

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. Declined Further in May

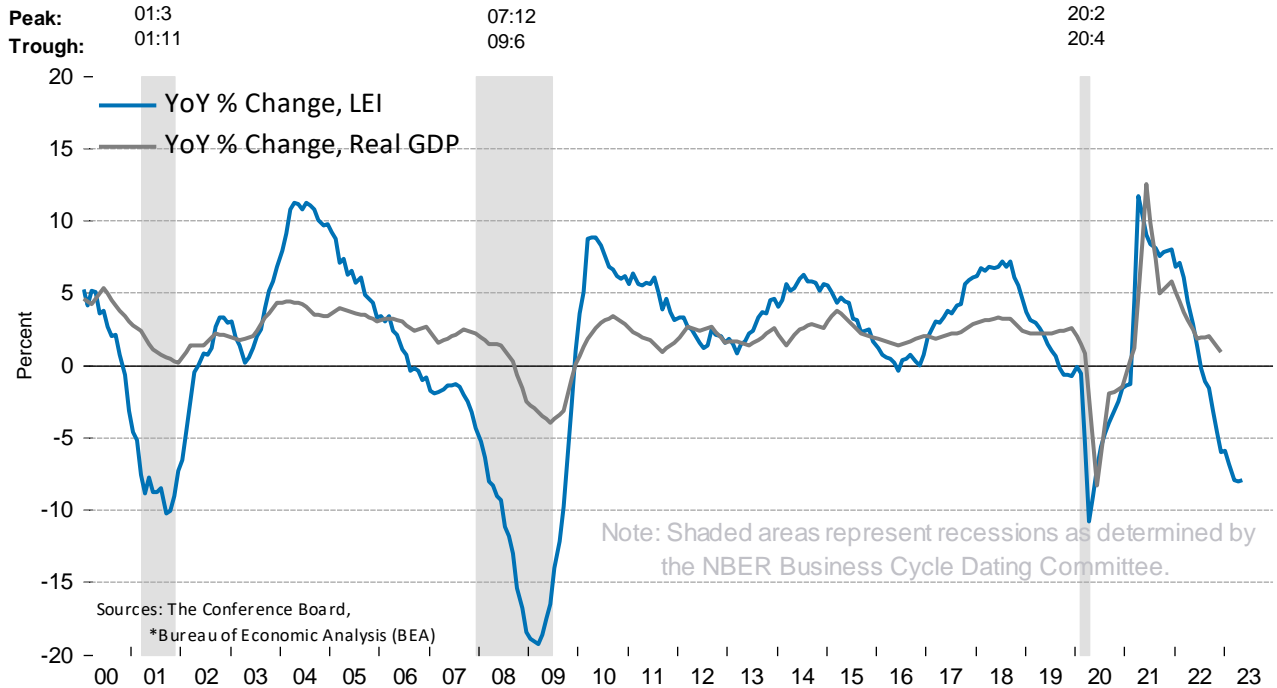
New York, June 22, 2023...The Conference Board Leading Economic Index® (LEI) for the U.S. declined by 0.7 percent in May 2023 to 106.7 (2016=100), following a decline of 0.6 percent in April. The LEI is down 4.3 percent over the six-month period between November 2022 and May 2023—a steeper rate of decline than its 3.8 percent contraction over the previous six months from May to November 2022.

“The US LEI continued to fall in May as a result of deterioration in the gauges of consumer expectations for business conditions, ISM® New Orders Index, a negative yield spread, and worsening credit conditions,” said **Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board.** “The US Leading Index has declined in each of the last fourteen months and continues to point to weaker economic activity ahead. Rising interest rates paired with persistent inflation will continue to further dampen economic activity. While we revised our Q2 GDP forecast from negative to slight growth, we project that the US economy will contract over the Q3 2023 to Q1 2024 period. The recession likely will be due to continued tightness in monetary policy and lower government spending.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.2 percent in May 2023 to 110.2 (2016=100), after rising by 0.3 percent in April. The CEI is now up 0.8 percent over the six-month period between November 2022 and May 2023—down slightly from the 0.9 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. While recent data for industrial production have contributed negatively to coincident index, sales, employment, and income growth remained positive.

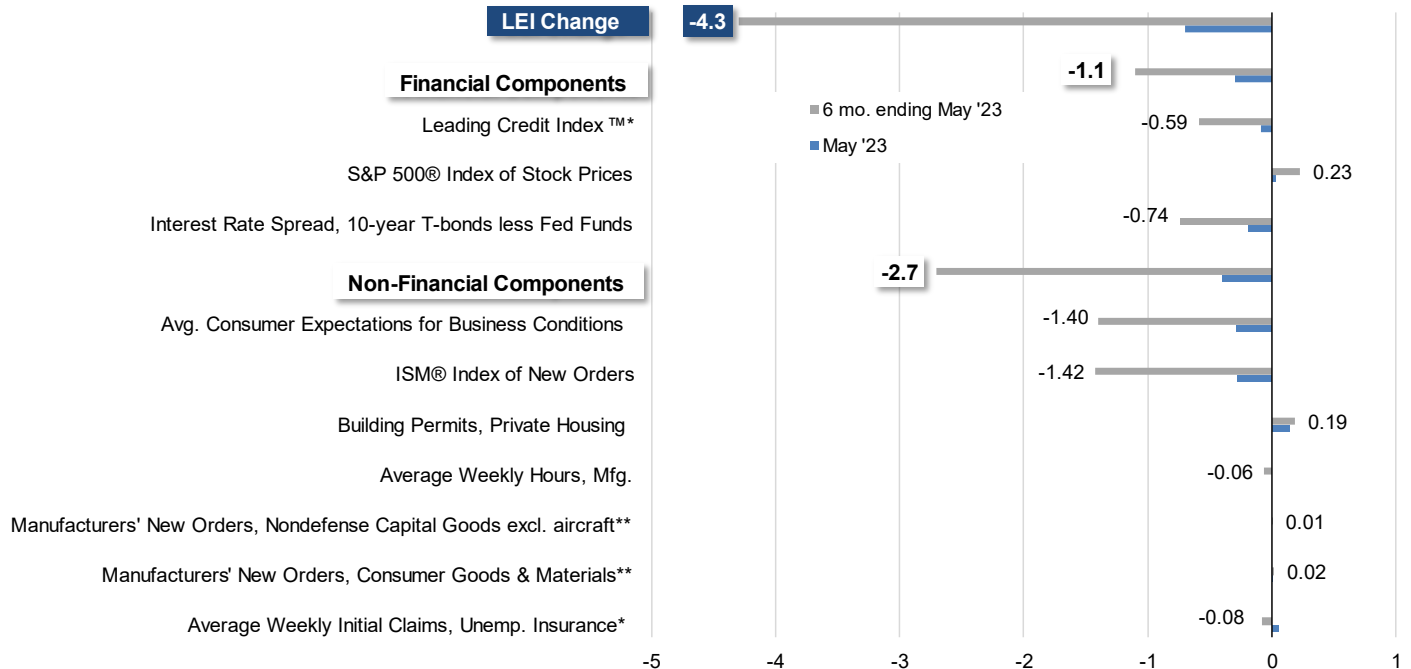
The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.1 percent in May 2023 to 118.4 (2016 = 100), reversing a decline of 0.1 percent in April. The LAG is up 0.6 percent over the six-month period from November 2022 to April 2023, much slower than its growth rate of 3.3 percent over the previous six months.

The annual growth rate of the US LEI remained negative, continuing to signal weakening growth prospects



Negative contributions to the LEI were widespread among both financial and non-financial components

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



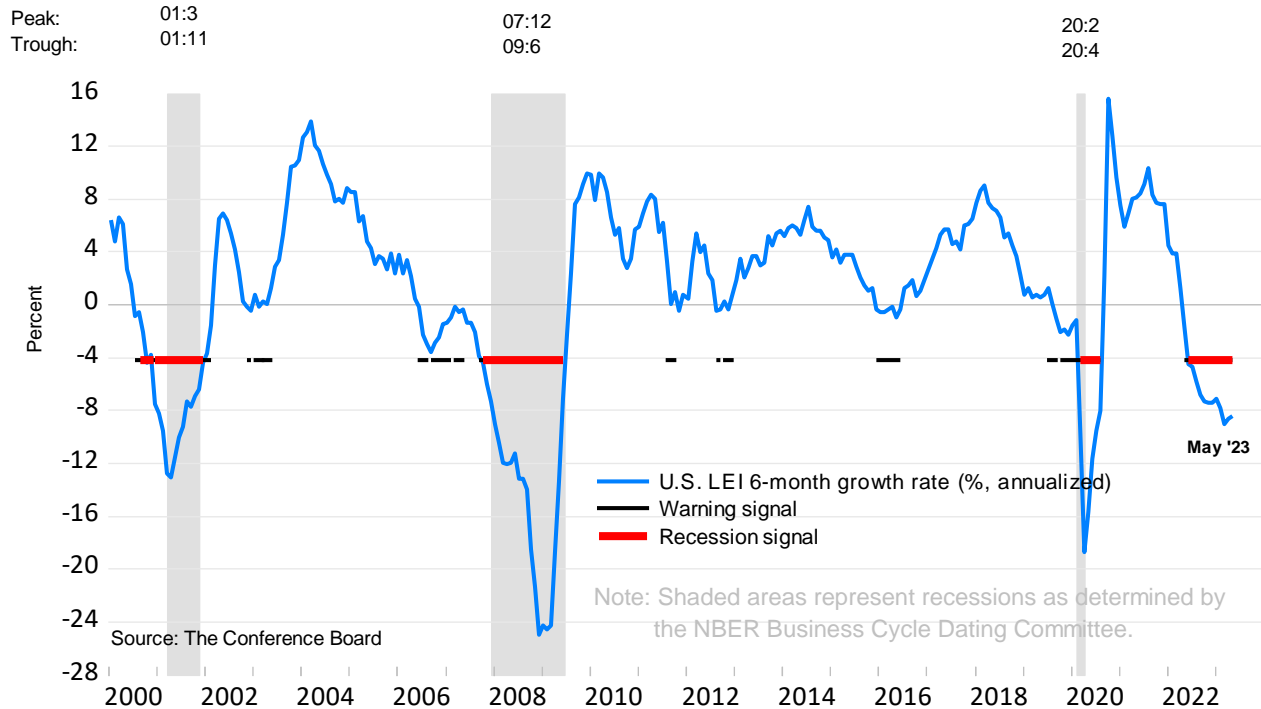
Source: The Conference Board

* 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 US LEI continues to signal a recession within 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

	Mar	2023 Apr	May	6-month Nov to May
Leading Index	108.2	107.5	106.7	
Percent Change	-1.2	-0.6	-0.7	-4.3
Diffusion	10.0	30.0	45.0	40.0
Coincident Index	109.7	r 110.0	r 110.2	
Percent Change	0.0	r 0.3	0.2	0.8
Diffusion	75.0	100.0	75.0	75.0
Lagging Index	118.4	118.3	118.4	
Percent Change	0.0	-0.1	0.1	0.6
Diffusion	57.1	35.7	28.6	50.0

p Preliminary r Revised c Corrected

Indexes equal 100 in 2016

Source: The Conference Board

The next release is scheduled for Thursday, July 20, 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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