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COMPOSITE INDEXES OF LEADING, COINCIDENT, AND LAGGING
INDICATORS: JANUARY 1978

The composite index of leading indicators decreased 1.9 percent in January, and now stands at 132.8 (1967=100), according to preliminary data released today by the Bureau of Economic Analysis, U.S. Department of Commerce. On the basis of more complete data, the December index has been revised to 135.4, 0.7 percent above the November figure. The December figure for average workweek was the major contributor to the revision.

Eight of ten indicators available for January contributed to the decline in the index: average workweek, vendor performance, change in total liquid assets (total liquid assets increased at a declining rate), contracts and orders for plant and equipment in 1972 dollars, stock prices, money balance in 1972 dollars, new orders in 1972 dollars, and building permits.

Two of ten influenced the index in the opposite direction: layoff rate and change in sensitive prices.

The series contributing most to the decline in the index was average workweek. Of the series that influenced the index in the opposite direction, change in sensitive prices had the largest influence.

The severity of the January weather had an impact of unknown magnitude on the national economy. Cold weather and heavy snowfall in various parts of the country adversely affected component series such as average workweek and building permits to a greater extent than could be taken into account by the seasonal adjustment process.

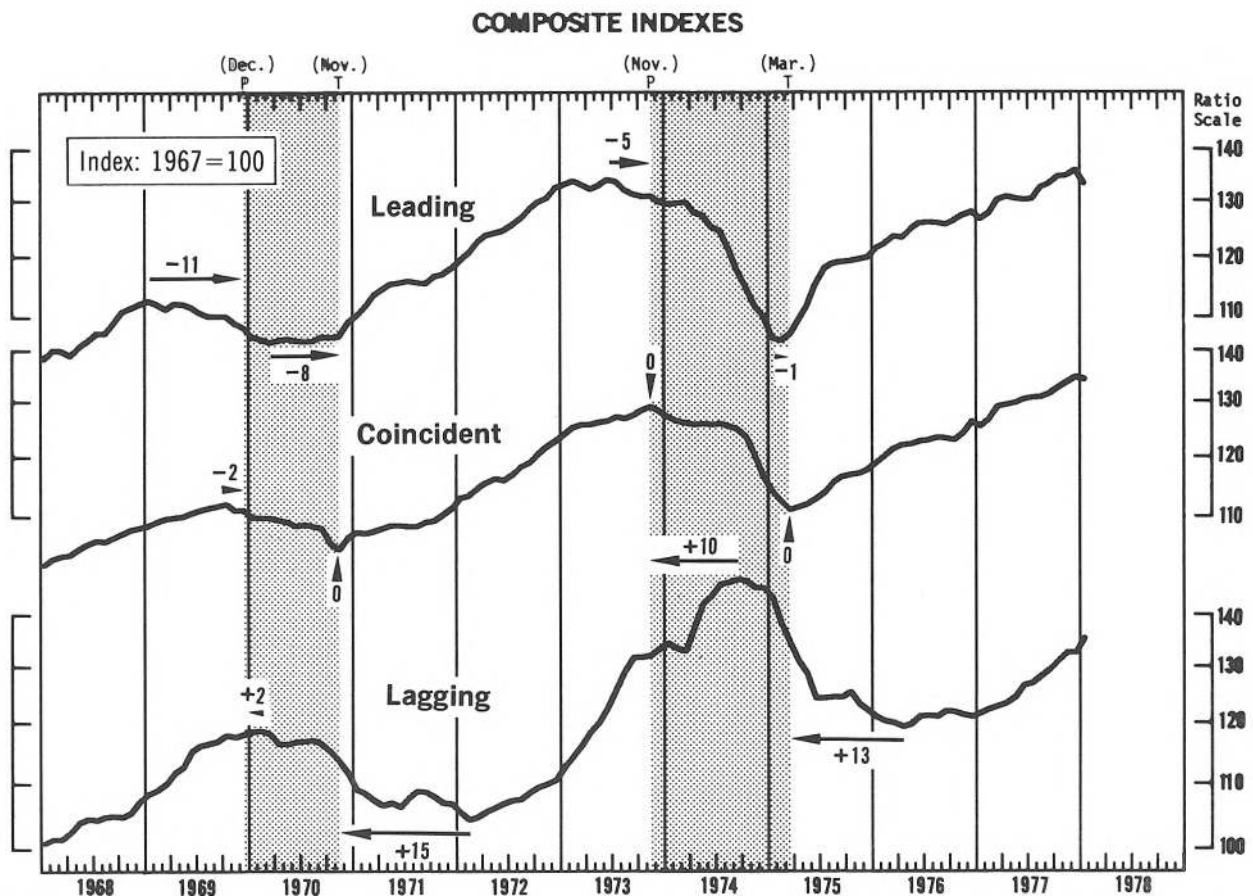
The composite index of coincident indicators, which is a monthly approximation of aggregate economic activity, decreased 0.3 percent in January and now stands at 133.9 (1967=100). On the basis of more complete data, the December index has been revised to 134.3, 0.8 percent above the November figure.

The composite index of lagging indicators increased 2.1 percent in January and now stands at 135.3 (1967=100). On the basis of more complete data, the December index has been revised to 132.5, the same as November.

The leading index is designed to predict monthly movements in aggregate economic activity, which is approximated by the coincident index. The lagging index is designed to confirm the signals of the leading index and to help distinguish between random movements and basic changes in business conditions. These concepts are more fully explained in the *Handbook of Cyclical Indicators*, a supplement to *Business Conditions Digest (BCD)*, available from the Superintendent of Documents at the price of \$4.00.

More data on the composite indexes, as well as other important measures of economic activity, appear in *BCD*. It is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Annual subscription: \$40.00.

Next release date: March 30 for the February composite indexes.



Note: P (peak) indicates end of general business expansion and beginning of recession, and T (trough) indicates end of general business recession and beginning of expansion; shaded areas thus represent recessions. Numbers entered on the chart indicate length of leads (-) and lags (+) in months from these business cycle turning dates.

Composite Index of Leading Indicators (1967=100)

Monthly

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1972	119.2	120.4	122.3	123.5	123.9	124.3	125.3	126.5	128.2	129.4	130.2	132.1
1973	132.8	133.5	132.7	131.8	132.6	133.7	133.2	131.6	130.8	130.4	130.5	129.3
1974	128.9	129.2	129.3	127.4	126.9	124.8	124.1	120.9	117.2	114.4	111.5	109.8
1975	106.5	106.2	107.1	109.4	111.7	115.2	117.8	118.6	118.9	119.0	119.3	119.6
1976	121.2	122.0	123.2	123.0	124.5	125.6	125.7	125.6	125.3	126.1	127.0	127.7
1977	126.3	127.3	r129.9	130.4	r130.0	r129.8	130.0	r132.2	r132.9	134.2	r134.4	r135.4
1978	p132.8											

Percent Change

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1972	1.1	1.0	1.6	1.0	0.3	0.3	0.8	1.0	1.3	0.9	0.6	1.5
1973	0.5	0.5	-0.6	-0.7	0.6	0.8	-0.4	-1.2	-0.6	-0.3	0.1	-0.9
1974	-0.3	0.2	0.1	-1.5	-0.4	-1.7	-0.6	-2.6	-3.1	-2.4	-2.5	-1.5
1975	-3.0	-0.3	0.8	2.1	2.1	3.1	2.3	0.7	0.3	0.1	0.3	0.3
1976	1.3	0.7	1.0	-0.2	1.2	0.9	0.1	-0.1	-0.2	0.6	0.7	0.6
1977	-1.1	0.8	2.0	r0.4	r-0.3	-0.2	r0.2	r1.7	r0.5	r1.0	0.1	0.7
1978	p-1.9											

Quarterly

Year	I	II	III	IV
1972	120.6	123.9	126.7	130.6
1973	133.0	132.7	131.9	130.1
1974	129.1	126.4	120.7	111.9
1975	106.6	112.1	118.4	119.3
1976	122.1	124.4	125.5	126.9
1977	127.8	r130.1	r131.7	r134.7

Percent Change

Year	I	II	III	IV
1972	3.0	2.7	2.3	3.1
1973	1.8	-0.2	-0.6	-1.4
1974	-0.8	-2.1	-4.5	-7.3
1975	-4.7	5.2	5.6	0.8
1976	2.3	1.9	0.9	1.1
1977	0.7	r1.8	1.2	r2.3

Indicator	Basic Data						Net Contribution to Index ¹		Direction of Change
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Nov. to Dec.	Dec. to Jan.	Dec. to Jan.
Average workweek, production workers, manufacturing (hours).....	40.3	40.3	40.4	40.5	r40.5	p39.7	0.0	-0.72	-
*Layoff rate, manufacturing (percent)....	1.3	1.3	1.1	0.9	r1.0	p0.9	-0.09	+0.11	+
Vendor performance, companies reporting slower deliveries (percent).....	58	56	56	50	56	55	+0.21	-0.04	-
#Change in total liquid assets (percent)..	0.98	1.08	1.10	1.10	r1.07	p0.94	-0.09	-0.46	-
#Change in sensitive prices (WPI of crude mtrls., excl. food, feeds) (percent)..	r0.02	r0.28	r0.48	r0.59	r0.99	1.58	+0.18	+0.31	+
Contracts and orders, plant & equipment, (billions of 1972 dollars).....	r12.31	r13.27	r12.06	r11.96	r13.67	p13.22	+0.34	-0.10	-
Net business formation index (1967=100)..	130.6	129.6	r132.0	133.4	e134.0	n.a.	+0.06	n.a.	-
Index of stock prices, 500 common stocks (1941-43=10).....	97.75	96.23	93.74	94.28	93.82	90.25	-0.03	-0.27	-
Money balance (M1), (billions of 1972 \$)	224.6	225.2	226.9	225.5	226.1	p225.8	+0.12	-0.07	-
New orders, mfg., consumer products and materials, (billions of 1972 \$).....	r35.19	r34.77	r35.05	r35.27	r36.47	p35.74	+0.16	-0.11	-
Building permits (1967=100).....	152.7	146.1	159.4	163.1	156.1	p128.9	-0.14	-0.71	-
#Change in inventories on hand and on order (ann. rate, billions of 1972 \$)..	r+14.68	r+15.38	r+14.10	r+12.13	p+9.33	n.a.	-0.16	n.a.	-
Percent change in the index ²							0.74	-1.92	

(*) Series inverted in calculating the composite index of leading indicators: a decrease in the layoff rate is considered an increase in the series.

(†) Smoothed by a weighted 4-month moving average placed at terminal month.

n.a. - not available p - preliminary r - revised e - estimated

¹Net contribution of each individual component is that component's share in the composite movement of the group.

²The percent change in the index equals the sum of the net contributions of the individual components plus the trend adjustment factor of 0.17 (except for occasional rounding differences).

Composite Index of Coincident Indicators¹ (1967=100)

Year	Monthly											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1972	112.9	113.3	114.5	115.5	116.1	115.8	116.7	118.2	118.8	120.4	121.6	122.6
1973	123.8	125.1	125.6	125.6	126.0	126.2	126.9	126.6	127.2	128.2	128.8	127.9
1974	126.8	126.1	125.8	125.5	125.7	125.5	125.7	125.2	124.6	123.3	119.9	116.2
1975	113.9	112.3	110.9	111.4	111.8	112.7	113.7	115.4	116.3	116.7	116.9	117.6
1976	118.7	120.0	121.2	121.9	122.0	122.5	122.7	123.2	123.0	122.7	123.9	126.0
1977	125.2	126.5	128.8	129.1	129.5	130.2	130.5	130.6	131.3	132.4	r133.3	r134.3
1978	p133.9											

Year	Percent Change											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1972	1.5	0.4	1.1	0.9	0.5	-0.3	0.8	1.3	0.5	1.3	1.0	0.8
1973	1.0	1.0	0.4	0.0	0.3	0.2	0.6	-0.2	0.5	0.8	0.5	-0.7
1974	-0.9	-0.6	-0.2	-0.2	0.2	-0.2	0.2	-0.4	-0.5	-1.0	-2.8	-3.1
1975	-2.0	-1.4	-1.2	0.5	0.4	0.8	0.9	1.5	0.8	0.3	0.2	0.6
1976	0.9	1.1	1.0	0.6	0.1	0.4	0.2	0.4	-0.2	-0.2	1.0	1.7
1977	-0.6	1.0	1.8	0.2	0.3	0.5	0.2	0.1	0.5	0.8	r0.7	r0.8
1978	p-0.3											

Year	Quarterly				
	I	II	III	IV	
1972		113.6	115.8	117.9	121.5
1973		124.8	125.9	126.9	128.3
1974		126.2	125.6	125.2	119.8
1975		112.4	112.0	115.1	117.1
1976		120.0	122.1	123.0	124.2
1977		126.8	129.6	130.8	r133.3

Year	Percent Change			
	I	II	III	IV
1972	3.1	1.9	1.8	3.1
1973	2.7	0.9	0.8	1.1
1974	-1.6	-0.5	-0.3	-4.3
1975	-6.2	-0.4	2.8	1.7
1976	2.5	1.7	0.7	1.0
1977	2.1	2.2	0.9	r1.9

Composite Index of Lagging Indicators² (1967=100)

Year	Monthly											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1972	105.4	104.4	104.8	105.6	106.3	106.9	107.3	107.5	108.6	109.5	110.0	110.6
1973	112.7	114.3	116.2	118.6	120.1	122.6	125.9	129.2	131.7	131.7	132.0	133.2
1974	134.3	133.2	132.8	137.4	142.1	143.6	146.0	146.4	147.1	146.7	145.2	145.1
1975	143.4	138.1	134.5	130.8	128.5	124.1	124.2	124.5	124.4	125.3	123.1	122.0
1976	120.8	120.1	119.8	119.2	119.7	121.0	121.1	120.9	121.9	121.7	121.2	120.9
1977	121.6	r122.3	r122.8	123.3	r124.3	r126.5	r126.9	r128.1	r129.4	131.1	r132.5	132.5
1978	p135.3											

Year	Percent Change											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
1972	-1.2	-0.9	0.4	0.8	0.7	0.6	0.4	0.2	1.0	0.8	0.5	0.5
1973	1.9	1.4	1.7	2.1	1.3	2.1	2.7	2.6	1.9	0.0	0.2	0.9
1974	0.8	-0.8	-0.3	3.5	3.4	1.1	1.7	0.3	0.5	-0.3	-1.0	-0.1
1975	-1.2	-3.7	-2.6	-2.8	-1.8	-3.4	0.1	0.2	-0.1	0.7	-1.8	-0.9
1976	-1.0	-0.6	-0.2	-0.5	0.4	1.1	0.1	-0.2	0.8	-0.2	-0.4	-0.2
1977	0.6	r0.6	r0.4	r0.4	r0.8	r1.8	r0.3	r0.9	r1.0	r1.3	1.1	r0.0
1978	p2.1											

Year	Quarterly				
	I	II	III	IV	
1972		104.9	106.3	107.8	110.0
1973		114.4	120.4	128.9	132.3
1974		133.4	141.0	146.5	145.7
1975		138.7	127.8	124.4	123.5
1976		120.2	120.0	121.3	121.3
1977		r122.2	r124.7	r128.1	r132.0

Year	Percent Change			
	I	II	III	IV
1972	-2.1	1.3	1.4	2.0
1973	4.0	5.2	7.1	2.6
1974	0.8	5.7	3.9	-0.5
1975	-4.8	-7.9	-2.7	-0.7
1976	-2.7	-0.2	1.1	0.0
1977	r0.7	r2.0	r2.7	r3.0

p - preliminary r - revised

¹Includes Employees on nonagricultural payrolls; Industrial production index; Personal income less transfer payments in 1972 dollars; Manufacturing and trade sales in 1972 dollars.
²Includes Average duration of unemployment; Labor cost per unit of output, manufacturing; Manufacturing and trade inventories in 1972 dollars; Commercial and industrial loans outstanding; Average prime rate charged by banks; Ratio, consumer installment debt to personal income.