THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. ET, Thursday, August 17, 2023

The Conference Board®
U.S. Business Cycle Indicators℠

THE CONFERENCE BOARD LEADING ECONOMIC INDEX® (LEI) FOR THE UNITED STATES

AND RELATED COMPOSITE ECONOMIC INDEXES FOR JULY 2023

The Conference Board Leading Economic Index® (LEI) for the U.S. decreased 0.4 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.4 percent, and **The Conference Board Lagging Economic Index®** (LAG) remained unchanged in July.

- The Conference Board LEI for the U.S. continued to decrease in July. Negative contributions from most of the components more than offset positive contributions from S&P 500® Index of Stock Prices and average weekly initial claims for unemployment insurance (inverted). In the six-month period ending July 2023, the leading economic index contracted by 4.0 percent (about a −7.8 percent annual rate), a larger rate than decline of 3.7 percent (about a −7.2 percent annual rate) over the previous six months. In addition, the weaknesses among the leading indicators became more widespread.

- The Conference Board CEI for the U.S., a measure of current economic activity, improved in July. The coincident economic index rose 0.7 percent (about a 1.5 percent annual rate) between January and July 2023, slightly slower than its growth of 0.9 percent (about a 1.8 percent annual rate) over the previous six months. However, the strengths among the coincident indicators have remained widespread, with all but manufacturing and trade sales components advancing over the past six months. The lagging economic index has been flat since May 2023, while CEI has been rising slowly. As a result, the coincident-to-lagging ratio is up slightly. Real GDP expanded at a 2.4 percent annual rate in the second quarter of the year, after increasing 2.0 percent (annual rate) in the first quarter.

- The Conference Board LEI for the U.S. declined for the sixteenth consecutive month in July. Meanwhile, The Conference Board CEI for the U.S. has been growing, but at slow rate. Taken together, the current behavior of the composite indexes and their components suggests that, while current economic conditions are still favorable, the risk of a contraction still looms on the horizon.

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

The LEI for the U.S. decreased 0.4 percent in July and now stands at 105.8 (2016=100). Based on revised data, this index decreased 0.7 percent in June and decreased 0.7 percent in May. Over the six-month span through July, the leading economic index decreased 4.0 percent, with three out of ten components advancing (diffusion index, six-month span equals 30 percent).

The next release is scheduled for September 21, 2023, Thursday at 10 A.M. ET

COINCIDENT INDICATORS. All four indicators that comprise ***The Conference Board Coincident Economic Index®*** for the U.S. increased in July. The positive contributors to the index—beginning with the largest positive contributor—were industrial production, personal income less transfer payments*, employees on nonagricultural payrolls, and manufacturing and trade sales*.

The CEI increased 0.4 percent in July and now stands at 110.5 (2016=100). Based on revised data, this index remained unchanged in June and increased 0.3 percent in May. During the six-month period through July, the coincident economic index increased 0.7 percent, with three out of four components advancing (diffusion index, six-month span equals 75 percent).

LAGGING INDICATORS. ***The Conference Board Lagging Economic Index®*** for the U.S. remained unchanged in July and now stands at 118.3 (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, the average duration of unemployment (inverted), the ratio of manufacturing and trade inventories to sales*, and ratio of consumer installment credit outstanding to personal income*. The negative contributors—beginning with the largest negative contributors—were the change in CPI for services, the change in the index of labor cost per unit of output, manufacturing*, and commercial and industrial loans outstanding*. Based on revised data, the lagging economic index remained unchanged in June and decreased 0.1 percent in May.

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" 9:15 am ET on August 16, 2023. 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

Leading Economic Index		Factor
1	Average weekly hours, manufacturing	0.2386
2	Average weekly initial claims for unemployment insurance	0.0137
3	Manufacturers' new orders, consumer goods and materials	0.0761
4	ISM® new orders index	0.1667
5	Manufacturers' new orders, nondefense capital goods excl. aircraft	0.0461
6	Building permits, new private housing units	0.0303
7	S&P 500® Index of Stock Prices	0.0421
8	*Leading Credit Index™*	0.0987
9	Interest rate spread, 10-year Treasury bonds less federal funds	0.1258
10	Avg. consumer expectations for business conditions	0.1619

Coincident Economic Index		
1	Employees on nonagricultural payrolls	0.3253
2	Personal income less transfer payments	0.3143
3	Industrial production	0.1934
4	Manufacturing and trade sales	0.1670

Lagging Economic Index		
1	Inventories to sales ratio, manufacturing and trade	0.1204
2	Average duration of unemployment	0.0281
3	Consumer installment credit outstanding to personal income ratio	0.1136
4	Commercial and industrial loans	0.0903
5	Average prime rate	0.3529
6	Labor cost per unit of output, manufacturing	0.0524
7	Consumer price index for services	0.2423

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 on February 1, 2023, 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 2021 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 2021. 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: www.conference-board.org/topics/business-cycle-indicators

The trend adjustment factor for The Conference Board LEI for the U.S. is -0.0919 (over the 1984 – present) and 0.1129 (over the 1959-1983 period), and the trend adjustment factor for The Conference Board LAG for the U.S. is 0.1679.

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 2023**:**

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.

About The Conference Board

The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Founded in 1916, we are a non-partisan, not-for-profit entity holding 501 (c)(3) tax-exempt status in the United States. www.conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD

U.S. Business Cycle Indicators Internet Subscription
(Includes historical data and charts)
$ 1140 per year

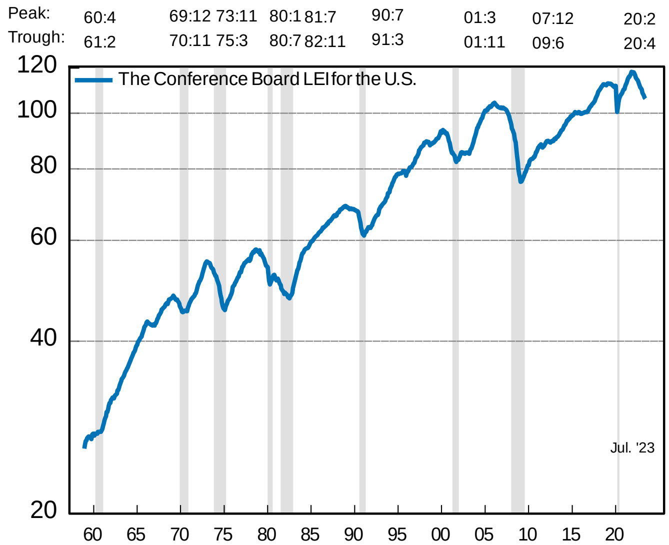
BCI Handbook (published 2001) PDF only – website download

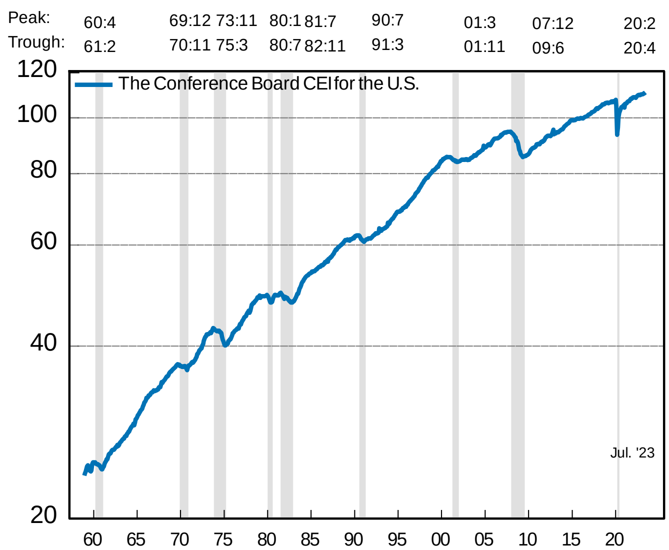
Understanding Business Cycles: The Indicators Approach to Forecasting for Agility:
https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=2510

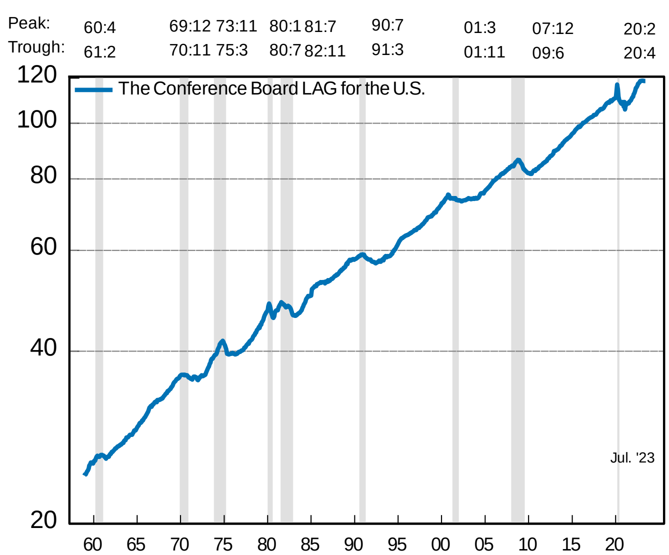
Business Cycle Indicators for Brazil, China, the Euro Area, France, Germany, India, Japan, South Korea, Mexico, Spain, the U.K, and the U.S. are available at $ 1140 per country per year.

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

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







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