

Slight Growth in Early Fall, According to Beige Book, With Inflationary Pressures Continuing to Ease

- **The Beige Books reports slight U.S. economic growth in the early fall. Near-term optimism improved.**
- **Consumer spending was flat and business investment was down.**
- **Job growth was slight, with little hiring but low layoffs. Wage growth continued to slow.**
- **Inflation pressures continued to ease.**
- **Most districts reported slight growth.**

According to the latest Beige Book there was slight economic growth in mid-October through most of November. Most districts experienced slight growth, with modest to moderate growth in three districts. One district was flat, with contraction in one more. Expectations for near-term growth rose moderately, with optimism about increasing demand.

Consumer spending was stable, with contacts noting continued sensitivity to higher prices. With weak housing activity, including low mortgage demand, spending on household furnishings fell. Commercial real estate activity was also subdued. Credit remained available, however. Business capital spending was down, particularly for farm equipment. Oil and gas activity was flat, but demand for electricity generation continued to grow, thanks largely to demand from data centers.

Employment was flat to up slightly in most districts. Most firms reported low hiring and turnover, with few increasing headcount; layoffs were also low. Expectations were for steady or slightly rising employment over the next year. Wage growth, and expectations for wage growth, slowed further to a modest pace in most districts. There was stronger wage growth for entry-level and skilled positions, however.

Prices rose at a modest pace during the period covered by the Beige Book, with both consumer- and business-oriented firms reporting increasing difficulty in passing along higher prices. Profit margins were down as input costs rose more than selling prices. Input prices were generally higher, with insurance premiums up notably, although prices were down for some raw materials and other non-labor inputs. There was concern about the potential for higher prices from tariffs.

Activity increased slightly in the New York, Philadelphia, Richmond, Atlanta, Chicago, St. Louis, and Minneapolis districts. Growth was somewhat stronger in the Cleveland and Kansas City districts, with

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moderate growth in the Dallas district. Activity was flat in the San Francisco district, and declined in the Boston district.

The latest Beige Book is consistent with modest economic growth toward the end of 2024. The U.S. economy continues to expand, but high interest rates remain a drag, even as the Federal Reserve has started to loosen monetary policy. Expectations are for a pickup in growth after the election, but the potential for higher prices from tariffs remains a concern. PNC expects slower economic growth in the first half of 2025, and then an acceleration in growth in the second half of next year as lower interest rates eventually spur more consumer and business borrowing. Risks have increased to both the upside and the downside following the election, however.

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