

FOR RELEASE: 10:00 A.M. ET, Friday, September 18, 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 AUGUST 2020

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 1.2 percent, **The Conference Board Coincident Economic Index® (CEI)** increased 0.6 percent and **The Conference Board Lagging Economic Index® (LAG)** decreased 0.6 percent in August.

- The Conference Board LEI for the U.S. increased for the fourth consecutive month in August. Positive contributions from average weekly initial claims for unemployment insurance (inverted), the ISM® New Orders Index, and stock prices more than offset negative contributions from consumer expectations for business conditions, manufacturers' new orders, the Leading Credit Index™ (inverted), and building permits. In the six-month period ending August 2020, the leading economic index decreased 4.7 percent (about a -9.3 percent annual rate), compared to no growth over the previous six months. In addition, the weaknesses among the leading indicators remain widespread.
- The Conference Board CEI for the U.S., a measure of current economic activity, increased in August. However, the coincident economic index decreased by 6.4 percent (about a -12.4 percent annual rate) between February and August 2020, a reversal from the growth of 0.8 percent (about a 1.7 percent annual rate) over the previous six months. In addition, the weaknesses among the coincident indicators remain very widespread, with all components declining over the past six months. The lagging economic index continued to decline while the CEI continued to improve. As a result, the coincident-to-lagging ratio has increased. Real GDP contracted at a 31.7 percent annual rate in the second quarter, after declining 5.0 percent annual rate in the first quarter.
- The Conference Board LEI for the U.S. continued to improve in August, but its six-month growth rate remains negative. Meanwhile, The Conference Board CEI for the U.S. continued to increase through August, but its six-month growth rate also remains negative. Taken together, the current behavior of the composite indexes and their components suggests that the pace of economic improvement may be slowing, and the US economy will start the new year under substantially weak economic conditions.

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

The LEI for the U.S. increased 1.2 percent in August and now stands at 106.5 (2016=100). Based on revised data, this index increased 2.0 percent in July and increased 3.1 percent in June. Over the six-month span through August, the leading economic index decreased 4.7 percent, with four out of ten components advancing (diffusion index, six-month span equals 40 percent).

The next release is scheduled for October 22, 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 August. The positive contributors to the index – beginning with the largest positive contributor – were employees on nonagricultural payrolls, industrial production, and personal income less transfer payments*. The negative contributor was manufacturing and trade sales*.

The CEI increased 0.6 percent in August and now stands at 100.8 (2016=100). Based on revised data, this index increased 1.2 percent in July and increased 3.9 percent in June. During the six-month period through August, the coincident economic index decreased 6.4 percent, with none of the four components advancing (diffusion index, six-month span equals 0 percent).

LAGGING INDICATORS. The Conference Board Lagging Economic Index for the U.S. decreased 0.6 percent in August and stands at 107.6 (2016=100), with two of its seven components advancing. The positive contributors to the index were the ratio of manufacturing and trade inventories to sales* and the ratio of consumer installment credit outstanding to personal income*. The negative contributors – beginning with the largest negative contributor – were the average duration of unemployment (inverted), commercial and industrial loans outstanding*, the change in the index of labor cost per unit of output, and the change in CPI for services. The average prime rate charged by banks held steady in August. Based on revised data, the lagging economic index decreased 0.6 percent in July and decreased 3.5 percent in June.

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 September 17, 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

	2020											
	Feb	Mar	Apr	May	Jun	Jul	Aug					
Leading index	111.8	103.5	97.0	100.0	103.1	r	105.2	r	106.5	p		
Percent change	-0.2	-7.4	-6.3	3.1	3.1	r	2.0	r	1.2	p		
Diffusion index	35	10	20	70	80		80		50			
Coincident index	107.7	105.4	r	93.0	95.3	r	99.0	r	100.2	r	100.8	p
Percent change	0.3	-2.1	r	-11.8	2.5	r	3.9	r	1.2		0.6	p
Diffusion index	100	0		0	100		100		75		75	
Lagging index	109.0	111.2		115.6	112.8	r	108.9	r	108.2	r	107.6	p
Percent change	0.4	2.0		4.0	-2.4	r	-3.5	r	-0.6	r	-0.6	p
Diffusion index	42.9	71.4		57.1	21.4		35.7		42.9		35.7	
Coincident-lagging ratio	98.8	94.8	r	80.4	84.5	r	90.9	r	92.6	r	93.7	p
	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to					
	Feb	Mar	Apr	May	Jun	Jul	Aug					
Leading index												
Percent change	0.0	-7.3	-12.9	-10.4	-7.5	-6.1	-4.7					
Diffusion index	70	30	30	15	10	10	40					
Coincident index												
Percent change	0.8	-1.4	-12.9	-11.1	-7.6	-6.7	-6.4					
Diffusion index	75	0	0	0	0	0	0					
Lagging index												
Percent change	0.8	2.8	6.5	3.8	0.2	-0.4	-1.3					
Diffusion index	42.9	71.4	57.1	57.1	42.9	42.9	42.9					

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							
	Feb	Mar	Apr	May	Jun	Jul	Aug	
U.S. Leading Economic Index Component Data								
Average workweek, production workers, mfg. (hours)	41.6	41.3	38.4	39.4	39.9 r	40.7 r	40.9	
Average weekly initial claims, state unemployment insurance (thousands)*	214.0	2666.7	4180.7	2288.3	1499.2	1339.0	992.4	
Manufacturers' new orders, consumer goods and materials (mil. 1982 dol.)	135,869	129,334	109,714 r	115,644	129,654 r	136,891 r	136,317 **	
ISM® New Orders Index (percent)	49.8	42.2	27.1	31.8	56.4	61.5	67.6	
Manufacturers' new orders, nondefense capital goods excl. aircraft (mil. 1982 dol.)	37208	36714 r	34303	34763	36228 r	36852 r	36364 **	
Building permits (thous.)	1,438	1,356	1,066	1,216	1,258	1,483 r	1,470	
Stock prices, 500 common stocks © (index: 1941-43=10)	3,277.31	2,652.39	2,761.98	2,919.62	3,104.66	3,207.62	3,391.71	
Leading Credit Index™ (std. dev. ¹)†	-1.16 r	1.81 r	1.57 r	1.03 r	0.81 r	0.75 r	0.58	
Interest rate spread, 10-year Treasury bonds less federal funds	-0.08	0.22	0.61	0.62	0.65	0.53	0.55	
Avg. Consumer Expectations for Business Conditions (std. dev. ¹)	0.94 r	-0.69 r	-0.82 r	-0.58 r	-0.16 r	-0.80 r	-0.78	
LEADING INDEX (2016=100)	111.8	103.5	97.0	100.0	103.1 r	105.2 r	106.5	p
Percent change from preceding month	-0.2	-7.4	-6.3	3.1	3.1 r	2.0 r	1.2	p
<hr/>								
Average workweek, production workers, mfg		-20	-2.03	.72	.35 r	.56	.14	
Average weekly initial claims, state unemployment insurance		-5.53	-1.44	1.90	1.35	.37	.97	
Manufacturers' new orders, consumer goods and materials		-41	-1.38 r	.44	.96 r	.46 r	-0.4 **	
ISM® New Orders Index		-27	-58	-48	.02	.12	.25	
Manufacturers' new orders, nondefense capital goods excl. aircraft		-05 r	-28 r	.05	.17 r	.07 r	-05 **	
Building permits		-17	-70	.38	.10	.48 r	-03	
Stock prices, 500 common stocks ©		-83	.16	.22	.24	.13	.22	
Leading Credit Index™		-15	-13	-08 r	-07	-06 r	-05	
Interest rate spread, 10-year Treasury bonds less federal funds		.03	.07	.07	.07	.06	.06	
Avg. Consumer Expectations for Business Conditions		-10	-12	-08	-02	-11	-11	

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)

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: <https://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 unemployment claims series.

The impact on the LEI were 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.

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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						
	Feb	Mar	Apr	May	Jun	Jul	Aug
U.S. Coincident Economic Index Component Data							
Employees on nonagricultural payrolls (thousands)	152,463	151,090	130,303	133,028	137,809 r	139,543 r	140,914
Personal income less transfer payments (ann. rate, bil. chn. 2012 dol.)	14,327 r	13,975 r	13,136 r	13,334 r	13,517 r	13,613 r	13,647 **
Industrial production (index: 2012=100)	109,297	104,522 r	91,008 r	91,902 r	97,547 r	100,992 r	101,361
Manufacturing and trade sales (mil. chn. 2012 dol.)	1,535,612	1,478,720	1,312,801 r	1,414,938 r	1,512,985 r	1,502,017 **	1,499,865 **
COINCIDENT INDEX (2016=100)	107.7	105.4 r	93.0	95.3 r	99.0 r	100.2 r	100.8 p
Percent change from preceding month	0.3	-2.1 r	-11.8	2.5 r	3.9 r	1.2	0.6 p
U.S. Coincident Economic Index Component Contributions							
Employees on nonagricultural payrolls	....	-.48	-7.83	1.10	1.87	.66 r	.52
Personal income less transfer payments	....	-.51	-1.27 r	.31 r	.28 r	.14 r	.05 **
Industrial production	....	-.65 r	-2.00 r	.14 r	.86 r	.50 r	.05
Manufacturing and trade sales	....	-.45	-1.43 r	.90 r	.80 r	-.09 **	-.02 **
U.S. Lagging Economic Index Component Data							
Average duration of unemployment (weeks)*	20.9	17.1	6.1	9.9	15.7	17.9	20.2
Ratio, manufacturing and trade inventories to sales (chain 2012 dol.)	1.430	1.483	1.659 r	1.516 r	1.405 r	1.424 **	1.432 **
Change in index of labor cost per unit of output, mfg. (6-month percent, ann. rate)	4.9 r	8.3	25.0 r	22.0 r	8.1 r	7.4 **	6.7 **
Average prime rate charged by banks (percent)	4.75	3.78	3.25	3.25	3.25	3.25	3.25
Commercial and industrial loans outstanding (mil. chn. 2012 dol.)	1,449,004	1,564,711 r	1,697,180 r	1,671,970 r	1,562,942 r	1,481,755 r	1,433,977 **
Ratio, consumer installment credit outstanding to personal income (percent)	22.03	22.36	19.61 r	20.40 r	20.66 r	20.65 r	20.69 **
Change in CPI for services (6-month percent, ann. rate)	3.1	2.5	1.2	.6	.7	1.1	1.0
LAGGING INDEX (2016=100)	109.0	111.2	115.6	112.8 r	108.9 r	108.2 r	107.6 p
Percent change from preceding month	0.4	2.0	4.0	-2.4 r	-3.5 r	-0.6 r	-0.6 p
U.S. Lagging Economic Index Component Contributions							
Average duration of unemployment	....	.73	3.45	-1.73	-1.65	-.48	-.44
Ratio, manufacturing and trade inventories to sales	....	.46	1.42 r	-1.14 r	-.97 r	.17 **	.07 **
Change in index of labor cost per unit of output, mfg	....	.17	.84 r	-.15	-.70 r	-.04 **	-.04 **
Average prime rate charged by banks	....	-.29	-.16	.00	.00	.00	.00
Commercial and industrial loans outstanding	....	.71	.76 r	-.14 r	-.63 r	-.50 r	-.30 **
Ratio, consumer installment credit outstanding to personal income	....	.27	-2.39 r	.72 r	.23 r	-.01 r	.04 **
Change in CPI for services	....	-.13	-.27	-.13	.02	.08	-.02

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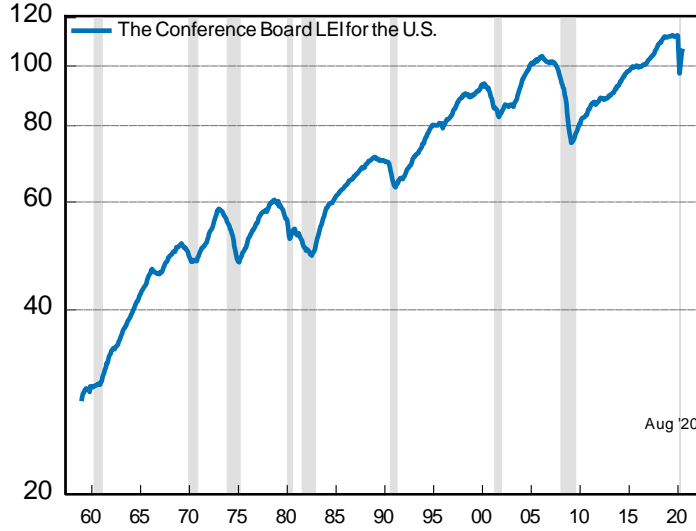
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U.S. Composite Economic Indexes (2016=100)

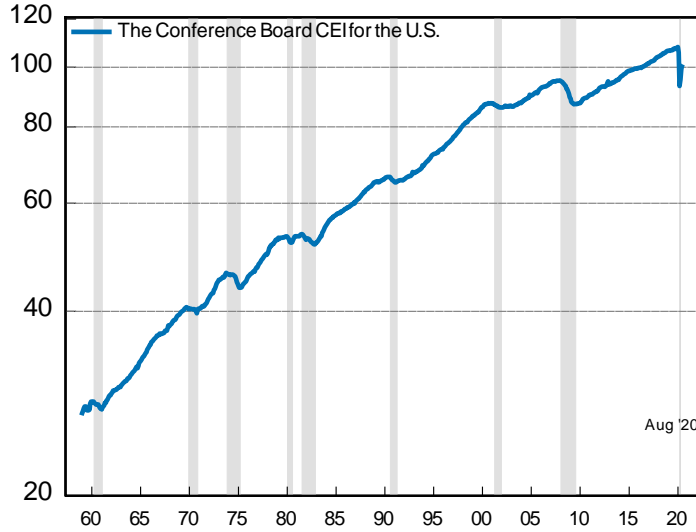
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Trough: 61:2 70:11 75:3 80:7 82:11 91:3 01:11 09:6



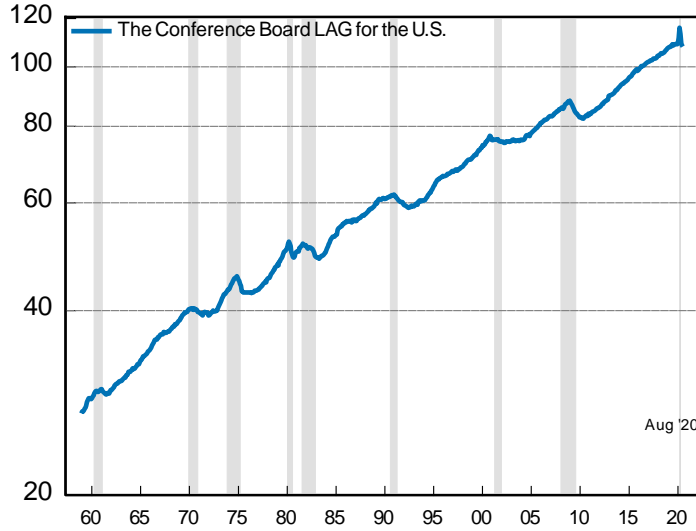
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Shaded areas represent recessions as determined by the National Bureau of Economic Research.

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