

FOR RELEASE: 10:00 A.M. ET, Thursday, March 19, 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 FEBRUARY 2020

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.1 percent, **The Conference Board Coincident Economic Index® (CEI)** increased 0.3 percent and **The Conference Board Lagging Economic Index® (LAG)** increased 0.4 percent in February.

- The Conference Board LEI for the U.S. increased slightly in February. Positive contributions from weekly manufacturing hours and average consumer expectations for business conditions offset declines in building permits and the ISM® New Orders Index. In the six-month period ending February 2020, the leading economic index increased 0.3 percent (about a 0.5 percent annual rate), slightly slower than the growth of 0.4 percent (about a 0.9 percent annual rate) over the previous six months. In February, the weaknesses and strengths among the leading indicators were balanced.
- The Conference Board CEI for the U.S., a measure of current economic activity, increased in February. The coincident economic index rose 0.7 percent (about a 1.5 percent annual rate) between August 2019 and February 2020, about the same growth rate as over the previous six months. Also, the strengths among the coincident indicators have remained very widespread, with all components advancing over the past six months. The lagging economic index continued to increase at a slightly higher rate than the CEI. As a result, the coincident-to-lagging ratio is down slightly. Real GDP expanded at a 2.1 percent annual rate in both the third and fourth quarters of last year.
- The Conference Board LEI for the U.S. rose slightly in February, but it didn't reflect the impact of the COVID-19 pandemic. Declines in stock prices, consumers' outlook on economic conditions, manufacturing new orders, average workweek, and rising unemployment claims will begin to negatively impact the economy. As a result, the economy may be already entering a period of contraction.

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

The LEI for the U.S. increased 0.1 percent in February and now stands at 112.1 (2016=100). Based on revised data, this index increased 0.7 percent in January and decreased 0.3 percent in December. Over the six-month span through February, the leading economic index increased 0.3 percent, with eight out of ten components advancing (diffusion index, six-month span equals 80 percent).

The next release is scheduled for April 17, 2020, Friday at 10 A.M. ET

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

The CEI increased 0.3 percent in February and now stands at 107.6 (2016=100). Based on revised data, this index increased 0.1 percent in January and was unchanged in December. During the six-month period through February, the coincident economic index increased 0.7 percent, with three out of four components advancing (diffusion index, six-month span equals 75.0 percent).

LAGGING INDICATORS. The Conference Board Lagging Economic Index for the U.S. increased 0.4 percent and stands at 109.1 (2016=100) in February, with four of its seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were the average duration of unemployment (inverted), the ratio of consumer installment credit outstanding to personal income*, the ratio of manufacturing and trade inventories to sales*, and the change in the index of labor cost per unit of output, manufacturing*. The negative contributor was commercial and industrial loans outstanding*, while the average prime rate charged by banks and the change in CPI for services held steady in February. Based on revised data, the lagging economic index remained unchanged in January and decreased 0.1 percent in December.

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 March 18, 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.

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

| | 2019 | | | | | 2020 | |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Leading index | 111.8 | 111.6 | 111.4 | 111.5 | 111.2 | 112.0 | 112.1 |
| Percent change | -0.2 | -0.2 | -0.2 | 0.1 | -0.3 | 0.7 | 0.1 |
| Diffusion index | 45 | 40 | 40 | 65 | 55 | 75 | 50 |
| Coincident index | 106.8 | 106.9 | 106.8 | 107.2 | 107.2 | 107.3 | 107.6 |
| Percent change | 0.4 | 0.1 | -0.1 | 0.4 | 0.0 | 0.1 | 0.3 |
| Diffusion index | 100 | 62.5 | 25 | 100 | 25 | 75 | 100 |
| Lagging index | 108.1 | 108.2 | 108.5 | 108.8 | 108.7 | 108.7 | 109.1 |
| Percent change | -0.5 | 0.1 | 0.3 | 0.3 | -0.1 | 0.0 | 0.4 |
| Diffusion index | 35.7 | 42.9 | 71.4 | 42.9 | 42.9 | 50 | 71.4 |
| Coincident-lagging ratio | 98.8 | 98.8 | 98.4 | 98.5 | 98.6 | 98.7 | 98.6 |
| | Feb to | Mar to | Apr to | May to | Jun to | Jul to | Aug to |
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Leading index | | | | | | | |
| Percent change | 0.4 | 0.1 | -0.2 | -0.1 | -0.4 | 0.0 | 0.3 |
| Diffusion index | 60 | 60 | 60 | 60 | 50 | 55 | 80 |
| Coincident index | | | | | | | |
| Percent change | 0.7 | 0.6 | 0.7 | 0.9 | 0.8 | 0.8 | 0.7 |
| Diffusion index | 100 | 75 | 87.5 | 100 | 100 | 75 | 75 |
| Lagging index | | | | | | | |
| Percent change | 0.8 | 0.7 | 0.9 | 1.2 | 0.7 | 0.1 | 0.9 |
| Diffusion index | 57.1 | 57.1 | 71.4 | 57.1 | 57.1 | 28.6 | 71.4 |

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 | 2019 | | | | | 2020 | |
|---|----------|----------|-----------|----------|-----------|-----------|------------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| U.S. Leading Economic Index Component Data | | | | | | | |
| Average workweek, production workers, mfg. (hours) | 41.5 | 41.5 | 41.4 | 41.4 | 41.4 | 41.4 | 41.7 |
| Average weekly initial claims, state unemployment insurance (thousands)* | 216.7 | 212.6 | 215.3 | 217.7 | 233.5 | 211.9 | 212.8 |
| Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.) | 138,491 | 137,843 | 136,336 r | 137,179 | 138,515 r | 137,564 r | 137,858 ** |
| ISM® New Orders Index (percent) | 47.6 | 48.5 | 48.9 | 46.8 | 47.6 | 52.0 | 49.8 |
| Manufacturers' new orders, nondefense capital goods excl. aircraft (mil. 1982 dol.) | 38774 | 38523 | 38929 | 38872 | 38532 r | 38901 r | 38916 ** |
| Building permits (thous.) | 1,425 | 1,391 | 1,461 | 1,474 | 1,420 | 1,550 r | 1,464 |
| Stock prices, 500 common stocks © (index: 1941-43=10) | 2,897.50 | 2,982.16 | 2,977.68 | 3,104.90 | 3,176.75 | 3,278.20 | 3,277.31 |
| Leading Credit Index™ (std. dev. ¹)* | -0.59 r | -0.88 r | -0.45 r | -0.86 r | -0.97 r | -0.76 r | -1.45 |
| Interest rate spread, 10-year Treasury bonds less federal funds | -0.50 | -0.34 | -0.12 | 0.26 | 0.31 | 0.21 r | -0.08 |
| Avg. Consumer Expectations for Business Conditions (std. dev. ¹) | 0.27 r | 0.04 r | 0.10 r | 0.25 r | 0.56 r | 0.59 r | 0.90 |
| LEADING INDEX (2016=100) | 111.8 | 111.6 | 111.4 | 111.5 | 111.2 | 112.0 r | 112.1 p |
| Percent change from preceding month | -0.2 | -0.2 | -0.2 | 0.1 | -0.3 | 0.7 r | 0.1 p |
| <hr/> | | | | | | | |
| Average workweek, production workers, mfg | .... | .00 | -.07 | .00 | .00 | .00 | .20 |
| Average weekly initial claims, state unemployment insurance | .... | .06 | -.04 | -.04 | -.23 | .32 | -.01 |
| Manufacturers' new orders, consumer goods and materials | .... | -.04 | -.09 r | .05 r | .08 r | -.06 r | .02 ** |
| ISM® New Orders Index | .... | -.15 | -.14 | -.18 | -.16 | -.07 | -.12 |
| Manufacturers' new orders, nondefense capital goods excl. aircraft | .... | -.03 | .04 | -.01 | -.04 | .04 r | .00 ** |
| Building permits | .... | -.07 | .14 | .03 | -.11 | .26 | -.17 |
| Stock prices, 500 common stocks © | .... | .11 | -.01 | .16 | .09 | .12 | .00 |
| Leading Credit Index™ | .... | .07 | .04 | .07 r | .08 r | .06 r | .12 |
| Interest rate spread, 10-year Treasury bonds less federal funds | .... | -.04 | -.01 | .03 | .04 | .02 | -.01 |
| Avg. Consumer Expectations for Business Conditions | .... | .01 | .01 | .04 | .08 | .08 r | .13 |

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)

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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 | 2019 | | | | | 2020 | |
|---|-----------|-------------|-------------|-------------|-------------|--------------|--------------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| U.S. Coincident Economic Index Component Data | | | | | | | |
| Employees on nonagricultural payrolls (thousands) | 151,160 | 151,368 | 151,553 | 151,814 | 151,998 r | 152,271 r | 152,544 |
| Personal income less transfer payments (ann. rate, bil. chn. 2012 dol.) | 14,092 r | 14,120 r | 14,105 r | 14,168 r | 14,157 r | 14,201 r | 14,233 ** |
| Industrial production (index: 2012=100) | 109.854 | 109.473 r | 109.010 r | 110.026 r | 109.559 r | 108.999 r | 109.604 |
| Manufacturing and trade sales (mil. chn. 2012 dol.) | 1,524,456 | 1,524,004 | 1,516,833 r | 1,525,004 r | 1,522,592 r | 1,527,087 ** | 1,530,154 ** |
| COINCIDENT INDEX (2016=100) | 106.8 | 106.9 | 106.8 | 107.2 | 107.2 | 107.3 | 107.6 p |
| Percent change from preceding month | 0.4 | 0.1 | -0.1 | 0.4 | 0.0 | 0.1 | 0.3 p |
| U.S. Coincident Economic Index Component Contributions | | | | | | | |
| Employees on nonagricultural payrolls | .... | .07 | .06 | .09 | .06 r | .10 r | .09 |
| Personal income less transfer payments | .... | .04 r | -.02 r | .09 r | -.02 r | .06 r | .05 ** |
| Industrial production | .... | -.05 | -.06 | .13 | -.06 | -.07 r | .08 |
| Manufacturing and trade sales | .... | .00 | -.06 r | .06 r | -.02 r | .04 ** | .02 ** |
| U.S. Lagging Economic Index Component Data | | | | | | | |
| Average duration of unemployment (weeks)* | 22.1 | 21.7 | 21.6 | 20.2 | 20.8 | 21.9 | 20.9 |
| Ratio, manufacturing and trade inventories to sales (chain 2012 dol.) | 1.452 | 1.454 | 1.462 r | 1.453 r | 1.457 r | 1.456 ** | 1.457 ** |
| Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate) | 0.3 r | 0 r | 0.5 r | 0.2 r | 0.2 r | 0.4 ** | 0.5 ** |
| Average prime rate charged by banks (percent) | 5.25 | 5.15 | 4.99 | 4.75 | 4.75 | 4.75 | 4.75 |
| Commercial and industrial loans outstanding (mil. chn. 2012 dol.) | 1,479,045 | 1,471,586 r | 1,466,455 r | 1,470,126 r | 1,451,055 r | 1,458,718 r | 1,455,877 ** |
| Ratio, consumer installment credit outstanding to personal income (percent) | 22.13 r | 22.13 r | 22.19 r | 22.14 r | 22.21 r | 22.14 r | 22.16 ** |
| Change in CPI for services (6-month percent, ann. rate) | 2.8 | 2.8 | 2.9 | 3.1 | 3.0 | 3.1 | 3.1 |
| LAGGING INDEX (2016=100) | 108.1 | 108.2 | 108.5 | 108.8 | 108.7 | 108.7 | 109.1 p |
| Percent change from preceding month | -0.5 | 0.1 | 0.3 | 0.3 | -0.1 | 0.0 | 0.4 p |
| U.S. Lagging Economic Index Component Contributions | | | | | | | |
| Average duration of unemployment | .... | .07 | .02 | .24 | -.11 | -.19 | .17 |
| Ratio, manufacturing and trade inventories to sales | .... | .02 | .07 r | -.08 r | .03 r | -.01 ** | .01 ** |
| Change in index of labor cost per unit of output, mfg | .... | -.02 r | .03 | -.02 | .00 r | .01 ** | .01 ** |
| Average prime rate charged by banks | .... | -.03 | -.05 | -.07 | .00 | .00 | .00 |
| Commercial and industrial loans outstanding | .... | -.05 | -.03 r | .02 | -.12 r | .05 r | -.02 ** |
| Ratio, consumer installment credit outstanding to personal income | .... | .00 r | .05 r | -.04 r | .06 | -.06 r | .02 ** |
| Change in CPI for services | .... | .00 | .02 | .04 | -.02 | .02 | .00 |

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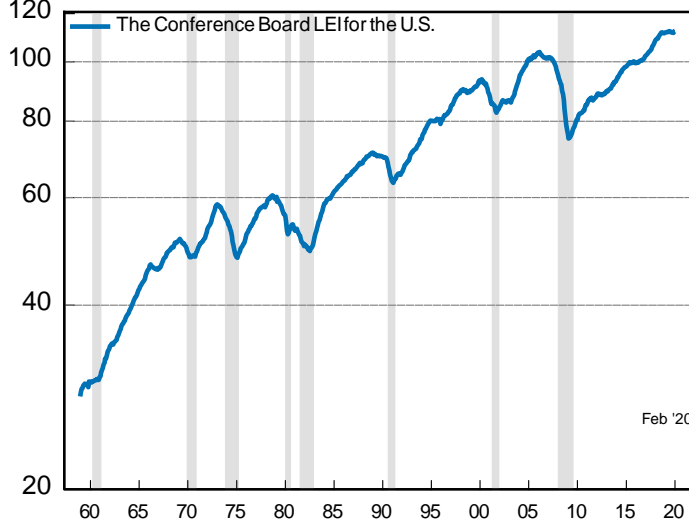
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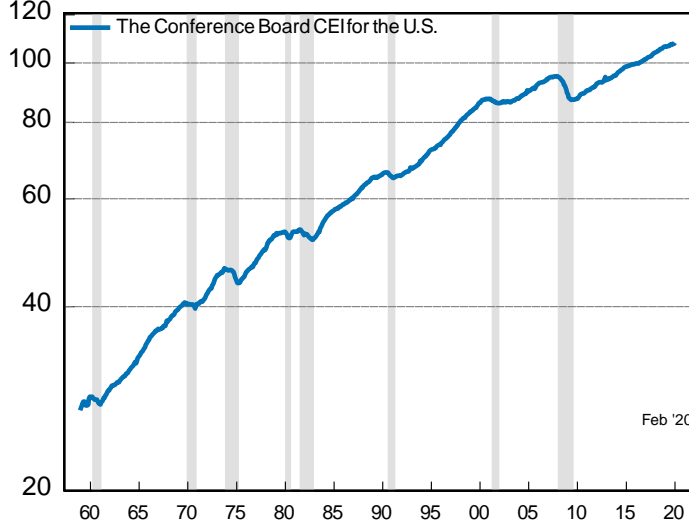
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U.S. Composite Economic Indexes (2016=100)

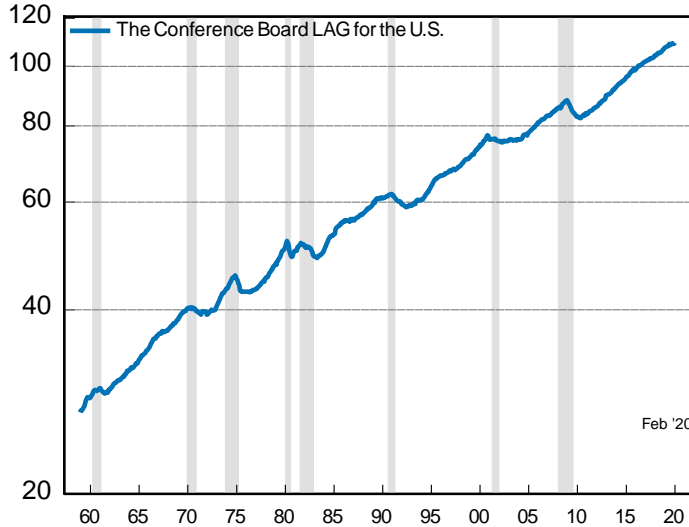
| | | | | | | | | |
|---------|------|-------|-------|------|-------|------|-------|-------|
| Peak: | 60:4 | 69:12 | 73:11 | 80:1 | 81:7 | 90:7 | 01:3 | 07:12 |
| Trough: | 61:2 | 70:11 | 75:3 | 80:7 | 82:11 | 91:3 | 01:11 | 09:6 |



| | | | | | | | | |
|---------|------|-------|-------|------|-------|------|-------|-------|
| Peak: | 60:4 | 69:12 | 73:11 | 80:1 | 81:7 | 90:7 | 01:3 | 07:12 |
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|---------|------|-------|-------|------|-------|------|-------|-------|
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Shaded areas represent recessions as determined by the National Bureau of Economic Research.

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