

## News Release

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**Using the Composite Indexes:** *The Leading Economic Index (LEI) provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term. The Coincident Economic Index (CEI) provides an indication of the current state of the economy. Additional details are below.*

### **The Conference Board Leading Economic Index® (LEI) for the Euro Area Declined in October**

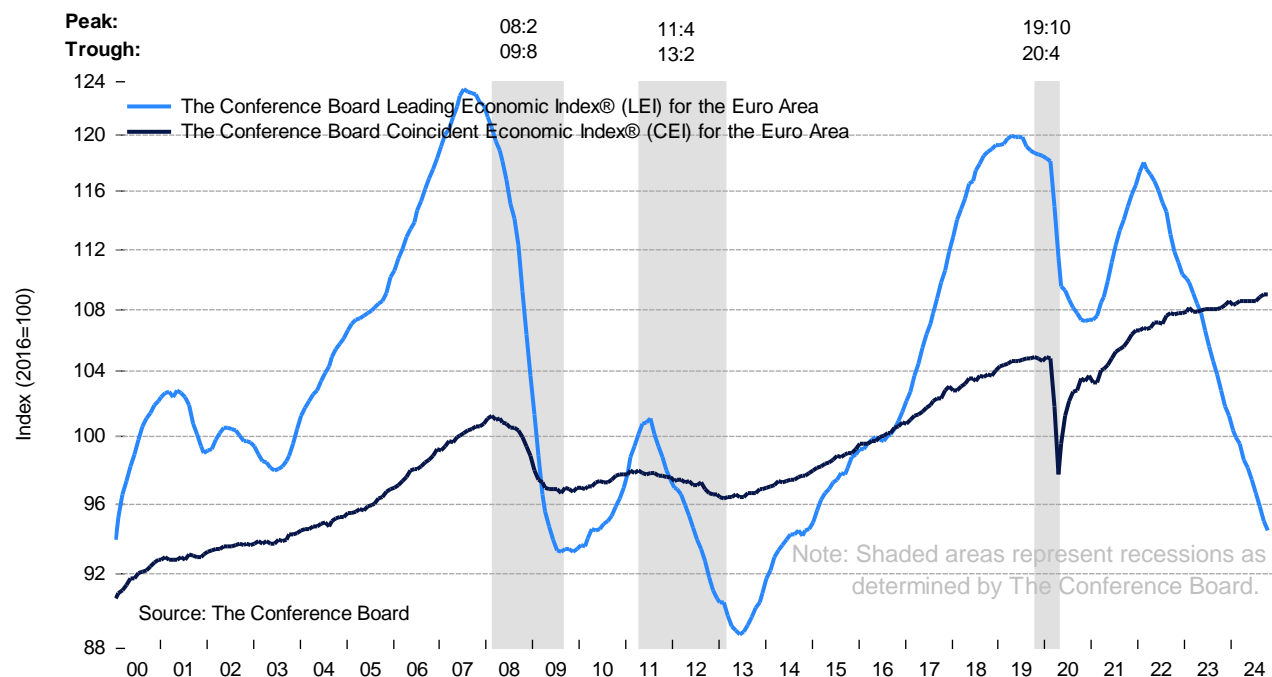
**The Conference Board Leading Economic Index® (LEI)** for the Euro Area fell by 0.6% in October 2024 to 94.4 (2016=100), following a slightly larger decline of 0.8% in September. As a result, the LEI contracted by 4.3% over the six-month period from April to October 2024, a marginally higher rate of decline than the 4.1% contraction over the previous six-month period between October 2023 and April 2024.

**The Conference Board Coincident Economic Index® (CEI)** for the Euro Area remained steady in September 2024 at 108.9 (2016=100), following a 0.1% increase in September. The CEI grew by a meek 0.4% over the six-month period from April to October 2024, matching the 0.4% growth over the previous six-month period.

“The Euro Area LEI continued to deteriorate in October, remaining on the steady downward trend that has prevailed for over two years” said **Ian Hu, Economic Research Associate, at The Conference Board**. “Similarly to previous months, all non-financial components and the yield spread contributed to the October decline of the LEI. Additionally, over a six-month period, the same components contributed negatively, most notably the negative yield spread, weak manufacturing new orders, depressed consumer expectations, and a low volume of order books. Political uncertainty in the region remains high following the collapse of the German government coalition in early November. The possibility of new tariffs on US imports from Europe by incoming US administration also adds to uncertainty. Despite this, however, one more rate cut by the European Central Bank (ECB) in December is expected to help ease conditions transitioning into 2025. Overall, The Conference Board predicts the Euro Area’s real GDP growth at below 1% in 2024 and around 1% in 2025.

**The next release is scheduled for Wednesday, December 11, 2024, at 9:30 A.M. ET.**

## The steep downtrend of the Euro Area LEI continued in October



## All non-financial components and the yield spread contributed negatively to the Euro Area LEI

### The Conference Board Leading Economic Index® and Component Contributions (Percent)

	Oct. '24	6 mo. ending Oct. '24
<b>Financial Components</b>		
Systemic Stress Composite Indicator*	0.12	0.71
ECB Yield Spread	-0.13	-1.26
EURO STOXX® Index	0.04	0.00
<b>Non-Financial Components</b>		
Index of Residential Building Permits**	-0.01	-0.10
Volume of Order Books	-0.14	-0.60
Markit® Manufacturing New Orders	-0.17	-0.99
Markit® Business Expectations Index (Services)	-0.07	-0.26
Consumer Expectation of General Economic Situation	-0.11	-0.70

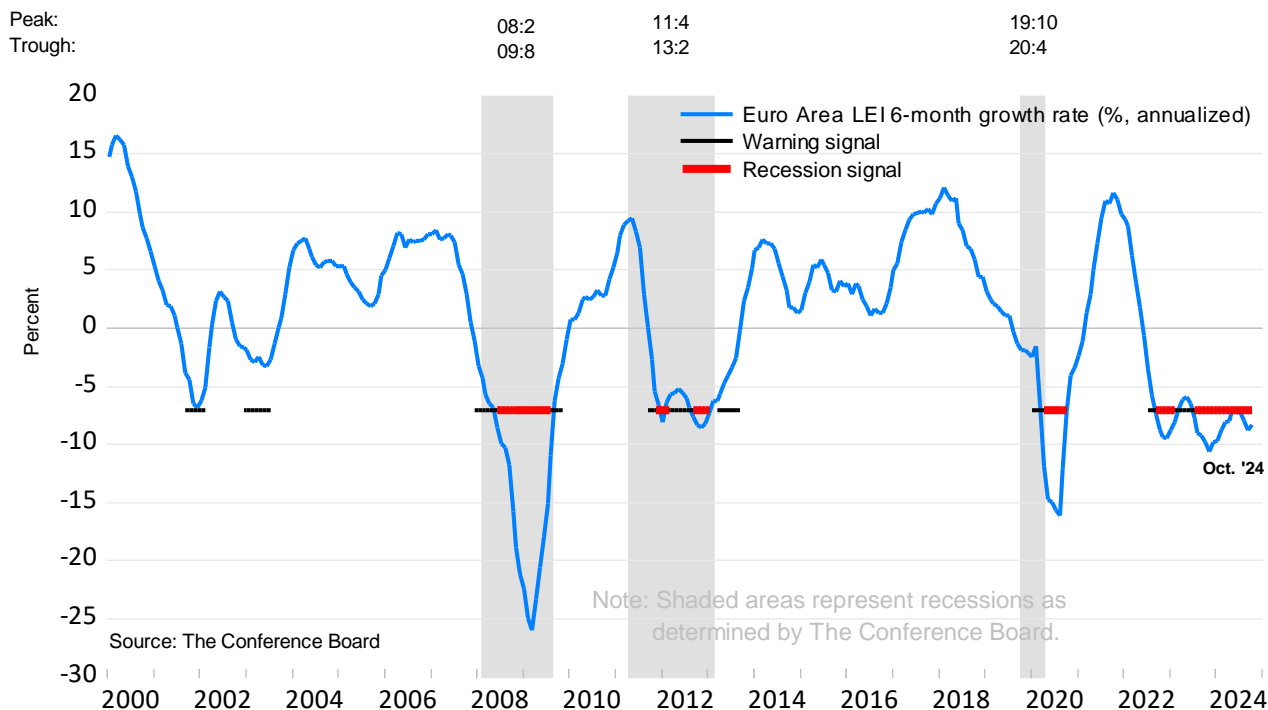
Source: The Conference Board

\* Inverted series: a negative change in this component makes a positive contribution.

\*\* Statistical Imputation.

LEI change might not equal sum of its contributions due to application of trend adjustment factor

## Despite an uptick in October 6-month growth rate, the Euro Area LEI continues to signal recession risks



**NOTE:** The chart illustrates the so-called **3Ds**—**duration, depth, and diffusion**—for interpreting a downward movement in the LEI. **Duration** refers to how long the decline has lasted. **Depth** denotes the size of decline. Duration and depth are measured by the rate of change of the index over the most recent six months. **Diffusion** is a measure of how widespread the decline is among the LEI's component indicators—on a scale of 0 to 100, a six-month **diffusion index** reading below 50 indicates most components are weakening.

The **3Ds rule** signals an impending recession when: 1) the six-month diffusion index lies below 50, shown by the black warning signal lines in the chart; and 2) the LEI's six-month rate of decline falls below the threshold of -6.9 percent. The **red recession signal lines** indicate months when both criteria are met simultaneously—and thus that a recession is likely imminent or underway.

### About The Conference Board *Leading Economic Index*® (LEI) and *Coincident Economic Index*® (CEI) for the Euro Area

The composite economic indexes are key elements in an analytic system designed to signal peaks and troughs in the business cycle. Comprised of multiple independent indicators, the indexes are constructed to summarize and reveal common turning points in the economy in a clearer and more convincing manner than any individual component.

The CEI reflects current economic conditions and is highly correlated with real GDP. The LEI is a predictive tool that anticipates—or “leads”—turning points in the business cycle by around two months.

The eight components of **Leading Economic Index**® for the Euro Area are:

- ECB Minimum Bid Yield Spread
- Consumer Expectations of the General Economic Situation
- EURO STOXX® Price Index
- Markit® Manufacturing New Orders
- Markit® Business Expectations Index (Services)
- Volume of Order Books
- Index of Residential Building Permits
- Systemic Stress Composite Indicator

The four components of the **Coincident Economic Index**® for the Euro Area are:

- Industrial Production
- Employment
- Retail Sales

- Manufacturing Sales

To access data, please visit: <https://data-central.conference-board.org/>

#### **About The Conference Board**

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