

FOR RELEASE: 10:00 A.M. ET, Friday, November 18, 2022

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 OCTOBER 2022

The Conference Board Leading Economic Index® (LEI) for the U.S. decreased 0.8 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.2 percent, and **The Conference Board Lagging Economic Index®** (LAG) increased 0.1 percent in October.

- The Conference Board LEI for the U.S. decreased for the eighth consecutive month in October. Only three of its ten components made positive contributions to the index: interest rate spread, manufacturers' new orders for nondefense capital goods excl. aircraft*, and manufacturers' new orders for consumer goods & materials*. Over the six-month period ending October 2022, the LEI fell 3.2 percent (about a 6.3 percent annual rate)—a sharp reversal from its growth of 0.5 percent (about a 1.0 percent annual rate) over the previous six months. In addition, the weaknesses among the leading indicators remained very widespread.
- The Conference Board CEI for the U.S., a measure of current economic activity, increased in October. The coincident economic index grew 1.1 percent (about a 2.2 percent annual rate) over the six-month period ending October 2022—faster than the growth of 0.9 percent (about a 1.9 percent annual rate) over the previous six months. The strengths among the coincident indicators have remained very widespread. The lagging economic index increased at a slower rate than the CEI. As a result, the coincident-to-lagging ratio also grew. Real GDP expanded by 2.6 percent (annual rate) in the third quarter, after contracting by 0.6 percent (annual rate) in the second quarter.
- The Conference Board LEI appears to have peaked in February 2022 and has remained on a downward trajectory in the eight months since. Meanwhile, The Conference Board CEI for the U.S. continued rising through October, driven by strong employment gains. Taken together, the current behavior of the composite indexes and their components suggests that the economy may be on the cusp of a recession in the near term.

LEADING INDICATORS. Three of the ten indicators that comprise The Conference Board LEI for the U.S. increased in October. The positive contributors—beginning with the largest positive contributor—were the interest rate spread, manufacturers' new orders for nondefense capital goods excluding aircraft*, and manufacturers' new orders for consumer goods and materials*. The negative contributors—beginning with the largest negative contributor—were average consumer expectations for business conditions, average weekly initial claims for unemployment insurance (inverted), the ISM® New Orders Index, the S&P 500® Index of Stock Prices, the Leading Credit Index™, and building permits. Average weekly manufacturing hours held steady in October.

The LEI for the U.S. decreased 0.8 percent in October and now stands at 114.9 (2016=100). Based on revised data, this index decreased 0.5 percent in September and decreased 0.1 percent in August. Over the six-month span through October, the leading economic index decreased 3.2 percent, with four out of ten components advancing (diffusion index, six-month span equals 40 percent).

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

The CEI increased 0.2 percent in October and now stands at 109.3 (2016=100). Based on revised data, this index increased 0.1 percent in September, and increased 0.4 percent in August. During the six-month period through October, the coincident economic index increased 1.1 percent, with all four components advancing (diffusion index, six-month span equals 100 percent).

LAGGING INDICATORS. The Conference Board Lagging Economic Index for the U.S. increased 0.1 percent in October and now stands at 116.3 (2016=100), with four of its seven components advancing. The positive contributors to the index—beginning with the largest positive contributor—were the average prime rate charged by banks, commercial and industrial loans outstanding*, the manufacturing and trade inventories to sales ratio*, and consumer installment credit to income ratio*. The negative contributors—beginning with the largest negative contributor—were the change in CPI for services, average duration of unemployment(inverted), and the change in labor cost per unit of output in manufacturing*.

Based on revised data, the lagging economic index increased 0.8 percent in September, and increased 0.6 percent in August.

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” 10:00 am ET on November 17, 2022. 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.

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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	0.2373
2 Average weekly initial claims for unemployment insurance	0.0140
3 Manufacturers' new orders, consumer goods and materials	0.0779
4 ISM® new orders index	0.1702
5 Manufacturers' new orders, nondefense capital goods excl. aircraft	0.0459
6 Building permits, new private housing units	0.0307
7 S&P 500® Index of Stock Prices	0.0419
8 <i>Leading Credit Index</i> ™	0.0991
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1247
10 Avg. consumer expectations for business conditions	0.1583
<u>Coincident Economic Index</u>	
1 Employees on nonagricultural payrolls	0.3230
2 Personal income less transfer payments	0.3146
3 Industrial production	0.1923
4 Manufacturing and trade sales	0.1701
<u>Lagging Economic Index</u>	
1 Inventories to sales ratio, manufacturing and trade	0.1168
2 Average duration of unemployment	0.0270
3 Consumer installment credit outstanding to personal income ratio	0.1595
4 Commercial and industrial loans	0.0861
5 Average prime rate	0.3318
6 Labor cost per unit of output, manufacturing	0.0499
7 Consumer price index for services	0.2289

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 February 2022, 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 2020 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 2020. 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 -0.0735 (over the 1984 – present) and 0.1156 (over the 1959-1983 period), and the trend adjustment factor for The Conference Board LAG for the U.S. is 0.1628.

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 2022 and 2023

Thursday, December 22, 2022	For November 2022 data
Monday, January 23, 2023	For December 2022 data
Friday, February 17, 2023	For January 2023 data
Friday, March 17, 2023	For February 2023 data
Thursday, April 20, 2023	For March 2023 data
Thursday, May 18, 2023	For April 2023 data
Thursday, June 22, 2023	For May 2023 data
Thursday, July 20, 2023	For June 2023 data
Thursday, August 17, 2023	For July 2023 data
Thursday, September 21, 2023	For August 2023 data
Thursday, October 19, 2023	For September 2023 data
Monday, November 20, 2023	For October 2023 data
Thursday, December 21, 2023	For November 2023 data

All releases are at 10:00 AM ET.

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AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription

(Includes monthly release, data and charts)

\$ 995 per year

Monthly BCI Report (PDF)

(Sample available at <http://www.conference-board.org/data/monthlybci.cfm>)

\$ 400 per year

BCI Handbook (published 2001) PDF only – website download

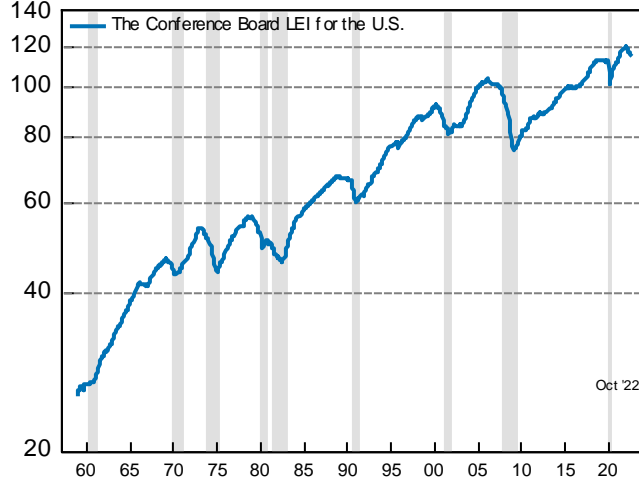
Understanding Business Cycles: The Indicators Approach to Forecasting for Agility:

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

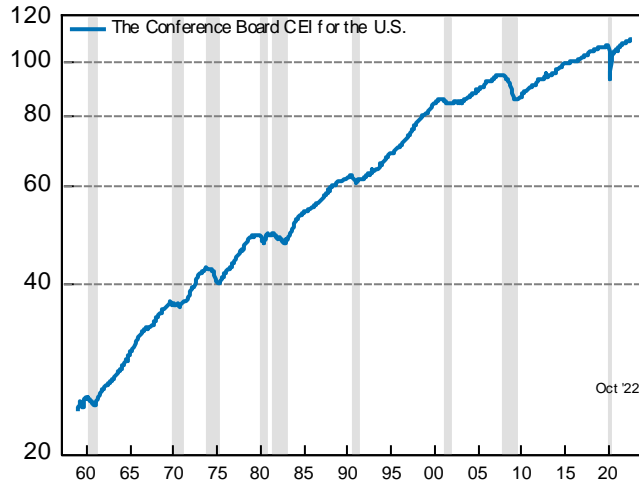
TO VIEW DATA PREVIOUSLY AVAILABLE IN TABLES, PLEASE VISIT:
<https://data-central.conference-board.org/>

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

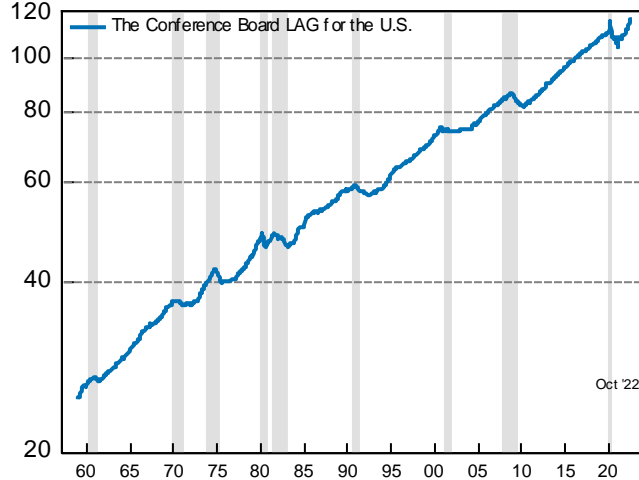
Peak:	60:4	69:12	73:11	80:1	81:7	90:7	01:3	07:12	20:2
Trough:	61:2	70:11	75:3	80:7	82:11	91:3	01:11	09:6	20:4



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

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