

Beige Book: Uncertainty Around Tariffs Was Pervasive in Early Spring, Outlook Worsened

- **The overall US economy was flat in March and early April, according to the Beige Book, with growth in some districts and contraction in others. There was much uncertainty surrounding tariffs.**
- **Consumer spending was generally down outside of autos. Business activity was mixed.**
- **Job growth was modest on net, with firms turning more cautious. Wage growth was modest and slowing.**
- **Businesses were preparing for higher prices with tariffs, and most expected to pass their higher costs on to consumers.**
- **Growth will soften in 2025 as tariffs and uncertainty weigh on the US economy.**

According to the latest Beige Book from the Federal Reserve, covering March and early February, the economy was stable. However, the Beige Book states that “uncertainty around international trade policy was pervasive across reports.” The Beige Book also says that “the outlook on several Districts worsened considerably as economic uncertainty, particularly surrounding tariffs, rose.”

Household spending was generally lower, but auto sales increased as consumers rushed to get ahead of potential tariff-induced price increases. Both leisure and business travel spending were down, with several districts reporting reduced international travel.

Home sales were up somewhat even as inventories remained tight. There was a slight increase in commercial real estate activity, coming primarily from the multifamily sector.

Loan demand was flat to up modestly. There was a decline in non-financial services activity in several sectors. Transportation experienced modest growth.

Manufacturing was mixed, with activity flat to down in two-thirds of the districts. There was modest growth in energy activity and agriculture was stable.

Federal government spending cuts and a drop in charitable contributions created gaps in community services.

Employment was little changed, with some districts reporting growth, other reporting no change, and some reporting declines. The softness was most pronounced in the federal government and entities receiving government funding. The Beige Book says that in several districts “firms were taking a wait-and-see approach to employment” until there was more policy certainty. There were also “scattered

reports of firms preparing for layoffs.” Overall, there was a greater availability of labor. Wage growth was modest and slowed from the previous Beige Book in multiple districts.

Inflation was modest in one-half of the 12 districts and moderate in the other six, similar to the previous Beige Book. In most districts “firms expected elevated input cost growth resulting from tariffs,” with many businesses already receiving “notices from suppliers that costs would be increasing.” In addition, “firms reported adding tariff surcharges or shortening pricing horizons to account for uncertain trade policy.” Most firms expected to increase their end prices to pass along higher costs. There were also reports of smaller profit margins with soft demand, especially among consumer-oriented businesses.

The overall US economy treaded water in the late winter and early spring, according to the latest Beige Book, with growth mixed across districts. There was slight growth in five districts (Boston, Richmond, Atlanta, Kansas City, and Dallas), economic activity was flat in three others (Cleveland, Chicago, and St. Louis), and there was modest contraction in the remaining four (New York, Philadelphia, Minneapolis, and San Francisco).

The ever-changing tariff situation was a significant drag. Consumers and businesses were more cautious, although auto sales were up as buyers rushed to get ahead of tariffs. There was also increased pessimism about the economic outlook because of tariffs.

PNC is expecting noticeably slower economic growth through the rest of 2025, but not a recession, as higher tariffs weigh on consumers and businesses. But risks to the downside have increased. The longer the tariffs remain in place, and the larger and broader they are, the higher the probability of recession.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 5/7/25)	4.375-4.375%	4.375%	4.125%	4.375%. The Federal Open Market Committee will leave the fed funds rate unchanged in May.
Mar Advance Trade in Goods (4/29, Tuesday)	-\$150 to -\$120.8	-\$143.0	-\$147.8 (Feb)	-\$142.0. The U.S. goods trade deficit to narrow slightly in March.
Apr Consumer Confidence (4/29, Tuesday)	84.0-89.0	87.2	92.9 (Mar)	88.0. Consumer confidence to slide further in April amid policy uncertainty and volatile equity markets.
Apr ADP Employment Survey (4/30, Wednesday)	100-140K	124K	155K (Mar)	128K. Private sector employment gains to moderate in April.
Q1 GDP Advance Report (4/30, Wednesday)	-0.1 to 0.4%	0.4%	2.4% (Q4)	0.5%. Real GDP growth to slow sharply in Q1, partly due to surging imports as businesses try to front-run tariffs.
Q1 Chain Price Index Advance Report (4/30, Wednesday)	2.1-3.5%	3.1%	2.3% (Q4)	3.0%. GDP Price Index to accelerate in Q1 even before the tariffs hit in 2Q.
Q1 Employment Cost Index (4/30, Wednesday)	0.8-1.0%	1.0%	0.9% (Q4)	0.9%. Employment Cost Index growth in Q1 unchanged from Q4.
Mar Personal Income (4/30, Wednesday)	0.1-0.6%	0.4%	0.8% (Feb)	0.4%. Personal income growth to moderate in March amid slower job growth.
Mar Personal Consumption Expend. (4/30, Wednesday)	0.3-0.9%	0.6%	0.4% (Feb)	0.7%. Consumer spending growth to accelerate in March as consumers increase spending ahead of the imposition of tariffs.
Initial Claims, Wk of 4/26/25 (5/1, Thursday)	220-230K	225K	222K (4/19/25)	228K. Initial jobless claims to rise slightly but remain low.
Apr ISM (5/1, Thursday)	47.0-49.3	47.8	49.0 (Mar)	49.3. Manufacturing sector activity to improve in April but remain contractionary.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Mar Construction Spending (5/1, Thursday)	0.0-0.4%	0.3%	0.7% (Feb)	0.3%. Construction spending to expand in March but at less than half of the pace of the gain in February.
Apr Nonfarm Payrolls (5/2, Friday)	80-160K	130K	228K (Mar)	150K. Nonfarm payrolls to expand at a much slower pace in April amid policy uncertainty.
Apr Private Nonfarm Payrolls (5/2, Friday)	72-150K	118K	209K (Mar)	140K. Private sector payroll growth to slow to a more sustainable pace in April.
Apr Manufacturing Payrolls (5/2, Friday)	-10 to 0K	-5K	1K (Mar)	-3K. Manufacturing payrolls to decline in April as some tariffs are implemented.
Apr Unemployment Rate (5/2, Friday)	4.1-4.3%	4.2%	4.2% (Mar)	4.2%. The unemployment rate to remain unchanged in April at a historically low level.
Apr Average Hourly Earnings (5/2, Friday)	0.2-4.2%	0.3%	0.3% (Mar)	0.3%. Average hourly earnings to expand at a modest pace in April.
Apr Hours Worked (5/2, Friday)	34.1-34.2hrs	34.2hrs	34.2hrs (Mar)	34.2. Hours worked to remain unchanged in April.
Mar Factory Orders (5/2, Friday)	0.6-4.8%	4.5%	0.6% (Feb)	4.6%. Factory orders growth to accelerate sharply in March ahead of the enactment of some tariffs.

Monthly Calendar of Economic Data: April/May 2025

Apr 29

CB Consumer Confidence			
	Total	Current	Expect
Feb	100.1	138.1	74.8
Mar	92.9	134.5	65.2
Apr			

Apr ADP Employment Survey

Apr 30

Gross Domestic Product		
1st Qtr (Advance Report)		
	Real GDP	Price Index
Q2'24	3.0	2.5
Q3'24	3.1	1.9
Q4'24 (1 st)	2.3	2.2
Q4'24(2 nd)	2.3	2.4
Q4'24(3 rd)	2.4	2.3
Q1'25(1 st)		

Personal		
	Income	Spending
Jan	0.9	-0.2
Feb	0.8	0.4
Mar		

Apr Chicago PMI

Employment Cost Index			
	Total	Wages & Salaries	Benefits
1Q'24	1.2	1.1	1.1
2Q'24	0.9	0.9	1.0
3Q'24	0.8	0.8	0.8
4Q'24	0.9	0.9	0.8
1Q'25			

May 1

Unemployment Claims (000)				
Dec	Jan	Feb	Mar	Apr
239	205	222	224	224
222	217	215	223	216
219	222	224	225	222
209	210	243	225	
			219	

	Autos		Light	
	Dom	For	Truck	Total
Feb	2.0	1.0	13.0	16.0
Mar	2.1	1.0	14.7	17.8
Apr				

ISM Manufacturing Index	
Feb	50.3
Mar	49.0
Apr	

Construction Spending	
Jan	-0.5
Feb	0.7
Mar	

Monthly Calendar of Economic Data: April/May 2025

May 2

	U. Rate	Jobs (000)
Feb	4.1	+118
Mar	4.2	+228
Apr		

Manufacturers'			
	Ship	Inv	Orders
Jan	0.5	0.1	1.8
Feb	0.7	0.1	0.6
Mar			

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