

FOR RELEASE: 10:00 A.M. ET, Thursday, October 22, 2020

The Conference Board®
 U.S. Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR THE UNITED STATES
AND RELATED COMPOSITE ECONOMIC INDEXES FOR SEPTEMBER 2020

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.7 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent and **The Conference Board Lagging Economic Index®** (LAG) decreased 0.1 percent in September.

- The Conference Board LEI for the U.S. increased again in September mainly due to positive contributions from initial claims for unemployment insurance (inverted), building permits, and the interest rate spread. In the six-month period ending September 2020, the leading economic index increased 3.6 percent (about a 7.3 percent annual rate), a reversal from a decline of 7.3 percent (about a -14.0 percent annual rate) over the previous six months. In addition, the strengths among the leading indicators have become somewhat more widespread than the weaknesses.
- The Conference Board CEI for the U.S., a measure of current economic activity, also increased in September. The coincident economic index declined 3.5 percent (about a 6.9 percent annual rate) between March and September 2020, after having declined by 1.4 percent (about a -2.8 percent annual rate) over the previous six months. The weaknesses among the coincident indicators remain very widespread, with all but one component declining over the past six months. The lagging economic index continues to decline, but at a slower rate than the CEI. As a result, the coincident-to-lagging ratio is up slightly. Real GDP contracted at a 31.4 percent annual rate in the second quarter, after decreasing 5.0 percent (annual rate) in the first quarter.
- The Conference Board LEI for the U.S. continued to increase in September, but the pace of improvement has slowed in recent months. Meanwhile, The Conference Board CEI for the U.S. continued an upward trend through September, but the pace of improvement has also decelerated. Taken together, the current behavior of the composite indexes and their components suggests that the post-pandemic recovery in economic activity may be slowing at the end of the year and rising COVID-19 cases could pose additional risks in the near-term.

LEADING INDICATORS. Five of the ten indicators that make up The Conference Board LEI for the U.S. increased in September. The positive contributors – beginning with the largest positive contributor – were average weekly initial claims for unemployment insurance (inverted)^N, building permits, the ISM[®] New Orders Index, the interest rate spread, and the Leading Credit IndexTM (inverted). The negative contributors were manufacturers’ new orders for nondefense capital goods excluding aircraft* and stock prices. Average weekly manufacturing hours, manufacturers’ new orders for consumer goods and materials* and average consumer expectations for business conditions held steady in September.

The LEI for the U.S. increased 0.7 percent in September and now stands at 107.2 (2016=100). Based on revised data, this index increased 1.4 percent in August and increased 2.0 percent in July. Over the six-month span through September, the leading economic index increased 3.6 percent, with six out of ten components advancing (diffusion index, six-month span equals 60 percent).

The next release is scheduled for November 19, 2020, Thursday at 10 A.M. ET

COINCIDENT INDICATORS. Three of the four indicators that make up The Conference Board CEI for the U.S. increased in September. The positive contributors to the index – beginning with the largest positive contributor – were employees on nonagricultural payrolls, personal income less transfer payments* and manufacturing and trade sales*. The negative contributor was industrial production.

The CEI increased 0.2 percent in September and now stands at 101.7 (2016=100). Based on revised data, this index increased 0.8 percent in August and increased 1.6 percent in July. During the six-month period through September, the coincident economic index decreased 3.5 percent, with only one out of four components advancing (diffusion index, six-month span equals 25 percent).

LAGGING INDICATORS. The Conference Board Lagging Economic Index for the U.S. decreased 0.1 percent in September and stands at 107.6 (2016=100), with two of its seven components advancing. The positive contributors to the index were the change in CPI for services and the ratio of manufacturing and trade inventories to sales*. The negative contributors – beginning with the largest negative contributor – were commercial and industrial loans outstanding*, the average duration of unemployment (inverted), the change in the index of labor cost per unit of output, manufacturing*, the ratio of consumer installment credit outstanding to personal income*. The average prime rate charged by banks held steady in September. Based on revised data, the lagging economic index decreased 0.1 percent in August and decreased 1.0 percent in July.

DATA AVAILABILITY AND NOTES.

The data series used to compute **The Conference Board Leading Economic Index® (LEI)** for the U.S., **The Conference Board Coincident Economic Index® (CEI)** for the U.S. and **The Conference Board Lagging Economic Index® (LAG)** for the U.S. and reported in the tables in this release are those available “as of” 8:30 am ET on October 20, 2020. Some series are estimated as noted below.

* Series in The Conference Board LEI for the U.S. based on our estimates are manufacturers’ new orders for consumer goods and materials and manufacturers’ new orders for nondefense capital goods excluding aircraft. Series in The Conference Board CEI for the U.S. that are based on our estimates are personal income less transfer payments and manufacturing and trade sales. Series in The Conference Board LAG for the U.S. that are based on our estimates are manufacturing and trade inventories to sales ratio, the change in labor cost per unit of output, manufacturing, consumer installment credit to income ratio, and the personal consumption expenditure deflator used to deflate commercial and industrial loans outstanding.

The procedure used to estimate the current month’s personal consumption expenditure deflator (used in the calculation of commercial and industrial loans outstanding) incorporates the current month’s consumer price index when it is available before the release of The Conference Board LEI for the U.S.

^N **Please note that on September 3, 2020, the Department of Labor (DOL) changed the way it calculates seasonal adjustment factors for national initial claims and continued claims data. The revised seasonal factors are calculated as additive factors as opposed to multiplicative factors. See details: www.dol.gov/sites/dolgov/files/OPA/newsreleases/ui-claims/20201671.pdf The Conference Board is currently using official data published by DOL as an input to calculate the LEI – namely, the Initial Claims for Unemployment Insurance series. The impact on the LEI was minimal. Seasonal adjustment models and factors will be reviewed during the annual benchmark revision. If changes for the input data are needed, they will be reviewed and implemented. Also, on October 1, 2020, DOL stated that the state of California has announced a two week pause in its processing of unemployment insurance claims and that the current weekly level reported will reflect the last week prior to the pause. For more information, see www.dol.gov/sites/dolgov/files/OPA/newsreleases/ui-claims/20201873.pdf As a result, the monthly national Initial Claims for Unemployment Insurance component of the LEI is preliminary and may be revised when more complete data becomes available.**

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THE CYCLICAL INDICATOR APPROACH. The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. (See page 3 for details.) They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component—primarily because they smooth out some of the volatility of individual components.

Historically, the cyclical turning points in The Conference Board LEI for the U.S. have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for the U.S. have occurred at about the same time as those in aggregate economic activity. The cyclical turning points in The Conference Board LAG for the U.S. generally have occurred after those in aggregate economic activity.

U.S. Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1 Average weekly hours, manufacturing	0.2796
2 Average weekly initial claims for unemployment insurance	0.0325
3 Manufacturers' new orders, consumer goods and materials	0.0838
4 ISM® new orders index	0.1568
5 Manufacturers' new orders, nondefense capital goods excl. aircraft	0.0411
6 Building permits, new private housing units	0.0292
7 Stock prices, 500 common stocks	0.0394
8 <i>Leading Credit Index</i> TM	0.0820
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1139
10 Avg. consumer expectations for business conditions	0.1417
<u>Coincident Economic Index</u>	
1 Employees on nonagricultural payrolls	0.5297
2 Personal income less transfer payments	0.2053
3 Industrial production	0.1449
4 Manufacturing and trade sales	0.1201
<u>Lagging Economic Index</u>	
1 Inventories to sales ratio, manufacturing and trade	0.1270
2 Average duration of unemployment	0.0364
3 Consumer installment credit outstanding to personal income ratio	0.1824
4 Commercial and industrial loans	0.0930
5 Average prime rate	0.3021
6 Labor cost per unit of output, manufacturing	0.0503
7 Consumer price index for services	0.2088

Notes:

The component factors are inversely related to the standard deviation of the month-to-month changes in each component. They are used to equalize the volatility of the contribution from each component and are “normalized” to sum to 1. When one or more components are missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1.

These factors were revised effective with the release in January 2020, and all historical values for the three composite economic indexes were revised at this time to reflect the changes. (Under normal circumstances, updates to the leading, coincident, and lagging economic indexes only incorporate revisions to data over the past six months.) The factors for The Conference Board LEI for the U.S. were calculated using May 1990-December 2018 as the sample period for measuring volatility. A separate set of factors for the February 1959 - December 1977, January 1978 - December 1983 and January 1984 – April 1990 periods are available upon request. The primary sample period for the coincident and lagging economic indexes was February 1959 – December 2018. For additional information on the standardization factors and the index methodology see: “Benchmark Revisions in the Composite Indexes,” *Business Cycle Indicators* December 1997 and “Technical Appendix: Calculating the Composite Indexes” *Business Cycle Indicators* December 1996, or the Website: <http://www.conference-board.org/data/bci.cfm>

The trend adjustment factor for The Conference Board LEI for the U.S. is -0.0798 (over the 1984 – present) and 0.0932 (over the 1959-1983 period), and the trend adjustment factor for The Conference Board LAG for the U.S. is 0.1457.

To address the problem of lags in available data, those leading, coincident and lagging indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each unavailable component. The resulting indexes are therefore constructed using real and estimated data and will be revised as the unavailable data during the time of publication become available. Such revisions are part of the monthly data revisions, now a regular part of the U.S. Business Cycle Indicators program. The main advantage of this procedure is to utilize in the leading economic index data such as stock prices, interest rate spread, and manufacturing hours that are available sooner than other data on real aspects of the economy such as manufacturers’ new orders. Empirical research by The Conference Board suggests that there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

NOTICES

The Conference Board Leading Economic Index® (LEI) for the U.S. news release schedule for 2020:

Thursday, January 23, 2020	For December 2019 data
Thursday, February 20, 2020	For January 2020 data
Thursday, March 19, 2020	For February 2020 data
Friday, April 17, 2020	For March 2020 data
Thursday, May 21, 2020	For April 2020 data
Thursday, June 18, 2020	For May 2020 data
Thursday, July 23, 2020	For June 2020 data
Thursday, August 20, 2020	For July 2020 data
Friday, September 18, 2020	For August 2020 data
Thursday, October 22, 2020	For September 2020 data
Thursday, November 19, 2020	For October 2020 data
Friday, December 18, 2020	For November 2020 data

All releases are at 10:00 AM ET.

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<https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=2510>

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Table 1. Summary of U.S. Composite Economic Indexes

	2020							
	Mar	Apr	May	Jun	Jul	Aug	Sep	
Leading index	103.5	96.9	r 99.8	r 102.9	r 105.0	r 106.5	107.2	p
Percent change	-7.4	-6.4	r 3.0	r 3.1	2.0	1.4	r 0.7	p
Diffusion index	10	20	70	80	80	60	65	
Coincident index	105.4	93.0	95.3	99.1	r 100.7	r 101.5	r 101.7	p
Percent change	-2.1	-11.8	2.5	4.0	r 1.6	r 0.8	r 0.2	p
Diffusion index	0	0	100	100	100	75	75	
Lagging index	111.2	115.5	r 112.8	108.9	107.8	r 107.7	r 107.6	p
Percent change	2.0	3.9	r -2.3	r -3.5	-1.0	r -0.1	r -0.1	p
Diffusion index	71.4	57.1	21.4	35.7	21.4	35.7	42.9	
Coincident-lagging ratio	94.8	80.5	r 84.5	91.0	r 93.4	r 94.2	r 94.5	p
	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to	Mar to	
	Mar	Apr	May	Jun	Jul	Aug	Sep	
Leading index								
Percent change	-7.3	-13	-10.6	-7.6	-6.3	-4.7	3.6	
Diffusion index	30	25	15	10	20	40	60	
Coincident index								
Percent change	-1.4	-12.9	-11.1	-7.6	-6.2	-5.8	-3.5	
Diffusion index	0	0	0	0	25	25	25	
Lagging index								
Percent change	2.8	6.5	3.8	0.2	-0.7	-1.2	-3.2	
Diffusion index	71.4	57.1	57.1	42.9	42.9	28.6	0	

p Preliminary. r Revised (noted only for index levels and one-month percent changes). c Corrected.

CALCULATION NOTE: The diffusion indexes measure the proportion of the components that are contributing positively. Components that rise more than 0.05 percent are given a value of 1.0, components that change less than 0.05 percent are given a value of 0.5, and components that fall more than 0.05 percent are given a value of 0.0.

The full history of composite and diffusion indexes is available by subscription on our web site at <https://www.conference-board.org/data/bcicountry.cfm?cid=1>

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Table 2. Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for U.S.

Components	2020						
	Mar	Apr	May	Jun	Jul	Aug	Sep
U.S. Leading Economic Index Component Data							
Average workweek, production workers, mfg. (hours)	41.3	38.4	39.4	39.9	40.7	41.0 r	41.0
Average weekly initial claims, state unemployment insurance (thousands)*	2666.7	4180.7	2288.3	1499.2	1339.0	992.4	858.1 p
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.)	129,334	109,714	115,667 r	129,654	137,171 r	135,562 r	135,540 **
ISM® New Orders Index (percent)	42.2	27.1	31.8	56.4	61.5	67.6	60.2
Manufacturers' new orders, nondefense capital goods excl. aircraft (mil. 1982 dol.)	36714	34245 r	34763	36228	37115 r	37769 r	37395 **
Building permits (thous.)	1,356	1,066	1,216	1,258	1,483	1,476 r	1,553
Stock prices, 500 common stocks © (index: 1941-43=10)	2,652.39	2,761.98	2,919.62	3,104.66	3,207.62	3,391.71	3,365.52
Leading Credit Index™ (std. dev. ¹)*	2.17 r	2.38 r	1.73 r	1.50 r	1.08 r	0.21 r	-0.14
Interest rate spread, 10-year Treasury bonds less federal funds	0.22	0.61	0.62	0.65	0.53	0.55	0.59
Avg. Consumer Expectations for Business Conditions (std. dev. ¹)	-0.69 r	-0.82 r	-0.58 r	-0.16 r	-0.80 r	-0.79 r	-0.01
LEADING INDEX (2016=100)	103.5	96.9 r	99.8 r	102.9 r	105.0 r	106.5	107.2 p
Percent change from preceding month	-7.4	-6.4 r	3.0 r	3.1	2.0	1.4 r	0.7 p
<hr/>							
Average workweek, production workers, mfg		-2.03	.72	.35	.56	.21 r	.00
Average weekly initial claims, state unemployment insurance		-1.44	1.90	1.35	.37	.97	.47 p
Manufacturers' new orders, consumer goods and materials		-1.38	.44	.96	.47 r	-.10 r	.00 **
ISM® New Orders Index		-.58	-.48	.02	.12	.25	.10
Manufacturers' new orders, nondefense capital goods excl. aircraft		-.29 r	.06 r	.17	.10 r	.07 r	-.04 **
Building permits		-.70	.38	.10	.48	-.01 r	.15
Stock prices, 500 common stocks ©		.16	.22	.24	.13	.22	-.03
Leading Credit Index™		-.20 r	-.14 r	-.12 r	-.09 r	-.02 r	.01
Interest rate spread, 10-year Treasury bonds less federal funds		.07	.07	.07	.06	.06	.07
Avg. Consumer Expectations for Business Conditions		-.12	-.08	-.02	-.11	-.11	.00

p Preliminary. r Revised. c Corrected.

¹ Standard deviation above or below the mean

* Inverted series; a negative change or value in this component makes a positive contribution to the index.

** Statistical Imputation (See page 3 for more details)

Changes to Initial Claims for Unemployment Insurance series (See page 2 for more details)

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CALCULATION NOTE: The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

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Table 3. Data and Net Contributions for Components of The Conference Board Coincident and Lagging Economic Index® (CEI) and (LAG) for U.S.

Components	2020						
	Mar	Apr	May	Jun	Jul	Aug	Sep
U.S. Coincident Economic Index Component Data							
Employees on nonagricultural payrolls (thousands)	151,090	130,303	133,028	137,809	139,570 r	141,059 r	141,720
Personal income less transfer payments (ann. rate, bil. chn. 2012 dol.)	13,975	13,134 r	13,331 r	13,518 r	13,605 r	13,725 r	13,761 **
Industrial production (index: 2012=100)	104.522	91.266 r	91.933 r	97.607 r	101.699 r	102.151 r	101.506
Manufacturing and trade sales (mil. chn. 2012 dol.)	1,478,720	1,312,811 r	1,414,983 r	1,515,750 r	1,545,993 r	1,543,412 **	1,546,085 **
COINCIDENT INDEX (2016=100)	105.4	93.0	95.3	99.1 r	100.7 r	101.5 r	101.7 p
Percent change from preceding month	-2.1	-11.8	2.5	4.0 r	1.6 r	0.8 r	0.2
U.S. Coincident Economic Index Component Contributions							
Employees on nonagricultural payrolls	....	-7.83	1.10	1.87	.67 r	.56 r	.25
Personal income less transfer payments	....	-1.27	.31	.29 r	.13 r	.18 r	.05 **
Industrial production	....	-1.96 r	.11 r	.87 r	.59 r	.06 r	-.09
Manufacturing and trade sales	....	-1.43	.90	.83 r	.24 r	-.02 **	.02 **
U.S. Lagging Economic Index Component Data							
Average duration of unemployment (weeks)*	17.1	6.1	9.9	15.7	17.9	20.2	20.7
Ratio, manufacturing and trade inventories to sales (chain 2012 dol.)	1.483	1.659	1.516	1.402 r	1.373 r	1.380 **	1.381 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)	8.3	24.3 r	22.0	7.9 r	7.3 **	6.5 **	5.9 **
Average prime rate charged by banks (percent)	3.78	3.25	3.25	3.25	3.25	3.25	3.25
Commercial and industrial loans outstanding (mil. chn. 2012 dol.)	1,573,946 r	1,705,054 r	1,680,748 r	1,573,675 r	1,498,175 r	1,452,616 r	1,435,465 **
Ratio, consumer installment credit outstanding to personal income (percent)	22.36	19.62 r	20.41 r	20.74 r	20.72 r	21.26 r	21.25 **
Change in CPI for services (6-month percent, ann. rate)	2.5	1.2	.6	.7	1.1	1.0	1.2
LAGGING INDEX (2016=100)	111.2	115.5 r	112.8	108.9	107.8 r	107.7 r	107.6 p
Percent change from preceding month	2.0	3.9 r	-2.3 r	-3.5	-1.0 r	-0.1 r	-0.1 p
U.S. Lagging Economic Index Component Contributions							
Average duration of unemployment	....	3.45	-1.73	-1.65	-.48	-.44	-.09
Ratio, manufacturing and trade inventories to sales	....	1.42	-1.14	-.99 r	-.27 r	.06 **	.01 **
Change in index of labor cost per unit of output, mfg	....	.80 r	-.12 r	-.71 r	-.03 **	-.04 **	-.03 **
Average prime rate charged by banks	....	-.16	.00	.00	.00	.00	.00
Commercial and industrial loans outstanding	....	.74 r	-.13 r	-.61 r	-.46 r	-.29 r	-.11 **
Ratio, consumer installment credit outstanding to personal income	....	-2.38 r	.72	.29 r	-.02 r	.47 r	-.01 **
Change in CPI for services	....	-.27	-.13	.02	.08	-.02	.04

CPI Consumer Price Index. For additional notes see table 2.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 3 for more details)

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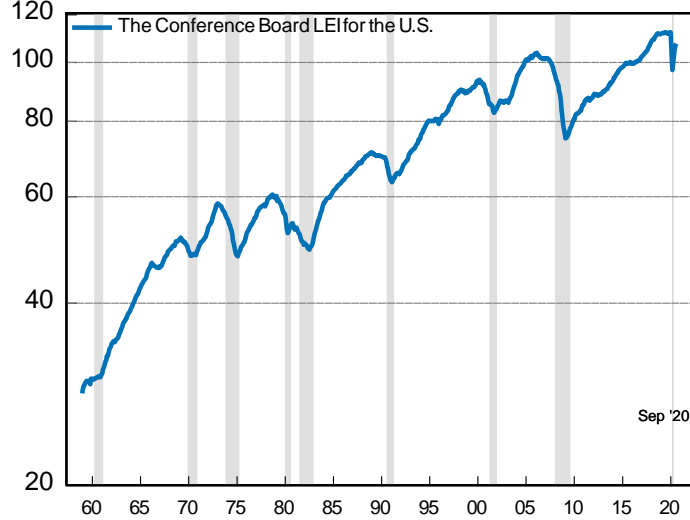
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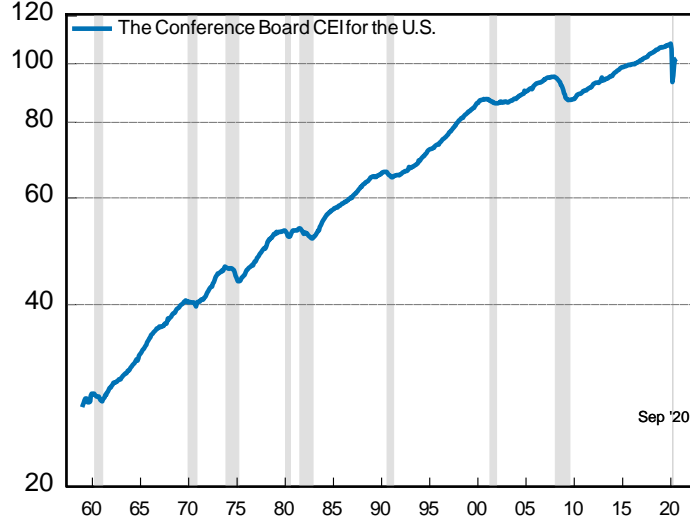
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U.S. Composite Economic Indexes (2016=100)

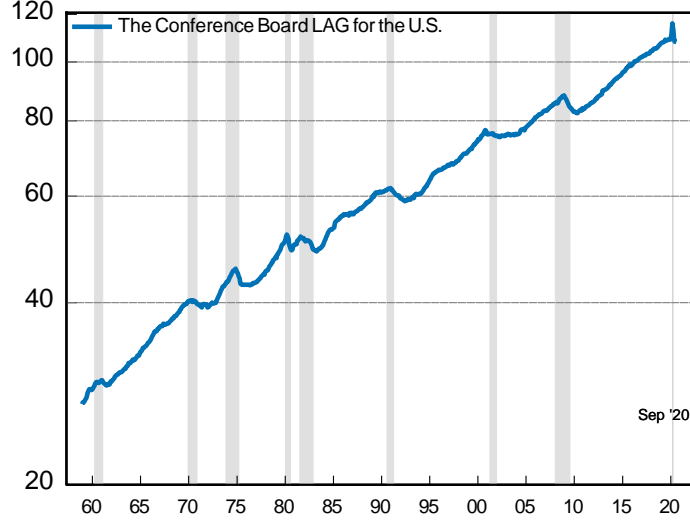
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 Trough: 61:2 70:11 75:3 80:7 82:11 91:3 01:11 09:6



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Shaded areas represent recessions as determined by the National Bureau of Economic Research.

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