

July 7, 2017

MARKET EXPECTATIONS SURVEY

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The U.S. economy added 222,000 jobs in June, well above the market consensus expectation of 180,000. There were also big upward revisions to job growth in April and May, for a combined 47,000 jobs. The unemployment rate rose slightly to 4.4 percent in June, from 4.3 percent in May, as there were 361,000 more people looking for work over the month; the labor force participation rate ticked up a tenth of a percentage point to 62.8 percent in June. The number of people with jobs in the household survey (different from the survey of employers) rose by 245,000.

Average hourly earnings rose 0.2 percent in June from May, and were up 2.5 percent from one year earlier. This was an acceleration from 2.4 percent wage growth in May. The average workweek was also slightly longer, so labor income received a solid boost over the month. This will support strong consumer spending in the summer months. Wage growth has been a soft spot in this economic expansion but it did pick up a bit in June, and should continue to accelerate as businesses find it more and more difficult to attract qualified workers.

The job market remains in good shape eight years into the economic expansion. The big increase in jobs in June, with upward revisions to job growth in April and May, has alleviated concerns in recent months about slowing job growth. The economy added an average of 194,000 jobs per month in the second quarter and 180,000 per month in the first half of this year. That is very good job growth and well above the pace needed to keep up with normal growth in the labor force, and slack in the job market continues to diminish. The unemployment rate rose slightly in June, but it was because of more people looking for work, a vote of confidence in the job market.

PNC expects job growth to slow somewhat in the second half of 2017 from its pace in the first half of 180,000 per month, but that will be more from difficulty in finding workers than from reduced demand for labor.

Today's report will keep the Federal Reserve on the path of gradually raising interest rates. Although inflation has slowed in recent months, the tighter job market will push up inflation and wages. The Fed wants to be ahead of the curve, and thus will continue to gradually raising rates to prevent inflation from picking up too quickly in the future. Fed balance sheet shrinkage will begin in September.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Fed Funds Rate Target Range Mid-Point <i>(after the FOMC meeting on 7/26/17)</i> Range: 1.00 to 1.25 percent Median: 1.125 percent	0.88%	FOMC likely to start shrinking its balance sheet at their September meeting. No rate hike until their December meeting assuming inflation awakens from its spring slumber in the summer and autumn months, as we expect.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
May Consumer Credit (7/10, Monday) Range: \$10.0 to \$16.0 billion Median: \$12.0 billion	\$8.2B (Apr)	<u>Up</u> \$14.0 billion.
June PPI (7/13, Thursday) Range: -0.2 to 0.2 percent Median: 0.0 percent	0.0% (May)	<u>Up</u> 0.1 percent.
June PPI (ex-food & energy) (7/13, Thursday) Range: -0.1 to 0.2 percent Median: 0.2 percent	0.3% (May)	<u>Up</u> 0.2 percent.
June CPI (7/14, Friday) Range: -0.2 to 0.2 percent Median: 0.1 percent	-0.1% (May)	<u>Up</u> 0.1 percent as gasoline prices fell again in June.
June CPI (ex-food & energy) (7/14, Friday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.1% (May)	<u>Up</u> 0.2 percent.
June Retail Sales (7/14, Friday) Range: 0.0 to 0.3 percent Median: 0.1 percent	-0.3% (May)	<u>Up</u> 0.1 percent.
June Retail Sales (ex-auto) (7/14, Friday) Range: 0.0 to 0.3 percent Median: 0.2 percent	-0.3% (May)	<u>Up</u> 0.2 percent. Control retail sales (excluding autos, gasoline, building materials and restaurant sales) <u>up</u> 0.3 percent.
June Industrial Production (7/14, Friday) Range: 0.2 to 0.5 percent Median: 0.3 percent	0.0% (May)	<u>Up</u> 0.3 percent
June Capacity Utilization (7/14, Friday) Range: 76.6 to 76.9 percent Median: 76.8 percent	76.6% (May)	<u>Up</u> to 76.8 percent.
May Business Inventories (7/14, Friday) Range: 0.2 to 0.4 percent Median: 0.3 percent	-0.2% (Apr)	<u>Up</u> 0.2 percent. Sales <u>up</u> 0.3 percent.
July U. Mich. Consumer Sentiment (7/14, Friday) Range: 94.0 to 97.0 Median: 95.0	95.1 (June)	<u>Up</u> to 96.

June Export Price Index (7/18, Tuesday) Range: -0.4 to 0.2 percent Median: -0.1 percent	-0.7% (May)	<u>Up</u> 0.2 percent.
June Import Price Index (7/18, Tuesday) Range: -0.5 to 0.1 percent Median: -0.2 percent	-0.3% (May)	<u>Up</u> 0.1 percent as imported oil prices fell.
June Housing Starts (7/19, Wednesday) Range: 1.113 to 1.190 million Median: 1.150 million	1.092M (May)	<u>Up</u> close to 9 percent to 1.19 million annual rate. Building permits <u>rose</u> close to 4.5 percent to 1.22 million annual rate.
June Leading Indicators (7/20, Thursday) Range: 0.2 to 0.4 percent Median: 0.2 percent	0.3% (May)	<u>Up</u> a solid 0.4 percent. Coincident indicator index <u>up</u> 0.2 percent.

Visit <http://www.pnc.com/economicreports> to view the full listing of economic reports published by PNC's economists.

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MONTHLY CALENDAR OF ECONOMIC DATA

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MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																				
<p>3</p> <p>ISM MFG INDEX</p> <table> <tr><td>Apr</td><td>54.8%</td></tr> <tr><td>May</td><td>54.9</td></tr> <tr><td>June</td><td>57.8</td></tr> </table> <p>CONSTRUCTION SPENDING</p> <table> <tr><td>Mar</td><td>0.3%</td></tr> <tr><td>Apr</td><td>-0.7</td></tr> <tr><td>May</td><td>0.0</td></tr> </table> <p>Autos Light</p> <table> <tr><th>Dom</th><th>For</th><th>Truck</th><th>Total</th></tr> <tr><td>Apr</td><td>4.4</td><td>2.0</td><td>10.5</td></tr> <tr><td>May</td><td>4.2</td><td>2.0</td><td>10.5</td></tr> <tr><td>June</td><td>4.1</td><td>2.0</td><td>10.4</td></tr> </table> <p>Early Bond Market Close Observing Independence Day</p>	Apr	54.8%	May	54.9	June	57.8	Mar	0.3%	Apr	-0.7	May	0.0	Dom	For	Truck	Total	Apr	4.4	2.0	10.5	May	4.2	2.0	10.5	June	4.1	2.0	10.4	<p>4</p> <p>Independence Day Markets Closed</p>	<p>5</p> <p>MANUFACTURERS'</p> <table> <tr><th>Ship</th><th>Inv</th><th>Orders</th></tr> <tr><td>Mar</td><td>-0.2%</td><td>0.2%</td></tr> <tr><td>Apr</td><td>0.0</td><td>0.0</td></tr> <tr><td>May</td><td>0.1</td><td>-0.1</td></tr> </table> <p>FOMC Minutes 2pm</p>	Ship	Inv	Orders	Mar	-0.2%	0.2%	Apr	0.0	0.0	May	0.1	-0.1	<p>6</p> <p>TRADE BALANCE (\$B)</p> <table> <tr><td>Mar</td><td>-\$45.3</td></tr> <tr><td>Apr</td><td>-47.6</td></tr> <tr><td>May</td><td>-46.5</td></tr> </table> <p>ISM NON-MFG INDEX</p> <table> <tr><td>Apr</td><td>57.5</td></tr> <tr><td>May</td><td>56.9</td></tr> <tr><td>June</td><td>57.4</td></tr> </table> <p>UNEMPLOYMENT CLAIMS(000)</p> <table> <tr><th>Apr</th><th>May</th><th>June</th><th>July</th></tr> <tr><td>235</td><td>236</td><td>245</td><td>248</td></tr> <tr><td>234</td><td>233</td><td>238</td><td></td></tr> <tr><td>243</td><td>235</td><td>242</td><td></td></tr> <tr><td>257</td><td>255</td><td>244</td><td></td></tr> <tr><td>238</td><td></td><td></td><td></td></tr> </table> <p>ADP Employment (June)</p>	Mar	-\$45.3	Apr	-47.6	May	-46.5	Apr	57.5	May	56.9	June	57.4	Apr	May	June	July	235	236	245	248	234	233	238		243	235	242		257	255	244		238				<p>7</p> <p>EMPLOYMENT REPORT</p> <table> <tr><th>U.Rate</th><th>Jobs(000)</th></tr> <tr><td>Apr</td><td>4.4%</td></tr> <tr><td>May</td><td>4.3</td></tr> <tr><td>June</td><td>4.4</td></tr> </table>	U.Rate	Jobs(000)	Apr	4.4%	May	4.3	June	4.4
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<p>10</p> <p>CONSUMER CREDIT(\$B)</p> <table> <tr><td>Mar</td><td>+19.5</td></tr> <tr><td>Apr</td><td>+8.2</td></tr> <tr><td>May</td><td></td></tr> </table>	Mar	+19.5	Apr	+8.2	May		<p>11</p>	<p>12</p> <p>Fed Beige Book</p>	<p>13</p> <p>PRODUCER PRICE INDEX</p> <table> <tr><th>Total</th><th>Core</th></tr> <tr><td>Apr</td><td>0.5%</td></tr> <tr><td>May</td><td>0.0</td></tr> <tr><td>June</td><td>-0.1</td></tr> </table> <p>7/14</p> <table> <tr><th>IND PROD</th><th>CAP UTIL</th></tr> <tr><td>Apr</td><td>1.1%</td></tr> <tr><td>May</td><td>0.0</td></tr> <tr><td>June</td><td></td></tr> </table> <p>MFG and TRADE</p> <table> <tr><th>Inv</th><th>Sales</th></tr> <tr><td>Mar</td><td>0.2%</td></tr> <tr><td>Apr</td><td>-0.2</td></tr> <tr><td>May</td><td>0.0</td></tr> </table> <p>Federal Budget (June)</p>	Total	Core	Apr	0.5%	May	0.0	June	-0.1	IND PROD	CAP UTIL	Apr	1.1%	May	0.0	June		Inv	Sales	Mar	0.2%	Apr	-0.2	May	0.0	<p>14</p> <p>CONSUMER PRICE INDEX</p> <table> <tr><th>Total</th><th>Core</th></tr> <tr><td>Apr</td><td>0.2%</td></tr> <tr><td>May</td><td>-0.1</td></tr> <tr><td>June</td><td>1.0</td></tr> </table> <p>RETAIL SALES</p> <table> <tr><th>Total</th><th>Ex-Autos</th></tr> <tr><td>Apr</td><td>0.4%</td></tr> <tr><td>May</td><td>-0.3</td></tr> <tr><td>June</td><td>0.3%</td></tr> </table> <p>U of M July Consumer Sentiment (Prelim)</p>	Total	Core	Apr	0.2%	May	-0.1	June	1.0	Total	Ex-Autos	Apr	0.4%	May	-0.3	June	0.3%																																						
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<p>17</p> <p>Import Prices (June)</p>	<p>18</p>	<p>19</p> <p>HOUSING(000)</p> <table> <tr><th>Starts</th><th>Permits</th></tr> <tr><td>Apr</td><td>1,156</td></tr> <tr><td>May</td><td>1,092</td></tr> <tr><td>June</td><td>1,168</td></tr> </table>	Starts	Permits	Apr	1,156	May	1,092	June	1,168	<p>20</p> <p>LEADING INDICATORS</p> <table> <tr><td>Apr</td><td>0.2%</td></tr> <tr><td>May</td><td>0.3</td></tr> <tr><td>June</td><td></td></tr> </table> <p>Philly Fed Survey (July)</p>	Apr	0.2%	May	0.3	June		<p>21</p>																																																																						
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<p>24</p> <p>EXISTING HOME SALES(000)</p> <table> <tr><td>Apr</td><td>5,560</td></tr> <tr><td>May</td><td>5,620</td></tr> <tr><td>June</td><td></td></tr> </table>	Apr	5,560	May	5,620	June		<p>25</p> <p>CASE-SHILLER HPI</p> <p>20-City Composite(SA)</p> <table> <tr><th>M/M</th><th>Y/Y</th></tr> <tr><td>Mar</td><td>0.5%</td></tr> <tr><td>Apr</td><td>0.3</td></tr> <tr><td>May</td><td>5.7</td></tr> </table> <p>CB CONSUMER CONFIDENCE</p> <table> <tr><th>Total</th><th>Current</th><th>Expect</th></tr> <tr><td>May</td><td>117.6</td><td>140.6</td></tr> <tr><td>June</td><td>118.9</td><td>146.3</td></tr> <tr><td>July</td><td></td><td>100.6</td></tr> </table>	M/M	Y/Y	Mar	0.5%	Apr	0.3	May	5.7	Total	Current	Expect	May	117.6	140.6	June	118.9	146.3	July		100.6	<p>26</p> <p>NEW HOME SALES(000)</p> <table> <tr><td>Apr</td><td>593</td></tr> <tr><td>May</td><td>610</td></tr> <tr><td>June</td><td></td></tr> </table> <p>FOMC Statement 2pm</p>	Apr	593	May	610	June		<p>27</p> <p>ADV DURABLE GOODS</p> <table> <tr><th>Total</th><th>Ex-Transp</th></tr> <tr><td>Apr</td><td>-0.9%</td></tr> <tr><td>May</td><td>-1.1</td></tr> <tr><td>June</td><td>0.1</td></tr> </table> <p>7/28</p> <p>Employment Cost Index</p> <table> <tr><th>Total</th><th>W&S</th><th>Fringes</th></tr> <tr><td>2Q'16</td><td>0.6</td><td>0.6</td></tr> <tr><td>3Q'16</td><td>0.6</td><td>0.5</td></tr> <tr><td>4Q'16</td><td>0.5</td><td>0.5</td></tr> <tr><td>1Q'17</td><td>0.8</td><td>0.8</td></tr> <tr><td>2Q'17</td><td></td><td>0.7</td></tr> </table>	Total	Ex-Transp	Apr	-0.9%	May	-1.1	June	0.1	Total	W&S	Fringes	2Q'16	0.6	0.6	3Q'16	0.6	0.5	4Q'16	0.5	0.5	1Q'17	0.8	0.8	2Q'17		0.7	<p>28</p> <p>GROSS DOMESTIC PRODUCT</p> <p>2nd Qtr (1st estimate)</p> <table> <tr><th>Real GDP</th><th>Price Index</th></tr> <tr><td>2Q'16</td><td>1.4%</td></tr> <tr><td>3Q'16</td><td>3.5</td></tr> <tr><td>4Q'16</td><td>2.1</td></tr> <tr><td>1Q'17</td><td>1.4</td></tr> <tr><td>2Q'17(1st)</td><td>1.9</td></tr> </table> <p>U of M July Consumer Sentiment (Final)</p>	Real GDP	Price Index	2Q'16	1.4%	3Q'16	3.5	4Q'16	2.1	1Q'17	1.4	2Q'17(1 st)	1.9														
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