Economic Outlook
Strong Expansion on Continue Throughout 2022 Despite Supply Chain Problems

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2021 Virtual Accounting CPE Conference
November 18, 2021
It’s Official—The U.S. Economy Is In Recovery

Length of expansion, months, by starting date of recovery

Source: NBER
Short-Term Rates Still Near Zero; Long-Term Rates Are Up in 2021, But Still Very Low…

Source: Federal Reserve Board
...And Stocks Are Anticipating Full Recovery

Source: S&P; CBOE
Employment Still Down By More Than 4 Million…

Establishment employment, mil

Source: BLS
...And 2% of the Population Has Dropped Out of the Labor Force

Labor force participation rate, %

Source: BLS
Economic Activity Now Above Pre-Pandemic Peak…

Real, index, 2019Q4=100

Source: BEA
...But Consumer Spending on Services Continues to Lag

Real, % change

- After-tax personal income
- Imports
- Exports
- Government cons./invest.
- Residential investment
- Business fixed investment
- Consumer nondurables
- Consumer durables
- Consumer services

Source: BEA
Very High Savings Rate and Great Balance Sheets Will Power Consumer Spending Throughout 2022

Sources: BEA; Federal Reserve Board

Financial obligations ratio, % of after-tax income (R)

Personal saving rate, % of after-tax income (L)

Great Recession
Business Debt Is High, But Manageable

Interest payments as % of cash flow, non-financial corporate sector (R)

Non-financial corporate debt as % of GDP (L)

Source: BEA; Federal Reserve Board
Very Low Inventories Will Support Near-Term Growth

Inventories as % of final sales of domestic product, real

Source: BEA
Strongest Small Business Optimism in Survey’s History

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

Source: PNC
Stimulus of About One-Quarter of GDP

CARES, Paycheck Protection Program and Health Care Enhancement, Consolidated Appropriations Plan, and American Rescue Plan Acts, spending, $ bil

- Small business loans/grants
- Stimulus payments
- Aid to states
- Other
- Unemployment insurance
- Big business, govt. loans/guarantees
- Health
- Business tax cuts

Sources: CBO, Moody’s Analytics, PNC
Two Ways of Thinking About Federal Debt; One Is a Lot More Sanguine Than the Other

Net interest payments on federal debt, 4-quarter moving average, % of GDP (L)

Federal debt held by the public, 4-quarter moving average, % of GDP (R)

Sources: Treasury Department, BEA
Fed Starting to Pull Back on Asset Purchases…

Federal Reserve assets, $ tril

- **Treasury Bills (1 year maturity or less)**
- **Longer-Term Treasurys**
- **MBS/GSA Debt**
- **Other**

Source: Federal Reserve Board
…And Is Willing to Work for Higher Inflation

5-year, 5-year forward inflation expectations, %

Source: Federal Reserve Board
What Do We Mean When We Talk About Inflation?

Sources: BLS; BEA

% change year ago

PPI: Intermediate unprocessed goods

Core PCE price index

PPI: Processed goods for intermediate demand

Sources: BLS; BEA
With More Stimulus, Vaccine Rollout, 2021 and 2022 Look a Lot Better…

Real GDP, % change year ago

Sources: BEA; PNC
...With a Faster Labor Market Recovery

Unemployment rate, %

Sources: BLS; PNC
...But Still Some Time to Make Up Lost Ground

Index, pre-recession peak=100

Source: BEA; BLS; Federal Reserve Board; Census Bureau; PNC
What I’m Pretty Sure About

- Very steep recession in 2020
- Solid near-term recovery
- Inflation will remain low
- Structural shifts
  - Retail, supply chains, commercial real estate
Open Questions

- Path of pandemic
- Biden administration proposals
- Longer-run growth
- Housing market
Solid Conditions in Early 2020…

February 2020 State Coincident Indexes: Three-Month Change

Source: Federal Reserve Bank of Philadelphia
...And Then Things Were Bad All Over…

May 2020 State Coincident Indexes: Three-Month Change

Source: Federal Reserve Bank of Philadelphia
...But Broad-Based Growth Now

September 2021 State Coincident Indexes: Three-Month Change

Source: Federal Reserve Bank of Philadelphia
Map colors based on www.ColorBrewer.org
Pittsburgh Area Employment Still Well Below Pre-Pandemic Level

Employment, index, pre-recession peak=100

Source: Bureau of Labor Statistics
Pittsburgh Area House Price Growth Has Levelled Off

Source: CoreLogic

Single-family home price index, % change year ago

Source: CoreLogic
Declining Pittsburgh Area Population a Big Concern

Source: Census Bureau

Population, % change

Source: Census Bureau
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