

## 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 Again in August**

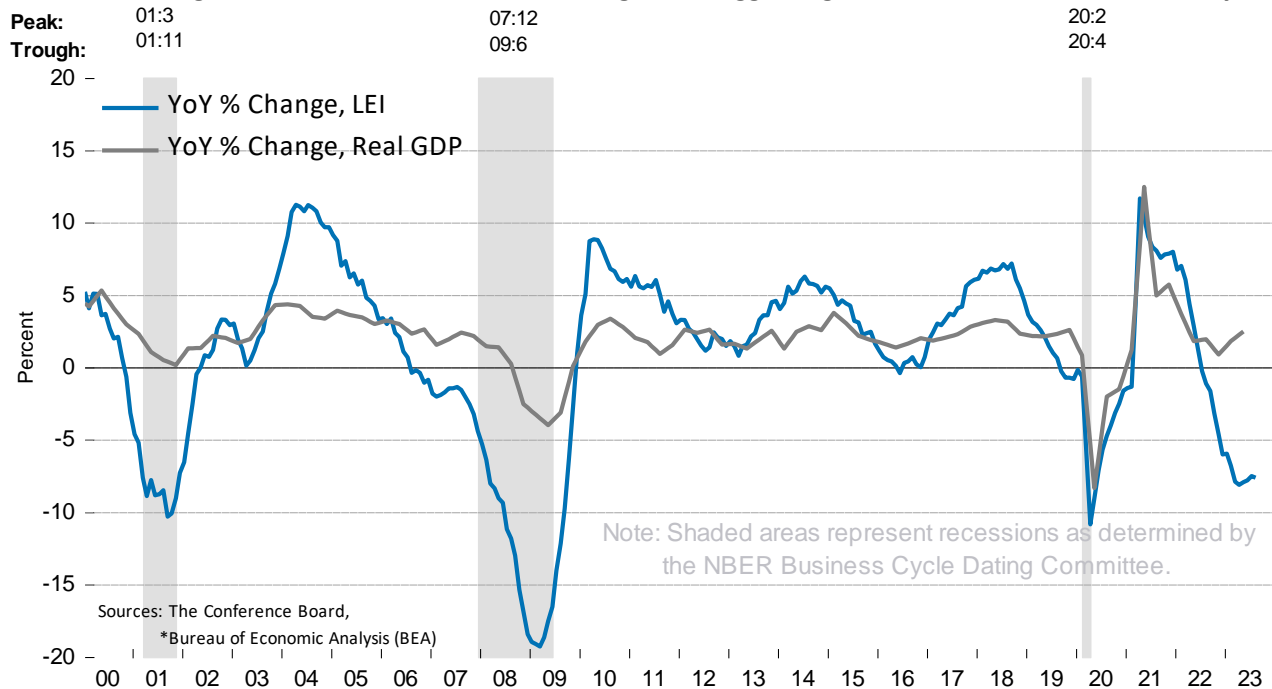
**New York, September 21, 2023...**The Conference Board Leading Economic Index® (LEI) for the U.S. declined by 0.4 percent in August 2023 to 105.4 (2016=100), following a decline of 0.3 percent in July. The LEI is down 3.8 percent over the six-month period between February and August 2023—little changed from its 3.9 percent contraction over the previous six months (August 2022 to February 2023).

“With August’s decline, the US Leading Economic Index has now fallen for nearly a year and a half straight, indicating the economy is heading into a challenging growth period and possible recession over the next year,” said **Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board**. “The leading index continued to be negatively impacted in August by weak new orders, deteriorating consumer expectations of business conditions, high interest rates, and tight credit conditions. All these factors suggest that going forward economic activity probably will decelerate and experience a brief but mild contraction. The Conference Board forecasts real GDP will grow by 2.2 percent in 2023, and then fall to 0.8 percent in 2024.”

**The Conference Board Coincident Economic Index® (CEI)** for the U.S. improved by 0.2 percent in August 2023 to 110.6 (2016=100), after a 0.3 percent increase in July. The CEI is now up 0.8 percent over the six-month period between February and August 2023—an acceleration from its 0.5 percent growth 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. All four components contributed positively to the index, with personal income less transfer payments and industrial production being the strongest contributors, followed by manufacturing and trade sales and employees on nonagricultural payrolls. Indeed, over the past six months, the CEI has improved signaling that the current environment remains satisfactory for now.

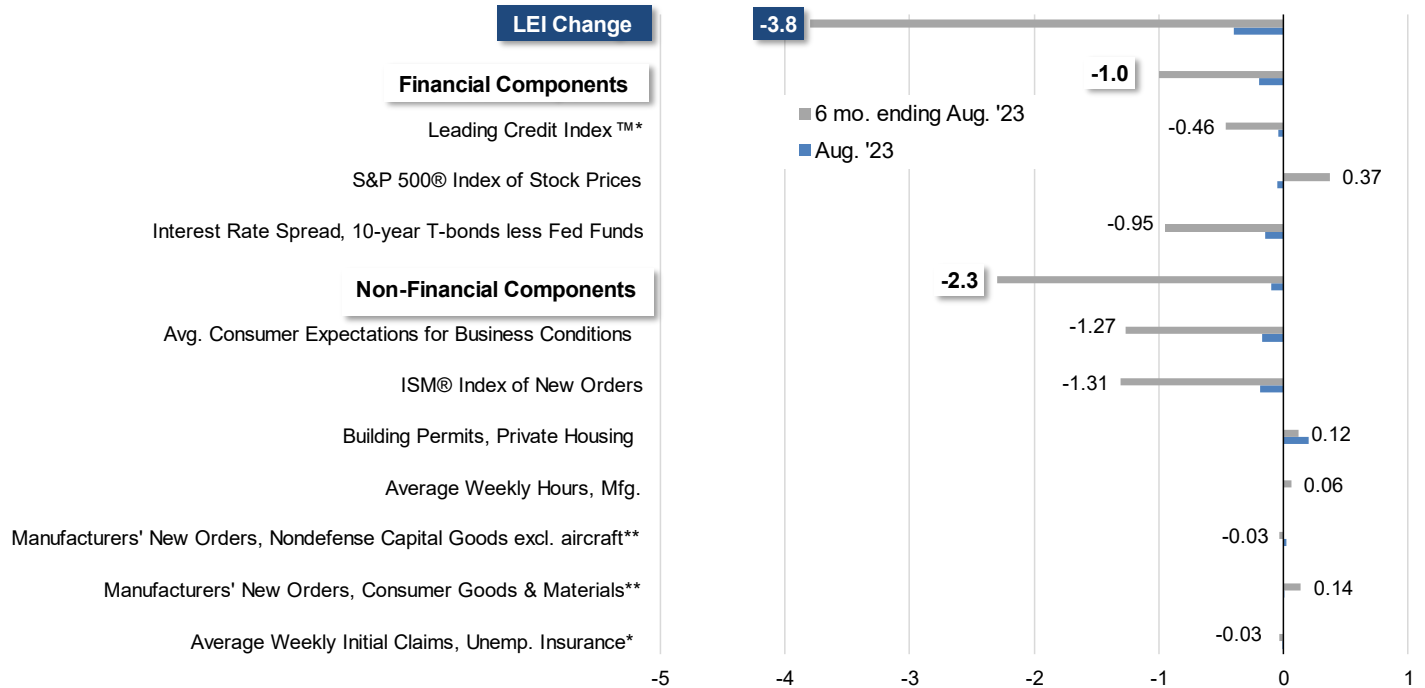
**The Conference Board Lagging Economic Index® (LAG)** for the U.S. improved by 0.2 percent in August 2023 to 118.5, after a 0.1 percent increase in July. (2016 = 100). The LAG is up slightly by 0.1 percent over the six-month period from February and August 2023, down dramatically from its 2.0 percent growth over the previous six months.

## The annual growth rate of the LEI remained negative, suggesting weaker future economic activity



## Most components were negative or made small positive contributions in August

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



Source: The Conference Board

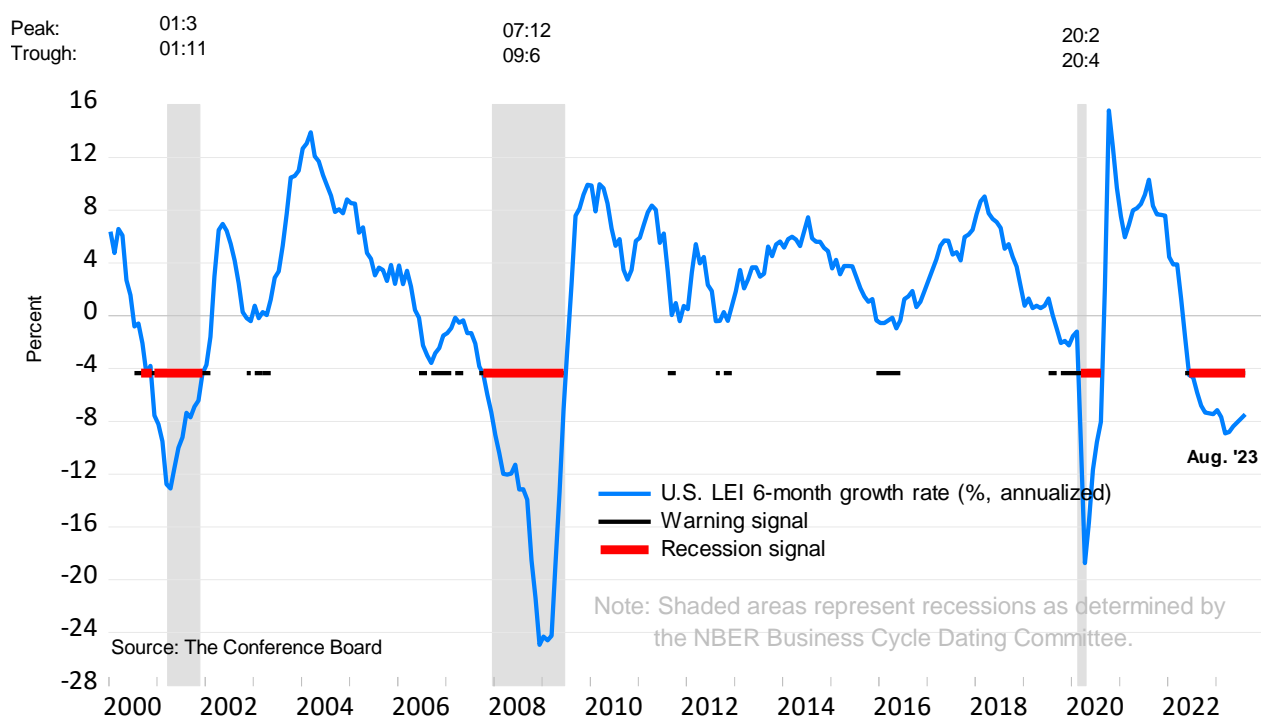
\* Inverted series; a negative change in this component makes a positive contribution.

\*\* Statistical Imputation

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

**Note:** Starting with September 2023 release Leading Credit Index™ calculations (from 2020 to current) use the SOFR Overnight Financing Rate in the USD Swap spread semiannual 2 year instead of LIBOR rate. LIBOR remains in the USD Swap spread semiannual 2 year from 1990 to 2020.

## 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
	Jun	Jul	Aug	Feb to Aug
Leading Index	106.1 r	105.8	105.4 p	
Percent Change	-0.6 r	-0.3 r	-0.4	-3.8
Diffusion	30.0	55.0	35.0	40.0
Coincident Index	110.1	110.4 r	110.6 p	
Percent Change	0.0	0.3 r	0.2	0.8
Diffusion	62.5	100.0	100.0	100.0
Lagging Index	118.2 r	118.3	118.5 p	
Percent Change	-0.1 r	0.1 r	0.2	0.1
Diffusion	35.7	42.9	57.1	35.7

p Preliminary r Revised c Corrected

Indexes equal 100 in 2016

Source: The Conference Board

The next release is scheduled for Thursday, October 19, 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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