

News Release

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

This month's release of the composite economic indexes incorporates annual benchmark revisions which bring them up-to-date with revisions in the source data. These revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are not incorporated until the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes, in levels and month-on-month changes, will not be directly comparable to those issued prior to the benchmark revision.

For more information, please visit <https://www.conference-board.org/topics/business-cycle-indicators/> or contact us at indicators@conference-board.org.

New York, January 23, 2023...The Conference Board Leading Economic Index® (LEI) for the U.S. decreased by 1.0 percent in December 2022 to 110.5 (2016=100), following a decline of 1.1 percent in November. The LEI is now down 4.2 percent over the six-month period between June and December 2022—a much steeper rate of decline than its 1.9 percent contraction over the previous six-month period (December 2021–June 2022).

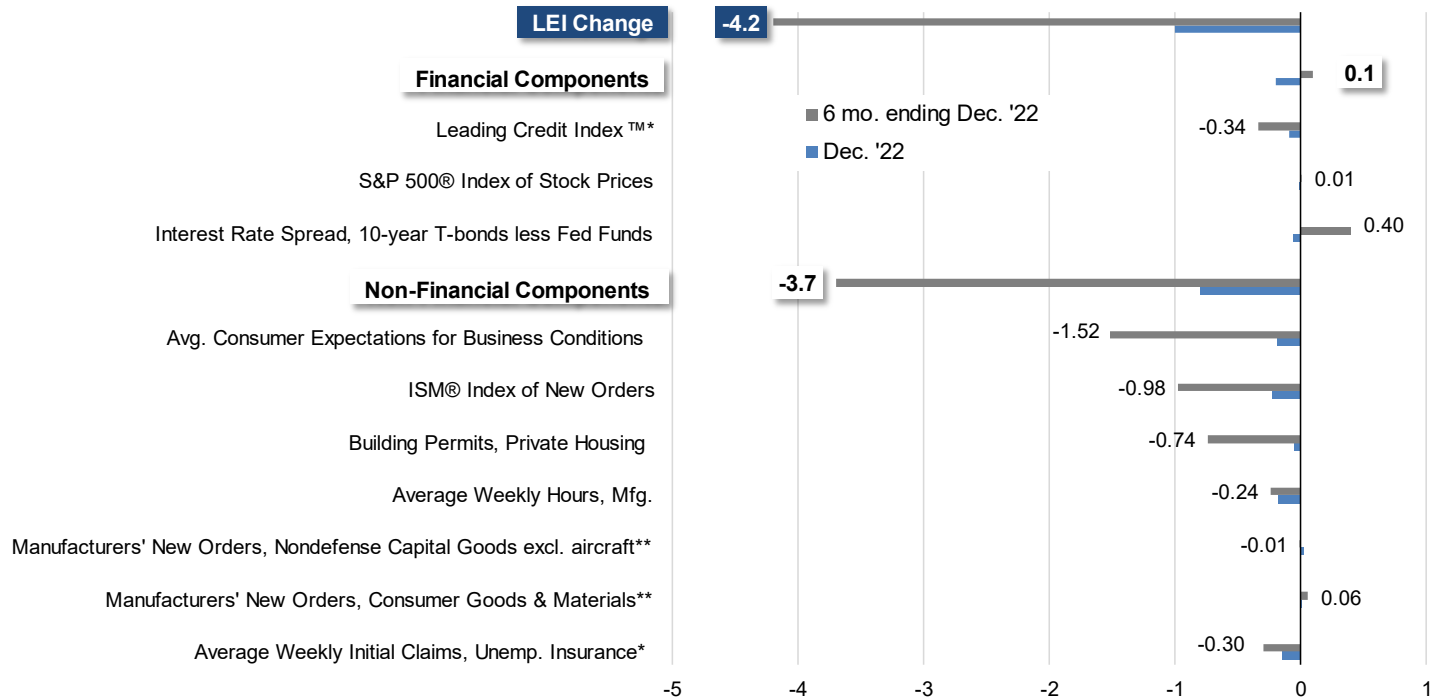
“The US LEI fell sharply again in December—continuing to signal recession for the US economy in the near term,” said **Ataman Ozyildirim, Senior Director, Economics, at The Conference Board**. “There was widespread weakness among leading indicators in December, indicating deteriorating conditions for labor markets, manufacturing, housing construction, and financial markets in the months ahead. Meanwhile, the coincident economic index (CEI) has not weakened in the same fashion as the LEI because labor market related indicators (employment and personal income) remain robust. Nonetheless, industrial production—also a component of the CEI—fell for the third straight month. Overall economic activity is likely to turn negative in the coming quarters before picking up again in the final quarter of 2023.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.1 percent in December 2022 to 109.6 (2016=100), after no change in November. The CEI rose by 1.4 percent over the six-month period from June to December 2022, faster than its growth of 0.4 percent 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. Only the industrial production index contributed negatively to the CEI in December—the same as in November.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.3 percent in December 2022 to 117.6 (2016 = 100), following an increase of 0.2 percent in November. The LAG is up 2.3 percent over the six-month period from June to December 2022, much slower than its growth of 4.5 percent over the previous six months.

The majority of components continue to contribute negatively to the US LEI

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



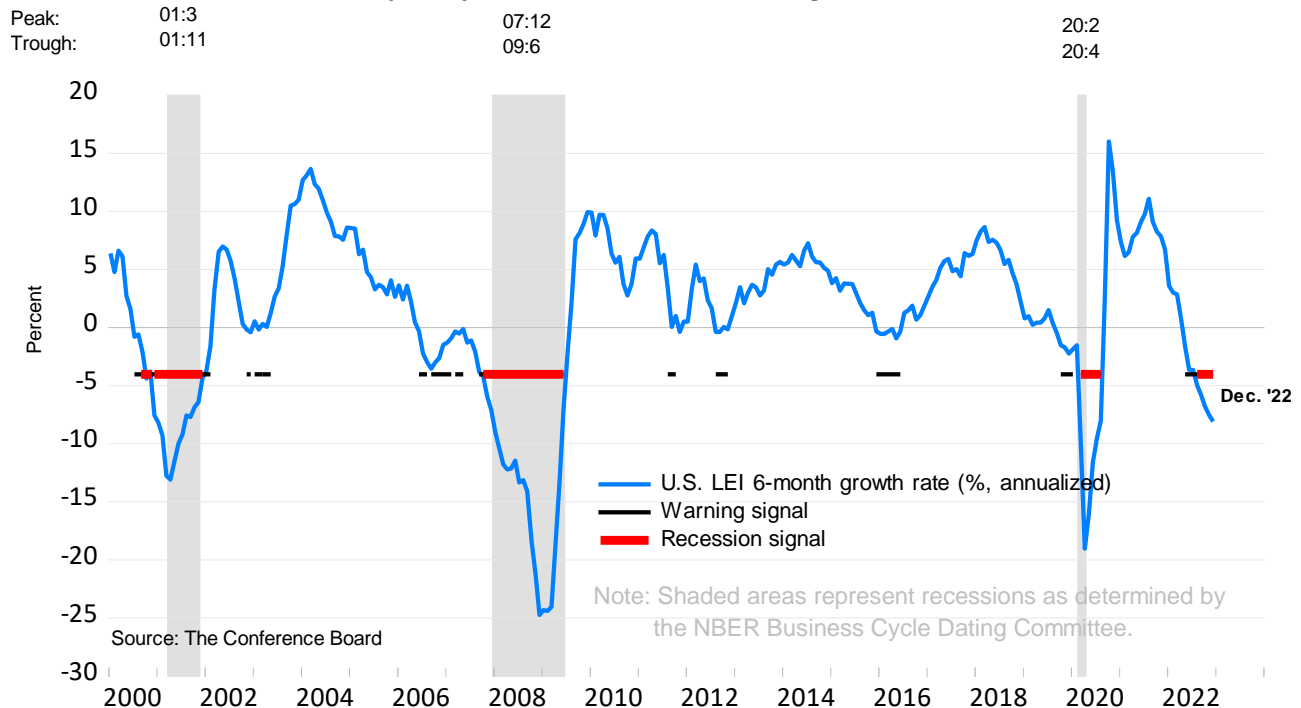
Source: The Conference Board

* 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



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 -4.0 percent. The red dotted line is drawn at the threshold value (measured by the median, -4.0 percent) on the months when both criteria are met simultaneously. Thus, the red dots signal a recession.

Summary Table of Composite Economic Indexes

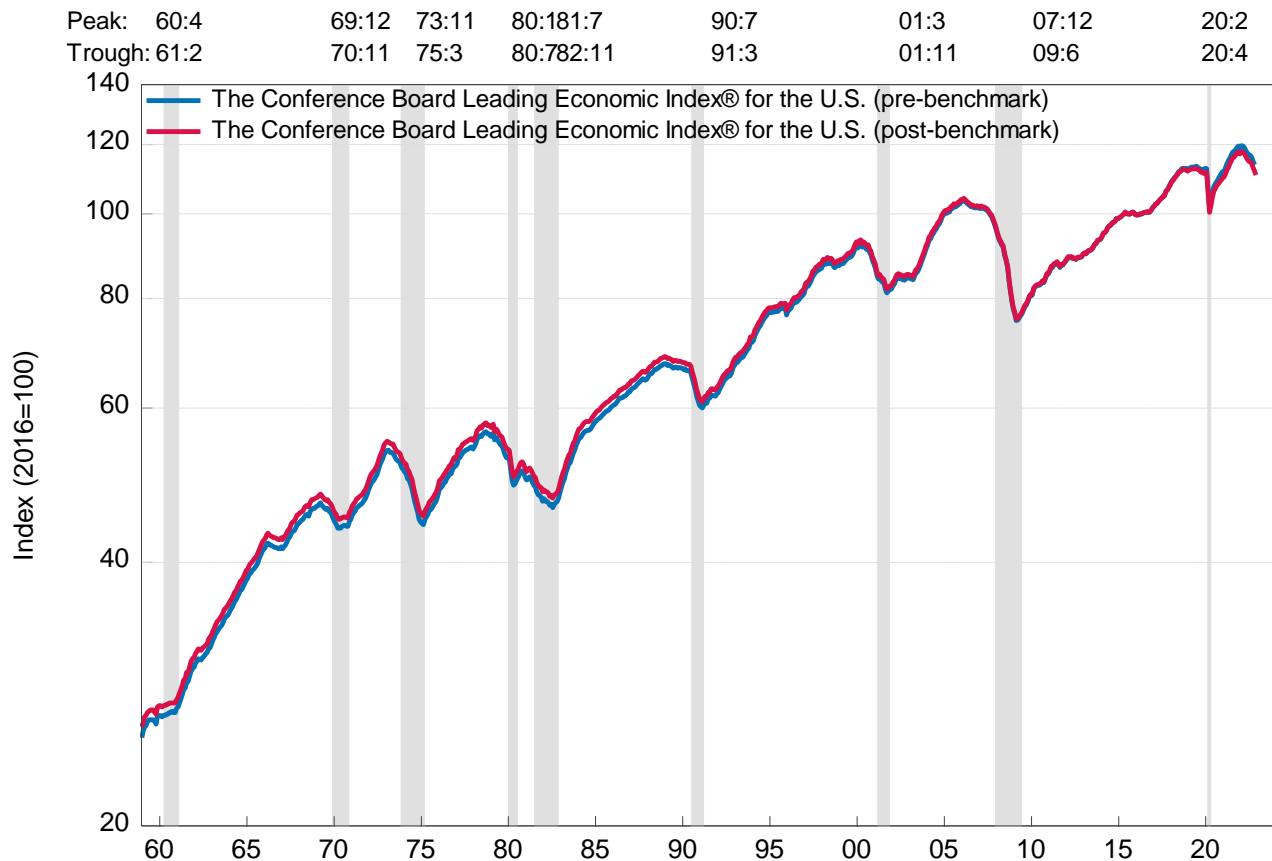
				2022				6-month
				Oct		Nov		Jun to
						Dec		Dec
Leading Index	112.8	r		111.6	r	110.5	p	
Percent Change	-1.0	r		-1.1	r	-1.0	p	-4.2
Diffusion	25.0			20.0		20.0		30.0
Coincident Index	109.5	r		109.5	r	109.6	p	
Percent Change	0.2			0.0	r	0.1	p	1.4
Diffusion	87.5			75.0		75.0		75.0
Lagging Index	117.0	r		117.2	r	117.6	p	
Percent Change	0.1	r		0.2		0.3	p	2.3
Diffusion	50.0			50.0		50.0		71.4

p Preliminary r Revised

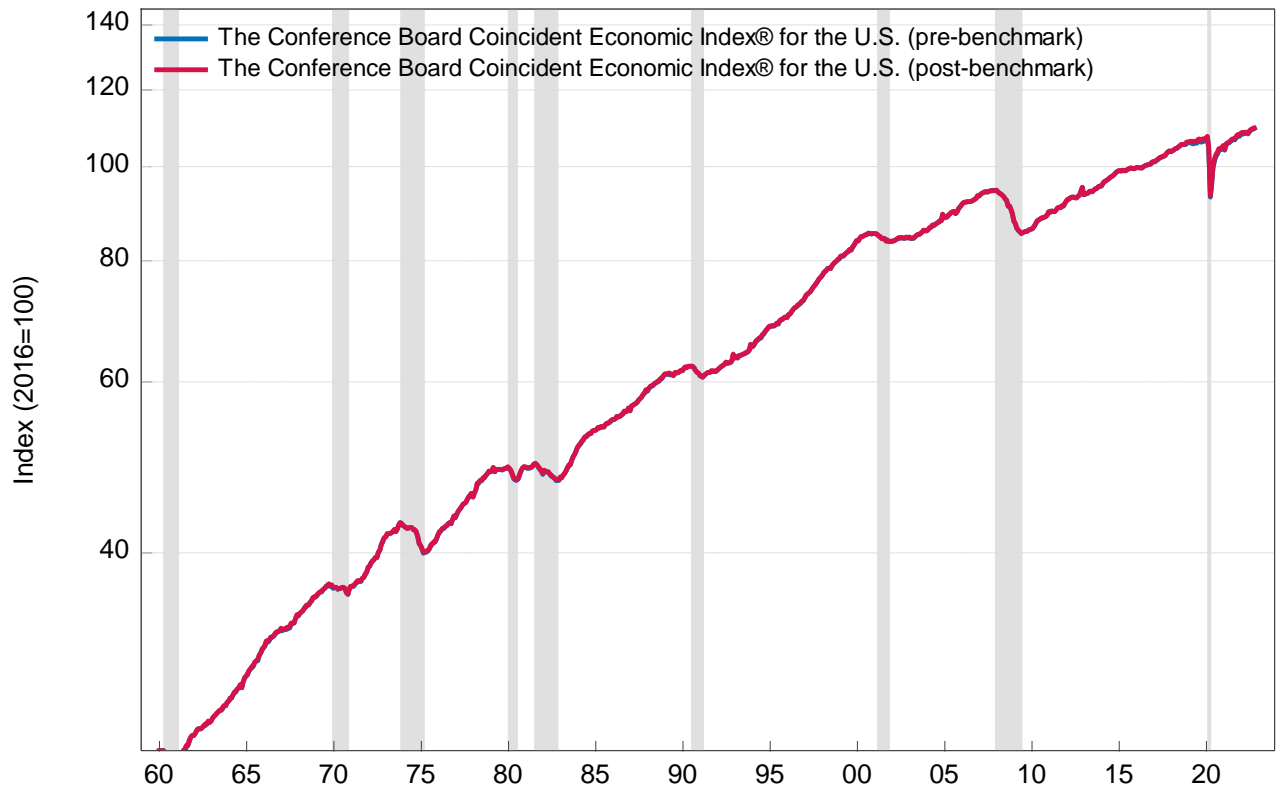
Indexes equal 100 in 2016

Source: The Conference Board

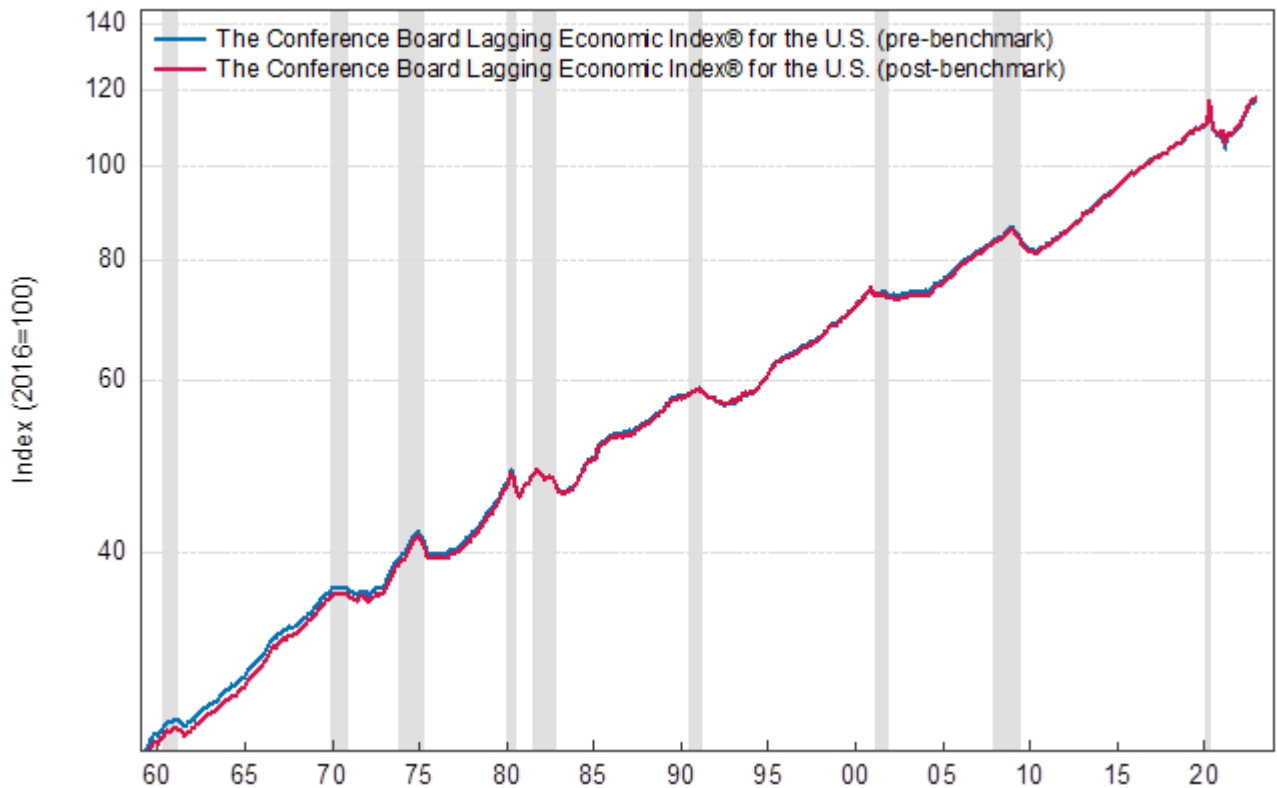
The composite business cycle indexes pre- and post- benchmark revisions: 1959-present



Peak: 60:4	69:12	73:11	80:18	90:7	01:3	07:12	20:2
Trough: 61:2	70:11	75:3	80:78	91:3	01:11	09:6	20:4



Peak: 60:4	69:12	73:11	80:18	90:7	01:3	07:12	20:2
Trough: 61:2	70:11	75:3	80:78	91:3	01:11	09:6	20:4



The next release is scheduled for Friday, February 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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