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MARKET EXPECTATIONS SURVEY

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The March jobs report was much worse than expected. The U.S. economy lost 701,000 jobs over the month, the biggest one-month drop in employment in exactly 11 years. The consensus was for a drop in employment of 100,000. There were enormous job losses of 459,000 in leisure/hospitality services (restaurants and hotels), but employment fell in most industries over the month.

The unemployment rate rose by 0.9 percentage point in March to 4.4 percent. This was the highest unemployment rate since August 2017, and the biggest one-month increase in the rate since 1949.

As bad as the March employment report was, the April report will be much, much worse (to be released on Friday, May 8). Data for the March report were collected during the week including March 12, when initial claims for unemployment rose by about 70,000 from the prior week, to around 280,000. But they increased more than 11-fold the next week (week ending March 21) to 3.3 million, by far the greatest number of claims on record. And they doubled the week after that (ending March 28) to 6.6 million. Absent a huge and immediate business response to the new stimulus bill, which contains incentives for small businesses to keep workers on, the April jobs report will be the worst on record, in terms of both job losses and the increase in the unemployment rate.

The details of the March report were also horrific. The increase in the unemployment rate would have been even larger had not 1.6 million Americans dropped out of the labor force, pushing the labor force participation rate down to its lowest level since the summer of 2018. According to the household survey (different from the survey of employers), employment fell by an astounding 3.0 million in March; presumably that number includes self-employed workers who weren't captured in the employer survey. The U-6 unemployment rate, which includes underemployment and discouraged workers, jumped to 8.7 percent in March from 7.0 percent in February, the biggest one-month increase in history (going back to 1949).

In addition to the enormous job losses, the number of people in the household survey reporting part-time work for economic reasons jumped from 4.3 million in February to 5.8 million in March, indicating the loss of income not just from fewer people working, but also from reduced hours.

Private-sector employment fell by 713,000 in March, with government employment up by 12,000. Goods-producing industries dropped 54,000 jobs over the month, with losses of 29,000 in construction and 18,000 in manufacturing. Private-services providing industries shed 650,000 jobs in March. In addition to huge job losses in leisure/hospitality services, employment fell by 46,000 in retail trade, by 52,000 in business/professional services (almost entirely in temporary services), and by 61,000 in health care.

The average workweek in the employer survey fell to 34.2 hours in March from 34.4 hours in February. This is despite enormous job losses in restaurants, which tend to have more part-time workers. Average hourly earnings rose 0.4 percent over the month, but the gain was illusionary; job losses were concentrated in low-wage industries, again primarily restaurants, skewing the results. Pay cuts are likely for many of those who have retained their jobs. Overall labor market earnings fell 0.7 percent in March from February.

The U.S. labor market is at the start of its worst contraction since the Great Recession, and perhaps the Great Depression. Job losses in March were far higher than expected, and those in April will be far higher, likely setting a record. The unemployment rate jumped precipitously and is headed much higher. Stimulus will help, but can only do so much if consumers can't buy and workers can't get to their jobs. If restrictions on movement are lifted soon and normal life can gradually resume over the next couple of months, the permanent damage to the economy may be limited. But the longer the labor market hit contraction persists, the more the underlying damage, and the slower the recovery and the greater the hit to long-run growth.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Feb Consumer Credit (4/7, Tuesday) Range: \$3.0 to \$15.2 billion Median: \$14.0 billion	\$12.0B (Jan)	<u>Up</u> \$10 billion, still reflecting the "old normal" consumer activity in February.
Mar PPI (4/9, Thursday) Range: -3.8 to 0.0 percent Median: -0.3 percent	-0.6% (Feb)	<u>Down</u> 0.5 percent. Gasoline prices are down by almost 10 percent.
Mar PPI (ex-food & energy) (4/9, Thursday) Range: -0.4 to 0.2 percent Median: 0.0 percent	-0.3% (Feb)	<u>Down</u> 0.1 percent.
Unemployment Claims, Week of 4/4/20 (4/9, Thursday) Range: 3,000 to 8,795 million Median: 5,000 million	6.6M (3/28/20)	<u>Up</u> at least 5.5 million.
Apr U. of Mich. Consumer Sentiment (prelim) (4/9, Thursday) Range: 61.4 to 89.0 Median: 76.5	89.1 (Mar)	A plunge to 70.
Mar CPI (4/10, Friday) Range: -0.7 to 0.0 percent Median: -0.3 percent	0.1% (Feb)	<u>Down</u> 0.2 percent. Retail gasoline prices fell by close to 10 percent.
Mar CPI (ex-food & energy) (4/10, Friday) Range: -0.4 to 0.2 percent Median: 0.1 percent	0.2% (Feb)	<u>Up</u> 0.1 percent.
Mar Export Price Index (4/14, Tuesday) Range: -2.0 to 0.4 percent Median: -1.2 percent	-1.1% (Feb)	<u>Down</u> 0.5 percent.
Mar Import Price Index (4/14, Tuesday) Range: -7.4 to -0.7 percent Median: -3.0 percent	-0.5% (Feb)	<u>Down</u> 1.0 percent.
Mar Retail Sales (4/15, Wednesday) Range: -5.0 to -0.8 percent Median: -2.5 percent	-0.5% (Feb)	With a growing number of consumers/workers sheltering at home starting at mid-March, total retail sales crashed by close to 5 percent. Ex-auto sales fell by 2 percent. Control sales (excluding vehicle, gasoline and restaurant sales) rose about 1 percent as consumer stocked up on groceries, medications, and other essential items at stores and online.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Mar Retail Sales (ex-auto) (4/15, Wednesday) Range: -3.0 to 0.4 percent Median: -0.6 percent	-0.4% (Feb)	<u>Down</u> 2.0 percent.
Mar Industrial Production (4/15, Wednesday) Range: -5.0 to -0.9 percent Median: -3.9 percent	0.6% (Feb)	<u>Down</u> 2.2 percent as manufacturing fell by 2 percent.
Mar Capacity Utilization (4/15, Wednesday) Range: 72.0 to 76.4 percent Median: 74.8 percent	77.0% (Feb)	<u>Down</u> to 74.8 percent.
Feb Business Inventories (4/15, Wednesday) Range: -0.5 to 0.1 percent Median: -0.2 percent	-0.1% (Jan)	<u>Down</u> 0.1 percent.
Mar Housing Starts (4/16, Thursday) Range: 1.300 to 1.489 million Median: 1.350 million	1.599M (Feb)	<u>Down</u> to 1.35 million.
Mar Leading Indicators (4/17, Friday) Range: -16.0 to -0.4 percent Median: -5.0 percent	0.1% (Feb)	<u>Down</u> at least 4.0 percent with stock prices collapsing and unemployment claims surging.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Mar/Apr 2020

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
23	24	25	26	27
	NEW HOME SALES(000) Dec 724 Jan 800 Feb 765	ADV DURABLE GOODS <u>Total</u> <u>Ex-Transp</u> Dec 2.8% -0.1% Jan 0.1 0.6 Feb 1.2 -0.6	GROSS DOMESTIC PRODUCT 4th Qtr (3rd estimate) <u>Real GDP</u> <u>Price Index</u> 1Q'19 3.1% 1.1% 2Q'19 2.0 2.4 3Q'19 2.1 1.8 4Q'19(1 st) 2.1 1.4 4Q'19(2 nd) 2.1 1.3 4Q'19(3 rd) 2.1 1.3	PERSONAL <u>Income</u> <u>Spending</u> Dec 0.2% 0.4% Jan 0.6 0.2 Feb 0.6 0.2 Mar U Mich Consumer Sentiment (final)
30	31	Apr 1	2	3
	CASE-SHILLER HPI <u>20-City Composite(SA)</u> <u>M/M</u> <u>Y/Y</u> Nov 0.5% 2.6% Dec 0.4 2.8 Jan 0.3 3.1 CB CONSUMER CONFIDENCE <u>Total</u> <u>Current</u> <u>Expect</u> Jan 130.4 173.9 101.4 Feb 132.6 169.3 108.1 Mar 120.0 167.7 88.2 Mar Chicago PMI	ISM MFG INDEX Jan 50.9% Feb 50.1 Mar 49.1 CONSTRUCTION SPENDING Dec 0.4% Jan 2.8 Feb -1.3 <u>Autos</u> <u>Light</u> <u>Dom</u> <u>For</u> <u>Truck</u> <u>Total</u> Jan 3.3 1.2 12.5 17.0 Feb 3.3 1.2 12.6 17.1 Mar 2.0 0.7 8.0 10.7 Mar ADP Employment Survey	TRADE BALANCE (\$B) Dec -\$48.6 Jan -\$45.5 Feb -\$39.9 MANUFACTURERS' <u>Ship</u> <u>Inv</u> <u>Orders</u> Dec 0.5% 0.4% 1.9% Jan -0.6 -0.3 -0.5 Feb -0.2 -0.4 0.0 Unemployment Claims (000) <u>Dec</u> <u>Jan</u> <u>Feb</u> <u>Mar</u> <u>Apr</u> 252 214 203 211 235 205 206 282 224 223 211 3,307 223 217 219 6,648 217	EMPLOYMENT REPORT <u>U.Rate</u> <u>Jobs(000)</u> Jan 3.6% +214 Feb 3.5 +275 Mar 4.4 -701 ISM NON-MFG INDEX Jan 55.5 Feb 57.3 Mar 52.5
6	7	8	9	10
CONSUMER CREDIT(\$B) Dec +\$20.3 Jan +\$12.0 Feb			PRODUCER PRICE INDEX <u>Total</u> <u>Core</u> Jan 0.5% 0.4% Feb -0.6 -0.1 Mar Apr U Mich Consumer Sentiment (prelim)	CONSUMER PRICE INDEX <u>Total</u> <u>Core</u> Jan 0.1% 0.2% Feb 0.1 0.2 Mar
13	14	15	16	17
		RETAIL SALES <u>Total</u> <u>Ex-Autos</u> Jan 0.6% 0.6% Feb -0.5 -0.4 Mar IND PROD CAP UTIL Jan -0.5% 76.6% Feb 0.6 77.0 Mar MFG and TRADE <u>Inv</u> <u>Sales</u> Dec 0.0% 0.1% Jan -0.1 0.6 Feb	HOUSING(000) <u>Starts</u> <u>Permits</u> Jan 1,624 1,550 Feb 1,599 1,464 Mar	LEADING INDICATORS Jan 0.7% Feb 0.1 Mar
	Mar Import Price Index			