

Beige Book Reports Soft Growth and Mixed Conditions in Mid-2024, With Expectations for a Further Slowing in Growth

- **The latest Beige Book reports slow growth in the early summer, with more labor market slack.**
- **Wage growth and inflation are easing.**
- **Consumer spending growth continues, although households are more cautious.**
- **The outlook is for slowing but continued growth through the rest of this year; uncertainty is elevated.**
- **The Beige Book supports PNC's call for two fed funds rate cuts this year.**

Economic activity increased at a “slight to modest pace” in June and early July, according to the latest Beige Book from the Federal Reserve. Conditions were mixed across districts. Expectations for the next six months were for weaker growth, with uncertainty about this year’s presidential election, domestic policy, geopolitical concerns, and inflation.

Jobs increased at “slight pace,” with most districts reporting flat or slightly higher employment. There were reports of job losses in manufacturing due to declines in orders. Labor supply conditions improved somewhat and turnover was down, but skilled workers remained in short supply across the country. Wage growth was “modest to moderate,” with some districts reporting slowing wage growth because of a greater supply of labor and less competition for workers.

Inflation was modest, with a couple of districts reporting “only slight increases.” There was “little to no change” in consumer spending in most districts, and retailers noted that consumers were more price conscious and trading down. Input prices “were beginning to stabilize.” Autos sales were mixed, with some districts reporting lower sales because of the CDK Global cyberattack on dealerships.

Loan demand was soft for both consumers and businesses. There was little change in real estate markets, both residential and commercial. Travel and tourism was a bright spot, with steady gains. There was a big disparity in manufacturing, with activity across districts “ranging from brisk downturn to moderate growth.”

There was modest growth in the Boston and Kansas City districts, with slight growth in five more: Philadelphia, Richmond, Chicago, St. Louis, and Dallas. Conditions were flat in the New York, Atlanta, and San Francisco districts. There were small contractions in activity in the Cleveland and Minneapolis districts.

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The Beige Book is consistent with PNC's forecast for continued expansion but slower economic growth in the second half of 2024. Consumers continue to increase their spending, but at a slower pace as the labor market gradually softens. Inflation continues to ease, moving toward the Federal Reserve's 2% objective, in part because of slowing wage growth with a bit more slack in the job market. Conditions generally support PNC's forecast for two cuts in the Fed's short-term policy interest rate, the fed funds rate, later this year. PNC expects cuts in September and December of this year, with the rate ending 2024 in a range between 4.75% and 5.00%.

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