

FOR RELEASE: 10:00 A.M. ET, Thursday, November 18, 2021

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 DECEMBER 2021

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.9 percent, **The Conference Board Coincident Economic Index®** (CEI) increased 0.5 percent, and **The Conference Board Lagging Economic Index®** (LAG) increased 0.4 percent in October.

- The Conference Board LEI for the U.S. rose substantially in October, with positive contributions from all components except for consumer’s outlook on business and economic conditions and weekly manufacturing hours. In the six-month period ending October 2021, the leading economic index increased 4.6 percent (about a 9.4 percent annual rate), up very slightly from 4.5 percent (about an 9.3 percent annual rate) over the previous six months. However, the strengths among the leading indicators have become nearly balanced with its weaknesses.
- The Conference Board CEI for the U.S., a measure of current economic activity, also improved in October. The coincident economic index rose 1.7 percent (about a 3.5 percent annual rate) between April and October 2021, up slightly from 1.5 percent (about a 2.9 percent annual rate) over the previous six months. The strengths among the coincident indicators have remained widespread. The lagging economic index continued to rise, but at a slower rate than the CEI. As a result, the coincident-to-lagging ratio increased. Real GDP expanded at a 2.0 percent annual rate in the third quarter of the year, after increasing 6.7 percent (annual rate) in the previous quarter.
- The Conference Board LEI for the U.S. continued to climb in October, with its six-month growth rate remaining positive. However, the strengths among its components over the last six months have become less widespread. Meanwhile, The Conference Board CEI for the U.S. has also been rising slowly through October with steady six-month growth. Taken together, the current behavior of the composite indexes and their components suggest that the economy should continue expanding but the expansion could moderate somewhat in the first quarter of next year.

LEADING INDICATORS. Eight 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 average weekly initial claims for unemployment insurance (inverted), the interest rate spread, building permits, the ISM® New Orders Index, the Leading Credit Index™ (inverted), manufacturers’ new orders for consumer goods and materials*, manufacturers’ new orders for nondefense capital goods excluding aircraft*, and stock prices. The negative contributors were average consumer expectations for business conditions and average weekly manufacturing hours.

The LEI for the U.S. increased 0.9 percent in October and now stands at 118.3 (2016=100). Based on revised data, this index increased 0.1 percent in September and increased 0.7 percent in August. Over the six-month span through October, the leading economic index increased 4.6 percent, with six out of ten components advancing (diffusion index, six-month span equals 55 percent).

The next release is scheduled for December 20, 2021, Monday at 10 A.M. ET

COINCIDENT INDICATORS. All 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 industrial production, employees on nonagricultural payrolls, personal income less transfer payments*, and manufacturing and trade sales*.

The CEI increased 0.5 percent in October and now stands at 106.3 (2016=100). Based on revised data, this index remained unchanged in September and increased 0.1 percent in August. During the six-month period through October, the coincident economic index increased 1.7 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. increased 0.4 percent in October and now stands at 107.4 (2016=100), with three of its seven components advancing. The positive contributors to the index – beginning with the largest positive contributor – were the average duration of unemployment (inverted), change in the index of labor cost per unit of output, manufacturing*, and the ratio of manufacturing and trade inventories to sales*. The negative contributor was the ratio of consumer installment credit outstanding to personal income*. The average prime rate charged by banks, commercial and industrial loans outstanding*, and the change in CPI for services held steady in October. Based on revised data, the lagging economic index increased 1.0 percent in September and decreased 0.3 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” 8:30 am ET on November 17, 2021.

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	0.2798
2 Average weekly initial claims for unemployment insurance	0.0326
3 Manufacturers' new orders, consumer goods and materials	0.0844
4 ISM® new orders index	0.1587
5 Manufacturers' new orders, nondefense capital goods excl. aircraft	0.0411
6 Building permits, new private housing units	0.0289
7 Stock prices, 500 common stocks	0.0393
8 <i>Leading Credit Index</i> ™	0.0833
9 Interest rate spread, 10-year Treasury bonds less federal funds	0.1109
10 Avg. consumer expectations for business conditions	0.1410
<u>Coincident Economic Index</u>	
1 Employees on nonagricultural payrolls	0.5302
2 Personal income less transfer payments	0.2052
3 Industrial production	0.1446
4 Manufacturing and trade sales	0.1200
<u>Lagging Economic Index</u>	
1 Inventories to sales ratio, manufacturing and trade	0.1282
2 Average duration of unemployment	0.0356
3 Consumer installment credit outstanding to personal income ratio	0.1842
4 Commercial and industrial loans	0.0844
5 Average prime rate	0.3055
6 Labor cost per unit of output, manufacturing	0.0508
7 Consumer price index for services	0.2113

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 2021, 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 2019 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 2019. 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 -0.0760 (over the 1984 – present) and 0.0928 (over the 1959-1983 period), and the trend adjustment factor for The Conference Board LAG for the U.S. is 0.1463.

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 2021:

Thursday, January 28, 2021	For December 2020 data
Monday, February 22, 2021	For January 2021 data
Thursday, March 18, 2021	For February 2021 data
Thursday April 22, 2021	For March 2021 data
Thursday, May 20, 2021	For April 2021 data
Thursday, June 17, 2021	For May 2021 data
Thursday, July 22, 2021	For June 2021 data
Thursday, August 19, 2021	For July 2021 data
Thursday, September 23, 2021	For August 2021 data
Thursday, October 21, 2021	For September 2021 data
Thursday, November 18, 2021	For October 2021 data
Monday, December 20, 2021	For November 2021 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:

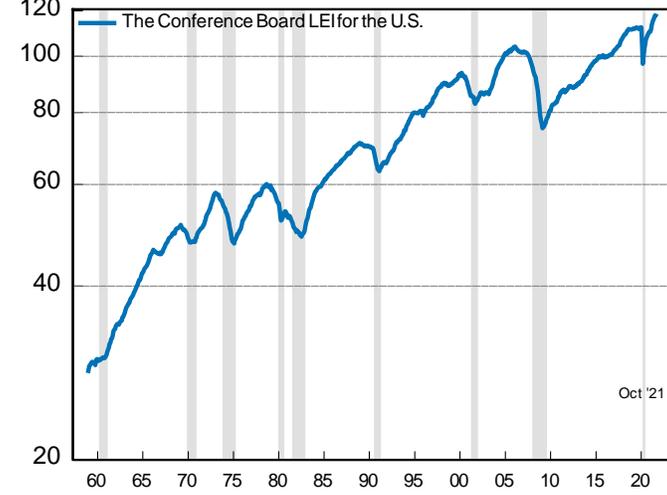
<https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=2510>

Business Cycle Indicators for Brazil, China, the Euro Area, France, Germany, India, Japan, Korea, Mexico, Spain, the U.K, and the U.S. are available at \$ 995 per country per year.

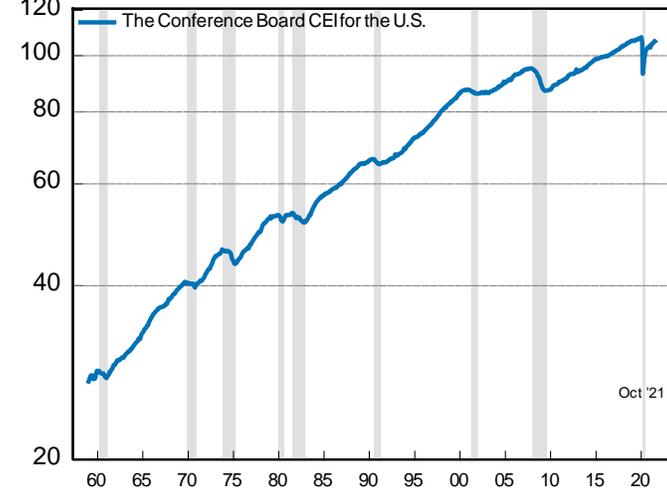
TO VIEW DATA PREVIOUSLY AVAILABLE IN TABLES, PLEASE VISIT:
<https://data-central.conference-board.org/>

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

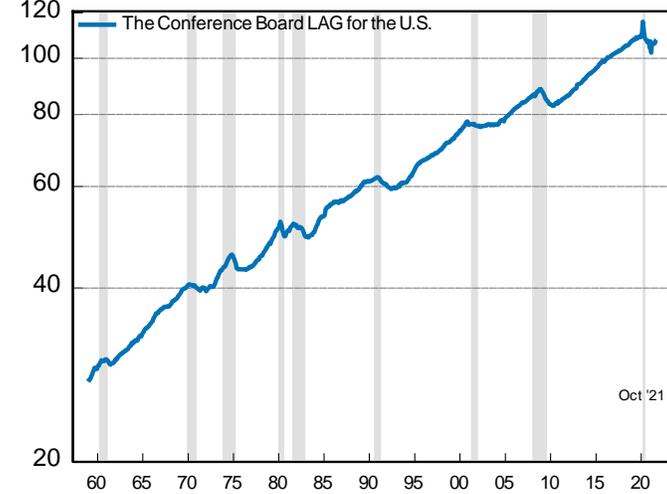
Peak:	60:4	69:12	73:11	80:1	81:7	90:7	01:3	07:12	20:2
Trough:	61:2	70:11	75:3	80:7	82:11	91:3	01:11	09:6	20:4



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Trough:	61:2	70:11	75:3	80:7	82:11	91:3	01:11	09:6	20:4



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

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