The Conference Board Leading Economic Index Was Flat in September

Headlines

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- The Conference Board Leading Economic Index (LEI) was unchanged in September.
- The LEI has declined year-on-year for 51 consecutive months.
- The improvement in the LEI's six-month growth rate in September points to continued near-term growth.
- 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) was unchanged in September at 99.6 (2016=100) after slipping 0.1% in August (Figure 1). That was slightly above the consensus forecast of -0.1%. The LEI's six-month growth rate improved to 0.6% between March and September from -1.1% over the previous six months.

The year earlier growth rate improved for the ninth straight month to -0.5%, the smallest decline since July 2022. Nonetheless, the LEI has declined annually for 51 consecutive months (Figure 2).

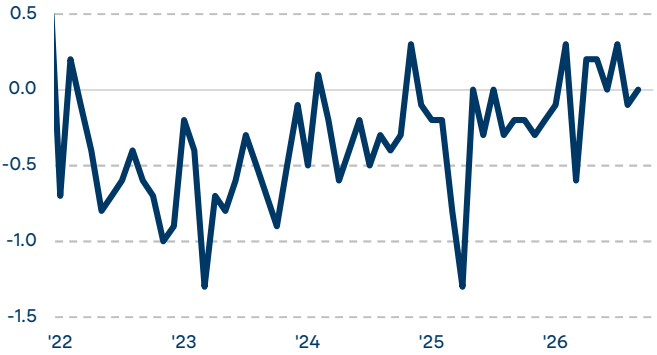
Half of the 10 components increased, led by the Interest Rate Spread Between the 10-Year Bond and the Fed Funds Rate (+0.14%), Average Weekly Hours Manufacturing (+0.12%), the Leading Credit Index (+0.08%) and Average Weekly Initial Jobless Claims (+0.07%). The only notable decrease was in Average Consumer Expectations for Business Conditions (-0.29%) with three other components falling slightly.

The Conference Board Coincident Economic Index (CEI) rose 0.3% in September on the heels of a 0.1% increase in August. The CEI's six-month growth rate improved to 0.9%, well above the 0.2% 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 components made positive contributions in September.

The Conference Board Lagging Economic Index (LAG) increased 0.5%, up from 0.2% in August. The LAG's six-month growth rate improved to 1.0% over the last six months through September, twice the 0.5% increase over the previous six months.

The improvement in the LEI's six-month growth rate in September is consistent with continued near-term growth. This aligns with PNC's outlook, which sees growth being supported by continued AI-related spending and resilient consumer spending. 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 (m/m % chg.)



Sources: Conference Board, PNC

Figure 2: Conference Board leading economic index (y/y % chg.)

Sourcea: Conference Board, PNC

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