Economic Update

December 19, 2024

Leading Economic Index Increased in November for the First Time Since Early 2022

- The Conference Board's LEI increased 0.3% month-on-month in November, nearly erasing the 0.4% drop in October.
- The first monthly increase since February 2022 was led by building permits, the S&P stock index, average weekly hours in manufacturing and average weekly initial unemployment insurance claims.
- The ISM new orders index, interest rate spread and consumer expectations for business conditions all declined and limited overall growth.
- PNC expects real GDP growth to slow to around 2.0% in the fourth quarter and remain around 2.0% in 2025; the FOMC is expected to cut rates by 25 basis points in March and June, putting the fed funds rate in the range of 3.75%-4.00% by mid-2025.

The Conference Board's Leading Economic Index (LEI) climbed 0.3% in November, bucking expectations for a 0.1% decline, and nearly reversing the 0.4% decrease in October. Over the six-month period between May and November 2024, the LEI fell by 1.6%, a slight improvement from the 1.9% decrease over the prior six months. The first month-on-month increase since February 2022 was led by building permits (+0.18%), the S&P stock index (+0.10%), average weekly hours in manufacturing (+0.06%) and average weekly initial unemployment insurance claims (+0.06%). The ISM new orders index, interest rate spread and consumer expectations for business conditions all declined and limited overall growth. Nevertheless, the monthly increase points to continued economic growth over the next six months, but at a somewhat more subdued pace.

The Conference Board's Coincident Economic Index (CEI) edged up 0.1% in November, unchanged from the last four months. Consequently, the CEI increased by 0.6% in the six-month period ending November 2024, marginally higher than the 0.5% growth over the previous six months. The CEI's components - payroll employment, personal income less transfer payments, manufacturing and trade sales, and industrial production - are included in the data used to determine U.S. recessions. Personal income less transfer payments was the largest contributor to the modest increase in the CEI, followed by payroll employment and manufacturing and trade sales, all of which offset the third straight decline in industrial production.

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The Conference Board's Lagging Economic Index (LAG) rose by 0.3% in November 2024 after a decline of 0.1% in October. However, the LAG's six-month growth rate was -0.4% between May and November 2024, nearly erasing the 0.6% increase over the previous six months.

PNC expects real GDP growth of around 2% in the fourth quarter amid slower growth in consumer and government spending. Nonetheless, the economic fundamentals remain strong, and there are no indications of recession. Growth in 2025 will be around 2%, with an increase in business investment, slower but still-moderate growth in consumer spending and less support from government. PNC expects the FOMC to cut the fed funds rate by 25 basis points in March and June, bringing the fed funds rate to a range of 3.75% to 4.00% by the middle of next year.

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