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COMPOSITE INDEXES OF LEADING, COINCIDENT, AND LAGGING
INDICATORS: FEBRUARY 1988

The composite index of leading indicators increased 0.9 percent in February to 190.6 (1967=100), according to preliminary estimates released today by the Commerce Department's Bureau of Economic Analysis.

On the basis of more complete data, the index decreased 1.1 percent in January and increased 0.4 percent in December. A month ago, the bureau reported estimates that showed the index decreased 0.6 percent in January and increased 0.3 percent in December. Change in credit outstanding was the major contributor to the January revision. Change in inventories on hand and on order in 1982 dollars was the major contributor to the December revision.

Five of 9 indicators available for February contributed to the increase in the index. They were, ordered from the largest positive contributor to the smallest: building permits, average weekly initial claims for state unemployment insurance, stock prices, money supply in 1982 dollars, and manufacturers' new orders for consumer goods and materials in 1982 dollars.

Four of 9 indicators made negative contributions. They were, ordered from the largest negative contributor to the smallest: average workweek, contracts and orders for plant and equipment in 1982 dollars, change in sensitive materials prices, and vendor performance (i.e., companies receiving slower deliveries from vendors).

The composite index of coincident indicators, a monthly approximation of aggregate economic activity, increased 0.9 percent in February to 174.7 (1967=100). On the basis of more complete data, the index decreased 0.1 percent in January and increased 0.8 percent in December.

The composite index of lagging indicators increased 0.1 percent in February to 142.6 (1967=100). On the basis of more complete data, the index decreased 0.3 percent in January and increased 0.1 percent in December.

The leading index is designed to predict monthly movements in aggregate economic activity, which is approximated by the coincident index. The lagging index is expected to move, after a time lag, in the same direction as the coincident index and thus to confirm the movements in the coincident index.

These concepts are explained more fully in the 1984 edition of Handbook of Cyclical Indicators (price \$5.50, stock number 003-010-00127-5), which is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

More data on the composite indexes, as well as other important measures of economic activity, appear each month in Business Conditions Digest, also available from the Superintendent of Documents. Annual subscription: \$44.00.

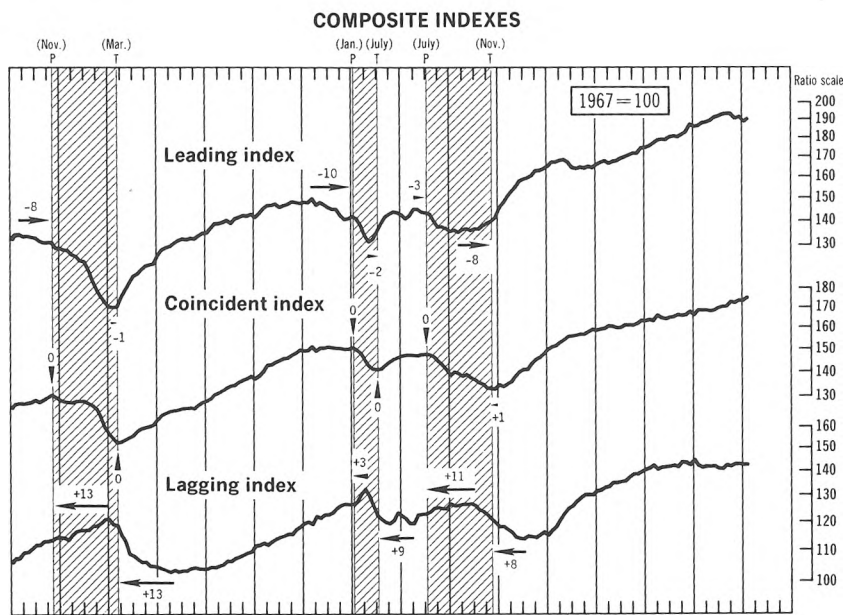
This and other news releases are available electronically at the time of public release through the Commerce Department's Economic Bulletin Board at a nominal charge to users. For information, call (202) 377-1986.

Next release date: April 29 for the March composite indexes.

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Four telephone lines carry short recorded messages providing BEA estimates immediately upon their release:

- (202) 898-2450 Leading indicators
- 2451 Gross national product
- 2452 Personal income and outlays
- 2453 The most recently released of the following series:
 - Merchandise trade, balance of payments basis, or
 - Summary of international transactions, or
 - Plant and equipment expenditures.



NOTE: P (peak) indicates the end of general business expansion and the beginning of recession; T (trough) indicates the end of general business recession and the beginning of expansion. Thus, the shaded areas represent recessions. The arrows indicate the length of leads (-) and lags (+), in months, from the business cycle turning dates.

Table 1. Composite Indexes of Leading, Coincident, and Lagging Indicators

| Year | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept | Oct. | Nov. | Dec. | IQ | IIQ | IIIQ | IVQ |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Leading index (1967=100) | | | | | | | | | | | | | | | | |
| 1979 | 147.7 | 147.5 | 149.3 | 146.4 | 147.6 | 146.5 | 145.2 | 144.5 | 144.5 | 141.7 | 140.1 | 140.5 | 148.2 | 146.8 | 144.7 | 140.8 |
| 1980 | 141.4 | 140.4 | 137.4 | 133.4 | 130.9 | 132.0 | 135.1 | 138.3 | 141.2 | 142.4 | 143.4 | 143.0 | 139.7 | 132.1 | 138.2 | 142.9 |
| 1981 | 142.1 | 140.4 | 141.7 | 144.6 | 144.5 | 143.2 | 142.9 | 142.4 | 139.3 | 136.9 | 137.0 | 136.2 | 141.4 | 144.1 | 141.5 | 136.7 |
| 1982 | 135.1 | 135.7 | 134.7 | 136.0 | 136.2 | 135.5 | 136.2 | 136.1 | 137.5 | 138.6 | 139.4 | 140.9 | 135.2 | 135.9 | 136.6 | 139.6 |
| 1983 | 145.2 | 147.4 | 150.2 | 152.5 | 154.4 | 157.3 | 158.2 | 158.9 | 160.0 | 162.4 | 162.5 | 163.4 | 147.6 | 154.7 | 159.0 | 162.8 |
| 1984 | 164.6 | 166.7 | 166.7 | 167.6 | 167.9 | 166.6 | 163.8 | 163.4 | 164.1 | 163.6 | 164.4 | 163.8 | 166.0 | 167.4 | 163.8 | 163.9 |
| 1985 | 165.5 | 166.5 | 167.2 | 165.9 | 166.9 | 167.3 | 168.5 | 169.3 | 170.2 | 171.2 | 171.1 | 174.0 | 166.4 | 166.7 | 169.3 | 172.1 |
| 1986 | 174.1 | 175.0 | 176.4 | 178.1 | 178.5 | 178.3 | 179.9 | 180.3 | 179.9 | 181.2 | 182.7 | 186.7 | 175.2 | 178.3 | 180.0 | 183.5 |
| 1987 | 185.5 | 186.0 | 187.6r | 188.0r | 188.9r | 190.7r | 191.4 | 192.4r | 192.8r | 192.7r | 190.3r | 191.0r | 186.4 | 189.2r | 192.2r | 191.3r |
| 1988 | 188.9r | 190.6p | | | | | | | | | | | | | | |
| Leading index--percent change from preceding month (quarter) | | | | | | | | | | | | | | | | |
| 1979 | .3 | -.1 | 1.2 | -1.9 | .8 | -.7 | -.9 | -.5 | .0 | -1.9 | -1.1 | .3 | .4 | -.9 | -1.4 | -2.7 |
| 1980 | .6 | -.7 | -2.1 | -2.9 | -1.9 | .8 | 2.3 | 2.4 | 2.1 | .8 | -.7 | -.3 | -.8 | -5.4 | 4.6 | 3.4 |
| 1981 | -.6 | -1.2 | .9 | 2.0 | -.1 | -.9 | -.2 | -.3 | -2.2 | -1.7 | .1 | -.6 | -1.0 | 1.9 | -1.8 | -3.4 |
| 1982 | -.8 | .4 | -.7 | 1.0 | .1 | -.5 | .5 | -.1 | 1.0 | .8 | .6 | 1.1 | -1.1 | .5 | .5 | 2.2 |
| 1983 | 3.1 | 1.5 | 1.9 | 1.5 | 1.2 | 1.9 | .6 | .4 | .7 | 1.5 | -.1 | .6 | 5.7 | 4.8 | 2.8 | 2.4 |
| 1984 | .7 | 1.3 | .0 | .5 | .2 | -.8 | -1.7 | -.2 | .4 | -.3 | -.5 | -.4 | 2.0 | .8 | -2.2 | .1 |
| 1985 | 1.0 | .6 | .4 | -.8 | .6 | .2 | .7 | .5 | .5 | .6 | -.1 | 1.7 | 1.5 | .2 | 1.6 | 1.7 |
| 1986 | .1 | .5 | .8 | 1.0 | .2 | -.1 | .9 | .2 | -.2 | .7 | .8 | 2.2 | 1.8 | 1.8 | 1.0 | 1.9 |
| 1987 | -.6 | .3 | .9r | .2 | .5 | 1.0 | .4r | .5r | .2 | -.1 | -1.2r | .4r | 1.6 | 1.5r | 1.6 | -.5r |
| 1988 | -1.1r | .9p | | | | | | | | | | | | | | |
| Coincident index (1967=100) | | | | | | | | | | | | | | | | |
| 1979 | 149.3 | 149.4 | 151.2 | 149.1 | 150.6 | 150.6 | 151.0 | 150.6 | 150.4 | 150.3 | 149.9 | 150.0 | 150.0 | 150.1 | 150.7 | 150.1 |
| 1980 | 150.7 | 149.6 | 148.1 | 145.1 | 142.4 | 141.1 | 140.8 | 141.2 | 142.7 | 144.2 | 145.3 | 146.1 | 149.5 | 142.9 | 141.6 | 145.2 |
| 1981 | 146.8 | 147.2 | 147.2 | 147.1 | 146.9 | 147.5 | 147.6 | 147.3 | 146.5 | 144.5 | 143.0 | 140.9 | 147.1 | 147.2 | 147.1 | 142.8 |
| 1982 | 138.4 | 139.9 | 139.2 | 138.0 | 138.8 | 137.3 | 136.4 | 135.2 | 134.5 | 132.9 | 132.7 | 132.6 | 139.2 | 138.0 | 135.4 | 132.7 |
| 1983 | 134.3 | 133.5 | 134.6 | 135.6 | 137.9 | 139.8 | 140.7 | 140.8 | 143.3 | 145.0 | 145.9 | 147.5 | 134.1 | 137.8 | 141.6 | 146.1 |
| 1984 | 149.5 | 150.6 | 151.1 | 152.6 | 153.9 | 155.4 | 155.7 | 156.0 | 156.5 | 156.5 | 157.7 | 158.8 | 150.4 | 154.0 | 156.1 | 157.7 |
| 1985 | 158.4 | 159.0 | 159.3 | 160.5 | 160.2 | 159.5 | 159.7 | 160.9 | 160.9 | 160.8 | 161.6 | 163.0 | 158.9 | 160.1 | 160.5 | 161.8 |
| 1986 | 162.9 | 163.4 | 162.9 | 165.6 | 164.3 | 163.7 | 164.4 | 164.8 | 165.8 | 165.4 | 165.8 | 167.4 | 163.1 | 164.5 | 165.0 | 166.2 |
| 1987 | 165.6 | 168.2 | 168.0r | 168.0r | 167.6 | 168.0r | 169.4r | 170.0r | 170.1r | 172.5r | 172.0r | 173.3r | 167.3r | 167.9r | 169.8r | 172.6r |
| 1988 | 173.1r | 174.7p | | | | | | | | | | | | | | |
| Coincident index--percent change from preceding month (quarter) | | | | | | | | | | | | | | | | |
| 1979 | -.3 | .1 | 1.2 | -1.4 | 1.0 | .0 | .3 | -.3 | -.1 | -.1 | -.3 | .1 | 1.0 | .1 | .4 | -.4 |
| 1980 | .5 | -.7 | -1.0 | -2.0 | -1.9 | -.9 | -.2 | .3 | 1.1 | 1.1 | .8 | .6 | -.4 | -4.4 | -.9 | 2.5 |
| 1981 | .5 | .3 | .0 | -.1 | -.1 | .4 | .1 | -.2 | -.5 | -1.4 | -1.0 | -1.5 | 1.3 | .1 | -.1 | -2.9 |
| 1982 | -1.8 | 1.1 | -.5 | -.9 | .6 | -1.1 | -.7 | -.9 | -.5 | -1.2 | -.2 | -.1 | -2.5 | -.9 | -1.9 | -2.0 |
| 1983 | 1.3 | -.6 | .8 | .7 | 1.7 | 1.4 | .6 | .1 | 1.8 | 1.2 | .6 | 1.1 | 1.1 | 2.8 | 2.8 | 3.2 |
| 1984 | 1.4 | .7 | .3 | 1.0 | .9 | 1.0 | .2 | .2 | .3 | .0 | .8 | .7 | 2.9 | 2.4 | 1.4 | 1.0 |
| 1985 | -.3 | .4 | .2 | .8 | -.2 | -.4 | .1 | .8 | .0 | -.1 | .5 | .9 | .8 | .8 | .2 | .8 |
| 1986 | -.1 | .3 | -.3 | 1.7 | -.8 | -.4 | -.4 | .2 | .6 | -.2 | .2 | 1.0 | .8 | .9 | .3 | .7 |
| 1987 | -1.1 | 1.6 | -.1r | .0 | -.2 | .2 | .8 | .4r | .1 | 1.4 | -.3r | .8 | .7r | .4 | 1.1 | 1.6 |
| 1988 | -.1r | .9p | | | | | | | | | | | | | | |
| Lagging index (1967=100) | | | | | | | | | | | | | | | | |
| 1979 | 119.2 | 119.7 | 118.8 | 121.7 | 121.0 | 122.3 | 122.3 | 123.0 | 124.7 | 125.8 | 126.3 | 126.1 | 119.2 | 121.7 | 123.3 | 126.1 |
| 1980 | 126.2 | 127.1 | 130.2 | 132.3 | 129.6 | 125.5 | 121.8 | 120.5 | 119.4 | 119.0 | 120.1 | 123.0 | 127.8 | 129.1 | 120.6 | 120.7 |
| 1981 | 121.7 | 120.7 | 119.0 | 119.0 | 122.2 | 122.4 | 122.5 | 123.3 | 124.7 | 125.0 | 124.5 | 124.4 | 120.5 | 121.2 | 123.5 | 124.6 |
| 1982 | 126.5 | 125.6 | 125.8 | 126.3 | 126.3 | 126.5 | 125.8 | 124.0 | 123.4 | 122.1 | 120.5 | 119.2 | 126.0 | 126.4 | 124.4 | 120.6 |
| 1983 | 117.8 | 117.9 | 116.9 | 115.9 | 114.2 | 113.8 | 113.6 | 114.6 | 114.4 | 114.1 | 115.1 | 116.0 | 117.5 | 114.6 | 114.2 | 115.1 |
| 1984 | 115.0 | 116.7 | 118.1 | 120.6 | 122.9 | 124.9 | 125.8 | 127.6 | 128.9 | 130.1 | 130.1 | 130.1 | 116.6 | 122.8 | 127.4 | 130.1 |
| 1985 | 131.6 | 131.9 | 132.9 | 133.3 | 134.9 | 134.9 | 135.3 | 135.6 | 137.1 | 138.5 | 138.5 | 139.5 | 132.1 | 134.4 | 136.0 | 138.8 |
| 1986 | 140.5 | 141.1 | 142.3 | 140.5 | 141.4 | 141.6 | 141.8 | 142.2 | 141.6 | 143.7 | 143.4 | 142.4 | 141.3 | 141.2 | 141.9 | 143.2 |
| 1987 | 144.6 | 142.1 | 141.3 | 141.8 | 141.8 | 141.9 | 140.9 | 140.7r | 142.4 | 141.8r | 142.8r | 142.9r | 142.7 | 141.8 | 141.3r | 142.5r |
| 1988 | 142.5r | 142.6p | | | | | | | | | | | | | | |
| Lagging index--percent change from preceding month (quarter) | | | | | | | | | | | | | | | | |
| 1979 | 1.0 | .4 | -.8 | 2.4 | -.6 | 1.1 | .0 | .6 | 1.4 | .9 | .4 | -.2 | 2.1 | 2.1 | 1.3 | 2.3 |
| 1980 | .1 | .7 | 2.4 | 1.6 | -2.0 | -3.2 | -2.9 | -1.1 | -.9 | -.3 | .9 | 2.4 | 1.3 | 1.0 | -6.6 | .1 |
| 1981 | -1.1 | -.8 | -1.4 | .0 | 2.7 | .2 | .1 | .7 | 1.1 | .2 | -.4 | -.1 | -.2 | .6 | 1.9 | .9 |
| 1982 | 1.7 | -.7 | .2 | .4 | .0 | .2 | -.6 | -1.4 | -.5 | -1.1 | -1.3 | -1.1 | 1.1 | .3 | -1.6 | -3.1 |
| 1983 | -1.2 | .1 | -.8 | -.9 | -1.5 | -.4 | -.2 | .9 | -.2 | -.3 | .9 | .8 | -2.6 | -2.5 | -.3 | .8 |
| 1984 | -.9 | 1.5 | 1.2 | 2.1 | 1.9 | 1.6 | .7 | 1.4 | 1.0 | .9 | .0 | .0 | 1.3 | 5.3 | 3.7 | 2.1 |
| 1985 | 1.2 | .2 | .8 | .3 | 1.2 | .0 | .3 | .2 | 1.1 | 1.0 | .0 | .7 | 1.5 | 1.7 | 1.2 | 2.1 |
| 1986 | .7 | .4 | .9 | -1.3 | .6 | .1 | .1 | .3 | -.4 | 1.5 | -.2 | -.7 | 1.8 | -.1 | .5 | .9 |
| 1987 | 1.5 | -1.7 | -.6 | .4 | .0 | .1 | -.7 | -1.1r | 1.2r | -.4r | .7r | .1r | -.3 | -.6 | -.4r | .8r |
| 1988 | -.3r | .1p | | | | | | | | | | | | | | |

p, preliminary. r, revised.

NOTE: Quarterly data are averages of monthly figures. Quarterly percent changes are computed from quarterly data. See table 2 for composition of the indexes.

Table 2. Net Contributions of the Individual Components to the Leading, Coincident, and Lagging Indexes

| Indicator | Basic data | | | | Net contribution to index | | | Direction of change |
|---|------------|-----------|-----------|-----------|---------------------------|--------------|--------------|---------------------|
| | Nov. 1987 | Dec. 1987 | Jan. 1988 | Feb. 1988 | Nov. to Dec. | Dec. to Jan. | Jan. to Feb. | Jan. to Feb. |
| LEADING INDICATORS | | | | | | | | |
| Average workweek, production workers, manufacturing (hours)..... | 41.2 | 41.0 | 41.1 | 40.9p | -.16 | .08 | -.20 | - |
| *Average weekly initial claims, state unemployment insurance (thousands)... | 293 | 312 | 351 | 321 | -.19 | -.35 | .33 | + |
| New orders, mfg., consumer goods and materials (billions of 1982 dollars). | 85.93 | 86.60r | 84.81r | 85.46p | .04 | -.11 | .05 | + |
| Vendor performance, companies receiving slower deliveries from vendors (pct.) | 66 | 71 | 68 | 66 | .22 | -.13 | -.11 | - |
| Contracts and orders, plant & equipment (billions of 1982 dollars)..... | 37.52 | 41.74r | 43.51r | 41.41p | .25 | .10 | -.14 | - |
| Building permits (index: 1967=100)..... | 117.1 | 108.5 | 100.2 | 113.4 | -.25 | -.26 | .49 | + |
| #Change in inventories on hand and on order (ann. rate, billions of 1982 \$) | 32.64r | 40.89r | 36.42p | NA | .22 | -.12 | NA | |
| #Change in sensitive materials prices (percent)..... | 1.10 | .72 | .33 | .08 | -.16 | -.17 | -.13 | - |
| Stock prices, 500 common stocks (index: 1941-43=10)..... | 245.01 | 240.96 | 250.48 | 258.13 | -.11 | .26 | .25 | + |
| Money supply (M2) (billions of 1982 \$).. | 2424.9r | 2424.5r | 2435.9r | 2449.5p | -.01 | .16 | .24 | + |
| Change in credit--business and consumer borrowing (annual rate, percent)..... | 6.3r | 12.7r | .0p | NA | .36 | -.72 | NA | |
| Percent change in Leading Index..... | .... | .... | .... | .... | .37 | -1.10 | .90 | |
| COINCIDENT INDICATORS | | | | | | | | |
| Employees on nonagricultural payrolls (thousands)..... | 103285 | 103612r | 103786r | 104317p | .26 | .14 | .55 | + |
| Personal income less transfer payments (annual rate, billions of 1982 \$)... | 2722.7r | 2748.4r | 2737.0r | 2757.2p | .47 | -.21 | .48 | + |
| Industrial production, total (index: 1977=100)..... | 133.2r | 133.8r | 134.2r | 134.4p | .13 | .08 | .05 | + |
| Manufacturing and trade sales (millions of 1982 dollars)..... | 435121r | 436886r | 437785p | NA | .09 | .05 | NA | |
| Percent change in Coincident Index.... | .... | .... | .... | .... | .76 | -.12 | .92 | |
| LAGGING INDICATORS | | | | | | | | |
| *Average duration of unemployment (weeks)..... | 14.0 | 14.2 | 14.4 | 14.4 | -.10 | -.10 | .00 | 0 |
| Ratio, deflated inventories to sales, manufacturing and trade (ratio)..... | 1.53r | 1.53 | 1.53p | NA | .00 | .00 | NA | |
| Labor cost per unit of output, mfg.--actual as percent of trend (percent). | 98.5 | 98.0r | 98.2r | 98.2p | -.18 | .07 | .00 | 0 |
| Average prime rate charged by banks (percent)..... | 8.78 | 8.75 | 8.75 | 8.51 | -.02 | .00 | -.25 | - |
| Commercial and industrial loans outstanding (millions of 1982 \$)..... | 362687r | 369558r | 360363r | 362928p | .50 | -.66 | .27 | + |
| Ratio, consumer installment credit to personal income (percent)..... | 15.84 | 15.82r | 15.92p | NA | -.08 | .38 | NA | |
| Percent change in Lagging Index..... | .... | .... | .... | .... | .07 | -.28 | .07 | |

* Series is inverted in calculating the composite index: a decrease in this series is considered an upward movement.

Smoothed by a weighted 4-month moving average (with weights 1,2,2,1) placed at the terminal month of the span.

NA, not available. p, preliminary. r, revised. e, estimated.

NOTE: The net contribution of an individual component is that component's share in the composite movement of the group. The percent change in the index equals (except for rounding differences) the sum of the net contributions of the individual components plus the trend adjustment factor of 0.139 for the leading index, -0.175 for the coincident index, and 0.018 for the lagging index.