WITH END TO GREAT DELEVERAGING, BETTER U.S. ECONOMIC GROWTH

Augustine Faucher
Senior Economist

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THIRD QUARTER ANOTHER GOOD ONE...

Real, annualized % change

Source: BEA
...AND JOB GROWTH HAS RECOVERED AFTER TOUGH WINTER

Payroll employment, change, 3 mo. moving average, ths

Source: BLS
FINALLY A NEW JOB PEAK

Sources: BEA, BLS
GOVERNMENT IS NOW NEUTRAL FOR GROWTH...

Real GDP, contribution to annualized growth, ppt

Source: BEA
...AND HIT TO CONSUMERS FROM HIGHER TAXES IS FADING

% change year ago

-4 -2 0 2 4 6 8 10

'11 '12 '13 '14

Personal disposable income

Consumer spending

Source: BEA
WAGE GROWTH IS SET TO PICK UP...

Sources: BEA, BLS

Quit rate, % of employment, 3-quarter lag (L)

Private-sector wages, % change year ago (R)
...AND LOWER GASOLINE PRICES SAVING HOUSEHOLDS HUNDREDS OF BILLIONS OF DOLLARS

Sources: Oil Price Information Service, BEA

Consumer spending on gasoline, annualized, $ bil (R)

Price of unleaded gasoline, $ per gallon (L)
CONSUMER BALANCE SHEETS IN GREAT SHAPE

% of disposable income

Financial obligations ratio (R)

Mortgage debt service ratio (L)

Source: Federal Reserve
AUTO INDUSTRY IS ROARING THANKS TO PENT-UP DEMAND

Employment, motor vehicles and parts, 3-mo. moving average, change, ths (L)

Cash for clunkers

Light vehicle sales, SAAR, mil (R)

Sources: AutoData, BLS
MORTGAGE RATES LOWER, EVEN WITH QUANTITATIVE EASING OVER...

3-month moving average

30-year fixed mortgage rate, % (L)

Yield spread, 30-year fixed mortgage rate over 10-year Treasury, percentage points (R)

Source: Federal Reserve
...AND LOTS MORE ROOM FOR IMPROVEMENT IN HOMEBUILDING

Sources: Census, BLS

Residential construction employment, ths (R)

Housing starts, SAAR, 3-month moving average, ths (L)
HOUSE PRICE GROWTH IS SLOWING TO MORE SUSTAINABLE PACE

REO and short sale share of total existing single-family sales, reverse axis, % (R)

Case-Shiller house price index, peak=100 (L)

Sources: S&P/Case-Shiller, CoreLogic, PNC
Productivity, nonfarm business sector, % change year ago

Source: BLS
...AND PROFITS ARE HIGH, LABOR COSTS ARE LOW

Corporate profits, SAAR, $ bil (L)

GDP price index, 2008Q4=100 (R)

Unit labor costs, cyclical peak=100 (R)

Sources: BEA, BLS
SMALL BUSINESSES HIRING INTENTIONS GRADUALLY IMPROVING

Expectations of own hiring, % of respondents

- Decrease
- Same
- Increase

Source: PNC
SIX YEARS OF FLAT INVESTMENT CREATING DEMAND

Real business fixed investment, 2009$ bil

Source: BEA
SHRINKING TRADE DEFICIT, IN LARGE PART FROM ENERGY

Nominal goods trade deficit, 3-month moving average, $ bil

Sources: BEA, Census
HISTORIC ENERGY BOOM MATTERS FOR LONG RUN

Sources: Federal Reserve, NYMEX
A NOTICEABLY BETTER U.S. ECONOMY IN 2015

Sources: BEA, BLS, PNC

Real GDP, % change year ago (L)

Unemployment rate, %, (R)
ENERGY-PRODUCING STATES AT GREATEST RISK

Source: Philadelphia Fed

November 2014 State Coincident Indexes: Three-Month Change

Source: Federal Reserve Bank of Philadelphia
GLOBAL RISKS AT THE FOREFRONT

- ↓ Greece/Europe
- ↓ Ukraine/Russia
- ↑ Energy
- ↓ China/emerging economies
- ↓ Monetary policy
- ↑ Jobs/income/confidence
- ↑ New mortgage rules
- ↑ House prices
- ↑ Immigration reform
- ↑ Affordable Care Act
- ↑ Commercial construction
- ↑ State budgets
Q&A

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