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Statement by Courtenay M. Slater, Chief Economist for the Department of Commerce, on Leading Economic Indicators.

The record April decline in the index of leading indicators, coming on the heels of a fairly large drop in March, signals a steep decline in industrial production and real Gross National Product during the 2nd quarter. It tells us little about the more distant future, however. In past cycles the indicators have been a fairly good harbinger of swings in the one-third of the economy covered by the industrial production index, but they have not proved to be a successful predictor of the decline in overall GNP.

Previously released information showing large April declines in employment, production, and sales already had led us to expect a substantial drop in GNP in the 2nd quarter. May data to be released over the next few weeks are likely to reinforce this picture. However, recent moderation in the rate of inflation and the dramatic turnaround in interest rates in April and May are laying the ground work for the economic decline to level off and for recovery to begin.

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