

## Beige Book: Expansion Continues in Spring of 2024, But Rising Pessimism

- **The US economy continues to expand in the spring, according to the latest Beige Book, but at a slower pace. Consumer spending growth is positive but easing. Growth was modest in most districts.**
- **Tight credit and high interest rates are weighing on economic growth.**
- **The labor market remains solid, but job and wage growth are slowing. Inflation is easing.**
- **The Beige Book is consistent with PNC's forecast for slower economic growth this year, with a couple of fed funds rate cuts in the second half of 2024.**

The US economy continued to expand modestly in the spring of 2024, according to the latest Federal Reserve Beige Book, which covered April to mid-May. Conditions were mixed across industries and districts. The outlook turned a bit more pessimistic with rising uncertainty and greater downside risks.

Consumer spending increased modestly, with auto sales flat. Leisure travel spending continued to increase. Demand for nonfinancial services increased, with transportation demand mixed. Manufacturing was flat to up. Tight credit and high interest rates remained drags on bank lending. Commercial real estate weakened with high interest rates and softer demand for office space. High mortgage rates were a drag on housing activity.

Job growth was modest, with small gains in eight districts and no change in four others. Labor was generally more available, although shortages persisted in some industries and occupations. Employee turnover was down, and wage growth was moderate but slowing.

Price increases were modest, with more retail discounting and consumers pushing back against higher prices. With slower price growth there was greater pressure on profit margins. There was particular mention of higher insurance costs. Price increases were expected to be modest in the near term.

The Kansas City district reported moderate growth, with slight to modest growth in the New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and Dallas districts. The economy was flat in the Boston and San Francisco districts.

The latest Beige Book is consistent with slowing economic growth in 2024 compared to 2023. The US economy continues to expand and the labor market remains solid, but the rate of growth is easing. High interest rates, the result of monetary policy tightening in 2022 and 2023, is a drag on economic activity in the spring of 2024. The good news is that slower growth is reducing inflationary pressures in the spring of 2024, particularly those coming from the labor market.

**Gus Faucher**  
*Chief Economist*

**Stuart Hoffman**  
*Senior Economic Advisor*

**Kurt Rankin**  
*Senior Economist*

**Ershang Liang**  
*Economist*

The Beige Book is consistent with PNC's forecast for slower economic growth this year, but no recession. Job growth should further ease, with a slight increase in the unemployment rate over the rest of this year. Inflation should continue to slow toward the Federal Reserve's 2% objective. With slower inflation the Federal Open Market Committee is likely to cut the federal funds rate a couple of times in the second half of 2024, putting the rate between 4.75% and 5.00% at the end of this year.

**PNC Economics**

[economics@pnc.com](mailto:economics@pnc.com)

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