

State of the Economy:

Leading, Lagging, and Coincident Indicators

March 2025

Economic
INSIGHT



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Executive Summary

Amid ample uncertainty and growing unknowns surrounding fiscal policy initiatives, the Federal Reserve (Fed) opted to remain on the sidelines at the latest March Federal Open Market Committee (FOMC) meeting. Reiterating a need for further clarity about the impact of tariffs on the economy as well as inflation, the Committee emphasized they were in no rush to adjust rates, at least in the near term. With expectations for disruptions likely to prove temporary in nature, the Committee remains optimistic it can – and should – provide additional policy relief by year-end and achieve its longer-run goal of price stability over the medium term.

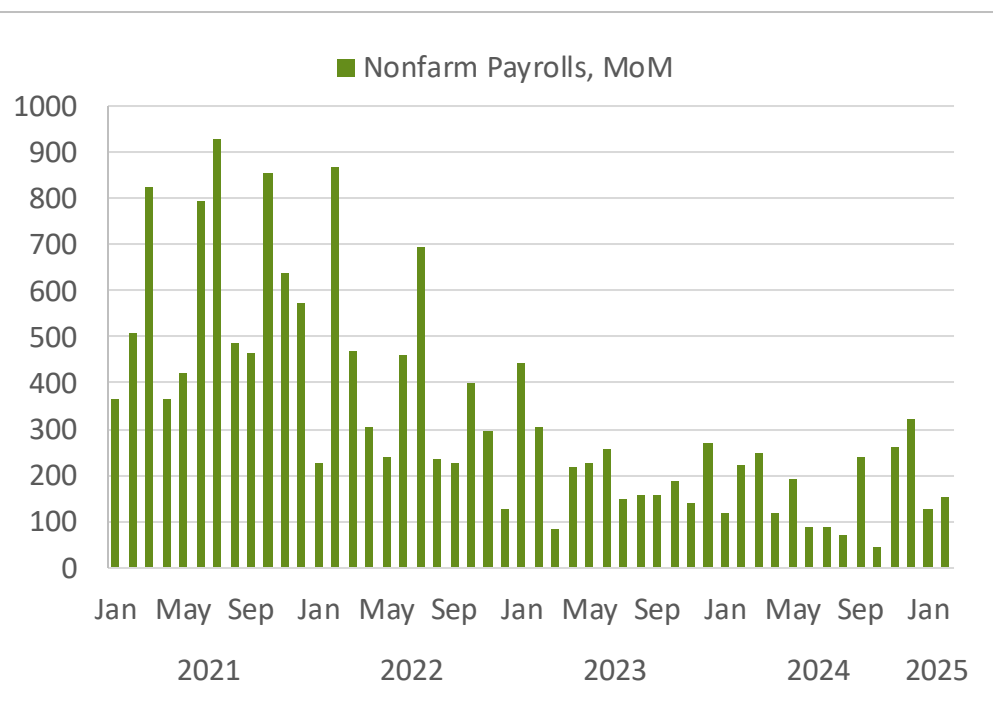
For now, the U.S. economy continues to expand at a “solid pace,” but indications of waning momentum and fears of upside inflation risks have emerged. Reflecting a rising level of anxiety from both households and businesses, consumer confidence has declined materially with the Conference Board’s Sentiment Index dropping to a four-year low and the latest NFIB Small Business Uncertainty Index spiking to the second highest reading on record. Furthermore, near-term inflation expectations have spiked 170 basis points since the start of the year to 5.0%, the highest level since November 2022. The latest inflation reports were encouraging with both the Producer Price Index (PPI) and Consumer Price Index (CPI) cooling more than expected, however, after a welcome decline in the Personal Consumption Expenditures Index (PCE) in January, the Core PCE accelerated more than expected in February. Price growth remains nominally elevated near 3%, and after several months of acceleration, a one-month decline does little to quell fears of upside price risks or instill confidence in reestablishing a sustained disinflationary trend. The Fed revised near-term projections for inflation higher, but contends the recent spike reflects anticipatory concerns rather than realized price hikes, with the real impact likely proving “transitory.”

Of course, the Committee has been relatively steadfast in its longstanding outlook for inflation to retreat back to 2% but at this point, achieving target inflation does not appear to be a foregone conclusion, let alone imminent. Thus, while some investors fear potential weakness in the domestic economy, and as a result have increased bets of additional rate cuts potentially as early as June, others are justifiably concerned policy makers may again be neglecting the appropriate action needed to ensure a return of price stability. In fact, when asked during the March FOMC press conference if the Fed was willing to heed the lessons from the 1970s and risk a recession to “break the back of inflation,” Powell dismissed such a concern responding, “fortunately,” we are not facing that difficult decision.

Leading Indicators

NONFARM PAYROLLS RISE LESS THAN EXPECTED IN FEBRUARY

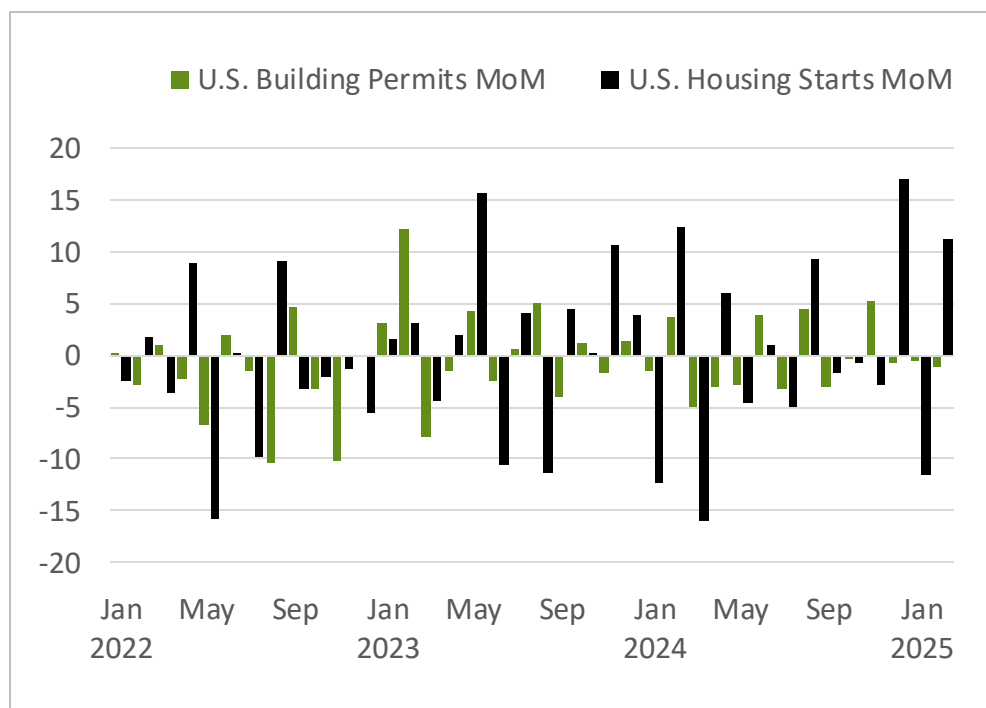
Nonfarm payrolls rose by 151,000 in February, surpassing January's increase of 125,000 and marking a two-month high, albeit falling short of the 160,000 gain expected.



NFP TCH Index (U.S. Employees on Nonfarm Payrolls Total MoM Net Change SA) Nonfarm Payrolls Monthly
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BUILDING PERMITS FALL AND HOUSING STARTS JUMP

On a month-over-month basis, building permits fell 1.2%, while housing starts unexpectedly jumped 11.2% in February. Year-over-year, permits dropped 6.7% and starts declined 2.9%.

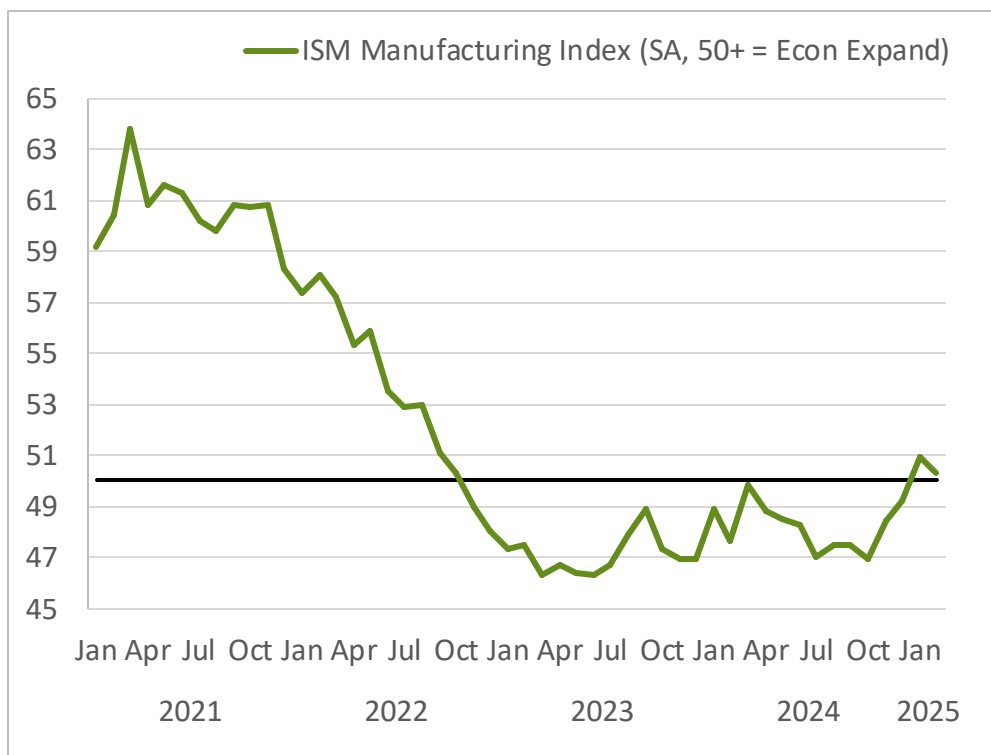


NHCHATCH Index (Private Total Housing Authorized by Building Permits MoM SA) Housing Permits/Starts Monthly
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Leading Indicators

MANUFACTURING ACTIVITY REMAINS IN EXPANSIONARY TERRITORY

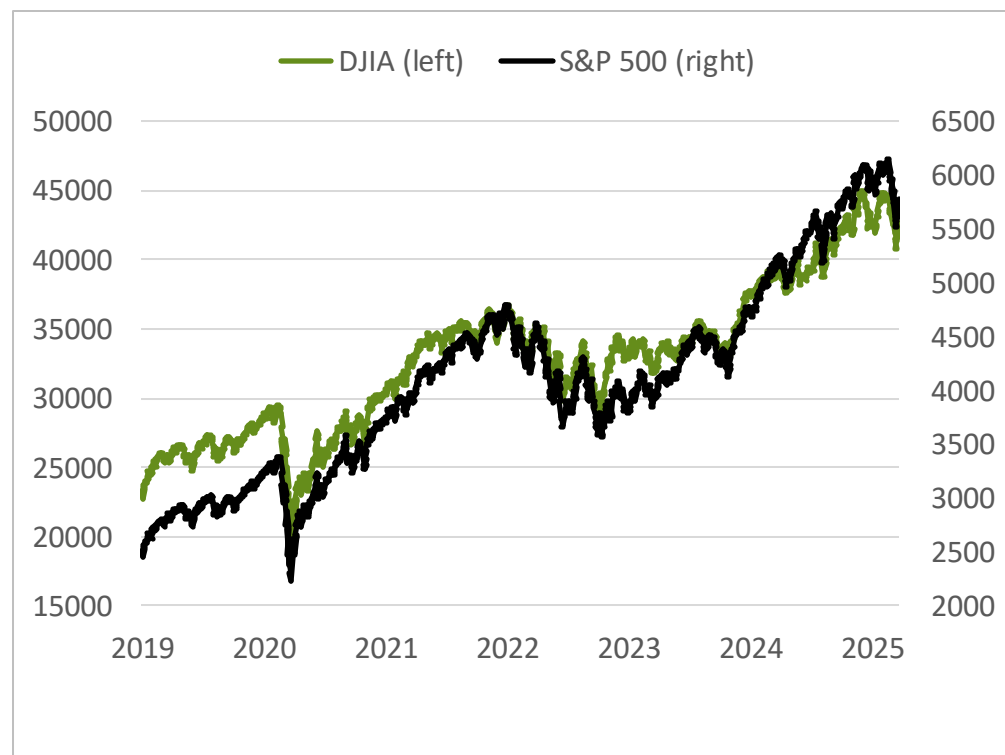
The Institute for Supply Management (ISM) Manufacturing Index fell 0.6 points to 50.3 in February, albeit still marking the second consecutive reading in expansion territory (a reading above 50).



NAPMPMI Index (ISM Manufacturing PMI SA) Manufacturing Monthly
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STOCKS VOLATILE IN SECOND MONTH OF THE YEAR

Stocks ended lower in February. The S&P 500 started at 5,994.57, falling 1.4% during the month. The Dow Jones Industrial Average (DJIA), which started at 44,421.91, fell 1.6% in the second month of the year.



SPX Index (S&P 500 Index) SP500/DJIA Daily
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Lagging Indicators

GDP RISES 2.4% in Q4

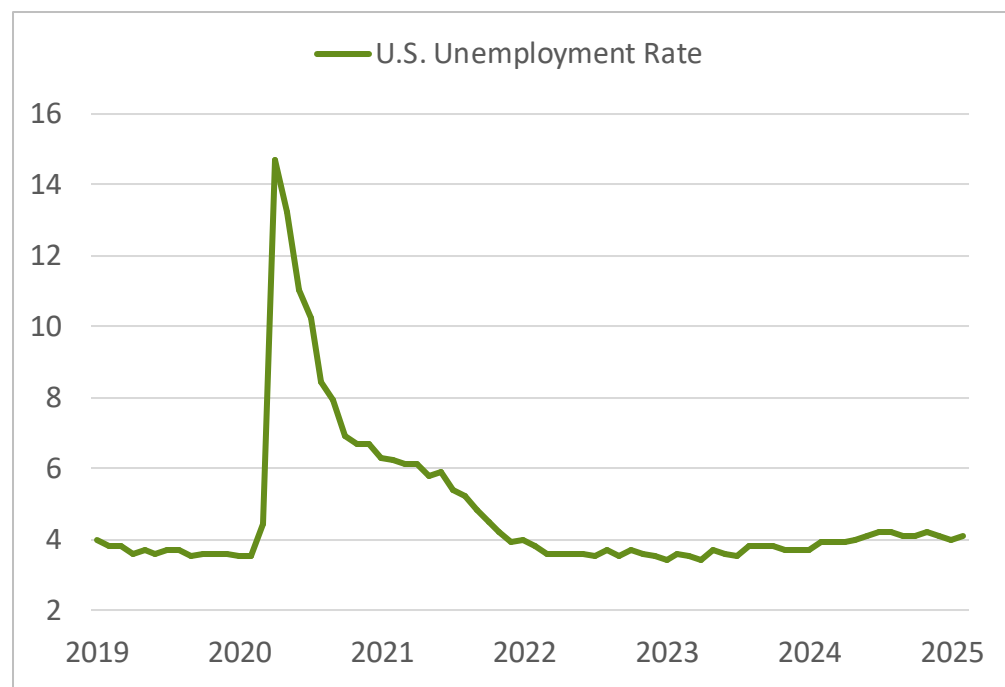
Q4 GDP rose a solid 2.4% in the third-round report, albeit the weakest quarterly pace since Q1 2024 and following a 3.1% increase in Q3.



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars QoQ SAAR) GDP Bar Chart Quarterly
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U.S. EMPLOYMENT RATE TICKS HIGHER BUT REMAINS HISTORICALLY LOW

The U.S. unemployment rate ticked higher to 4.1% in February, a two-month high but still near a multi-decade low.



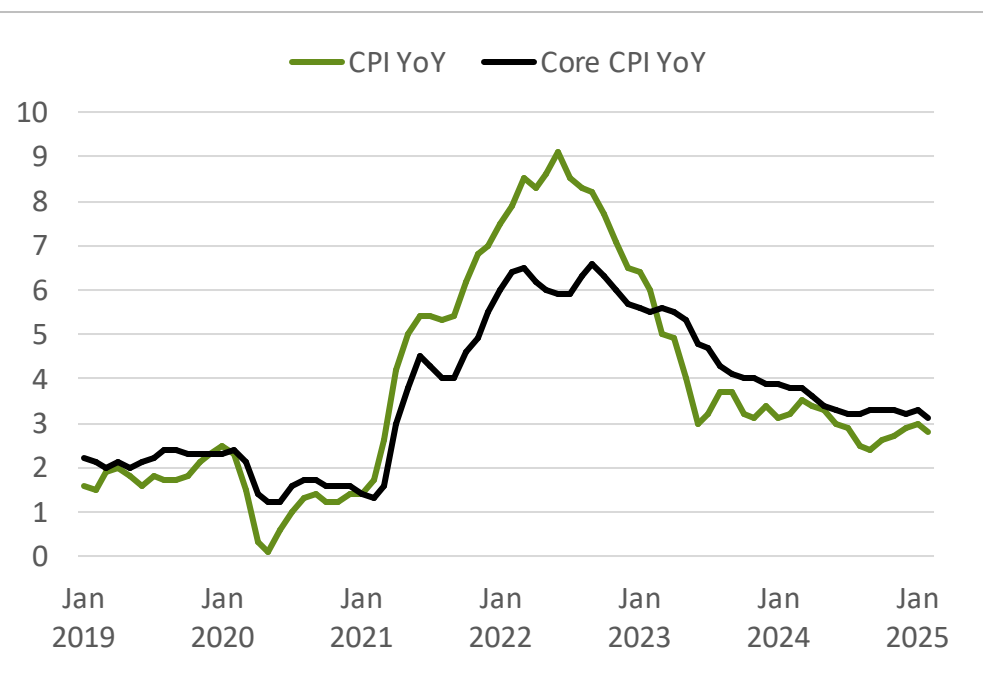
USURTOT Index (U-3 U.S. Unemployment Rate Total in Labor Force Seasonally Adjusted) Unemployment and Wages Monthly
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Lagging Indicators

INFLATION STILL REMAINS ELEVATED

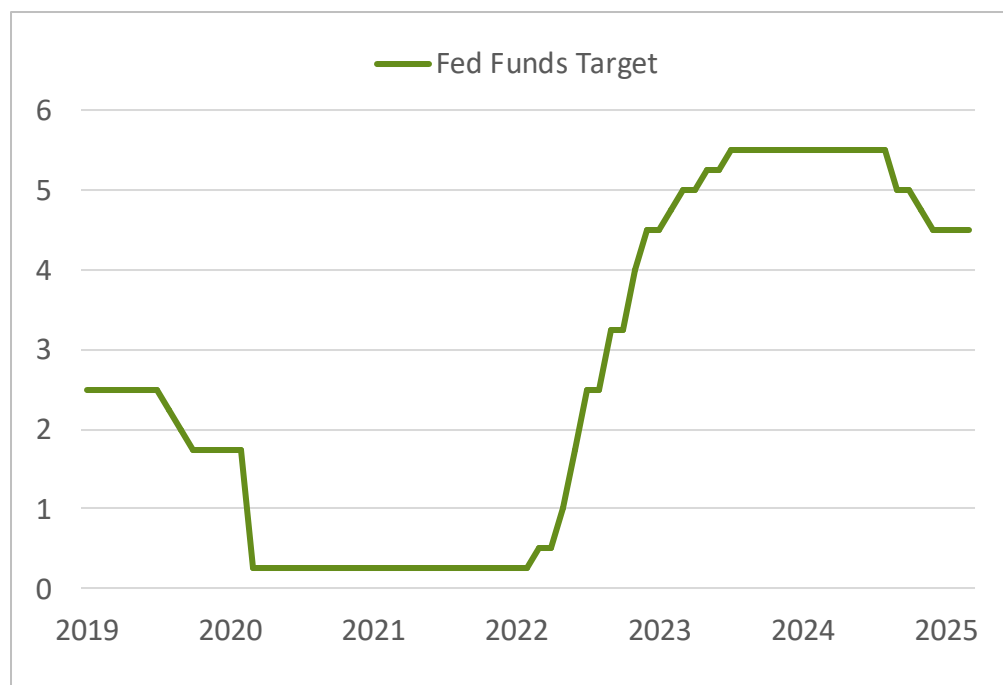
The Consumer Price Index (CPI) rose 0.2% in February and 2.8% over the past 12 months. Excluding food and energy, the core CPI rose 0.2% for the month and 3.1% year-over-year (YoY).



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars QoQ SAAR) GDP Bar Chart Quarterly
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FEDERAL RESERVE HOLDS RATES STEADY IN MARCH

As expected in March, the Federal Reserve held rates steady for the second consecutive meeting at a range of 4.25% to 4.50%.

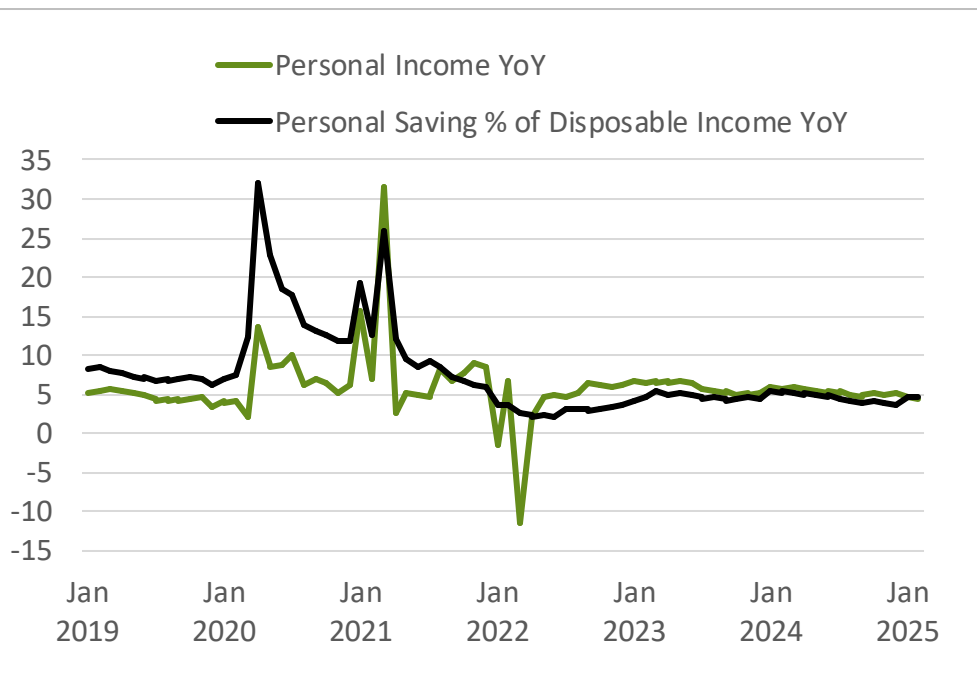


FDTR Index (Federal Funds Target Rate – Upper Bound) Fed Funds Tgt/Effective Daily
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Coincident Indicators

INCOME AND SAVINGS DOWN FROM PEAK

Personal income rose 4.6%. Personal savings as a percent of disposable personal income rose 4.6% in February, marking the largest increase in eight months.



PITLYOY Index (U.S. Personal Income YoY SA) Personal Income/Saving Daily
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U.S. INDUSTRIAL PRODUCTION REMAINS LACKLUSTER

Industrial production rose 1.4% in February from a year prior, the weakest annual pace in two months. Since the start of 2023, production has averaged 0.1%.



IP YOY Index (U.S. Industrial Production YOY SA) Industrial Production Daily
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Coincident Indicators

REAL EARNINGS TICK HIGHER IN FEBRUARY

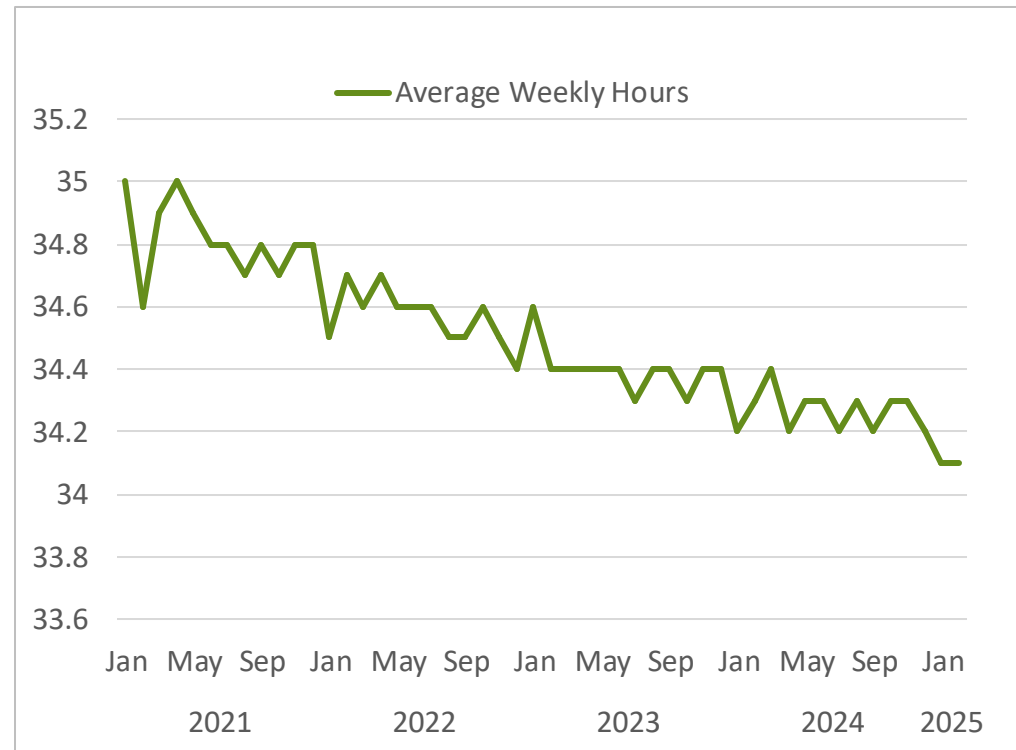
Real average hourly earnings increased by 1.2% in February from a year ago, the largest gain in three months.



REALYRAW Index (U.S. Real Average Hourly Earnings 1982-1984 USD YoY SA) Real Average Earnings Daily
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WEEKLY HOURS STEADY IN FEBRUARY

Average weekly hours held steady at 34.1 hours in February for the second consecutive month, down 0.6%, however, over the past 12 months.



AWH TOTL Index (U.S. Average Weekly Hours All Employees Total Private SA) Average Weekly Hours Monthly
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The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market.

The Standard & Poor’s 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The ISM Manufacturing Index is a composite diffusion index created to monitor employment, production inventories, new orders, and supplier deliveries in national manufacturing based on surveys of more than 300 manufacturing firms by the Institute of Supply Management.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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