

## Leading Economic Index Declines Again in February

- The Conference Board's Leading Economic Index (LEI) fell 0.3% in February, pointing to weaker near-term economic growth.
- Five of the 10 components declined, four increased and one was flat.
- The LEI is down 1.0% in the six months ending February 2025, an improvement from -2.1% over the prior six months.
- The Conference Board's Coincident Economic Index climbed 0.3% in February while the Lagging Economic Index increased 0.4%.
- The second consecutive monthly decline in the LEI is consistent with PNC's outlook for weaker economic growth in 2025.
- PNC is forecasting two 25-basis point cuts in the fed funds rate this year, lowering the fed funds rate to a range of 3.75%-4.00%.

The Conference Board's Leading Economic Index (LEI) slipped 0.3% in February to 101.1 (2016=100) following a 0.2% decline in January (previously -0.3%). This was spot on with PNC's forecast. The LEI has declined for two straight months, suggesting weaker near-term growth. Five of the 10 components decreased, with the biggest drops in Average Consumer Expectations (-0.19%), the ISM Index of New Orders (-0.15%) and Average Weekly Initial Unemployment Insurance Claims (-0.05%). Building Permits and the Leading Credit Index fell 0.03% and 0.01% respectively and contributed to the monthly decline. Conversely, Average Manufacturing Weekly Hours, Stock Prices, the Interest Rate Spread and Manufacturers' New Orders for Consumer Goods and Materials rose and limited the overall decrease. The LEI is down 1.0% in the six-month period ending February 2025, about half of the 2.1% decline over the previous six months.

The Conference Board's Coincident Economic Index (CEI) climbed 0.3% in February 2025 after a 0.2% increase in January. As a result, the CEI rose 1.2% over the six-month period ending February 2025, double the 0.6% growth over the previous six months. All four coincident indicators were positive, led by industrial production and personal income less transfer payments.

The Conference Board's Lagging Economic Index increased 0.4% in February on the heels of a 0.3% upturn in January. Consequently, the six-month growth improved to 0.2%, offsetting the 0.2% drop over the previous six months.

The second consecutive monthly decline in the Conference Board's Leading Economic Index is consistent with PNC's outlook for slower economic growth in 2025. As a result, PNC's March baseline forecast has two 25 basis point cuts in the fed funds rate this year, in May and July, lowering the fed funds rate to a range of

3.75%-4.00%. However, depending on the inflation data over the next few months, those rate cuts could be pushed out to later in 2025.

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