

## News Release

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### **About the Leading Economic Index and the Coincident Economic Index:**

The Leading Economic Index 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 provides an indication of the current state of the economy. Additional details are below.

### **The Conference Board Leading Economic Index® (LEI) for the U.S. Fell Further in June**

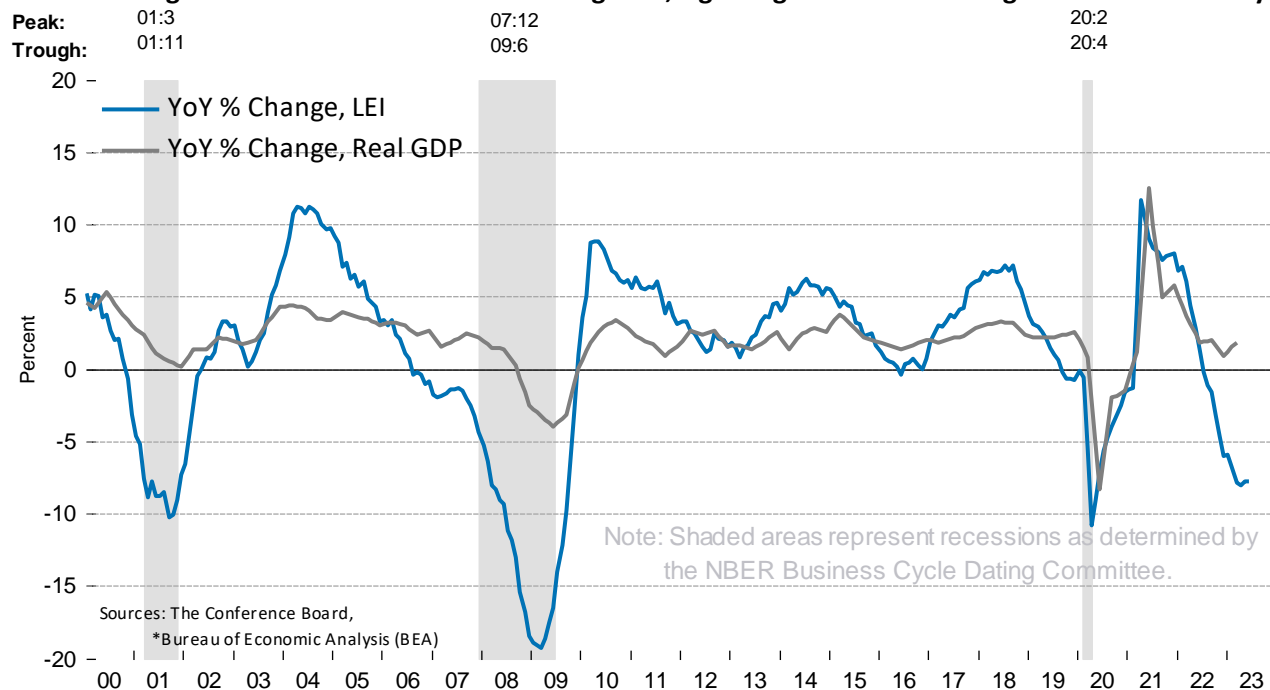
**New York, July 20, 2023...**The Conference Board Leading Economic Index® (LEI) for the U.S. declined by 0.7 percent in June 2023 to 106.1 (2016=100), following a decline of 0.6 percent in May. The LEI is down 4.2 percent over the six-month period between December 2022 and June 2023—a steeper rate of decline than its 3.8 percent contraction over the previous six months (June to December 2022).

“The US LEI fell again in June, fueled by gloomier consumer expectations, weaker new orders, an increased number of initial claims for unemployment, and a reduction in housing construction,” said **Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board**. “The Leading Index has been in decline for fifteen months—the longest streak of consecutive decreases since 2007-08, during the runup to the Great Recession. Taken together, June’s data suggests economic activity will continue to decelerate in the months ahead. We forecast that the US economy is likely to be in recession from Q3 2023 to Q1 2024. Elevated prices, tighter monetary policy, harder-to-get credit, and reduced government spending are poised to dampen economic growth further.”

**The Conference Board Coincident Economic Index® (CEI)** for the U.S. remained unchanged in June 2023 at 110.0 (2016=100), after rising by 0.2 percent in May. The CEI is now up 0.6 percent over the six-month period between December 2022 and June 2023—down from the 1.1 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. For the past two months, industrial production has contributed negatively to the coincident index, offsetting gains from employment, sales, and income growth components.

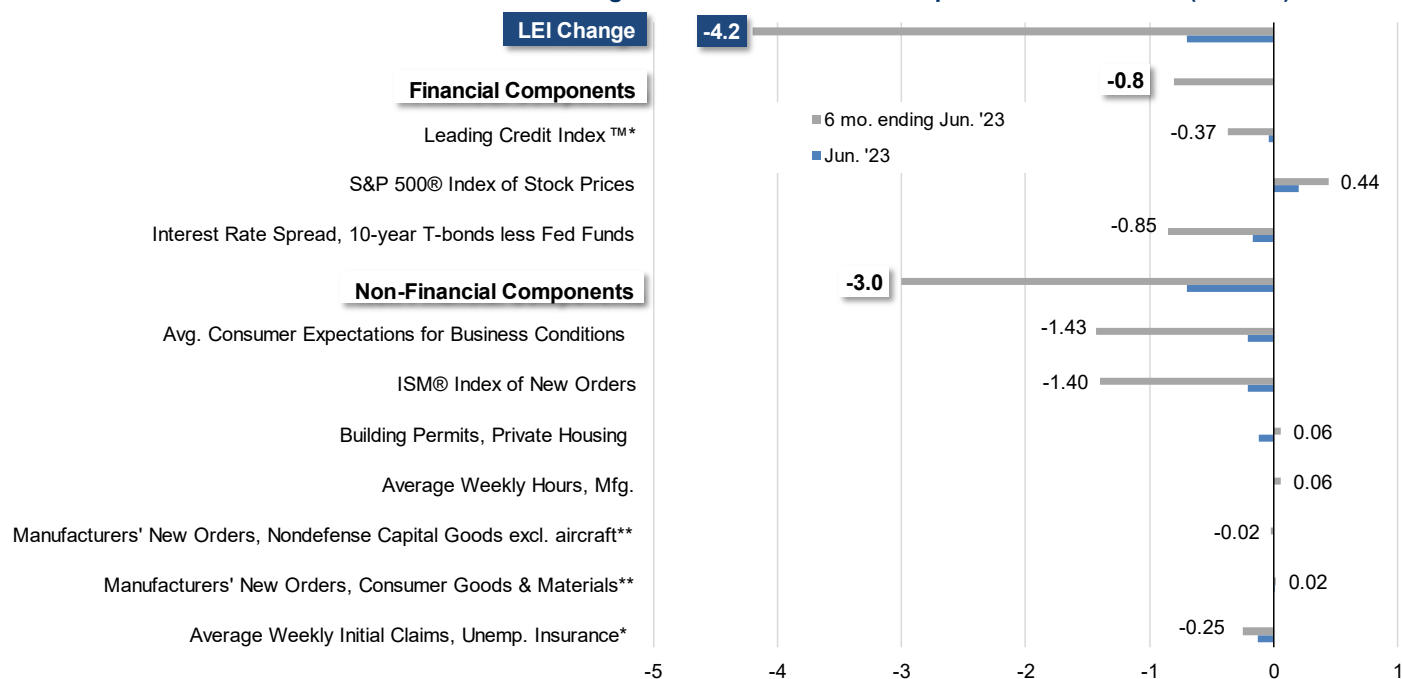
**The Conference Board Lagging Economic Index® (LAG)** for the U.S. was also unchanged in June 2023, at 118.4 (2016 = 100), after improving 0.1 percent in May. The LAG is up slightly by 0.1 percent over the six-month period from December 2022 to June 2023, down dramatically from its 3.0 percent growth over the previous six months.

## The annual growth rate of the LEI remained negative, signaling continued slowing in economic activity



## Most components contributed negatively to the LEI in June

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



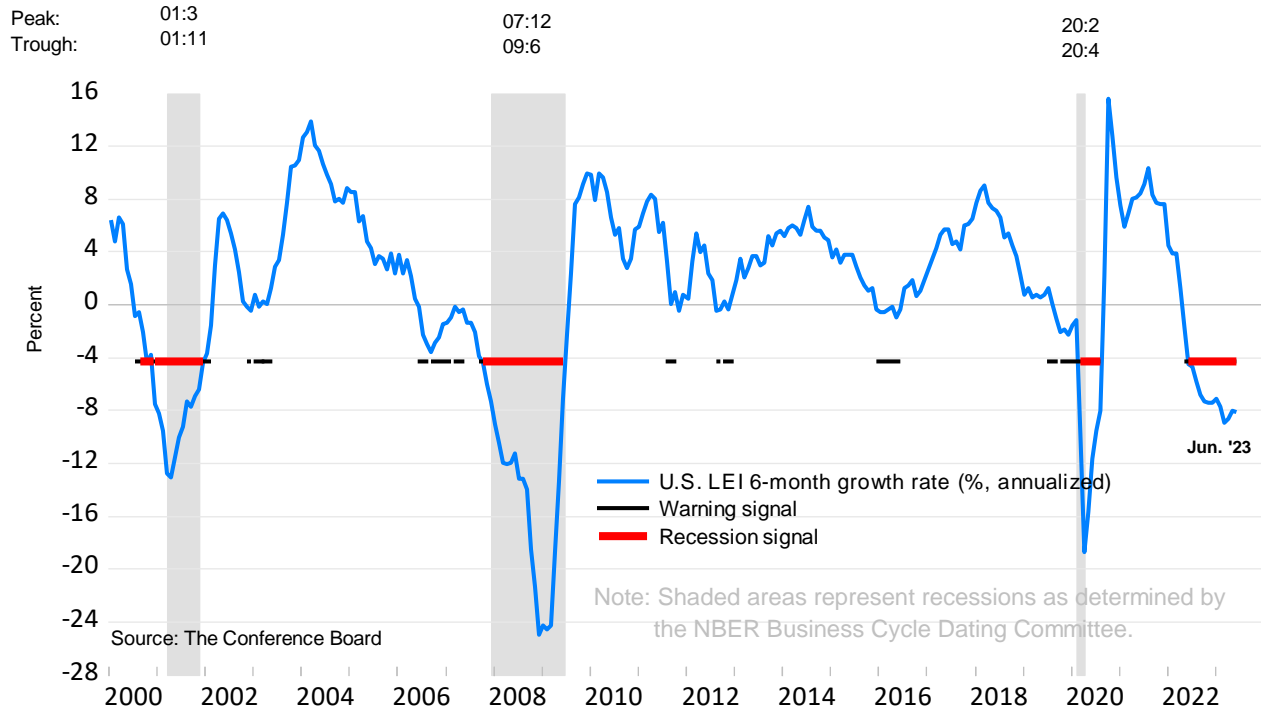
Source: The Conference Board

\* 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

## Recent behavior of the US LEI continues to signal a recession ahead



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

	2023			6-month
	Apr	May	Jun	Dec to Jun
Leading Index	107.5	106.9 r	106.1	
Percent Change	-0.7 r	-0.6 r	-0.7	-4.2
Diffusion	30.0	55.0	30.0	40.0
Coincident Index	109.8 r	110.0 r	110.0	
Percent Change	0.1 r	0.2	0.0	0.6
Diffusion	62.5	75.0	75.0	75.0
Lagging Index	118.3	118.4	118.4	
Percent Change	-0.1	0.1	0.0	0.1
Diffusion	42.9	21.4	42.9	28.6

p Preliminary r Revised c Corrected

Indexes equal 100 in 2016

Source: The Conference Board

The next release is scheduled for Thursday, August 17, 2023, at 10 A.M. ET.

About ***The Conference Board Leading Economic Index***<sup>®</sup> (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***<sup>®</sup> 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<sup>®</sup> Index of New Orders; Manufacturers’ new orders for nondefense capital goods excluding aircraft orders; Building permits for new private housing units; S&P 500<sup>®</sup> Index of Stock Prices; Leading Credit Index<sup>™</sup>; 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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