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The Conference Board publishes leading, coincident, and lagging
indexes designed to signal peaks and troughs in the business

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in July

Latest Press Release

Updated: Thursday, August 17, 2023

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 by 0.4 percent in July 2023 to 105.8 (2016=100), following a decline of 0.7 percent in June. The LEI is down 4.0 percent over the six-month period between January and July 2023—a slight deterioration from its 3.7 percent contraction over the previous six months (July 2022 to January 2023).

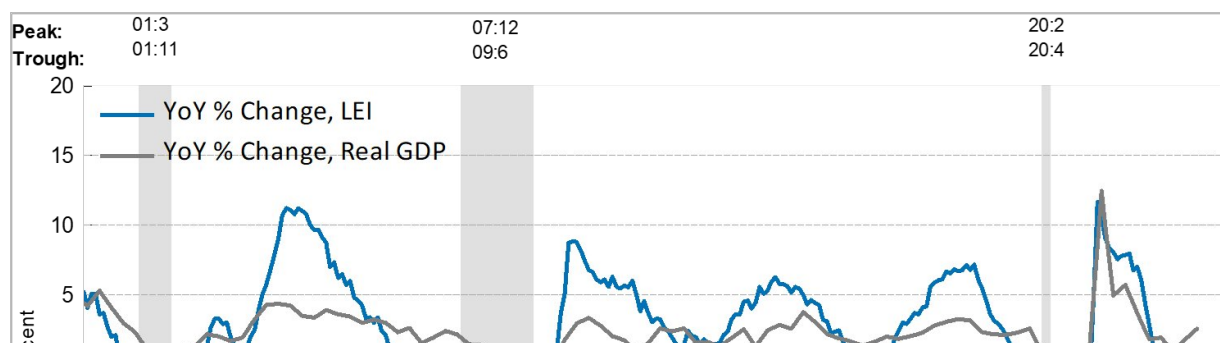
“The US LEI—which tracks where the economy is heading—fell for the sixteenth consecutive month in July, signaling the outlook remains highly uncertain” said **Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board.** “On the other hand, the coincident index (CEI)—which tracks where economic activity stands right now—has continued to grow slowly but inconsistently, with three of the past six months not changing and the rest increasing. As such, the CEI is signaling that we are currently still in a favorable growth environment. However, in July, weak new orders, high interest

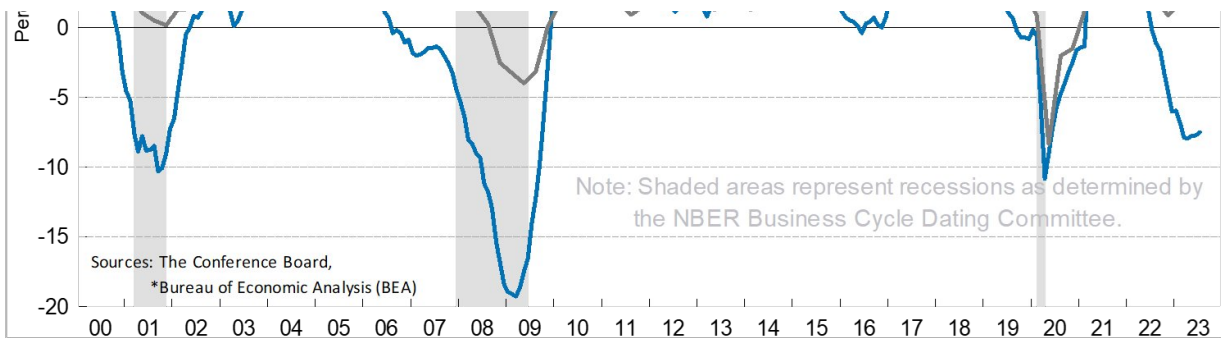
rates, a dip in consumer perceptions of the outlook for business conditions, and decreasing hours worked in manufacturing fueled the leading indicator's 0.4 percent decline. The leading index continues to suggest that economic activity is likely to decelerate and descend into mild contraction in the months ahead. The Conference Board now forecasts a short and shallow recession in the Q4 2023 to Q1 2024 timespan."

The Conference Board Coincident Economic Index® (CEI) for the U.S. improved by 0.4 percent in July 2023 to 110.5 (2016=100), after no change in June. The CEI is now up 0.7 percent over the six-month period between January and July 2023—down slightly from the 0.9 percent growth rate 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. Industrial production erased some of the losses reported in June and May and made the strongest positive contribution to July's coincident index, followed by income, employment, and sales.

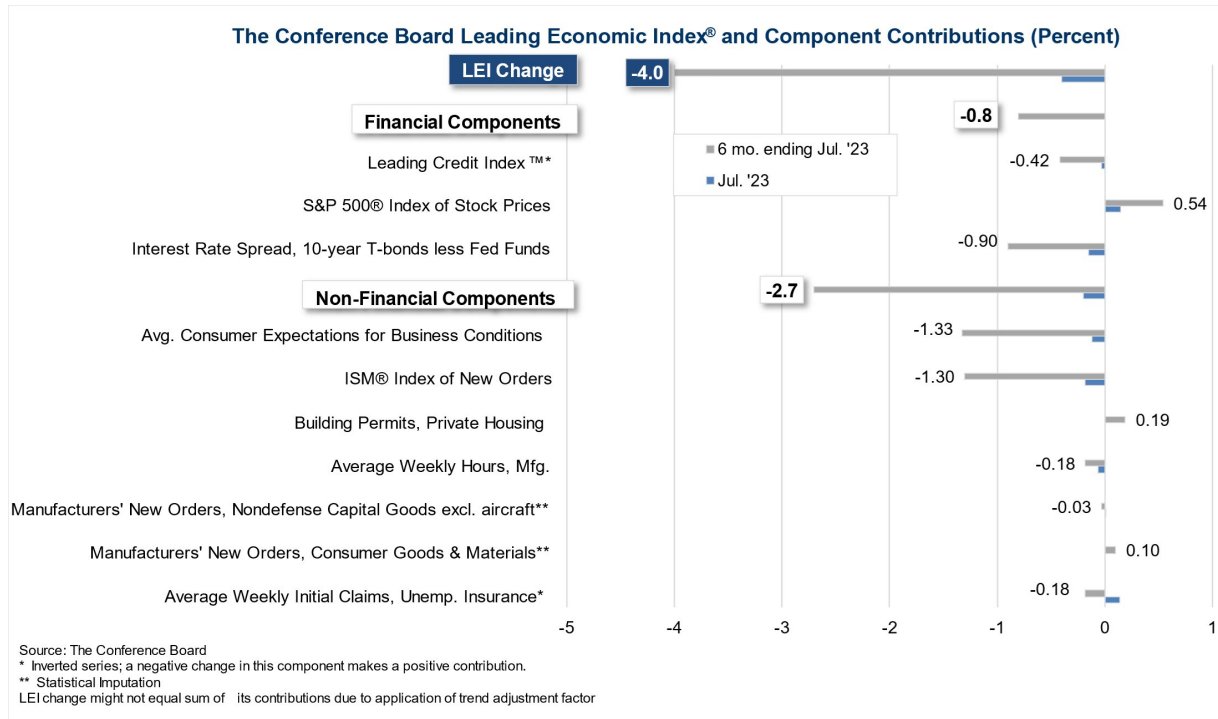
The Conference Board Lagging Economic Index® (LAG) for the U.S. was unchanged in both July and June of 2023, at 118.3 (2016 = 100). The LAG is up slightly by 0.1 percent over the six-month period from January and July 2023, down dramatically from its 2.5 percent growth over the previous six months.

The annual growth rate of the LEI remained negative, confirming weaker

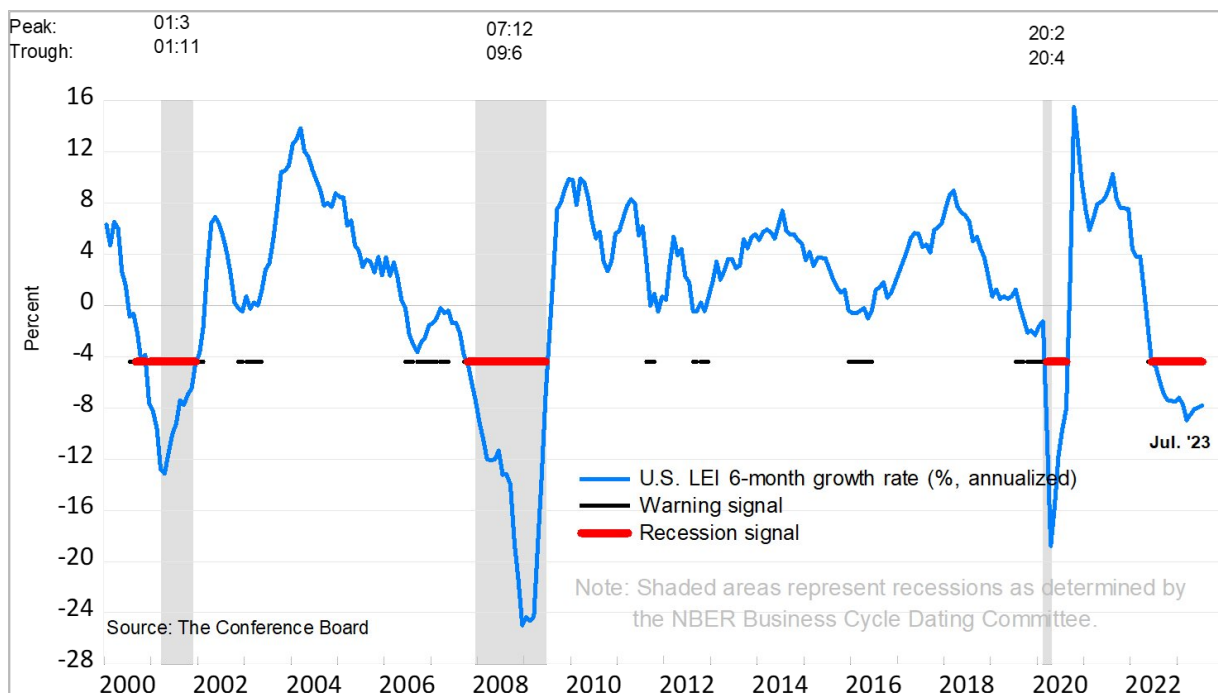




Most components were negative or neutral in July



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.

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/>

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.tcb.org

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

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