Reading the economy

A guide to the data that matters

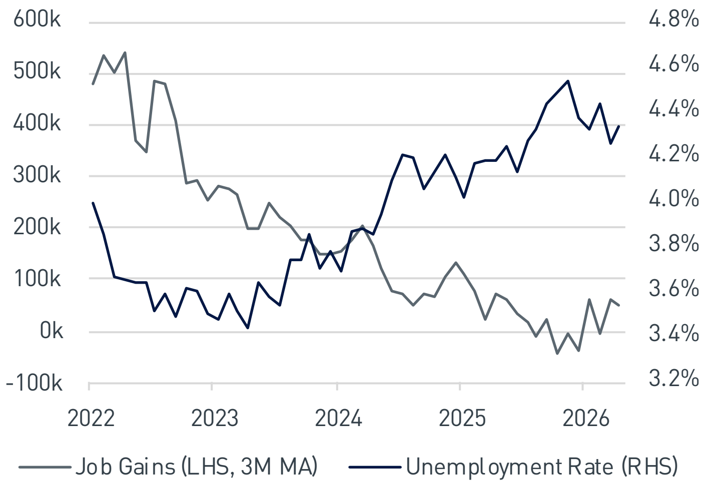
With uncertainty around the economic outlook remaining elevated, it is especially important to understand which data releases matter most and how to interpret them. Economic data can be noisy, and no single report tells the full story. But a consistent focus on a small set of indicators can help investors cut through that noise and better assess the direction of the economy.

This month's piece focuses on several of the most important economic statistics. While not exhaustive, we highlight two key releases across three areas of the economy: the labor market, inflation and economic activity. For each, we focus on what the data measures, why it matters and how you might want to think about it in the current environment.

Labor market

The labor market has cooled over the past two years, but so far in 2026 there are signs it has stabilized. Two indicators carry the most weight, in our view: monthly nonfarm payroll job growth and the unemployment rate.

Unemployment rate vs. nonfarm payroll job growth



As of 4/30/2026. Source: BLS, PNC

Payrolls measure how many jobs employers add each month and provide one of the timeliest reads on economic momentum. The monthly data can be volatile, so the underlying trend matters more than any single print. Given slower population growth and reduced net immigration, we estimate that job gains of around 75,000 per month are enough to keep the unemployment rate from rising. Sustained readings above that level suggest continued solid hiring. So far in 2026, monthly job growth has averaged 78,000 per month.

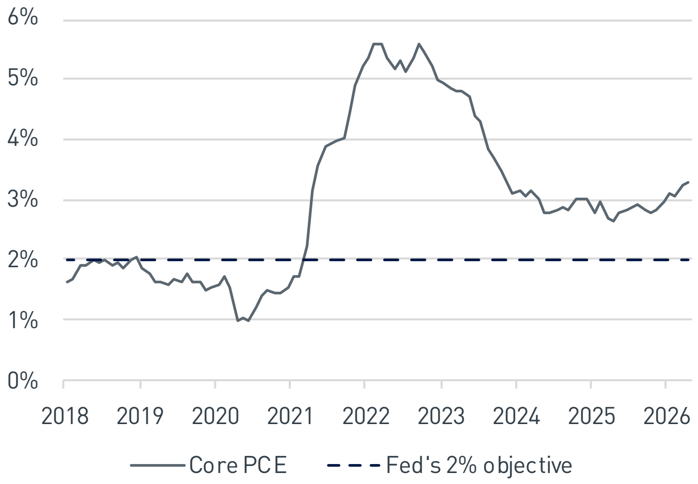
The unemployment rate measures the share of workers actively looking for a job but unable to find one, providing a broader view of labor market slack. That rate has risen from a low of 3.4% in 2023 to around 4.3% today but remains low by historical standards. While the Federal Reserve (Fed) does not have an explicit target for unemployment, many policymakers view a rate in the low 4% range as broadly consistent with a stable, non-inflationary labor market. At current levels, the labor market appears close to that range, if not slightly above.

Inflation

There are two main measures of inflation in the United States: the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) price index. CPI tracks prices consumers pay out of pocket and is a good gauge of the cost of living. PCE is broader, capturing not only what consumers pay, but also spending on their behalf, such as employer-provided healthcare, and it adjusts more as spending patterns change over time.

While both are important, we place more emphasis on PCE, particularly core PCE, which excludes food and energy and provides a clearer view of underlying inflation trends. Core PCE is also the Fed's preferred measure, and policymakers are aiming to bring it down from the current 3.3% pace to their 2% objective.

Core PCE inflation, year-over-year



As of 4/30/2026. Source: BEA, PNC

Economic activity

Economic activity captures the overall pace of growth in the economy. While there are many indicators to track, two tend to provide the clearest signal: real GDP and consumer spending.

Real GDP is the broadest measure of economic activity, capturing the total value of goods and services produced across the economy. It is released quarterly and is best viewed as a summary of where the economy has been rather than a real-time signal. As a rule of thumb, growth of around 2% is consistent with a steady expansion, while meaningfully stronger or weaker readings can signal an economy that is either accelerating or losing momentum.

Consumer spending, typically measured through PCE, accounts for the largest share of GDP and is a key driver of growth. It is released monthly and provides a timelier read on demand. Consistent gains suggest expansion is intact, while flat or declining spending can be an early sign of slowing activity.

Together, these indicators help answer two key questions: how fast the economy is growing, and whether that growth is being sustained. Other measures can help fill in the picture, including retail sales for a high-frequency read on goods demand, industrial production for more cyclical activity, and ISM® surveys for early signals of changes in momentum.

Putting it together

No single data release provides a complete picture of the economy. But by focusing on a consistent set of indicators across the labor market, inflation and economic activity, investors can develop a clearer view of the underlying trends.

Tracking how these inputs evolve over time, rather than reacting to any single report, is often the most effective way to interpret the economic backdrop and assess where conditions may be headed.

Your PNC Private Bank® advisor can help you navigate uncertainty and stay focused on your long-term financial goals.