

News Release

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The Conference Board Leading Economic Index® (LEI) for the U.S. Declined Again in January

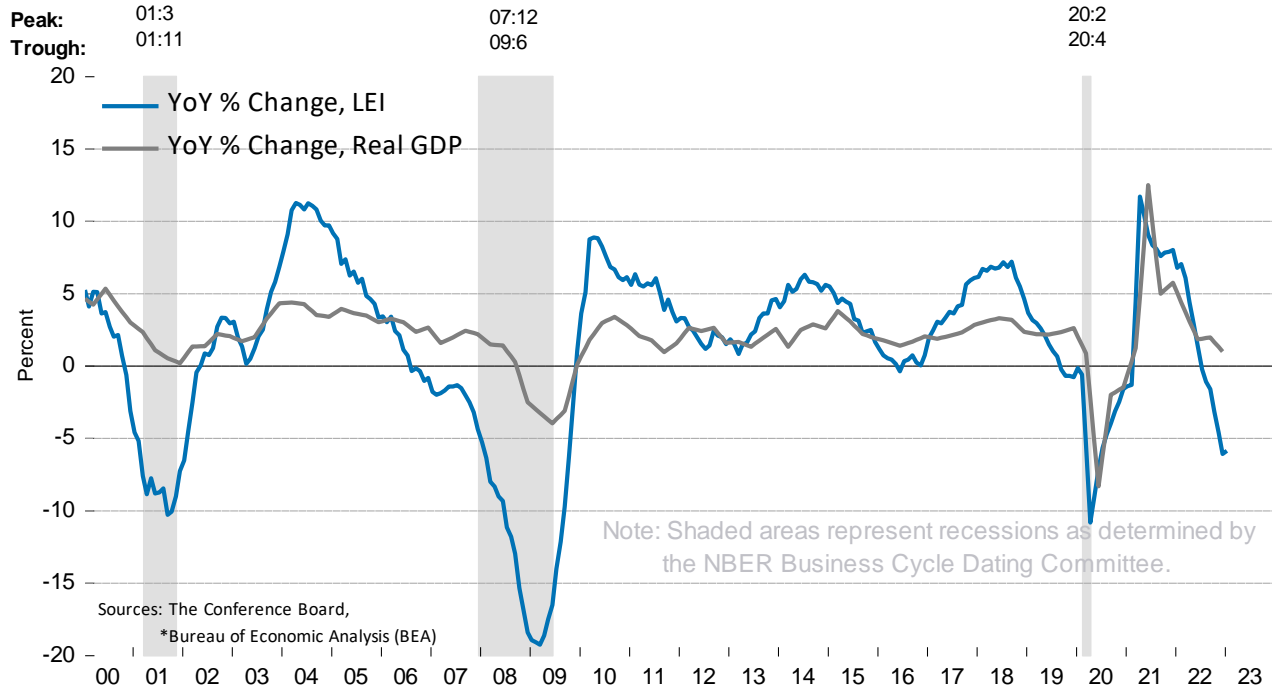
New York, February 17, 2023...The Conference Board Leading Economic Index® (LEI) for the U.S. fell by 0.3 percent in January 2023 to 110.3 (2016=100), following a decline of 0.8 percent in December. The LEI is now down 3.6 percent over the six-month period between July 2022 and January 2023—a steeper rate of decline than its 2.4 percent contraction over the previous six-month period (January–July 2022).

“The US LEI remained on a downward trajectory, but its rate of decline moderated slightly in January,” said **Ataman Ozyildirim, Senior Director, Economics, at The Conference Board**. “Among the leading indicators, deteriorating manufacturing new orders, consumers’ expectations of business conditions, and credit conditions more than offset strengths in labor markets and stock prices to drive the index lower in the month. The contribution of the yield spread component of the LEI also turned negative in the last two months, which is often a signal of recession to come. While the LEI continues to signal recession in the near term, indicators related to the labor market—including employment and personal income—remain robust so far. Nonetheless, The Conference Board still expects high inflation, rising interest rates, and contracting consumer spending to tip the US economy into recession in 2023.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.2 percent in January 2023 to 109.5 (2016=100), after no change in December. The CEI is now up 0.7 percent over the six-month period between July 2022 and January 2023—close to the 0.6 percent growth it recorded over the previous six months. The CEI’s component indicators—payroll employment, personal income less transfer payments, manufacturing trade and sales, and industrial production—are included among the data used to determine recessions in the US. Three of these four CEI components improved in January, with only industrial production being virtually unchanged.

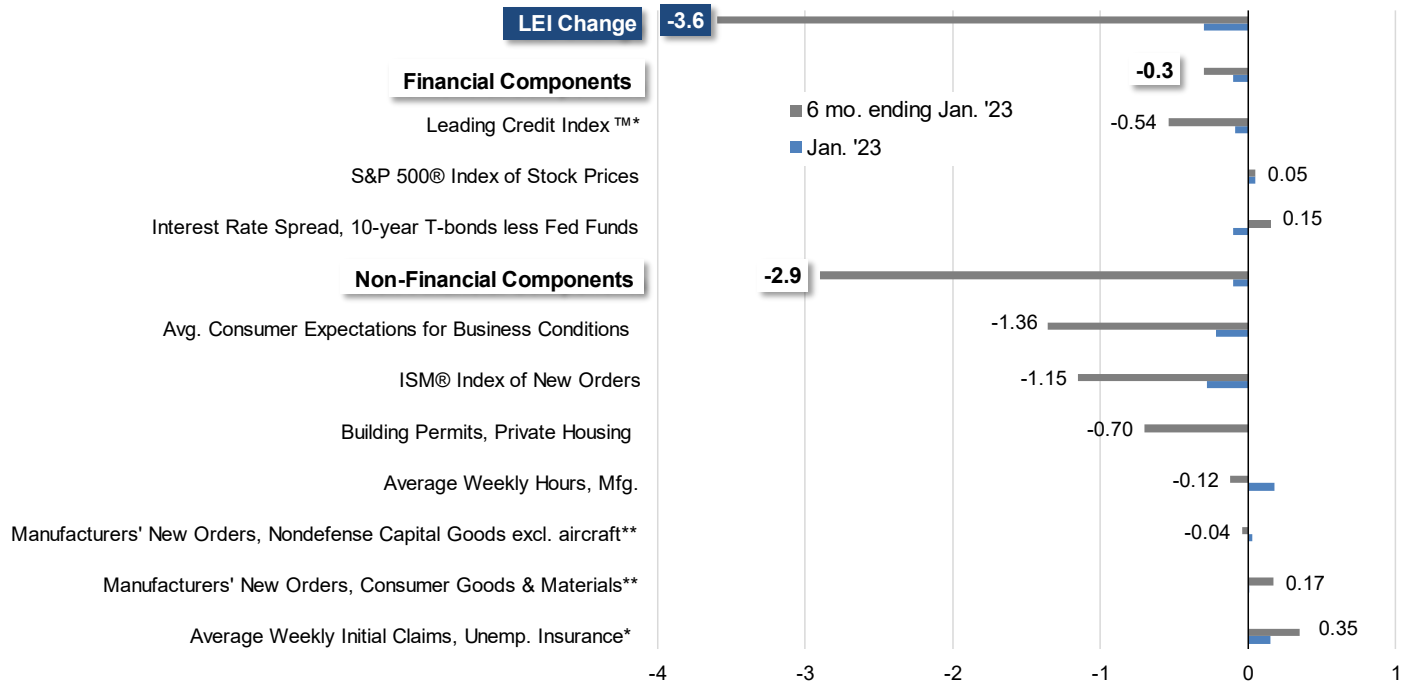
The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.2 percent in January 2023 to 118.5 (2016 = 100), following an increase of 0.6 percent in December. The LAG is up 2.8 percent over the six-month period from July 2022 to January 2023, slower than its growth of 4.1 percent over the previous six months.

The annual growth rate of the US LEI ticked up slightly in January



Most components continue to contribute negatively to the US LEI

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



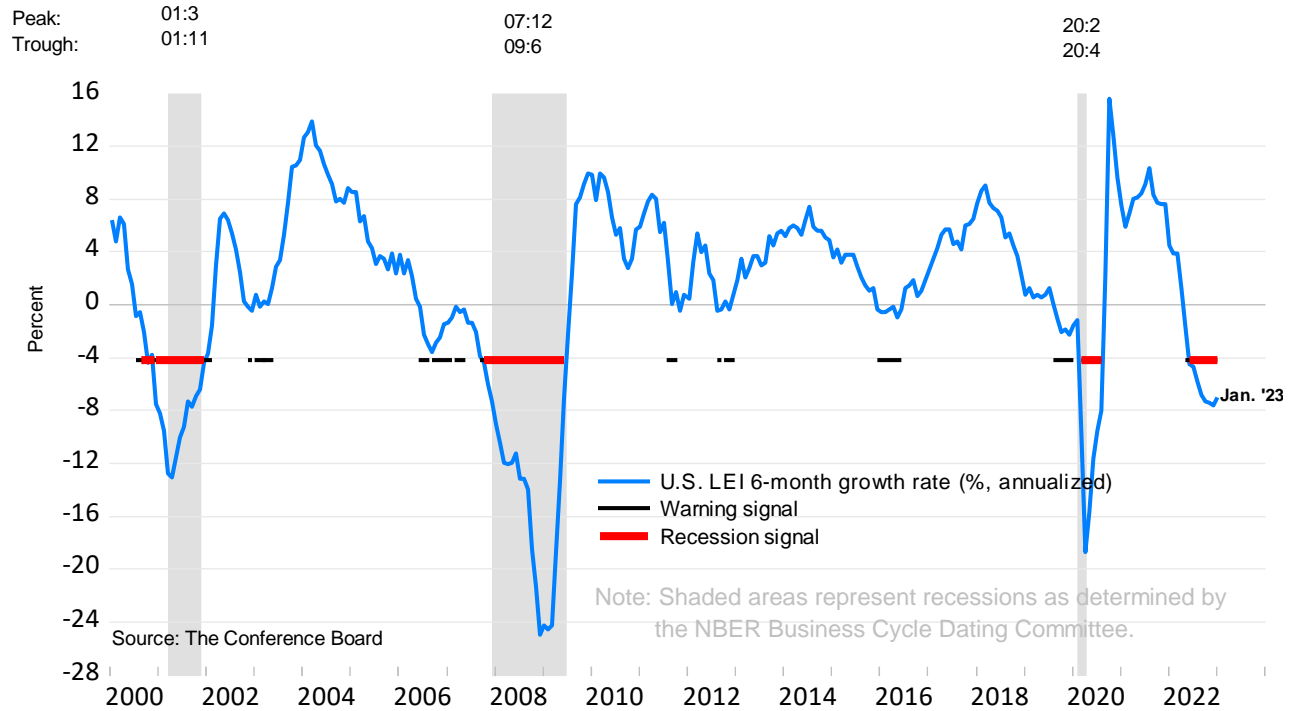
Source: The Conference Board

* 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

The trajectory of the US LEI continues to signal a recession over the next 12 months



Note: The chart illustrates the so-called 3D's rule which is a reliable rule of thumb to interpret the **duration, depth, and diffusion** – the 3D's – of a downward movement in the LEI. Duration refers to how long-lasting a decline in the index is, and depth denotes how large the decline is. Duration and depth are measured by the rate of change of the index over the last six months. Diffusion is a measure of how widespread the decline is (i.e., the diffusion index of the LEI ranges from 0 to 100 and numbers below 50 indicate most of the components are weakening). The 3D's rule provides signals of impending recessions 1) when the diffusion index falls below the threshold of 50 (denoted by the black dotted line in the chart), and simultaneously 2) when the decline in the index over the most recent six months falls below the threshold of -4.2 percent. The red dotted line is drawn at the threshold value (measured by the median, -4.2 percent) on the months when both criteria are met simultaneously. Thus, the red dots signal a recession.

Summary Table of Composite Economic Indexes

	2022		2023		6-month
	Nov	Dec	Jan	Jul to	Jan
Leading Index	111.5 r	110.6 r	110.3		
Percent Change	-0.9 r	-0.8	-0.3		-3.6
Diffusion	20.0	20.0	60.0		40.0
Coincident Index	109.3	109.3	109.5		
Percent Change	-0.1	0.0	0.2		0.7
Diffusion	50.0	75.0	87.5		75.0
Lagging Index	117.6 r	118.3 r	118.5		
Percent Change	0.3 r	0.6 r	0.2		2.8
Diffusion	64.3	50.0	50.0		85.7

p Preliminary r Revised c Corrected

Indexes equal 100 in 2016

Source: The Conference Board

The next release is scheduled for Friday, March 17, 2023, at 10 A.M. ET.

About ***The Conference Board Leading Economic Index***[®] (LEI) for the U.S.: The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. 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 is highly correlated with real GDP. The LEI is a predictive variable that anticipates (or “leads”) turning points in the business cycle by around 7 months. Shaded areas denote recession periods or economic contractions. The dates above the shaded areas show the chronology of peaks and troughs in the business cycle.

The ten components of ***The Conference Board Leading Economic Index***[®] for the U.S. include: Average weekly hours in manufacturing; Average weekly initial claims for unemployment insurance; Manufacturers’ new orders for consumer goods and materials; ISM[®] Index of New Orders; Manufacturers’ new orders for nondefense capital goods excluding aircraft orders; Building permits for new private housing units; S&P 500[®] Index of Stock Prices; Leading Credit Index[™]; Interest rate spread (10-year Treasury bonds less federal funds rate); Average consumer expectations for business conditions.

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

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