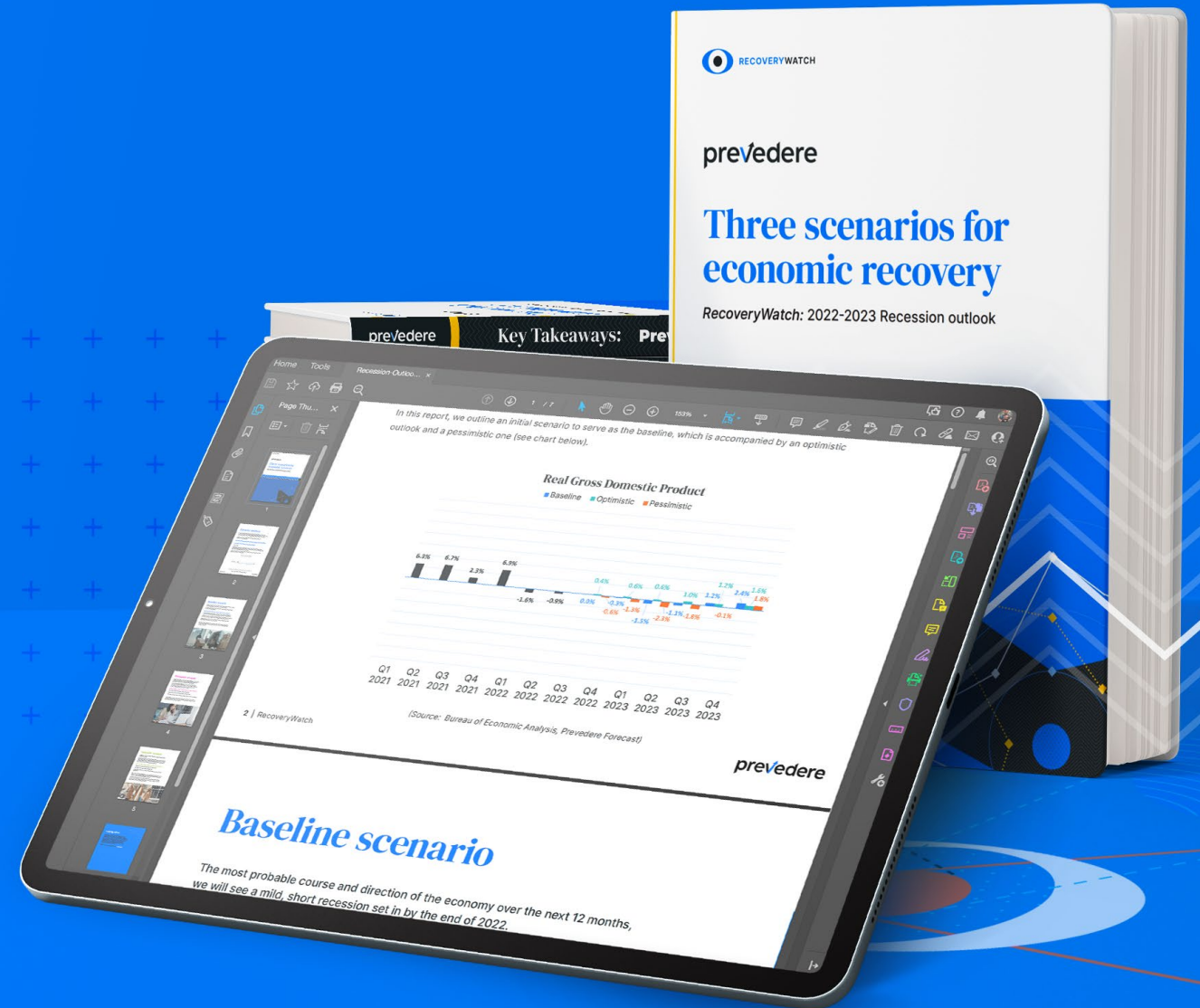




# Leading Economic Indicators Dashboard

A monthly dashboard that tracks critical leading signals that provide early clues to coming changes in the economic business cycle.



# Predictive Indicators for Economic Recovery

Last Update: 11-21-2023

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## ■ Leading Indicators

The Prevedere Economist team handpicked this set of indicators considered critical leading signals to track economic business cycles.

This dashboard provides businesses with key “leading indicators” that typically turn early in the business cycle, and provide clues to coming changes in the economic environment.

Indicators are grouped into categories with each page of the dashboard representing a category.

## ■ Indicator Selection Methodology

Three criteria were used to identify these most reliable leading indicators of economic business cycles:

**Historical leading reliability:** Each of these chosen factors have consistently signaled economic downturns and recoveries throughout past business cycles ahead of the actual turning points in overall economic output.

**Lead Time:** While there are many variables that are highly correlated to economic business cycles that can be tracked, the ones chosen on this dashboard have at least a three-month lead time to the historical peaks and valleys in GDP growth, providing businesses with at least a quarter lead time to implement change within their organization ahead of the next economic recovery or downturn.

**Diversity:** When selecting indicators for a well-rounded dashboard, it’s important to look at measures of the different sectors of the economy from sentiment and consumer spending to manufacturing, construction, and financial trends. The key to understanding overall cycles in GDP is to monitor when the majority of leading indicators for these different sectors are moving in the same direction.

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# Plan and forecast more accurately with Prevedere.

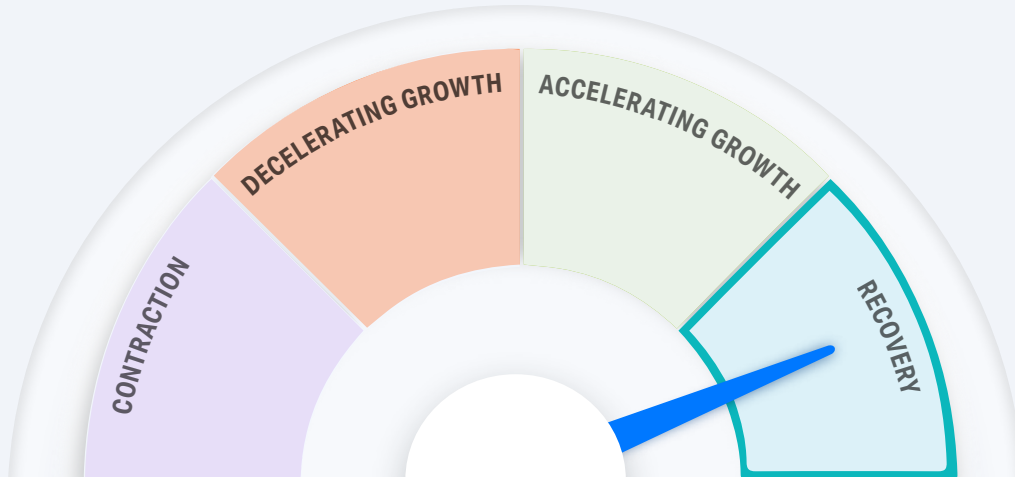
We help companies build fact-based forecasts with internal and external factors.

Our expert economists and the Prevedere Advanced Predictive Planning platform are the best solution to help executives plan during a global recession.



Snapshot of the U.S. Economy

6-Month Outlook in the U.S. Economy



*“The mixed signals among the leading economic indicators are pointing towards market volatility towards the end of 2023 and into next year.”*



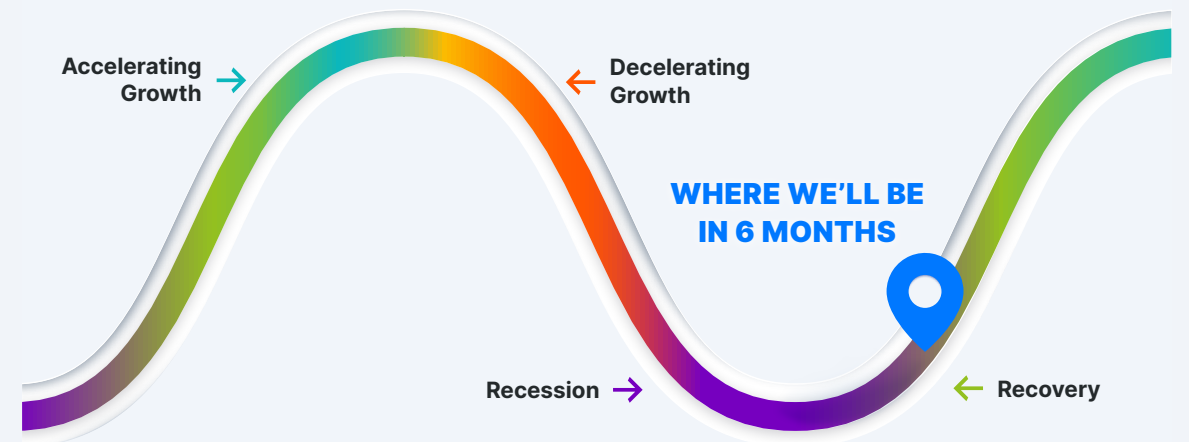
**Danielle Marceau**

Principal Economist & Director of Analytics

Where we currently stand in the U.S. Economy



6-Month Outlook in the U.S. Economy



■ **Key Takeaway**

**The key leading economic indicators are providing mixed signals for early next year, which means the U.S. economy will likely face volatility through the end of 2023, and into 2024.**

■ **What is the current status of the leading economic indicators?**

In the most recent release of the economic leading indicators, there were additional ones that turned lower. Additionally, the soft data continued to show weakness.

There were tentative negative turning points in the Economic Policy Uncertainty Index, the 10-2 year Treasury Spread, and the Real Money Supply. On the other side, the ISM Non-Manufacturing PMI nudged higher showing continued volatility and uncertainty in consumer spending on services.

The mixed signals that the leading indicators have been providing over the past few months indicate that we are not likely to see a significant reacceleration in the economy, nor likely a significant contraction in the fourth quarter of this year or in the earliest months of 2024. These trends, however, do imply that the economy is going to continue to move along a bumpy path of uncertainty for the coming one to two quarters.

These trends suggest that there will be more headwinds in the economy as we reach the new year, and there should be an expectation that the U.S. economy will face volatility and uncertainty to begin 2024.

■ **What's next?**

It will be critical to monitor these trending trajectories of the leading economic indicators over the next quarter in order to get a clearer picture of the timing of economic recovery in 2024.

During this time period, macroeconomic leading indicators such as the Prevedere GDP Leading Indicator, the Weekly Economic Index, and the OECD Composite Leading Indicator should be monitored closely for any signs of cyclical turning points.

**All Categories:** Look at these indicators to understand how they are placing upward or downward pressure on the economy.

Last Refresh: 11-21-2023

Category	Indicator	Relationship	Next Update	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
Macroeconomic Leading Indicators	Prevedere GDP Leading Indicator	Procyclic	12-21-2023	↑	↑	↑	↑	
	Weekly Economic Index	Procyclic	11-27-2023	↑	↑	↑	↑	↑
	OECD U.S. Composite Leading Indicator	Procyclic	12-09-2023	↑	↑	↑	↑	
Business & Consumer Sentiment	Consumer Sentiment	Procyclic	12-11-2023	↑	↑	↓	↓	↓
	Economic Policy Uncertainty Index	Countercyclic	12-05-2023	↑	↑	↑	↓	
	OECD Business Confidence Indicator	Procyclic	12-20-2023	↑	↑	↑	↑	
	Small Business Optimism Index	Procyclic	12-21-2023	↑	↑	↓	↓	
Consumer Spending	ISM Non-Manufacturing Composite Index	Procyclic	12-07-2023	↑	↑	↓	↑	
	Plans to Decrease Overall Spending - Adults 18+	Countercyclic	12-15-2023	↑	↑	↓	↓	↓
	U.S. Consumer Spending Expectations	Procyclic	12-15-2023	↑	↑	↓	↓	↓
Production / Construction	ISM Manufacturing PMI Composite	Procyclic	12-03-2023	↑	↑	↑	↑	
	Architectural Billings Index - National	Procyclic	12-21-2023	↑	↓	↓	↓	
	New Privately-Owned Housing Permits Authorized	Procyclic	12-21-2023	↑	↑	↑	↑	
Financial / Prices	10-Year Minus 2-Year Treasury Constant Maturity	Procyclic	11-22-2023	↑	↑	↑	↑	↓
	Junk Bond Spread	Countercyclic	12-03-2023	↑	↑	↑	↑	
	Real M2 Money Supply	Procyclic	11-25-2023	↑	↑	↓		
	Commodity Price Index Data: Raw Material	Procyclic	12-04-2023	↑	↑	↑	↑	

## NOTES

Values represent changes in cyclical trend for each indicator. When trend goes from negative to positive for consecutive months, this is likely an indication of a cyclical turning point and early onset of recovery for this indicator.

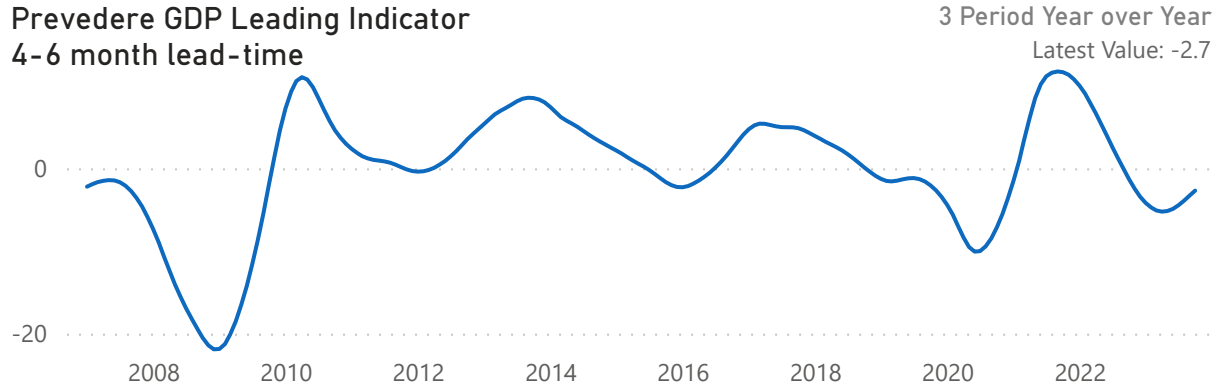
In November, 1 out of 5 indicators are signaling improvement in business cycle momentum from the prior month.

In October, 10 out of 16 indicators are signaling improvement in business cycle momentum from the prior month.

Upward pressure on economy  
 Downward pressure on economy

## Macroeconomic Leading Indicators: Leading indicators of overall GDP growth

**Prevedere GDP Leading Indicator**  
4-6 month lead-time

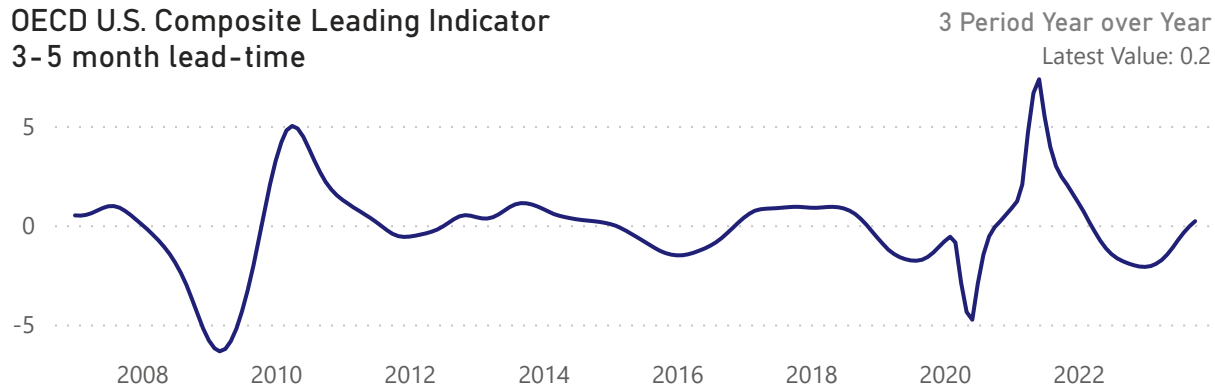


A composite leading indicator created by Prevedere to gauge future GDP growth and cyclical turning points 3-6 months in advance.

Source: Prevedere

Data as of 10-2023

**OECD U.S. Composite Leading Indicator**  
3-5 month lead-time



This composite leading indicator is designed to provide early signals of turning points in business cycles showing fluctuation of the economic activity around its long term potential level.

Source: Organization for Economic Co-operation and Development

Data as of 10-2023

**Weekly Economic Index**  
3-5 month lead-time



High frequency measure of overall economic activity comprised of 7 non-financial measures of real economic output.

Source: Stock, James H.

Data as of 11-11-2023

## MONTHLY TRENDS

How have these indicators changed up or down in the past 5 months.

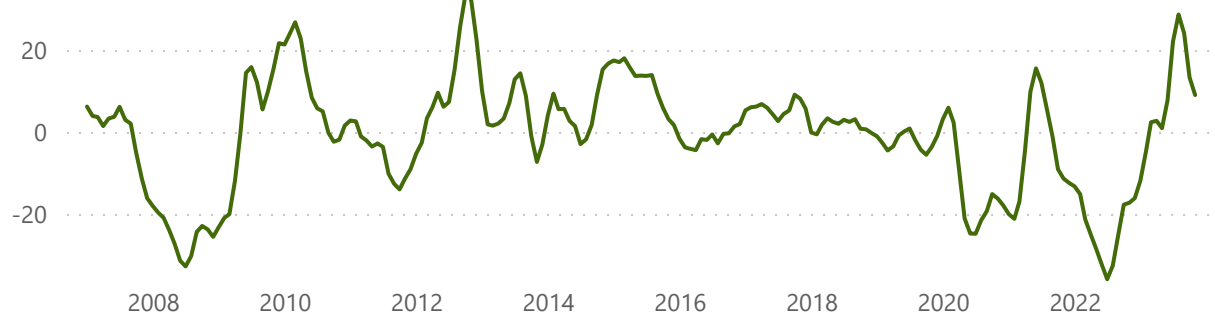
Indicator	Relationship	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
<b>Prevedere GDP Leading Indicator</b>	<b>Procylic</b>	↑	↑	↑	↑	
<b>Weekly Economic Index</b>	<b>Procylic</b>	↑	↑	↑	↑	↑
<b>OECD U.S. Composite Leading Indicator</b>	<b>Procylic</b>	↑	↑	↑	↑	

↑ Upward pressure on economy

↓ Downward pressure on economy

## Business & Consumer Sentiment: Measures of sentiment among consumers and businesses.

### Consumer Sentiment 4-6 month lead-time

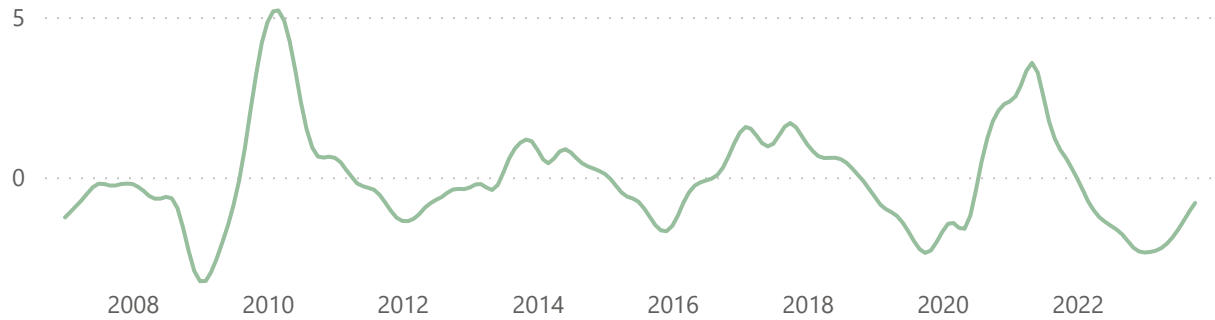


Measures confidence amongst consumers and is a leading indicator of consumer spending.

Source: University of Michigan

Data as of 11-2023

### OECD Business Confidence Indicator 4-6 month lead-time

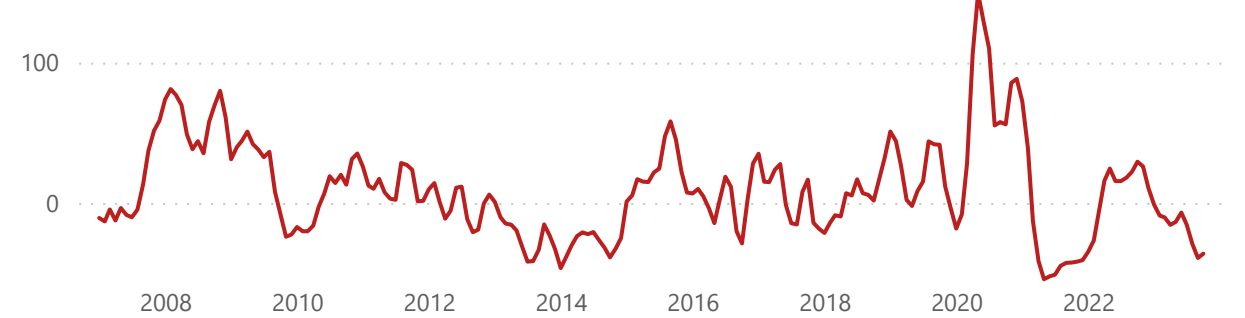


Measures confidence amongst business leaders and is a leading indicator of business investment.

Source: Organization for Economic Co-operation and Development

Data as of 10-2023

### Economic Policy Uncertainty Index 6-9 month lead-time

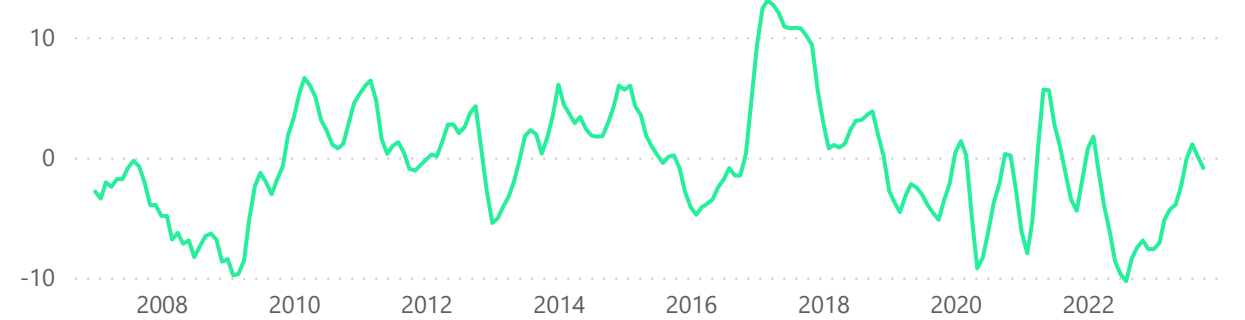


Daily news based composite. Can signal supply chain disruptions and upcoming slack or tightening demand.

Source: Federal Reserve Bank of St. Louis

Data as of 10-2023

### Small Business Optimism Index 3-5 month lead-time



Indicator of sentiment among small businesses who can be quicker to react to economic conditions than big firms.

Source: National Federation of Independent Business

Data as of 10-2023

## MONTHLY TRENDS

How have these indicators changed up or down in the past 5 months.

Indicator	Relationship	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
Consumer Sentiment	Procylic	↑	↑	↓	↓	↓
Economic Policy Uncertainty Index	Countercyclic	↑	↑	↑	↓	
OECD Business Confidence Indicator	Procylic	↑	↑	↑	↑	
Small Business Optimism Index	Procylic	↑	↑	↓	↓	

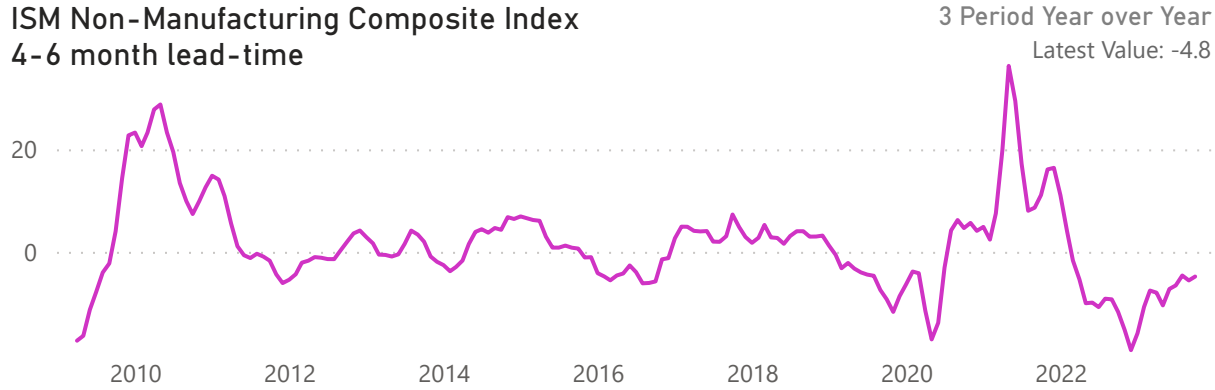
↑ Upward pressure on economy

↓ Downward pressure on economy



## Consumer Spending: Measures of consumer's intent and ability to spend.

### ISM Non-Manufacturing Composite Index 4-6 month lead-time

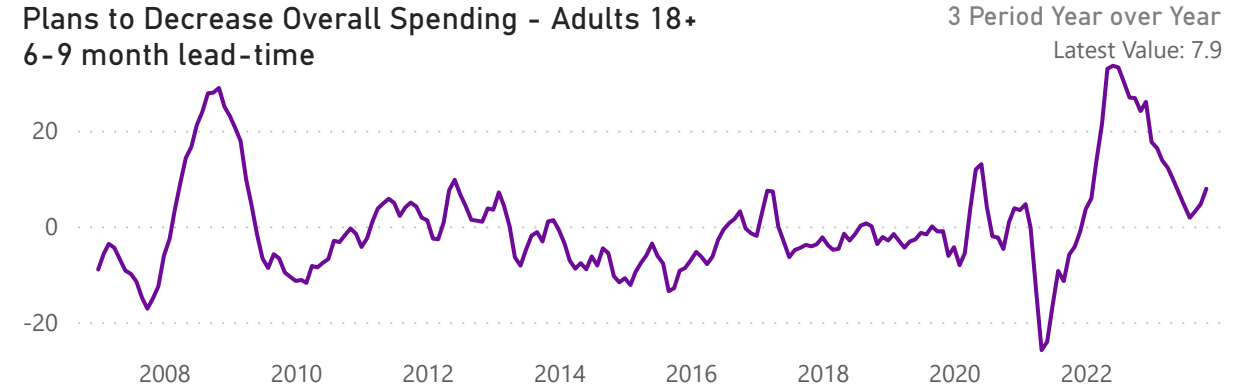


Diffusion index from a survey of business managers in the non-manufacturing industry covering topics such as business activity, new orders, employment, inventory, and prices.

Source: Institute for Supply Management

Data as of 10-2023

### Plans to Decrease Overall Spending - Adults 18+ 6-9 month lead-time

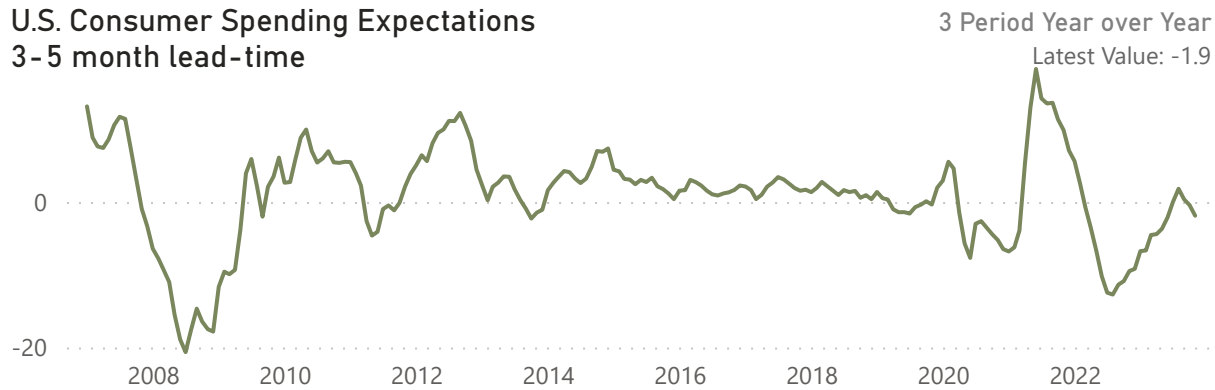


Survey question asking consumers financial steps they plan on taking during the next 3 months. As the response for decrease overall spending moves higher, this is a negative sign for overall consumer spending.

Source: Consumer Sentiment Data

Data as of 11-2023

### U.S. Consumer Spending Expectations 3-5 month lead-time



The consumer spending forecast represents consumers' intended level of retail spending over the next 90 days.

Source: Consumer Sentiment Data

Data as of 11-2023

## MONTHLY TRENDS

How have these indicators changed up or down in the past 5 months.

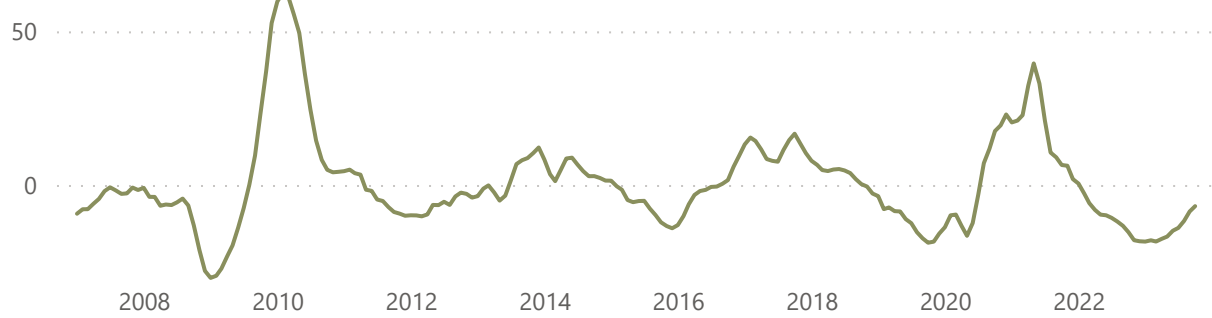
Indicator	Relationship	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
ISM Non-Manufacturing Composite Index	Procylic	↑	↑	↓	↑	
Plans to Decrease Overall Spending - Adults 18+	Countercyclic	↑	↑	↓	↓	↓
U.S. Consumer Spending Expectations	Procylic	↑	↑	↓	↓	↓

↑ Upward pressure on economy

↓ Downward pressure on economy

**Production/Construction:** Measures of industrial, manufacturing and construction output.

**ISM Manufacturing PMI Composite**  
4-6 month lead-time



Diffusion index from a survey of business managers in the manufacturing industry covering topics such as business activity, new orders, employment, inventory, and prices.

Source: Institute for Supply Management

Data as of 10-2023

**Architectural Billings Index - National**  
4-6 month lead-time



Survey based dataset that gathers information around shifts in billings from major architectural firm leaders.

Source: The American Institute of Architects

Data as of 10-2023

**New Privately-Owned Housing Permits Authorized**  
4-6 month lead-time



Total number of new privately owned residential permits authorized in the United States.

Source: United States Census Bureau

Data as of 10-2023

**MONTHLY TRENDS**

How have these indicators changed up or down in the past 5 months.

Indicator	Relationship	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
ISM Manufacturing PMI Composite	Procylic	↑	↑	↑	↑	
Architectural Billings Index - National	Procylic	↑	↓	↓	↓	
New Privately-Owned Housing Permits Authorized	Procylic	↑	↑	↑	↑	

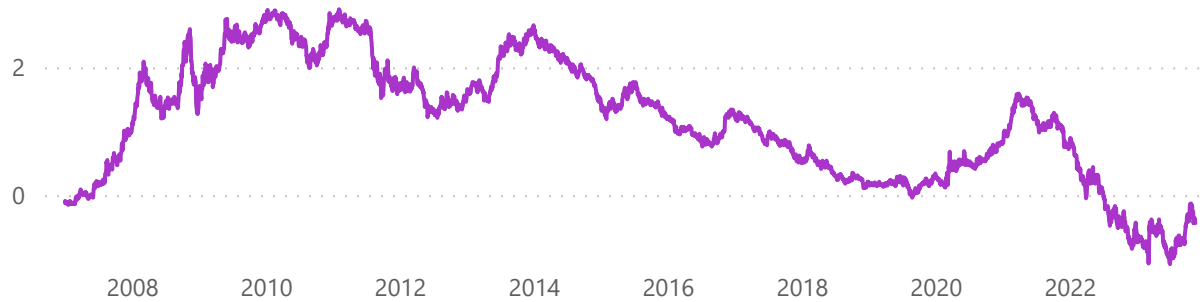
↑ Upward pressure on economy

↓ Downward pressure on economy

## Financial/Prices: Leading indicators from treasuries, bonds, and other financial conditions.

### 10-Year Minus 2-Year Treasury Constant Maturity 18+ month lead-time

Raw  
Latest Value: -0.4



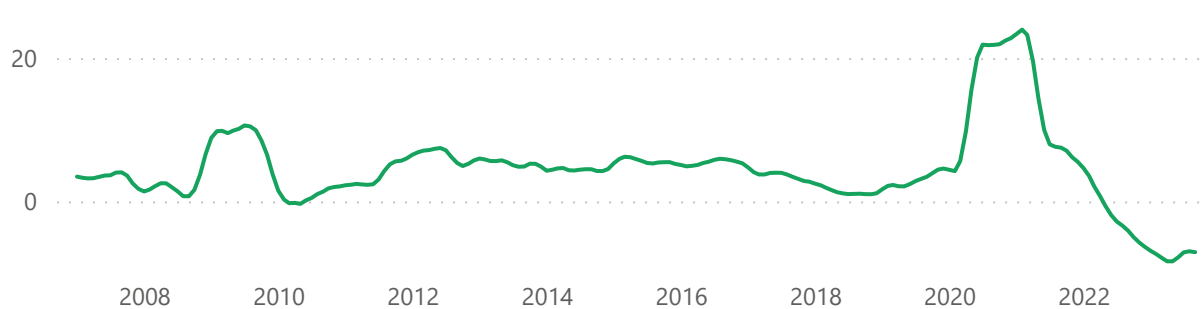
The spread between a 10 year treasury bond yield & 2 year treasury bond yield. When the spread becomes negative, meaning that the short-term maturity rate exceeds the long-term maturity rate it is indicative of recession.

Source: Federal Reserve Bank of St. Louis

Data as of 11-17-2023

### Real M2 Money Supply 9-12 month lead-time

3 Period Year over Year  
Latest Value: -7.1



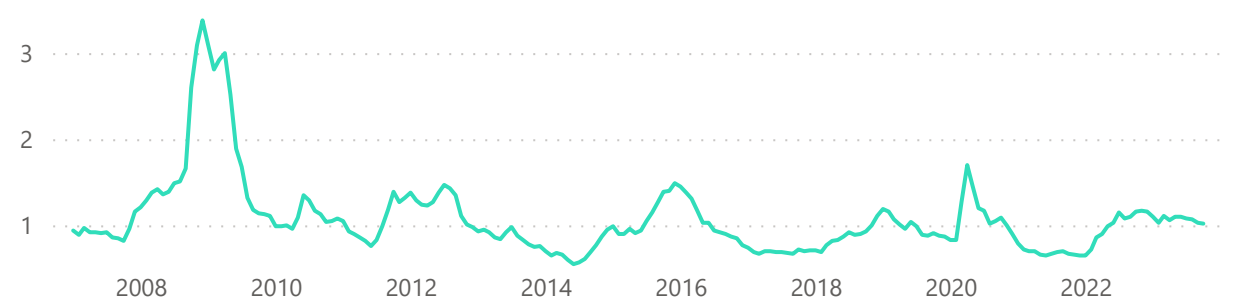
Inflation adjusted measure of money supply where contraction can be indicative of recession.

Source: Federal Reserve Bank of St. Louis

Data as of 09-2023

### Junk Bond Spread 3-5 month lead-time

Raw  
Latest Value: 1.0



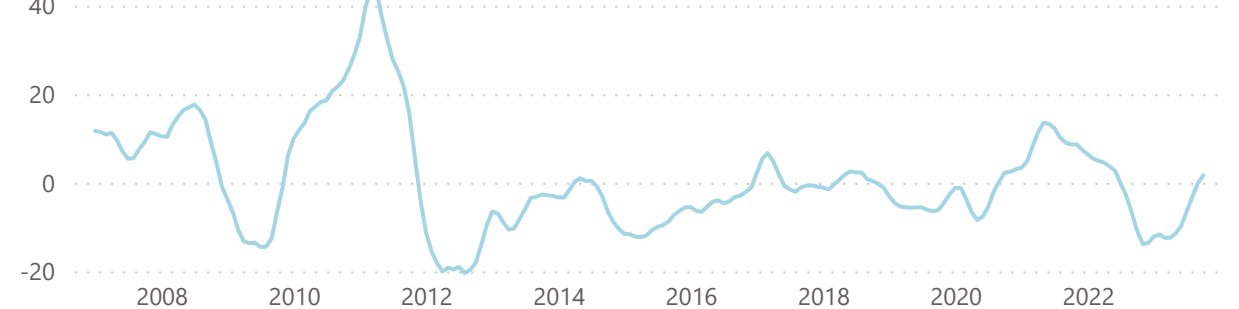
The spread between BAA rated corporate bonds and AAA rated corporate bonds. An increasing spread is indicative of recession as investors move toward more guaranteed returns on AAA bonds.

Source: Prevedere

Data as of 10-2023

### Commodity Price Index Data: Raw Material 9-12 month lead-time

3 Period Year over Year  
Latest Value: 1.7



Index measuring raw material commodity prices with extreme contraction being indicative of recession.

Source: The World Bank

Data as of 10-2023

## MONTHLY TRENDS

How have these indicators changed up or down in the past 5 months.

Indicator	Relationship	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023
10-Year Minus 2-Year Treasury Constant Maturity	Procylic	↑	↑	↑	↑	↓
Junk Bond Spread	Countercyclic	↑	↑	↑	↑	
Real M2 Money Supply	Procylic	↑	↑	↓		
Commodity Price Index Data: Raw Material	Procylic	↑	↑	↑	↑	

↑ Upward pressure on economy  
↓ Downward pressure on economy

## Anatomy of the Dashboard

### Data grouped by logical categories

We have organized our leading indicators into four. These categories are meant to be a logical grouping that an economist would look for when studying an industry or an entire economy.

### See the data how our economists see it

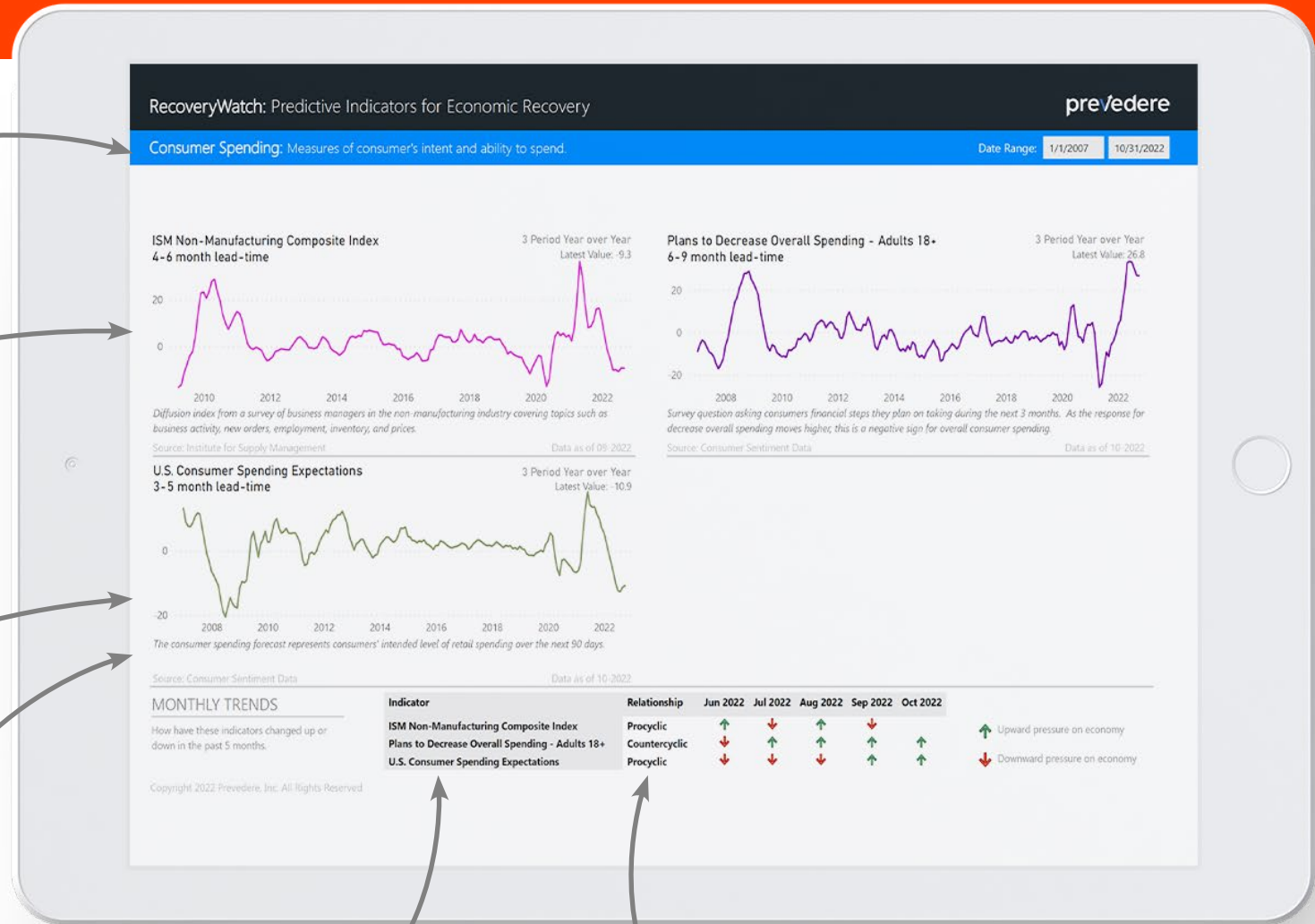
Our economists have determined for the reader what the best frequency and calculation the data should be viewed at if you are looking for real signals of economic change. If you look at data too granularly (such as by the hour, or day) the signal can get lost in the volatility. So we utilize moving averages and growth rates to help isolate sustained trends.

### Historical Context

We want to show enough data history, when available, to compare to the “Global Financial Crisis” in 2008-10. This should help a reader visually compare the recent negative movements to prior cases where the indicator showed recessionary or weaker conditions.

### Reason for the Indicator

Under each indicator there is a description of why that indicator was chosen by the Economist team as a top indicator to watch.



### Simple Signal Summary

To simplify the interpretation of the indicators, a table is provided that highlights the data compared to the previous month. If the indicator is signaling improvement from the previous month, then it gets a green arrow.

### The Cycle

The Economists know that some indicators may rise, and that signals negative pressure on the economy or industry. We call that a countercyclic relationship and account for it appropriately in the summary table.

# Do you have a scenario planning platform to navigate the current volatile market?

By working with Prevedere's global data, Advanced Predictive Planning platform, and expert in-house economists—your organization can realize both tactical and strategic advantages, including:

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- A new layer of understanding, with data driven predictions, to help drive **supply chain decisions**.
- Ability to attain insights and discover impactful **consumer-level drivers**.
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- No more surprises or market blind spots, with a new confidence and ability to **plan for future opportunity and risk**.

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