

- **Nominal personal income rose 0.2% in June, with after-tax income also up 0.2%. Nominal consumer spending rose 0.3% over the month.**
- **The PCE price index rose 0.1%, with core PCE inflation at 0.2%. Inflation is easing in mid-2024.**
- **PNC expects the FOMC to cut the fed funds rate at their mid-September meeting.**
- **A solid labor market will contribute to positive, but slower, consumer spending growth into next year.**

Nominal personal income rose 0.2% before inflation in June from May, according to the Bureau of Economic Analysis. After-tax income was also up 0.2%. Nominal consumer spending rose 0.3% over the month. Incomes are rising with job and wage gains from the strong labor market. This, in turn, is leading consumers to spend more. After adjusting for inflation after-tax income rose 0.1% in June from May, while consumer spending rose 0.2%.

The personal consumption expenditures price index rose a scant 0.1% in June, after no increase in May. Spending on goods rose 0.1% in June. There was a 0.2% drop in durable goods spending, as the CDK Global cyberattack on auto dealers led to a drop in spending on motor vehicles. But consumer spending on services rose a solid 0.4%.

The core PCE price index, the Federal Reserve's preferred inflation measure, rose 0.2% over the month, slightly more than the 0.1% increase in May. Goods prices fell 0.2% in June, with energy prices down 2.1% for a second straight month. Services prices rose a modest 0.2% over the month, below the pace early in 2024, as housing inflation eases. Lower rents are gradually working their way into shelter inflation and should continue to restrain services inflation through the rest of 2024 and into 2025.

On a year-ago basis the overall PCE inflation slowed to 2.5% in June from 2.6% in May, and a peak of more than 7% in mid-2022. On a year-ago basis the core PCE price index was 2.6%, unchanged from May, and down from above 3% in the year ending in November 2023. Inflation has slowed over the past couple of months after little progress earlier in the year.

With spending up more than incomes the personal saving rate fell to 3.4% in June, from 3.5% in May. This is the lowest saving rate since late 2022. There were downward revisions to income growth in April and May, and upward revisions to consumer spending growth in both months.

The personal income and consumption report was OK, but not great. With low inflation there was a modest increase in real personal income, and a slightly larger increase in real consumer spending. Inflation was up a bit from May but was lower than it was earlier in 2024.

The report supports PNC's forecast for a federal funds rate cut at the Federal Open Market Committee's meeting in mid-September. The FOMC is meeting next week, but likely wants to see further progress on inflation before starting to ease monetary policy. More expected good news on inflation in July and August should give the FOMC enough confidence that inflation is slowing after progress stalled in early 2024. Core PCE inflation should be back to the Federal Reserve's 2% objective by this time next year.

Consumers are in good shape in mid-2024, but pressures are building. The labor market is still strong with good job and wage gains, but not as strong as it was last year. The saving rate is low, and at some point households will need to increase their saving. High interest rates are also a drag on consumers. But lower inflation, especially lower energy prices, are a positive. And high-income households especially, are benefiting from rising home values and stock prices. Real income gains will continue in the second half of this year, but at a slower pace as job and wage gains ease. Households will also need to increase their savings. For that to happen consumer spending growth will need to slow below income growth. PNC expects consumer spending to continue to increase in the near term, but at a slower pace, leading to softer than the 2.1% real GDP growth in the first half of this year. This is the definition of a "soft landing".

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 7/31/24)	5.38-5.38%	5.38%	5.38%	At next Wednesday's (7/31) FOMC meeting, we expect the FOMC to all but "pre-announce" a 25 bps funds rate cut at their meeting on September 18. We expect the FOMC to say, in effect, that the improving news on inflation and some downside risks to job growth in the latter half of this year justify a first rate cut "very soon".
July Consumer Confidence (7/30, Tuesday)	97.5-101.0	99.6	100.4 (June)	Down to 97.5.
July ADP Employment Survey (7/31, Wednesday)	125-175K	163K	150K (June)	Up 140,000.
Q2 Employment Cost Index (7/31, Wednesday)	0.9-1.0%	1.0%	1.2% (Q1)	Up 0.9%. That would edge down the Y/Y rise to 4.0%. This is clear evidence that a better balance between demand and supply in the labor market is relieving some upward pressure on worker compensation. But 4% is still well ahead of inflation in the past year of close to 3%.
Q2 Nonfarm Productivity (Prelim) (8/1, Thursday)	1.3-2.8%	1.7%	0.2% (Q1)	Up 1.4%.
Q2 Unit Labor Costs (Prelim) (8/1, Thursday)	1.1-3.0%	2.0%	4.0% (Q1)	Up 2.8%.
Initial Claims, Week of 7/27/24 (8/1, Thursday)	232-240K	236K	235K (7/20/24)	Down slightly to 232K as the aftermath of Hurricane Beryl disruptions subside in Texas.
July ISM (8/1, Thursday)	48.0-50.0	48.8	48.5 (June)	Up to 48.8 but still below the expansion threshold of 50.
June Construction Spending (8/1, Thursday)	0.1-0.3%	0.2%	-0.1% (May)	Up 0.3%.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
July Nonfarm Payrolls (8/2, Friday)	165-210K	181K	206K (June)	Up 185,000. This is further evidence that job demand is cooling.
July Private Nonfarm Payrolls (8/2, Friday)	125-170K	155K	136K (June)	Up 155,000.
July Manufacturing Payrolls (8/2, Friday)	-10 to 10K	-2K	-8K (June)	Down 3,000.
July Unemployment Rate (8/2, Friday)	4.0-4.1%	4.1%	4.1% (June)	Down to 4.0%.
July Average Hourly Earnings (8/2, Friday)	0.2-0.4%	0.3%	0.3% (June)	Up 0.3% which would bring the Y/Y rise down to 3.8%.
July Hours Worked (8/2, Friday)	34.2-34.3hrs	34.3hrs	34.3hrs (June)	Unchanged at 34.3 hours.
June Factory Orders (8/2, Friday)	-6.9 to 0.6%	-3.0%	-0.5% (May)	Down 3.2%. A collapse in civilian aircraft orders and lower gasoline prices push down factory orders.
July ISM-NMI (8/5, Monday)	48.0-53.0	51.0	48.8 (June)	Up to 53, back into expansion territory on strengths in leisure and hospitality, healthcare, and technology services.
June Trade Balance (8/6, Tuesday)	-\$76.2 to -\$72.3B	-\$72.3B	-\$75.1B (May)	A narrowing to -\$72.3 billion.
June Consumer Credit (8/7, Wednesday)	\$8.0-\$14.8B	\$10.0B	\$11.4B (May)	Up \$10 billion.

Monthly Calendar of Economic Data: July/August 2024

July 30

CB Consumer Confidence			
	Total	Current	Expect
May	101.3	140.8	74.9
June	100.4	141.5	73.0
July			

July 31

Employment Cost Index			
	Total	Wages & Salaries	Benefits
2Q'23	1.0	1.0	0.9
3Q'23	1.0	1.1	0.9
4Q'23	0.9	1.1	0.7
1Q'24	1.2	1.1	1.1
2Q'24			

Aug 1

July ADP Employment Survey
July Chicago PMI

Nonfarm Productivity & Costs (Q2 Prelim)		
	Productivity	Unit Labor Costs
Q2'23	3.3	2.5
Q3'23	4.6	0.1
Q4'23	3.5	-2.8
Q1'24	0.2	4.0
Q2'24(p)		

Unemployment		Claims (000)		
Mar	Apr	May	June	July
210	212	232	229	223
212	212	223	243	245
212	208	216	239	235
212	209	221	234	
222			239	

ISM Manufacturing Index	
May	48.7
June	48.5
July	

Construction Spending	
Apr	0.3
May	-0.1
June	

	Autos		Light	
	Dom	For	Truck	Total
May	2.1	1.0	12.8	15.9
June	2.0	0.9	12.3	15.2
July				

Aug 2

	U. Rate	Jobs (000)
May	4.0	+218
June	4.1	+206
July		

Manufacturers'			
	Ship	Inv	Orders
Apr	0.8	0.1	0.4
May	-0.7	0.2	-0.5
June			

Aug 5

ISM Non-Manufacturers Index	
May	53.8
June	48.8
July	

Aug 6

Trade Balance (\$B)	
Apr	-\$74.5
May	-\$75.1
June	

Aug 7

Consumer Credit (\$B)	
Apr	\$6.5
May	\$11.4
June	

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