

- **Consumer spending and after-tax income both rose 0.2% in August before adjusting for inflation, both somewhat smaller than gains in recent months. Real consumer spending and after-tax income rose 0.1% over the month.**
- **Both the overall PCE price index and the core PCE price index rose a very modest 0.1% in August. Inflation continues to move toward the Federal Reserve's 2% objective. Slowing inflation will allow the FOMC to further cut the fed funds rate this year and next year.**
- **There was an upward revision to the personal saving rate, good news for near-term spending growth. The outlook for consumer spending remains positive.**

Consumer spending rose 0.2% before inflation in August from July, according to the Bureau of Economic Analysis. This was the smallest increase since January. Personal income also rose 0.2% over the month, with after-tax income also up 0.2%. Real (inflation-adjusted) after-tax income was up a modest 0.1% in August. Real (inflation-adjusted) consumer spending was also up 0.1% for the month. Consumer spending growth continues at a solid pace but is gradually weakening as the labor market has softened somewhat.

Nominal spending on durable goods fell 0.2% in August. Autos were a large drag, as sales jumped in July after the CDK Global cyberattack depressed sales in June; in August they returned to a more normal pace. Nominal spending on nondurable goods was down 0.1% on the month on lower energy prices. Nominal consumer spending on services rose 0.2%. After adjusting for inflation, spending on both durable and nondurable goods was flat, while spending on services rose 0.2%.

Inflation was very slow in August. Both the personal consumption expenditures price index and the core PCE price index, excluding volatile food and energy prices, increased 0.1% in August from July. On a year-ago basis the overall PCE inflation rate was 2.2% in August, down from 2.5% in July and a peak of above 7% in mid-2022. Inflation measured using the core PCE price index—the Federal Reserve's preferred measure—was 2.7% in August from a year ago. While this was up slightly from 2.6% in June and July, and above the Fed's 2% objective, it is down from a peak of 5.6% two years ago.

The personal saving rate fell slightly to 4.8% in August from 4.9% in July. But recently the saving rate was revised much higher; before the revision the saving rate was 2.9% in July. The upwardly revised saving rate means less pressure on consumers to slow their spending growth.

The August personal income and outlays report is further indication that the economy remains on track for a "soft landing". Core inflation continues to ease toward the Federal Reserve's 2% objective and should be there by mid-2025. Personal income growth has slowed as job growth and wage gains have eased but continues to rise. Wages are now increasing faster than inflation. And with rising real incomes, consumer spending continues to increase, but at a softer pace compared to earlier in the expansion. With the upward revision to the personal saving rate there is less concern that households will need to restrain their spending to build up their reserves.

With inflation slowing the Federal Open Market Committee cut the federal funds rate by 50 basis points on September 18, the first cut to the policy rate since March 2020 during the pandemic. PNC expects additional rate cuts of 25 basis points at the FOMC's two meetings later this year and then four more in 2025. The fed funds rate, which peaked in a range of 5.25% to 5.50% from mid-2023 to September, will decline to a range of 4.25% to 4.50% by the end of this year, and down to around 3.5% by mid-2025.

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Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 11/7/24)	4.63-4.63%	4.63%	5.38%	We expect 25 bps funds rate cuts at each of the next six FOMC meetings to mid-year 2025. That would bring the target rate range down to 3.25-3.50%.
Sept ISM (10/1, Tuesday)	46.8-48.7	47.5	47.2 (Aug)	Up to 47.8.
Aug Construction Spending (10/1, Tuesday)	-0.2 to 0.3%	0.2%	-0.3% (July)	Up 0.2%.
Sept ADP Employment Survey (10/2, Wednesday)	100-135	125	99 (Aug)	Up 105K.
Initial Claims, Week of 9/28/24 (10/3, Thursday)	220-232K	223K	218K (9/21/24)	Up to 230K. Boeing furloughs of "white collar" workers during the strike of 30,000+ "blue collar" workers (who are not eligible for unemployment benefits) should temporarily lift initial claims until the strike is settled.
Aug Factory Orders (10/3, Thursday)	-1.1 to 0.8%	0.2%	5.0% (July)	Up 0.2%. Sales are unchanged.
Sept ISM-NMI (10/3, Thursday)	51.1-52.0	51.7	51.5 (Aug)	Up to 52.
Sept Nonfarm Payrolls (10/4, Friday)	120-200K	150K	142K (Aug)	Up 155K.
Sept Private Nonfarm Payrolls (10/4, Friday)	100-147K	125K	118K (Aug)	Up 120K.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Sept Manufacturing Payrolls (10/4, Friday)	-15 to 6K	2K	-24K (Aug)	Unchanged.
Sept Unemployment Rate (10/4, Friday)	4.1-4.3%	4.2%	4.2% (Aug)	Rounded up to 4.3%.
Sept Average Hourly Earnings (10/4, Friday)	0.2-0.3%	0.3%	0.4% (Aug)	Up 0.3% which would keep the Y/T change at 3.8%.
Sept Hours Worked (10/4, Friday)	34.2-34.3hrs	34.3hrs	34.3hrs (Aug)	Unchanged at 34.3 hours.
Aug Consumer Credit (10/7, Monday)	\$10-\$19.8B	\$12.7B	\$25.4B (July)	Up \$12 billion.
Aug Trade Balance (10/8, Tuesday)	-\$79.6 to -\$70.7B	-\$75.3B	-\$78.8B (July)	A sharp narrowing to -\$71.2 billion.
Sept CPI (10/10, Thursday)	0.1-0.3%	0.1%	0.2% (Aug)	Up 0.1%. Gasoline prices fell by almost 4%. The Y/Y rise falls to 2.2% from 2.5% in August.
Sept CPI (ex-food & energy) (10/10, Thursday)	0.2-0.3%	0.2%	0.3% (Aug)	Up 0.2%. The Y/Y rise will edge down to 3.1%.
Sept PPI (10/11, Friday)	0.1-0.3%	0.1%	0.2% (Aug)	Up 0.1%
Sept PPI (ex-food & energy) (10/11, Friday)	0.1-0.3%	0.2%	0.3% (Aug)	Up 0.2%
Oct U. Mich. Consumer Sentiment (prelim) (10/11, Friday)	65.5-70.1	70.0	70.1 (Sept final)	Up to 70, lifted by falling gasoline prices and stock prices repeatedly hitting new highs.

Monthly Calendar of Economic Data: September/October 2024

Sept 30

Sept Chicago PMI

Oct 1

ISM Manufacturing Index	
July	46.8
Aug	47.2
Sept	

Construction Spending	
June	0.0
July	-0.3
Aug	

Oct 2

Sept ADP Employment Survey

Oct 3

Unemployment		Claims (000)		
May	June	July	Aug	Sept
232	229	223	234	231
223	243	245	228	222
216	239	235	233	218
221	234	250	232	
	239		228	

Manufacturers'			
	Ship	Inv	Orders
June	0.6	-0.1	-3.3
July	0.9	0.1	5.0
Aug			

ISM Non-Manufacturers Index	
July	51.4
Aug	51.5
Sept	

Oct 4

	U. Rate	Jobs (000)
July	4.3	+89
Aug	4.2	+142
Sept		

Oct 7

Consumer Credit (\$B)	
June	\$5.2
July	\$25.5
Aug	

Oct 8

Trade Balance (\$B)	
June	-\$73.0
July	-\$78.8
Aug	

Oct 10

Consumer Price Index

	Total	Core
July	0.2	0.2
Aug	0.2	0.3
Sept		

Oct 11

Producer Price Index

	Total	Core
July	0.0	0.3
Aug	0.2	0.3
Sept		

Oct U. of Mich. Consumer Sentiment (prelim)

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