



# Conference Board Leading Economic Index: Growth in April, All-Time High

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of Advisor Perspectives

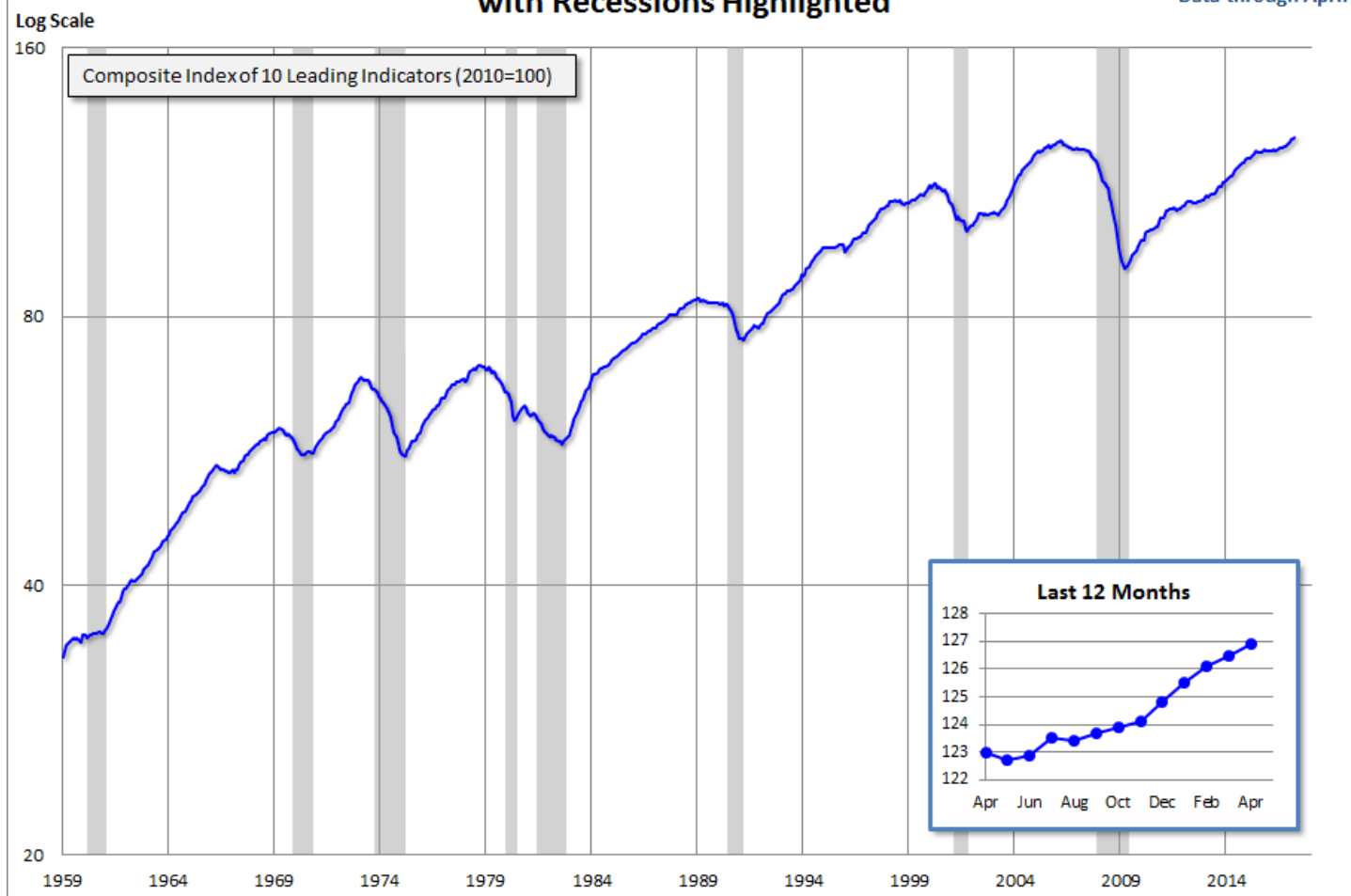
The Latest Conference Board Leading Economic Index (LEI) for April increased to 126.9 from 126.5 in March and is currently at an all-time high. The 0.3 percent month-over-month gain matched the increase forecast by Briefing.com.

The Conference Board LEI for the U.S. increased again in April, fueled by positive contributions from all its components except for building permits and stock prices. In the six-month period ending April 2017, the leading economic index increased 2.4 percent (about a 4.9 percent annual rate), well above the growth of 0.7 percent (about a 1.5 percent annual rate) during the previous six months. Also, the strengths among the leading indicators have remained widespread. [Full notes in PDF]

Here is a log-scale chart of the LEI series with documented recessions as identified by the NBER. The use of a log scale gives us a better sense of the relative sizes of peaks and troughs than a more conventional linear scale.

## Conference Board Leading Economic Index with Recessions Highlighted

dshort.com  
May 2017  
Data through April



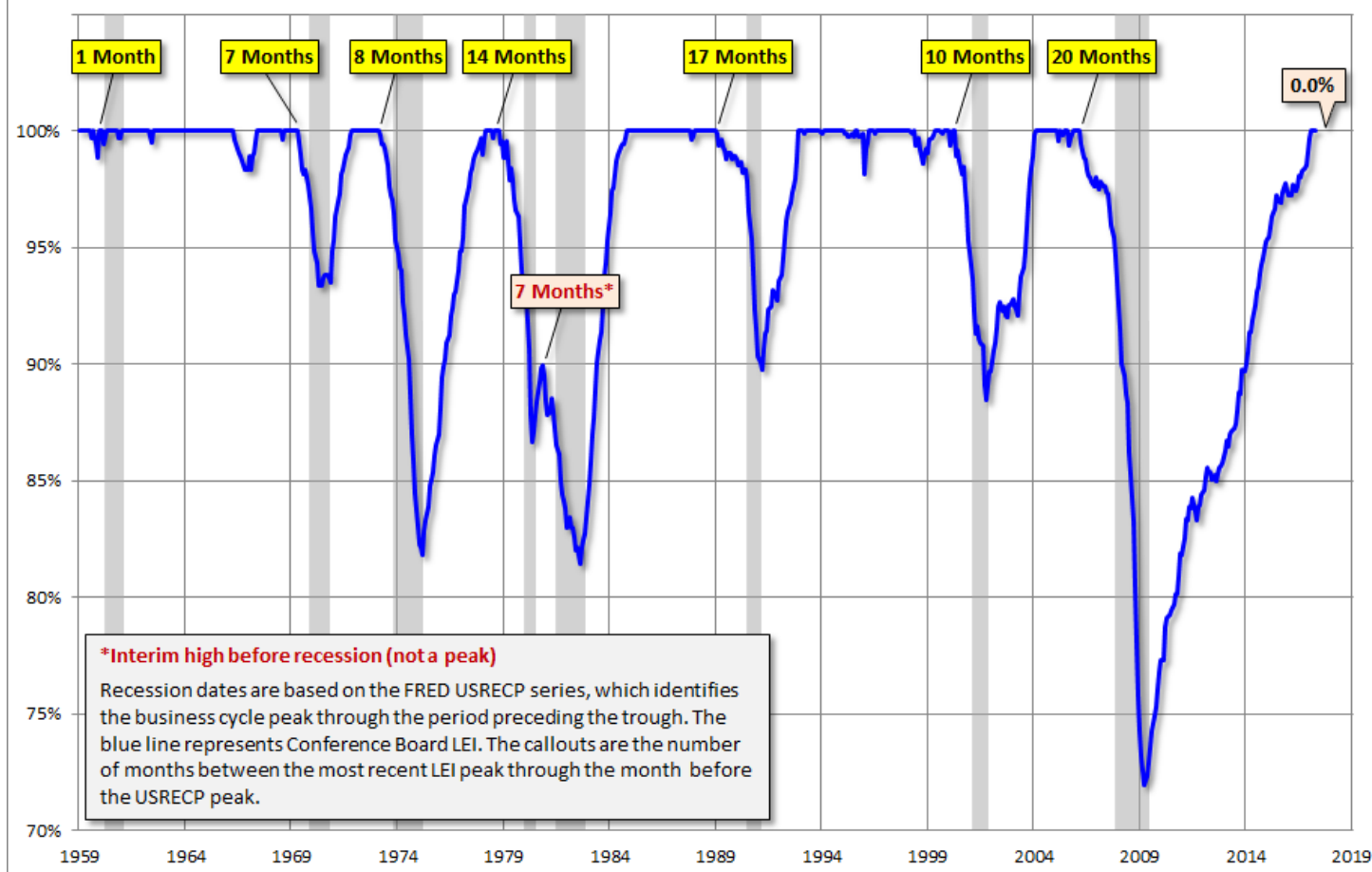
For additional perspective on this indicator, see the latest press release, which includes this overview:

“The recent trend in the U.S. LEI, led by the positive outlook of consumers and financial markets, continues to point to a growing economy, perhaps even a cyclical pickup,” said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. “First quarter’s weak GDP growth is likely a temporary hiccup as the economy returns to its long-term trend of about 2 percent. While the majority of leading indicators have been contributing positively in recent months, housing permits followed by average workweek in manufacturing have been the sources of weakness among the U.S. LEI components.”

For a better understanding of the relationship between the LEI and recessions, the next chart shows the percentage-off the previous peak for the index and the number of months between the previous peak and official recessions.

## Conference Board Leading Economic Index Peaks with Months Before Recessions

dshort.com  
May 2017  
Data through April



### LEI and Its Six-Month Smoothed Rate of Change

Based on suggestions from Neile Wolfe of Wells Fargo Advisors, LLC and Dwaine Van Vuuren of RecessionAlert, we can tighten the recession lead times for this indicator by plotting a smoothed six-month rate of change to further enhance our use of the Conference Board's LEI as a gauge of recession risk.

## Conference Board Leading Economic Index Six-Month Moving Average of the Six-Month Rate of Change

dshort.com  
May 2017  
Data through April

■ Recessions   ■ Positive Change   ■ Negative Change   ● Latest value: 1.9%

**Lead Times Before Recessions**

Dec 1969 - Nov 1970: 3 months

Nov 1973 - Mar 1975: 2 months

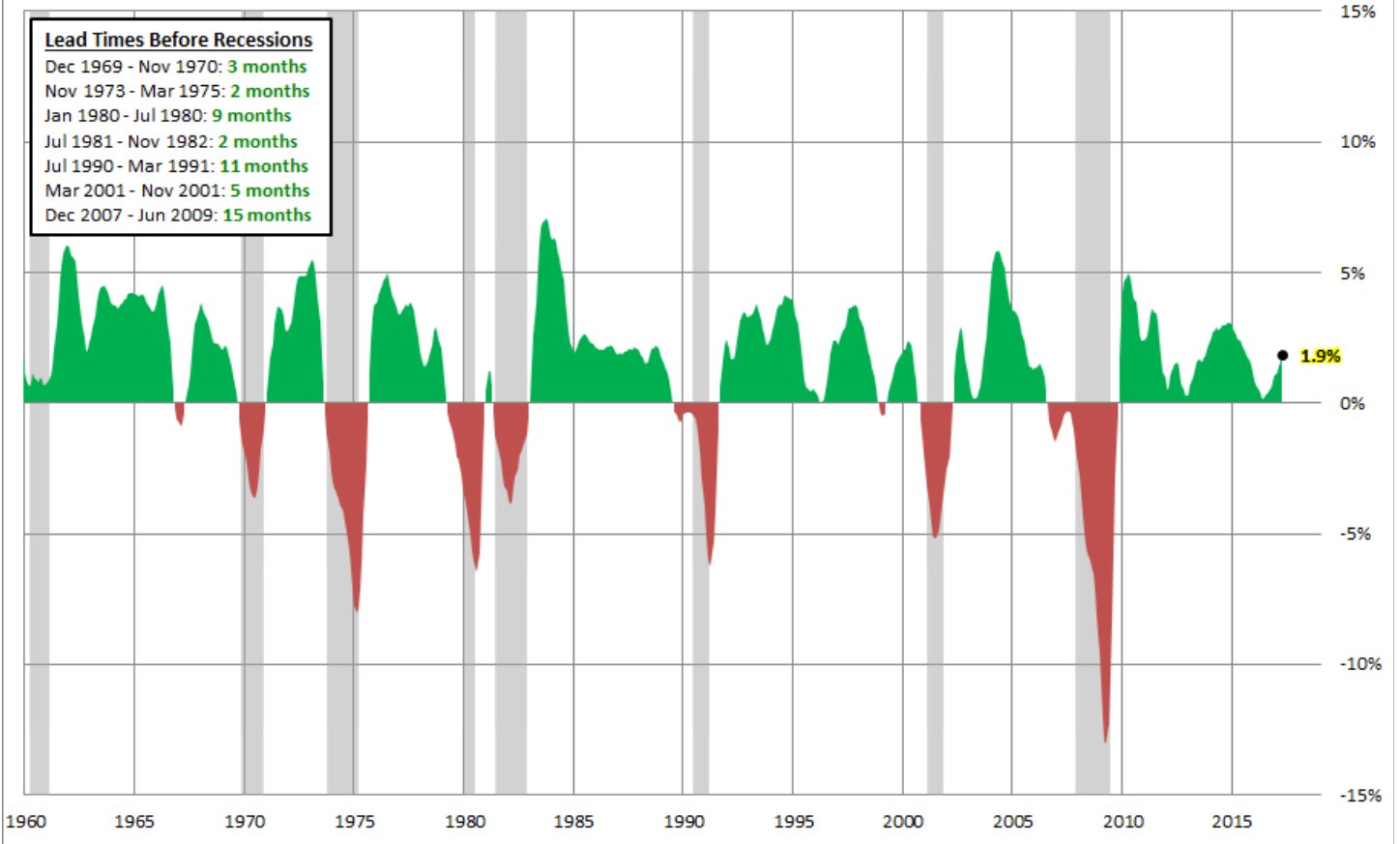
Jan 1980 - Jul 1980: 9 months

Jul 1981 - Nov 1982: 2 months

Jul 1990 - Mar 1991: 11 months

Mar 2001 - Nov 2001: 5 months

Dec 2007 - Jun 2009: 15 months

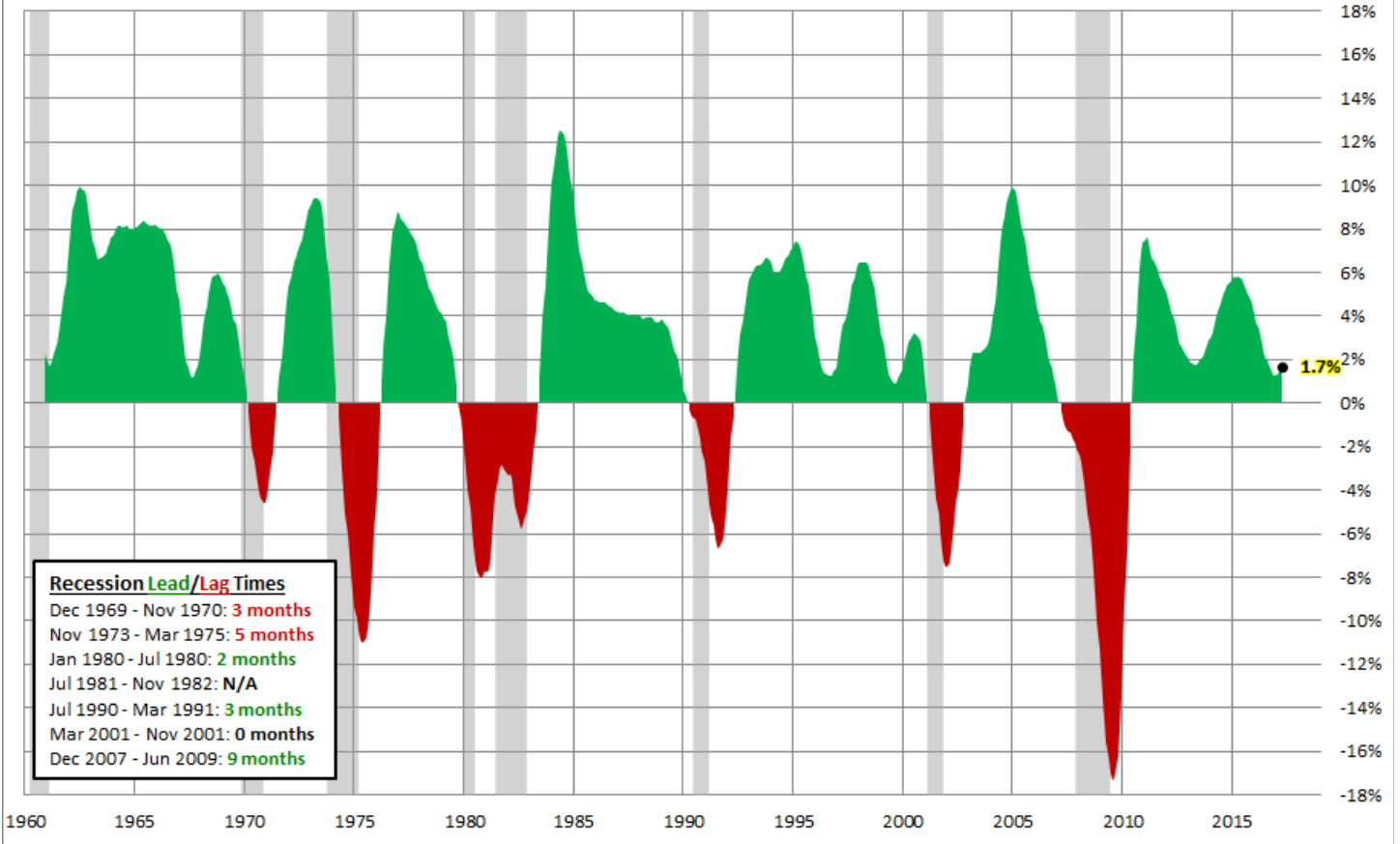


As we can see, the LEI has historically dropped below its six-month moving average anywhere between 2 to 15 months before a recession. The latest reading of this smoothed rate-of-change suggests no near-term recession risk. Here is a twelve month smoothed out version, which further eliminates the whipsaws:

# Conference Board Leading Economic Index 12-Month Moving Average of the 12-Month Rate of Change

dshort.com  
May 2017  
Data through April

■ Recessions   
 ■ Positive Change   
 ■ Negative Change   
 ● Latest value: 1.7%



**Recession Lead/Lag Times**  
 Dec 1969 - Nov 1970: 3 months  
 Nov 1973 - Mar 1975: 5 months  
 Jan 1980 - Jul 1980: 2 months  
 Jul 1981 - Nov 1982: N/A  
 Jul 1990 - Mar 1991: 3 months  
 Mar 2001 - Nov 2001: 0 months  
 Dec 2007 - Jun 2009: 9 months