The Conference Board Leading Economic Index Unexpectedly Fell in August

Headlines

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- The Conference Board Leading Economic Index (LEI) slid 0.1% in August.
- The LEI has declined year-over-year for slightly over four years.
- The negative turn in the LEI's six-month growth rate points to somewhat slower economic growth in the near term.
- PNC expects the Federal Open Market Committee (FOMC) to hike the fed funds rate by 25 basis points in December and another 25 basis points in March 2027, taking it to a range of 4.25% to 4.50%.

Details

The Conference Board Leading Economic Index (LEI) slipped 0.1% in August to 99.5 (2016=100) after rising by an upwardly revised 0.2% in July (Figure 1). That was below PNC's forecast of 0.1% and the first decline since March. The slight decrease in August pushed the LEI's six-month growth rate into negative territory, pointing to slower near-term growth.

Despite the monthly decline, the year earlier growth rate improved to -0.7%, the smallest decrease since July 2022. Nonetheless, the LEI has fallen annually for 50 consecutive months (Figure 2).

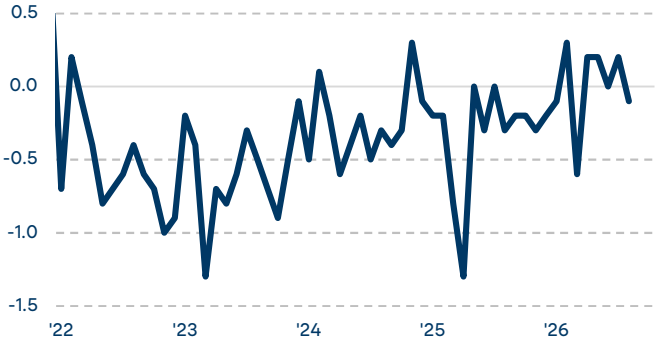
Four of the 10 components decreased, led by Average Consumer Expectations for Business Conditions (-0.23%), Private Housing Building Permits (-0.08%) and Average Weekly Initial Jobless Claims (-0.06%), The largest increases were in the S&P 500 Stock Index (+0.13%) and the Interest Rate Spread Between the 10-Year Bond and the Fed Funds Rate (+0.12%).

The Conference Board Coincident Economic Index (CEI) rose 0.1% in August following 0.2% advances in June and July. The CEI's six-month growth rate improved to 0.4%, slightly above the 0.3% increase over the prior six-months. The CEI's four components - payroll employment, personal income less transfer payments, manufacturing and trade sales and industrial production - are among the data used to determine U.S. recessions. All four CEI components made positive contributions in August.

The Conference Board Lagging Economic Index (LAG) increased 0.2%, unchanged from July. The LAG's six-month growth rate improved to 0.9% over the last six-months through August, triple the 0.3% increase over the previous six months.

The negative turn in the LEI's six-month growth rate in August points to somewhat slower near-term growth. This is consistent with PNC's outlook with growth being supported by continued AI-related spending and resilient consumer spending. Despite slower growth, PNC's baseline forecast has the FOMC lifting the fed funds rate by 25 basis points in December and by another 25 basis points in March 2027 with inflation still well above the Fed's 2% objective.

Figure 1: Conference Board Leading Economic Index (% chg., m/m)



Sources: Conference Board, PNC

Figure 2: Conference Board Leading Economic Index (% chg., y/y)

Sourcea: Conference Board, PNC

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