establishment employment, mil

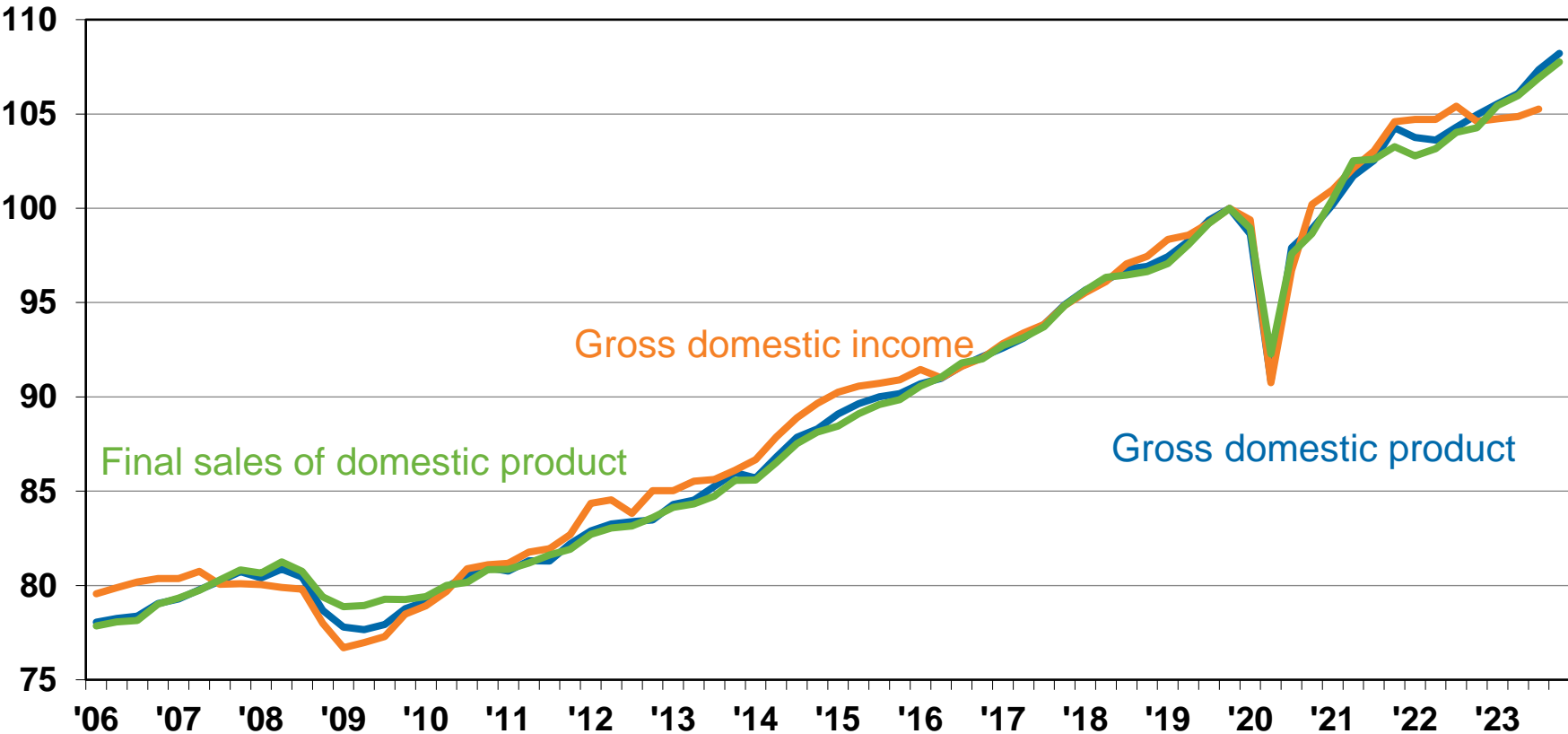


Source: BLS

# Economic Activity Now Above Pre-Pandemic Peak...



Real, index, 2019Q4=100



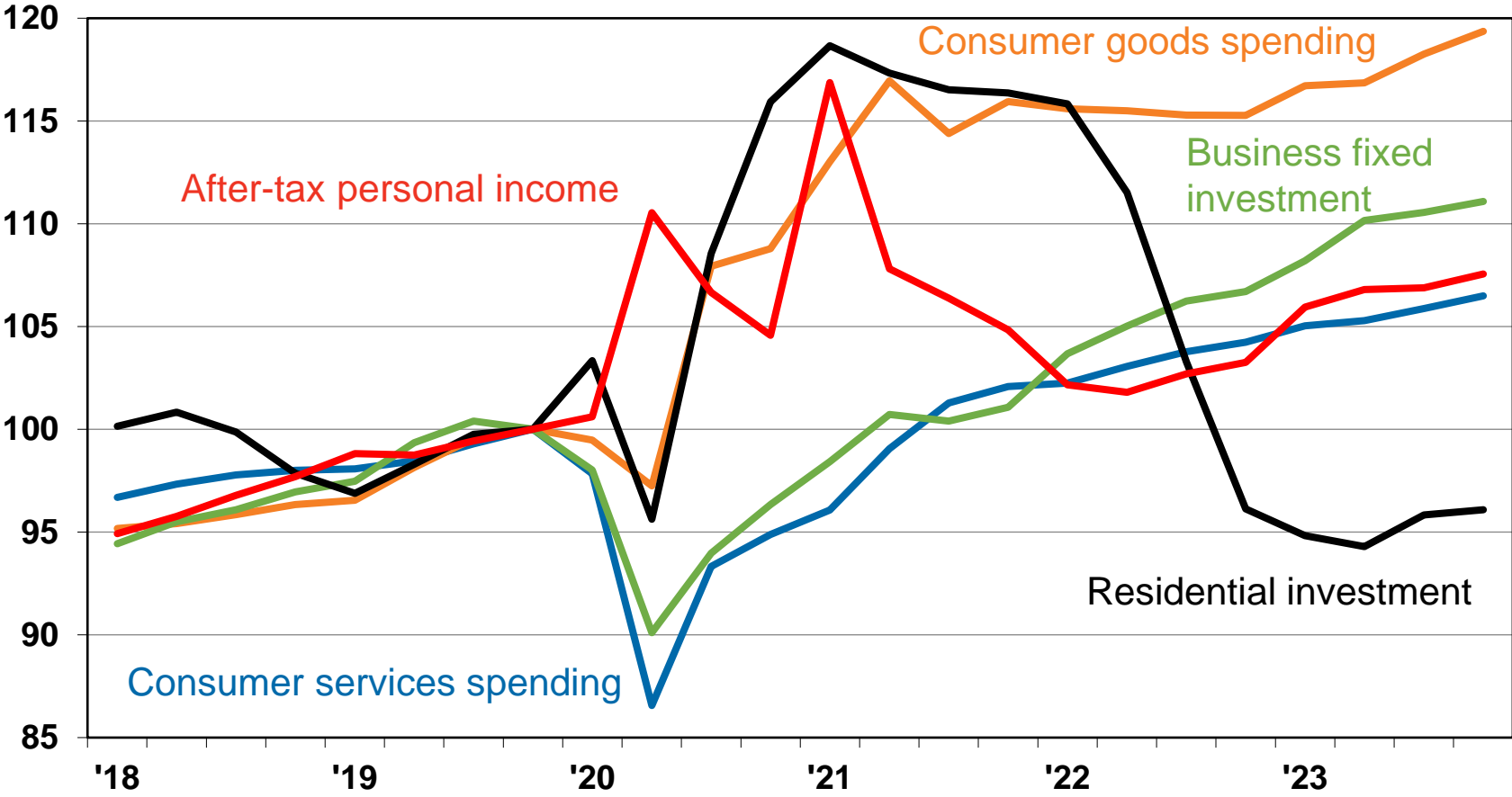
Source: BEA



# ...But That Obscures Big Shifts in Activity



Real, index, 2019Q4=100

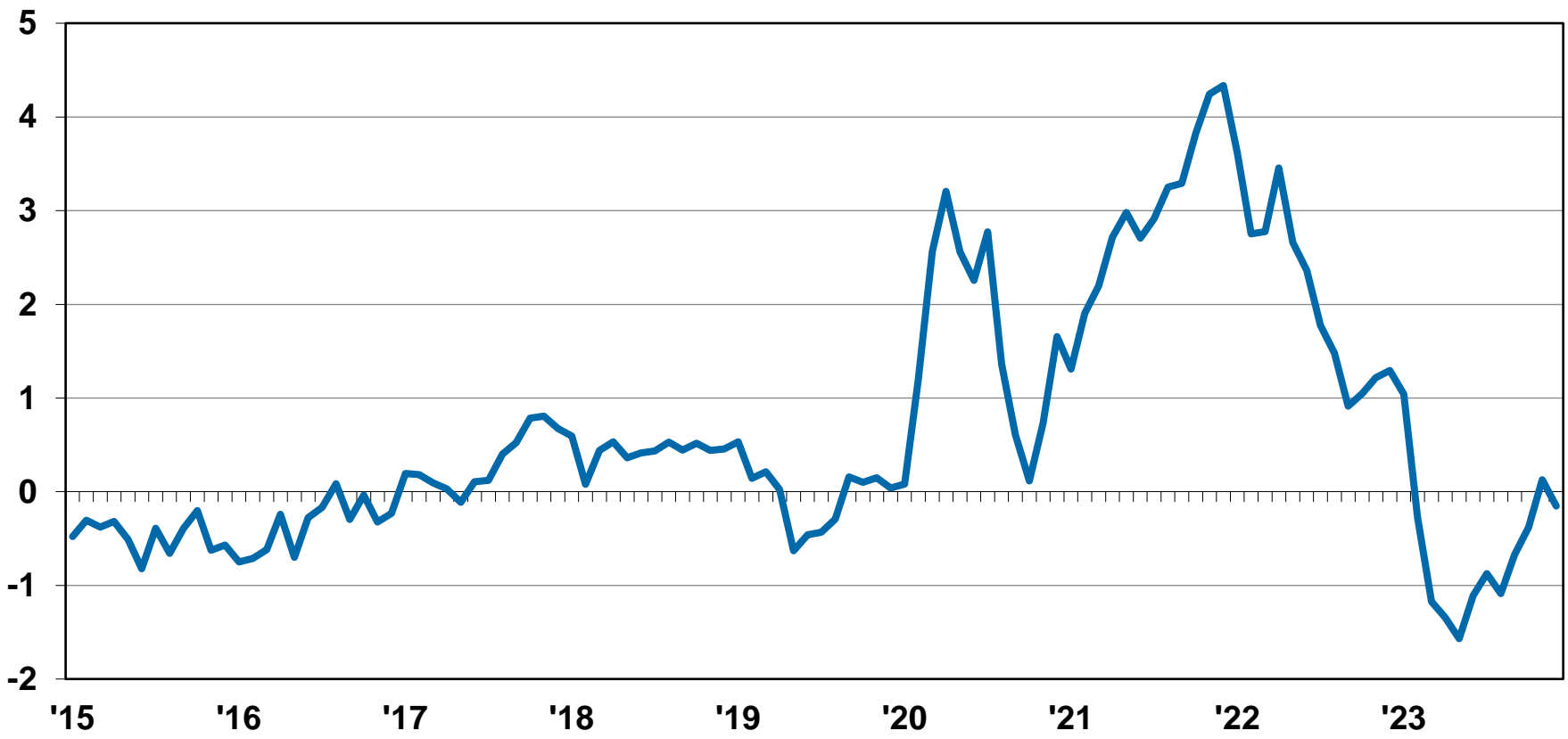


Source: BEA

# Global Supply Chain Pressures Are Now Below Average



Global Supply Chain Pressure Index, standard deviations from average value

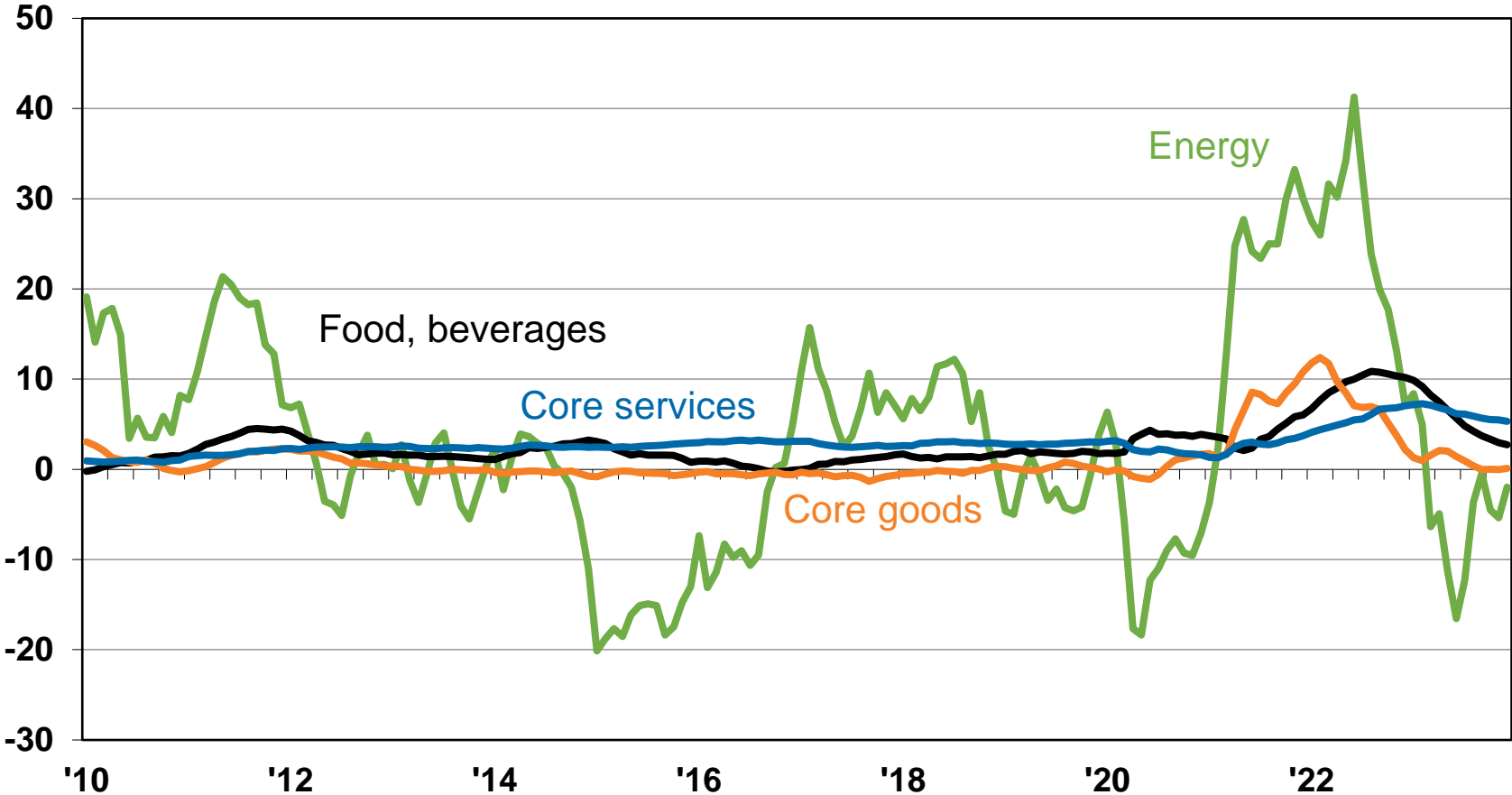


Source: New York Fed

# High Core Services Inflation Is a Big Concern...

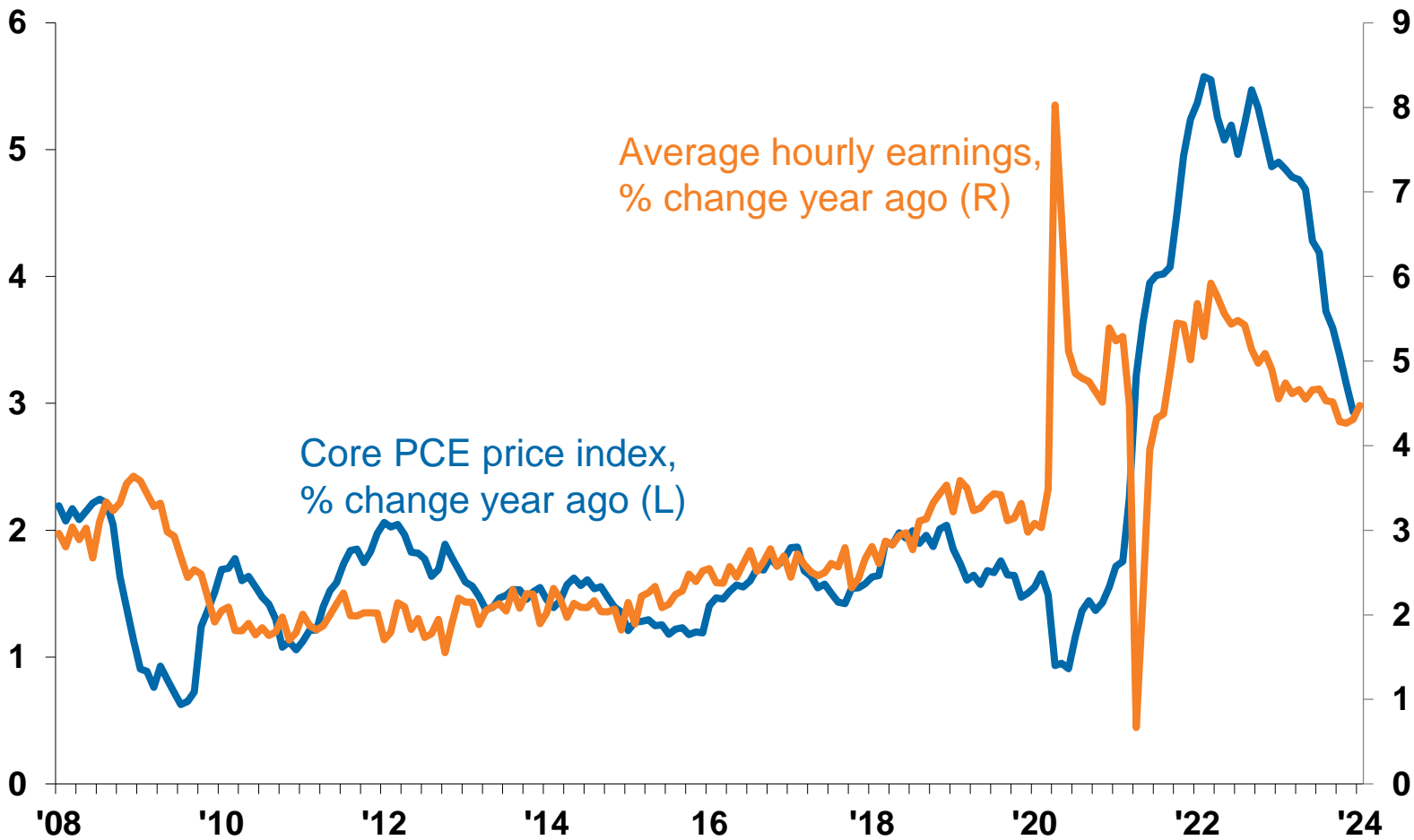


Consumer price index, % change year ago



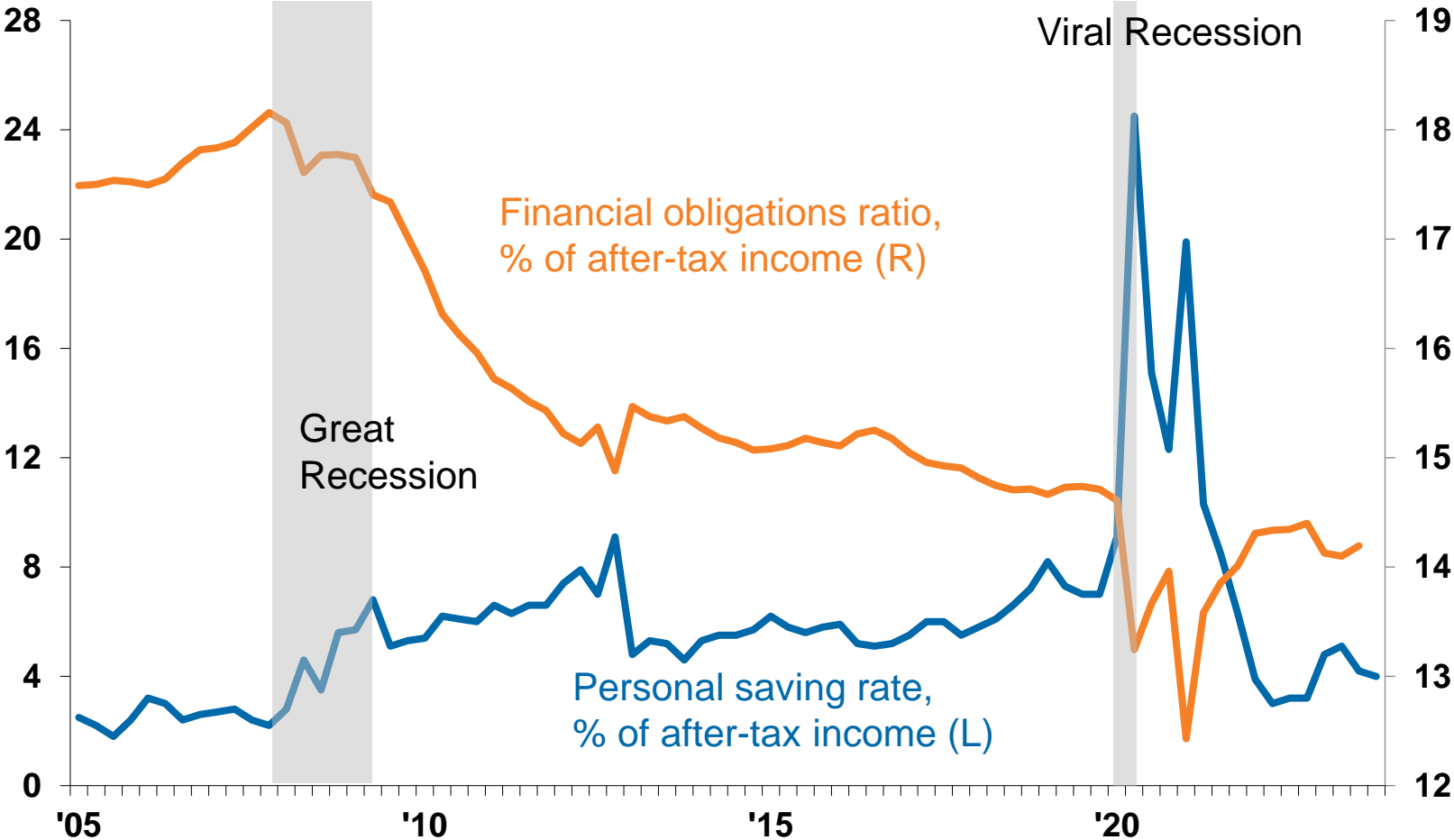
Source: BLS

# ...With Wage Growth Still Too Strong for the Fed



Sources: Freddie Mac, National Association of Realtors

# Accumulated Savings and Great Balance Sheets Will Limit Hit to Consumer Spending

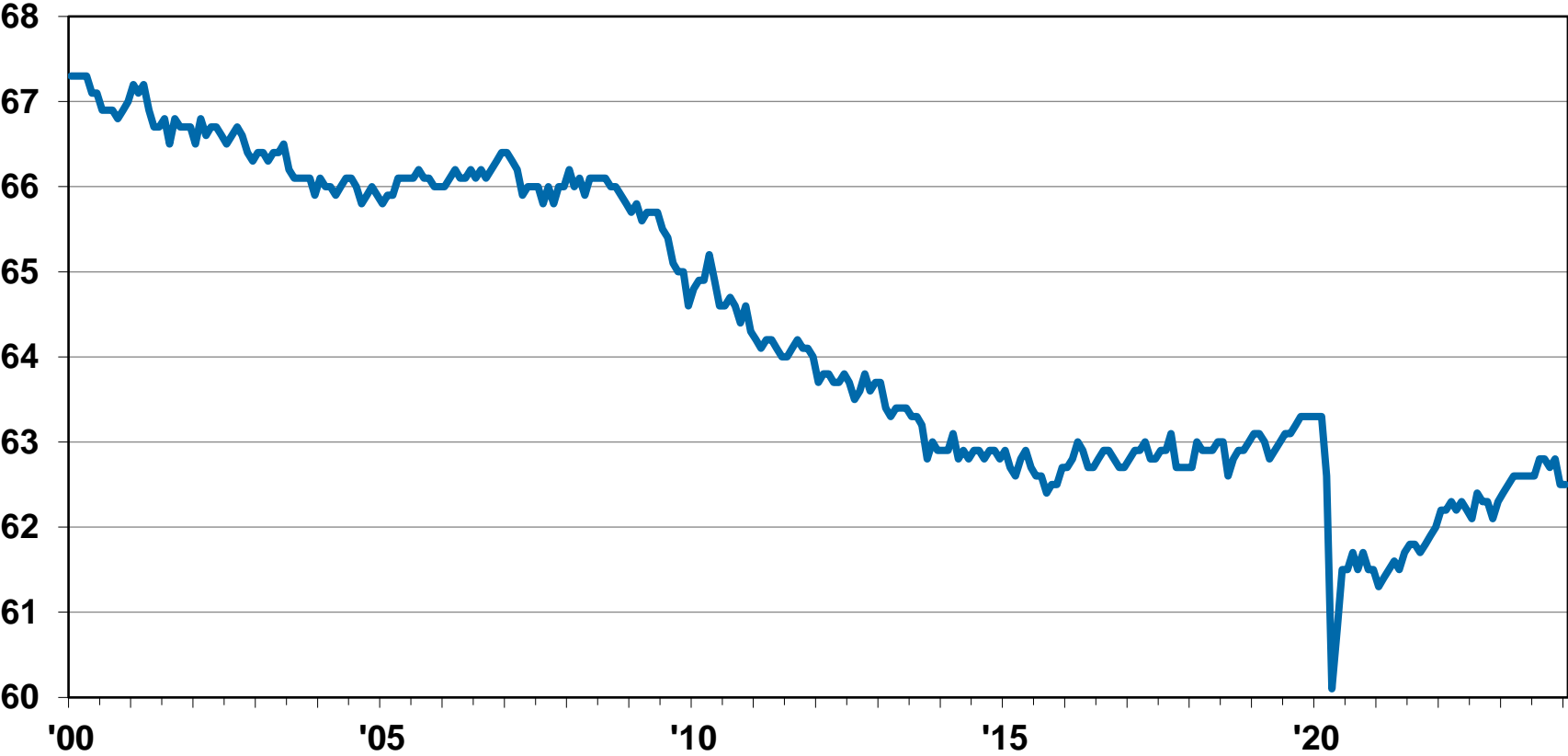


Sources: BEA; Federal Reserve Board

# Structurally Tighter Labor Market Post-Pandemic

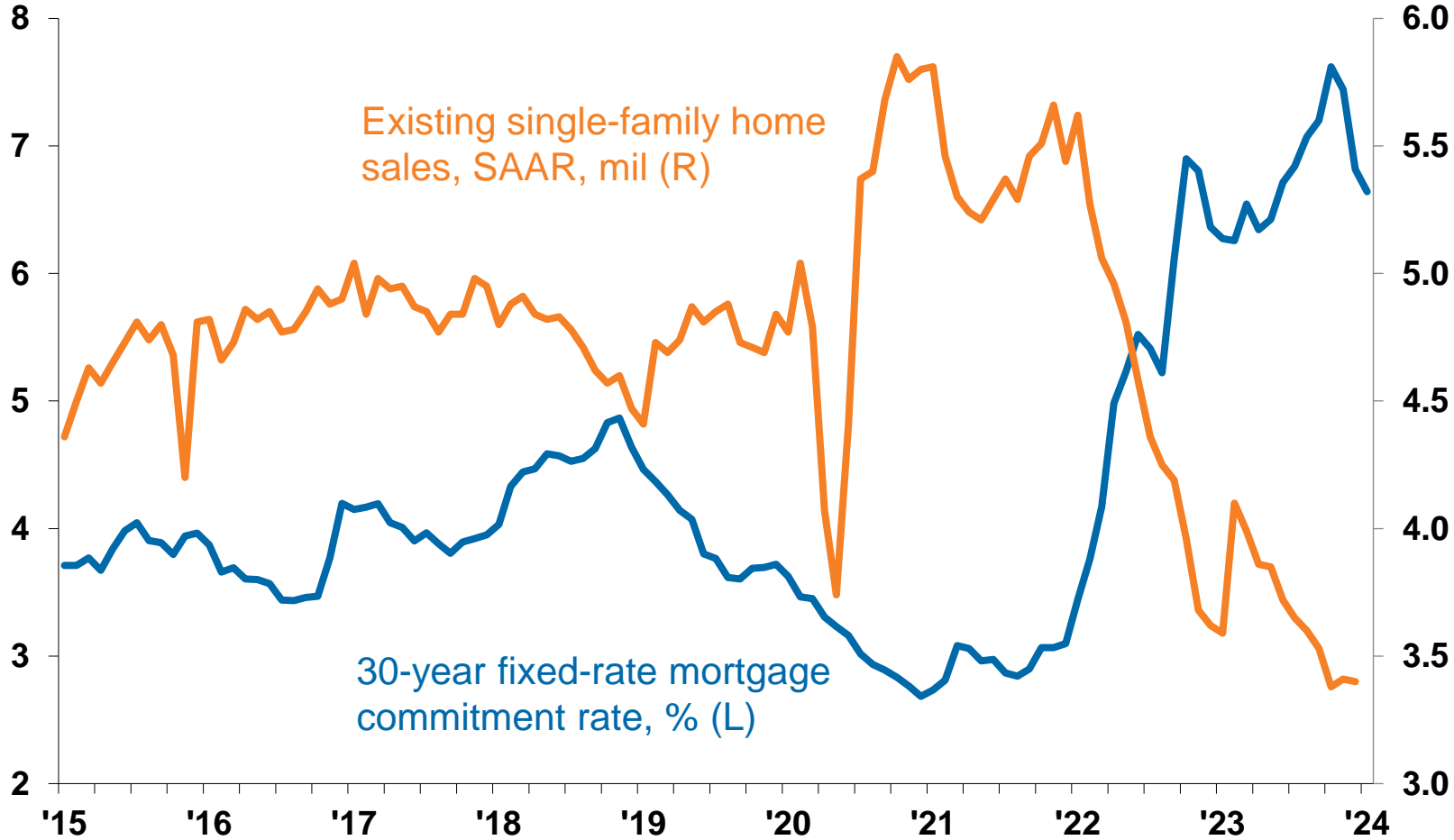


Labor force participation rate, %



Source: BLS

# Falling Mortgage Rates Mean Worst of Housing Downturn Is Likely Over...

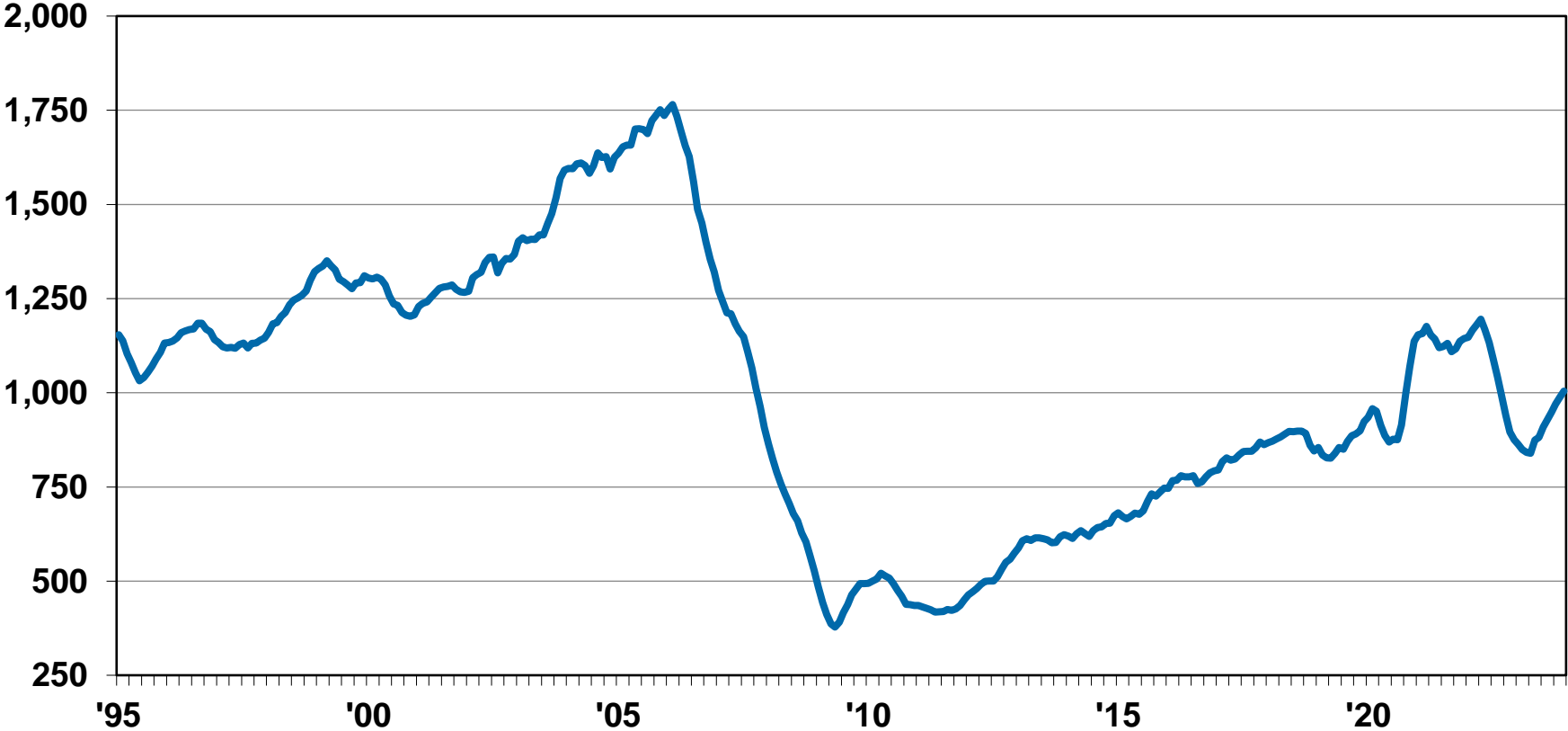


Sources: Freddie Mac, National Association of Realtors

# Housing Market Has Been Undersupplied for Years



Single-family housing starts, seasonally-adjusted annualized rate, 6-month moving average, the



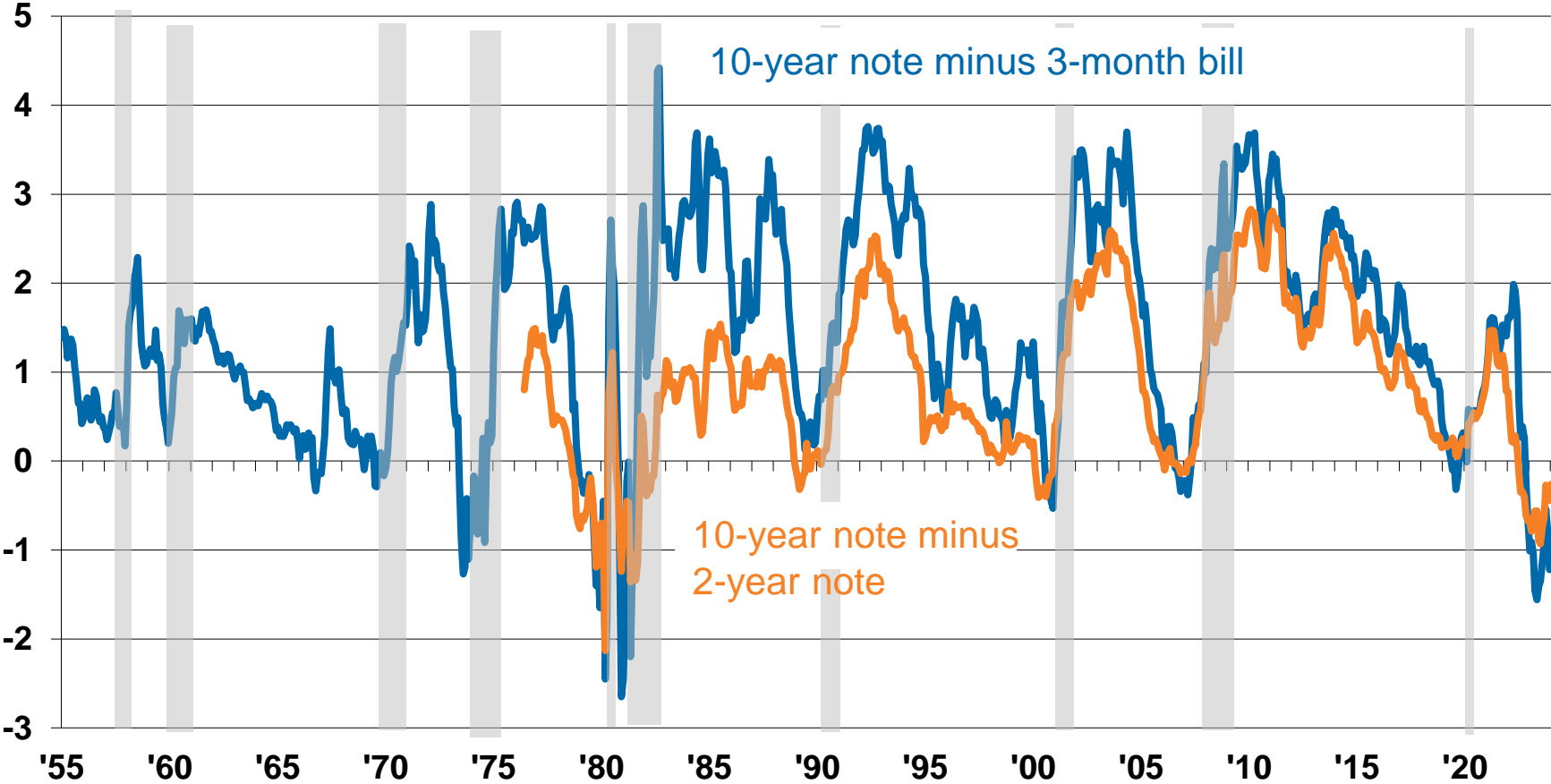
Source: Census Bureau



# But The Yield Curve Remains Deeply Inverted

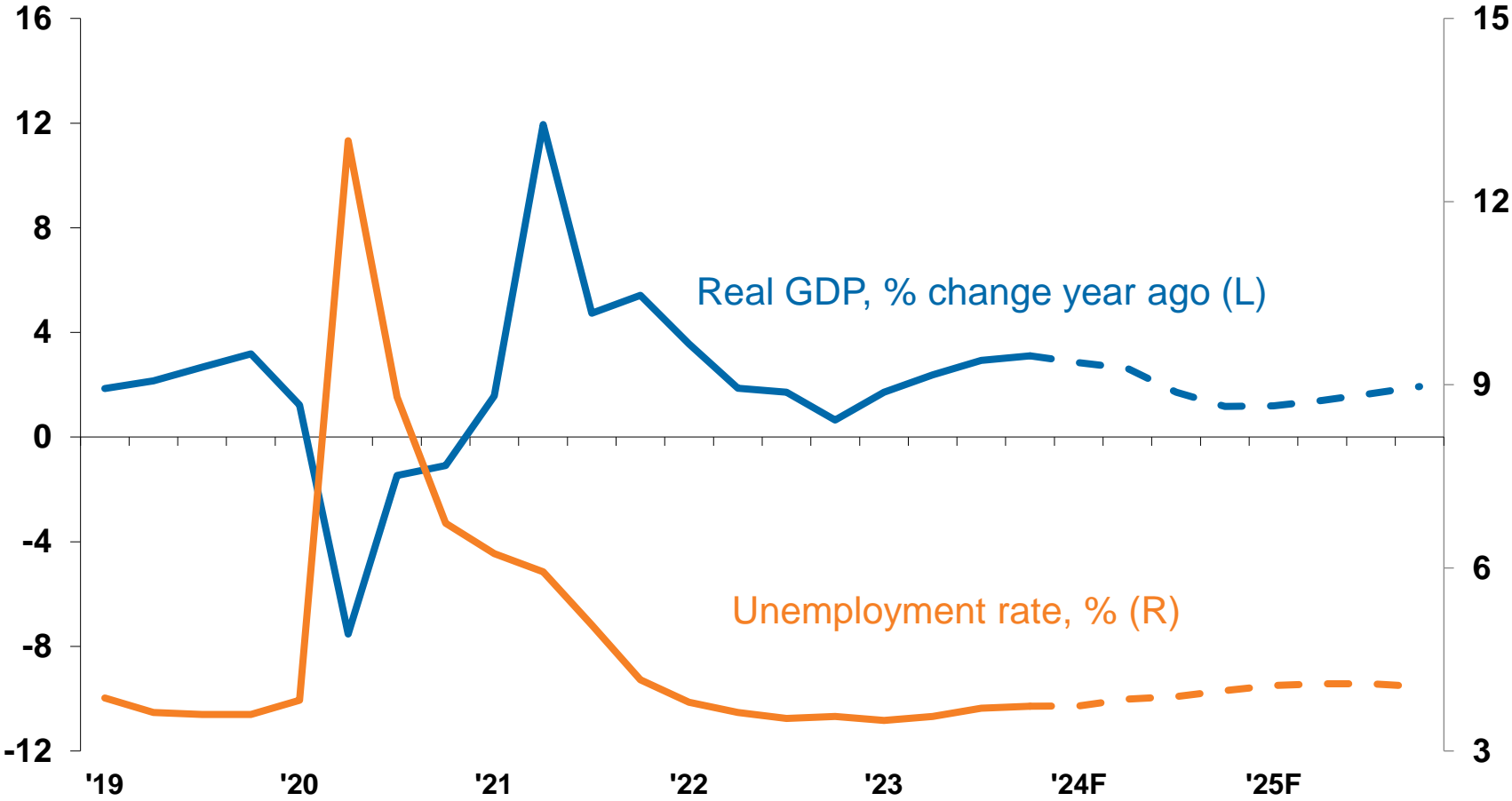


Yield spread, percentage points



Sources: Federal Reserve Board, NBER

# Changing Our Recession Call



Sources: BEA, BLS, PNC

- Close recession call
- Student loan payments
- Middle East
- Government shutdown
- Financial stresses
- Commercial real estate
- Russia/Ukraine
- Path of pandemic
- Longer-run growth
- Housing market
- AI

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# Investment & Economic Principles

Q&A Session



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