

RBA Made the First Rate Cut Since Late 2020; Eurozone and UK Economies Expanded in Q4

UNITED STATES: Industrial Production gained 0.5% in aggregate across Manufacturing, Mining and Utilities categories in January 2025. This gain, however, was driven exclusively by the Utilities component of the index, which rose by a massive 7.2% for the month. Manufacturing Production slipped by 0.1% while Mining fell 1.2% versus December – the industrial segment’s sharpest dip since January 2025 (-4.3%). Capacity Utilization also saw a gain to open the new year, built on similar industrial component performances.

Overall retail sales (including food services) declined 0.9% month-on-month in January from an upwardly revised 0.7% in January. This was well below the consensus forecast of a 0.2% drop and the first decline since August. The data covered a period which included the wildfires in Los Angeles — the second-largest metro area in the U.S. — and severe winter weather in other parts of the country, which may have limited face-to-face shopping activity.

Topline Consumer Price Index (CPI) inflation came in at +0.5% for January 2025, riding higher energy prices and a bounce in Food & Beverages prices. Core CPI inflation, which mirrors the metric that the Federal Reserve targets in its monetary policy impact goals (the Core Personal Consumption Expenditures Deflator), rose by 0.4% for the month reversing a recent modest downtrend in the monthly growth pace, though year-over-year gains have been pinned near 3.3% since mid-2024. The Producer Price Index (PPI) was up by 0.4% on a seasonally adjusted basis in January 2025. The monthly gain decelerated from December’s revised 0.5% increase but remains elevated from the pace of growth in costs that businesses were seeing through much of the second half of 2024. Goods producers’ costs are clearly taking back the spotlight from services providers, and Energy costs remain a concern for all businesses. PNC is calling for two (2) 25 basis point rate cuts from the Fed in 2025 – a scaled back pace of easing that is looking more and more justified as monthly inflation data and related economic indicators have rolled in recently. The economic numbers themselves do not indicate fundamental weaknesses in the U.S. economy or even growing imbalances, just lack of progress toward policy goals that will in turn keep interest rates from normalizing as quickly as had been hoped for through much of 2024.

AUSTRALIA: The Reserve Bank of Australia lowered the cash rate target from 4.35% to 4.1% on February 18. This marked the first cash rate target cut in the current monetary policy easing cycle as well as the first cut since late 2020. The RBA recognized that inflation is easing at a faster pace than it expected. The trimmed mean CPI grew 2.7% year-over-year in December 2024, falling within the RBA’s consumer inflation target range between 2% to 3% for the first time since 2022. Australia’s labor market remained tight ending 2024. The three-month moving average of job gains was 32,300 ending December 2024, still above the long-term average employment change since 2005. Meanwhile, the unemployment rate remained near its historic low in December, at 4% according to Australian Bureau of Statistics. The RBA expected GDP growth to pick up in the coming quarters from current pace of 1.1%. Household consumption will likely grow faster, getting supports from the resilient Australian labor market and wage growth running ahead of inflation toward the end of 2025. Business investment will likely pick up toward the end of 2025 under falling interest rates. The RBA acknowledged uncertainties around the evolution of inflation and will likely remain cautious to both upside and downside inflationary risks.

EUROZONE: Eurozone’s economic recovery lost some momentum in the second half of 2024. Real GDP expanded 0.1% according to Eurostat, the slowest pace of the year. However, this pace was better than the consensus of a

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stagnated economy, amid drags from its biggest economies, Germany and France. On a year-over-year basis, real GDP in the euro area increased 0.9% in Q4, the same pace from Q3, and year-over-year growth picked up from the first half of 2024. Germany's CPI inflation contracted 0.2% in January after growing 0.5% in December 2024. Over the past year, headline inflation in Germany grew 2.3% in January, close to the European Central Bank's 2% inflation objective. CPI inflation in France grew 0.2% on the month and 1.7% over the past year.

UNITED KINGDOM: Wage growth in Great Britain picked up in late 2024. From October to December 2024, annual growth in average wages increased from mid-2024. The three-month annual growth of average nominal weekly earnings (including bonuses) was at 6.3% and 4.8% for the private and public sectors, respectively, according to the Office for National Statistics (ONS). Real wages, nominal wages excluding inflation, also grew a steady 2.5% at an annual rate in the three months ending December 2024. Payrolled employees have been historically volatile, and bounced back in January 2025 according to the ONS, after the large contractions registered in November and December. CPI inflation came in higher than the consensus, contracting 0.1% on the month in January and growing 3% from a year ago.

JAPAN: Real GDP grew at a solid pace in Q4 2024, rising 2.8% annualized according to the Economic and Social Research Institute. This pace was much better than the consensus expectation of 1.1% and picked up from 1.7% in Q3 2024. Growth in private consumption was at 0.1% which slowed into late 2024, but Japan's economy avoided contraction in the trailing quarter. Exports rose 4.3% while imports decreased 8% in Q4. The net of which contributed 0.7 percentage point to overall economic growth after dragging on growth in 2024.

INDIA: Inflation continued to cool off over the past several months ending January 2025. Headline CPI inflation eased to 4.3% in January 2025 from 5.2% in December last year according to the Central Statistics Office. Recent disinflation in topline CPI was driven by the food and beverage components. Prices of food and beverages grew 5.7% on a year-over-year basis in January, slowing from 7.7% in December. Prices of other goods and services remained within the Reserve Bank of India's inflation target range.

CANADA: Topline CPI grew 1.9% on a year-ago basis in January 2025, within the Bank of Canada's targeted inflation of 2%. Prices of major components in headline inflation fell from January 2024, while those in shelter and transportation still grew strongly over the past year. Shelter inflation remained sticky at 4.5% in January and has been around that level for the past three months ending January 2025.

BRAZIL: The Extended National Consumer Price Index (IPCA) advanced 0.2% on the month in January and 4.6% over the past year according to Brazilian Institute of Geography and Statistics (IBGE). ICPE is the targeted variable of inflation for the Central Bank of Brazil. Costs of education, health and personal care, transport, and food and beverages to consumers were well elevated in January 2025 from a year ago.

MEXICO: Industrial production continued to trend down ending 2024, falling 1.4% monthly after seasonal adjustment according to National Institute of Statistics and Geography (INEGI). From a year-ago, industrial production fell 2.7% in December 2024, the largest year-over-year contraction made in five months.

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