

Economic Crystal Ball: A Divergence in Economic Signals

As of October 2025, a review of key economic indicators from the beginning of the year reveals a growing divergence between forward-looking and backward-looking data. Leading indicators, which signal future economic trends, are increasingly pointing towards a slowdown. In contrast, lagging indicators, which confirm past performance, reflect the resilient growth of previous quarters. This disparity highlights the current delicate transition of the U.S. economy.

| Indicator | Performance Since Beginning of 2025 | Indication |
|--|---|---|
| Stock Market (S&P 500) | After a mixed start, the S&P 500 saw a notable decline in February before a rebound. However, volatility has remained, with stock prices being one of the few supports to the Leading Economic Index in August. | Suggests waning investor confidence in future corporate earnings and economic growth. |
| Manufacturing New Orders | Persistently weak throughout the year, contributing negatively to the Leading Economic Index. The ISM Manufacturing Index has hovered around the 50-point mark, indicating a contraction or weak expansion. | Signals that businesses are anticipating lower demand, which could lead to a slowdown in production. |
| Building Permits & Housing Starts | Building permits fell 1.2% month-over-month in February, and 6.7% year-over-year. A drop in housing permits also dragged down the leading indicators index in May. | Foreshadows a potential cooling in the construction sector and related economic activity. |
| Consumer Expectations | The University of Michigan Consumer Expectations Index saw a steep 17.8% decline in March. Consumer pessimism has been a consistent drag on leading indicators. | Indicates that households are becoming more cautious about their future financial situations, which could dampen future spending. |
| Unemployment Rate | The unemployment rate ticked up to 4.1% in February and has remained near multi-decade lows for much of the year. | Reflects the strong labor market of the recent past, but as a lagging indicator, it will be one of the last to show a broad economic downturn. |
| GDP Growth | Real GDP rose a solid 2.4% in the fourth quarter of 2024, though it was the weakest pace since the first quarter of that year. The second quarter of 2025 saw a notable increase of 3.8%. | Confirms that the economy had significant momentum in previous quarters. |
| Inflation (CPI) | The annual inflation rate has been moderating, with the core CPI at 3.1% year-over-year in February. However, price growth remains above the Federal Reserve's target. | Shows that the inflationary pressures from the post-pandemic boom are easing, but it confirms the "sticky" nature of inflation that has already occurred. |
| Corporate Profits | Strong corporate profits have been correlated with the rise in GDP, reflecting an increase in sales. | Indicates the healthy business environment of the recent past. |