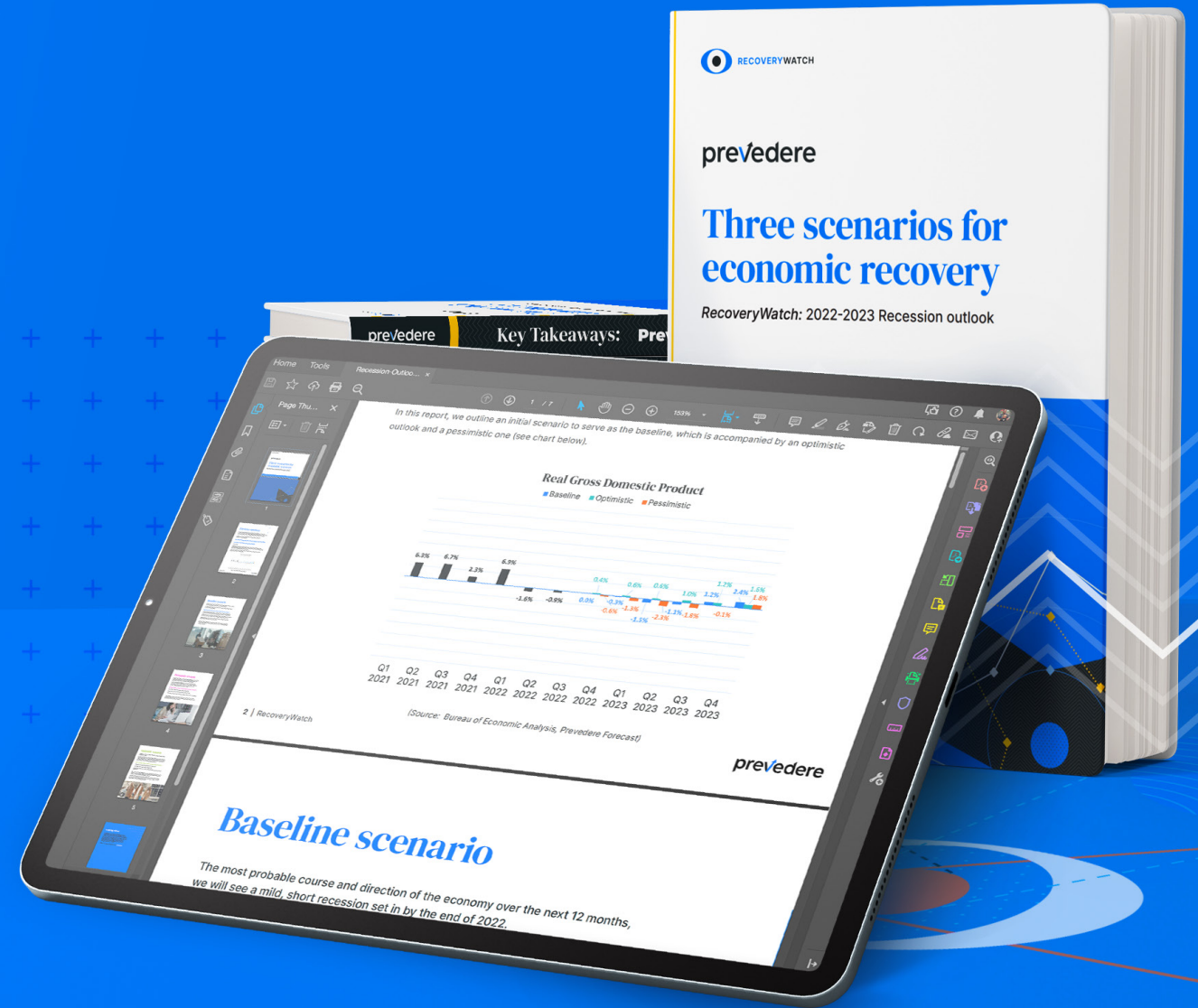




Leading Economic Indicators Dashboard

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: 12-19-2023

■ 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.

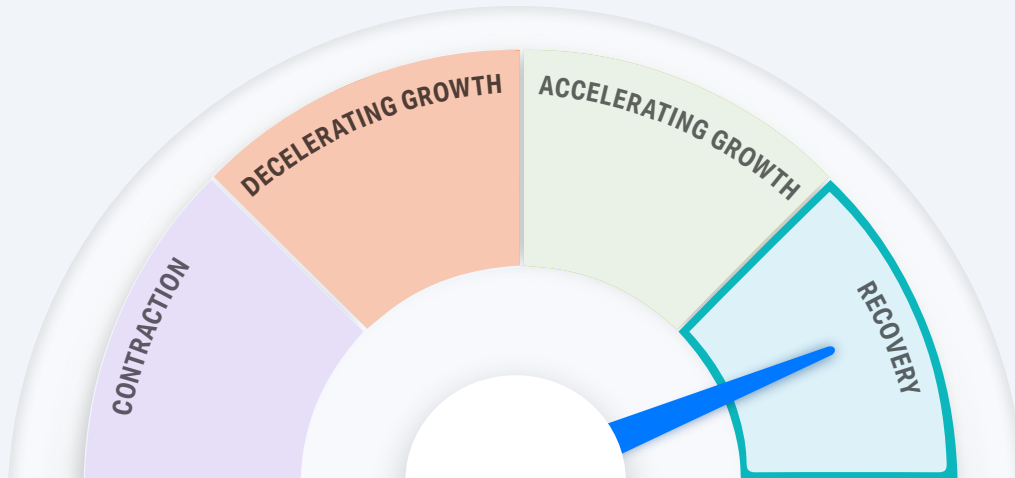
We help companies build fact-based forecasts with internal and external factors.

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



“In the first half of 2024, we expect to see a slowdown in GDP, with varied growth or stagnation across different sectors and industries.”



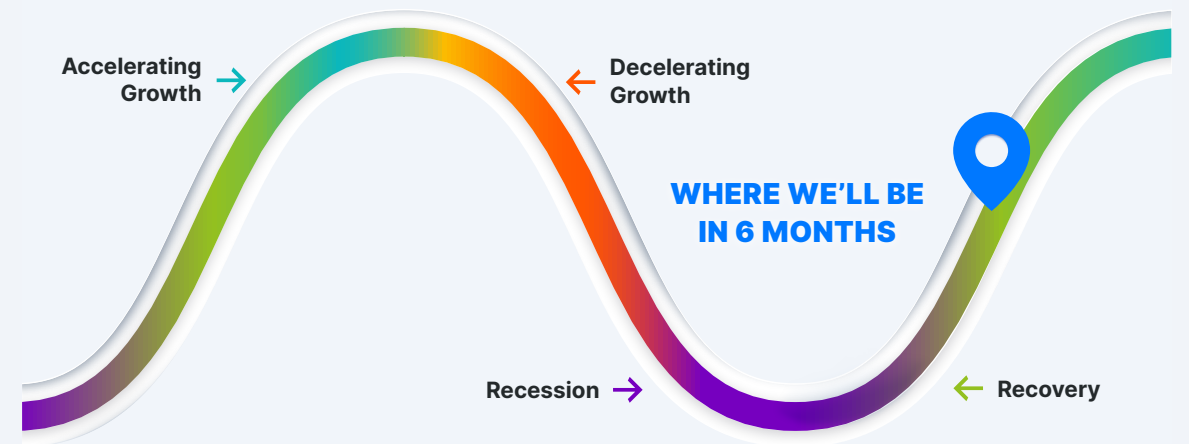
Danielle Marceau

Principal Economist & Director of Analytics

Where we currently stand in the U.S. Economy



6-Month Outlook in the U.S. Economy



■ **Key Takeaway**

It is likely that there will be further volatility into 2024, but not necessarily contraction, as many of the key leading indicators are vacillating between positive and negative momentum.

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

The leading economic indicators have continued to provide no clear path for the economy at a macro-level, as many have shifted between positive and negative momentum over the last months of 2023. As a result, the current forecast for early 2024 suggest that there will be uncertainty and volatility across the U.S. economy, with some sectors and industries experiencing growth.

The key leading indicators that have been wavering during the past few months have been the Weekly Economic Index, Consumer Sentiment, the ISM Non-Manufacturing Composite Index, Consumer Spending Plans, and the Real Money Supply. This group consists of leading economic indicators that span across nearly all categories. This suggests one very important trend - there is no clear positive or negative path for economic growth during the initial few months of 2024.

Business leaders should plan for further uncertainty and unevenness across sectors of the U.S. economy. It should be expected that the U.S. economy will most likely not significantly reaccelerate over the coming few months. On a more positive note, the bottom of the business cycle is not likely to flat out, avoiding a deep recession.

To begin 2024, it will be best to expect more of the same volatility to continue from 2024 with high levels of uncertainty, and more generalized slowing across the macroeconomic landscape.

■ **What's next?**

While many of the key leading economic indicators moved from positive to negative momentum over the past few months, a substantial number reversed that trend in the most recent readings. We will be watching closely to see if these movements hold, along with other indicators that have shown positive momentum over the last few months. If these trends hold for the next month, it will be good news for the economy overall and signal that a shift towards accelerating economic conditions could occur around the second quarter of 2024.

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

Last Refresh: 12-18-2023

Category	Indicator	Relationship	Next Update	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
Macroeconomic Leading Indicators	Prevedere GDP Leading Indicator	Procyclic	01-18-2024	↑	↑	↑	↑	
	Weekly Economic Index	Procyclic	12-25-2023	↑	↑	↑	↓	↑
	OECD U.S. Composite Leading Indicator	Procyclic	01-18-2024	↑	↑	↑	↑	
Business & Consumer Sentiment	Consumer Sentiment	Procyclic	01-18-2024	↑	↓	↓	↓	↑
	Economic Policy Uncertainty Index	Countercyclic	01-07-2024	↑	↑	↓	↓	
	OECD Business Confidence Indicator	Procyclic	01-18-2024	↑	↑	↑	↑	
	Small Business Optimism Index	Procyclic	01-18-2024	↑	↓	↓	↓	
Consumer Spending	ISM Non-Manufacturing Composite Index	Procyclic	01-07-2024	↑	↓	↑	↓	
	Plans to Decrease Overall Spending - Adults 18+	Countercyclic	01-13-2024	↑	↓	↓	↓	↑
	U.S. Consumer Spending Expectations	Procyclic	01-13-2024	↑	↓	↓	↓	↑
Production / Construction	ISM Manufacturing PMI Composite	Procyclic	01-01-2024	↑	↑	↑	↑	
	Architectural Billings Index - National	Procyclic	12-21-2023	↓	↓	↓		
	New Privately-Owned Housing Permits Authorized	Procyclic	12-30-2023	↑	↑	↑		
Financial / Prices	10-Year Minus 2-Year Treasury Constant Maturity	Procyclic	12-19-2023	↑	↑	↑	↓	↓
	Junk Bond Spread	Countercyclic	01-07-2024	↑	↑	↑	↑	
	Real M2 Money Supply	Procyclic	12-30-2023	↑	↓	↑		
	Commodity Price Index Data: Raw Material	Procyclic	01-18-2024	↑	↑	↑	↑	

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.

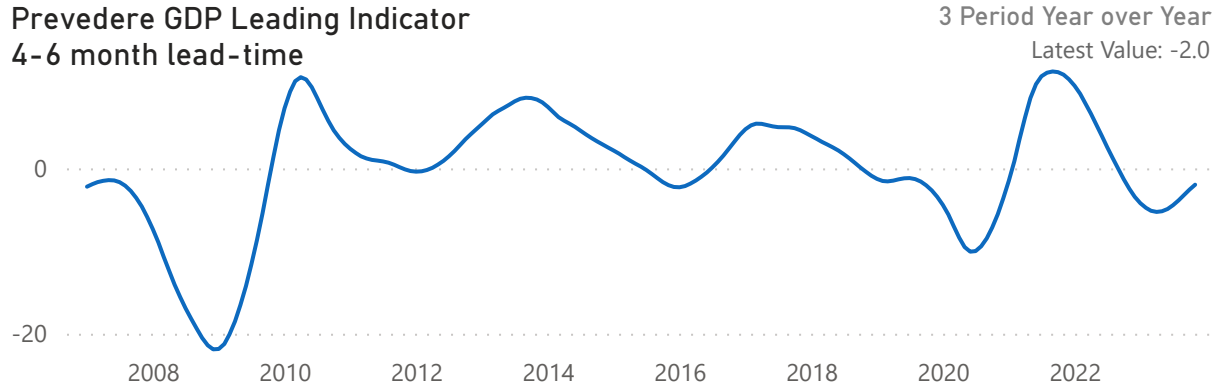
In December, 4 out of 5 indicators are signaling improvement in business cycle momentum from the prior month.

In November, 6 out of 14 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

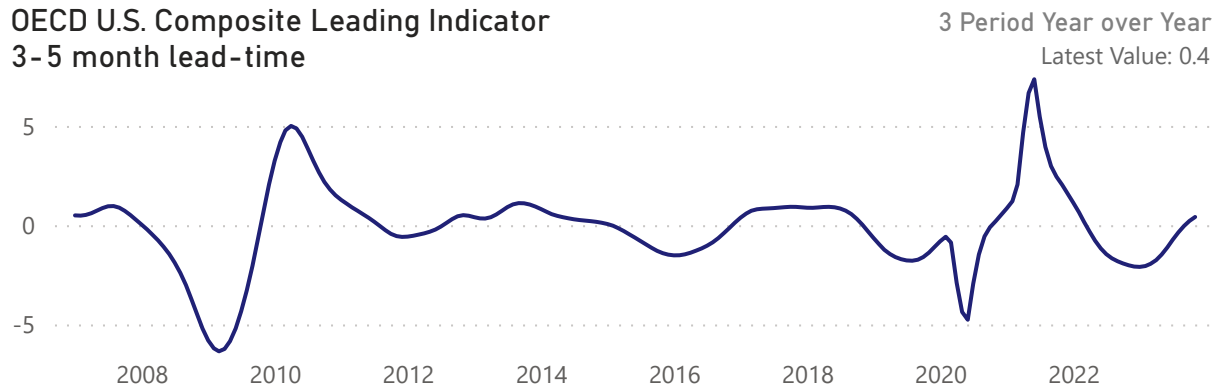


A composite leading indicator created by Prevedere to gauge future GDP growth and cyclical turning points 3-6 months in advance.

Source: Prevedere

Data as of 11-2023

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 11-2023

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 12-09-2023

MONTHLY TRENDS

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

Indicator	Relationship	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	
Prevedere GDP Leading Indicator	Procylic	↑	↑	↑	↑		↑ Upward pressure on economy ↓ Downward pressure on economy
Weekly Economic Index	Procylic	↑	↑	↑	↓	↑	
OECD U.S. Composite Leading Indicator	Procylic	↑	↑	↑	↑		

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

Consumer Sentiment 4-6 month lead-time

3 Period Year over Year
Latest Value: 9.7



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

Source: University of Michigan

Data as of 12-2023

OECD Business Confidence Indicator 4-6 month lead-time

3 Period Year over Year
Latest Value: -0.6



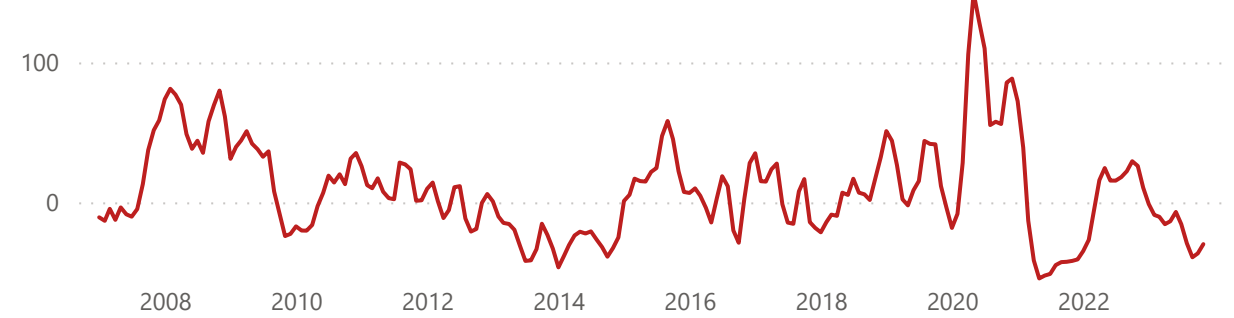
Measures confidence amongst business leaders and is a leading indicator of business investment.

Source: Organization for Economic Co-operation and Development

Data as of 11-2023

Economic Policy Uncertainty Index 6-9 month lead-time

3 Period Year over Year
Latest Value: -29.9



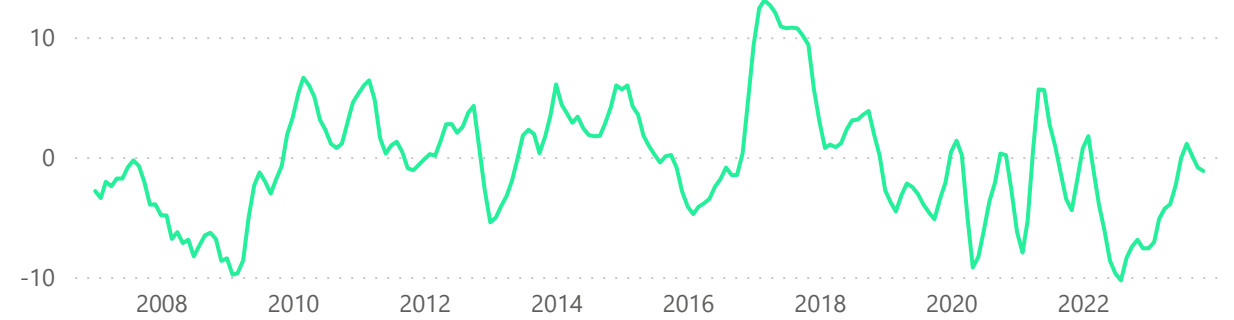
Daily news based composite. Can signal supply chain disruptions and upcoming slack or tightening demand.

Source: Federal Reserve Bank of St. Louis

Data as of 11-2023

Small Business Optimism Index 3-5 month lead-time

3 Period Year over Year
Latest Value: -1.2



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 11-2023

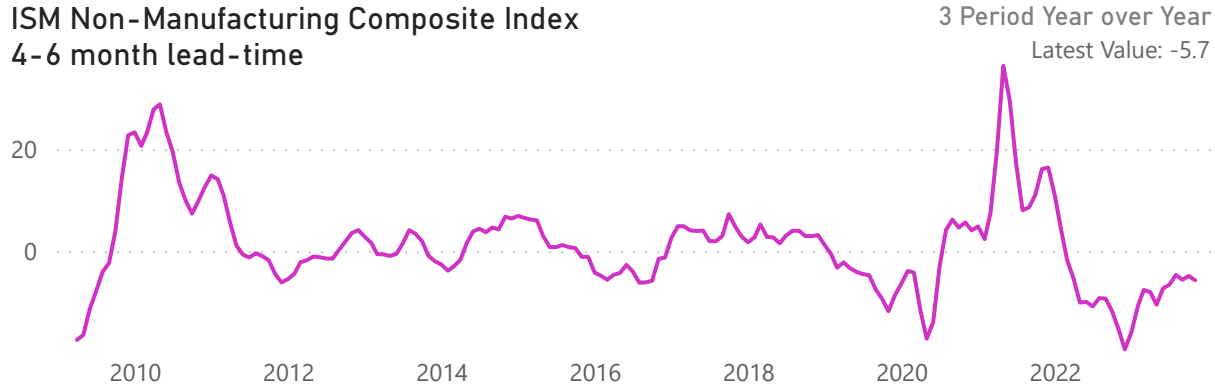
MONTHLY TRENDS

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

Indicator	Relationship	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	
Consumer Sentiment	Procylic	↑	↓	↓	↓	↑	↑ Upward pressure on economy ↓ Downward pressure on economy
Economic Policy Uncertainty Index	Countercyclic	↑	↑	↓	↓		
OECD Business Confidence Indicator	Procylic	↑	↑	↑	↑		
Small Business Optimism Index	Procylic	↑	↓	↓	↓		

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

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

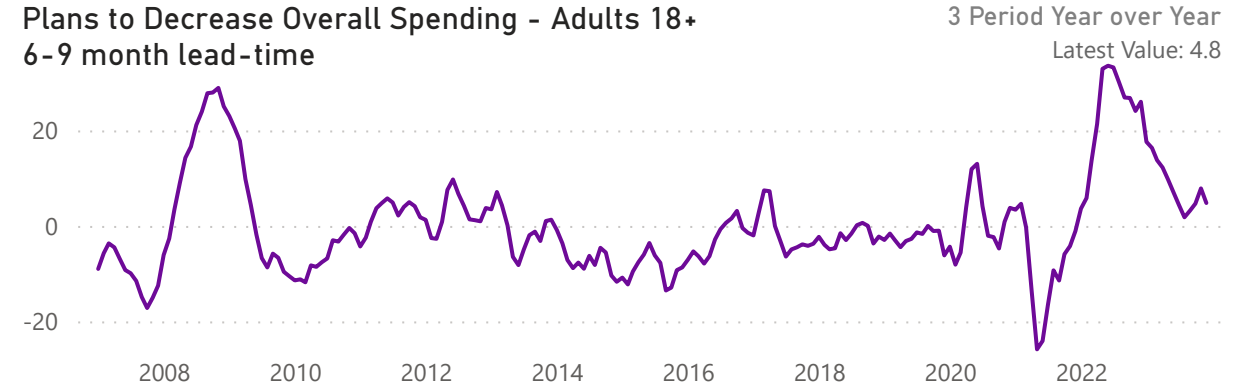


Diffusion index from a survey of business managers in the non-manufacturing industry covering topics such as business activity, new orders, employment, inventory, and prices.

Source: Institute for Supply Management

Data as of 11-2023

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

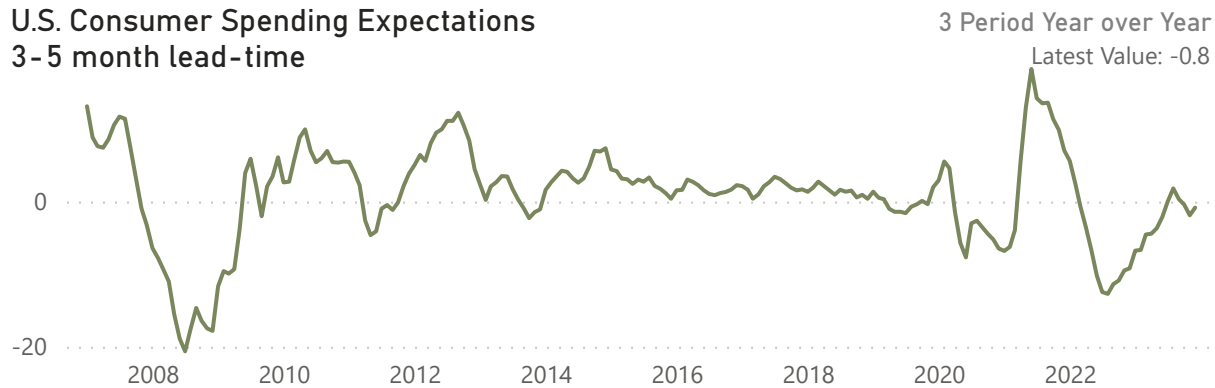


Survey question asking consumers financial steps they plan on taking during the next 3 months. As the response for decrease overall spending moves higher, this is a negative sign for overall consumer spending.

Source: Consumer Sentiment Data

Data as of 12-2023

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 12-2023

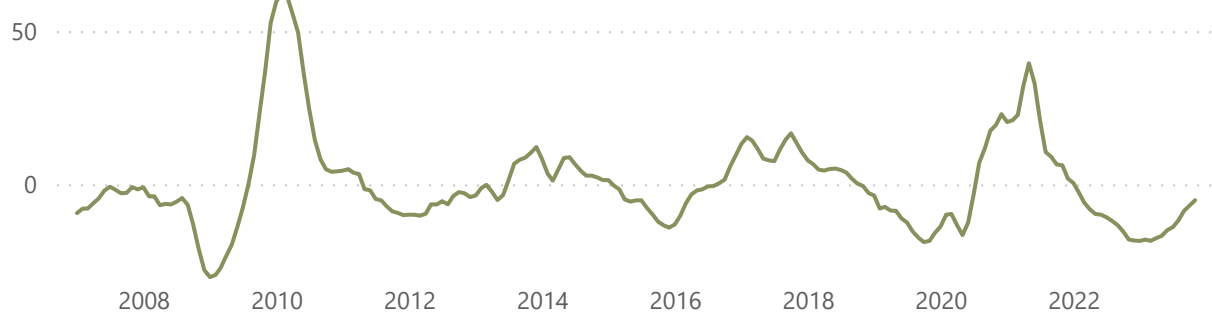
MONTHLY TRENDS

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

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

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 11-2023

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

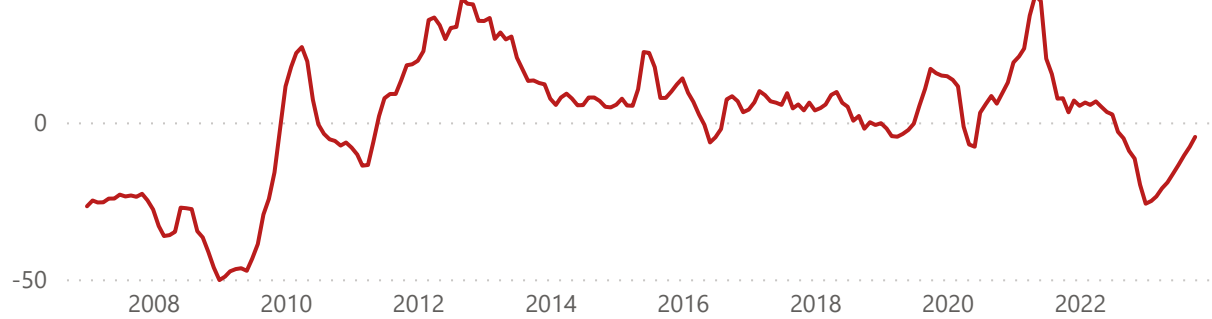


Survey based dataset that gathers information around shifts in billings from major architectural firm leaders.

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

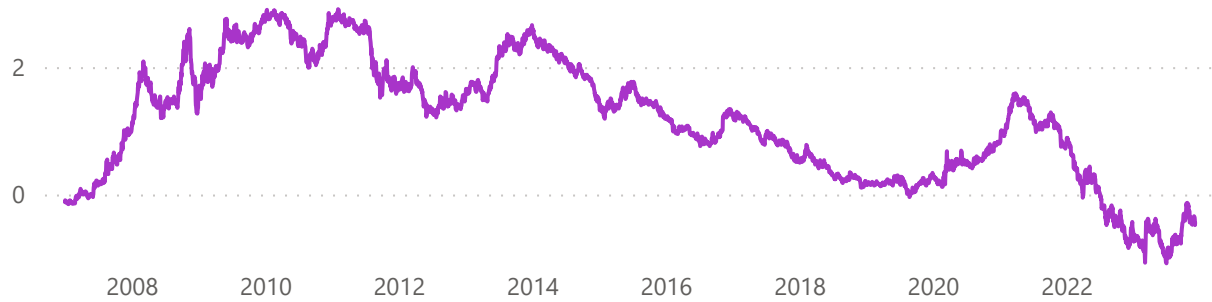
↑ Upward pressure on economy

↓ 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



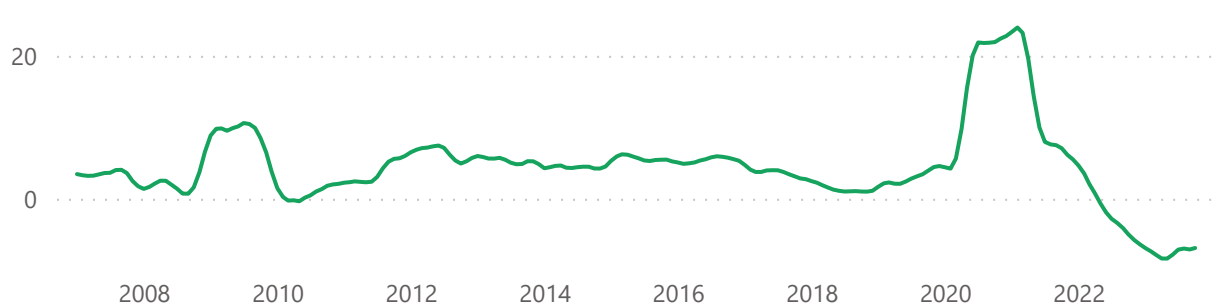
The spread between a 10 year treasury bond yield & 2 year treasury bond yield. When the spread becomes negative, meaning that the short-term maturity rate exceeds the long-term maturity rate it is indicative of recession.

Source: Federal Reserve Bank of St. Louis

Data as of 12-07-2023

Real M2 Money Supply 9-12 month lead-time

3 Period Year over Year
Latest Value: -6.9



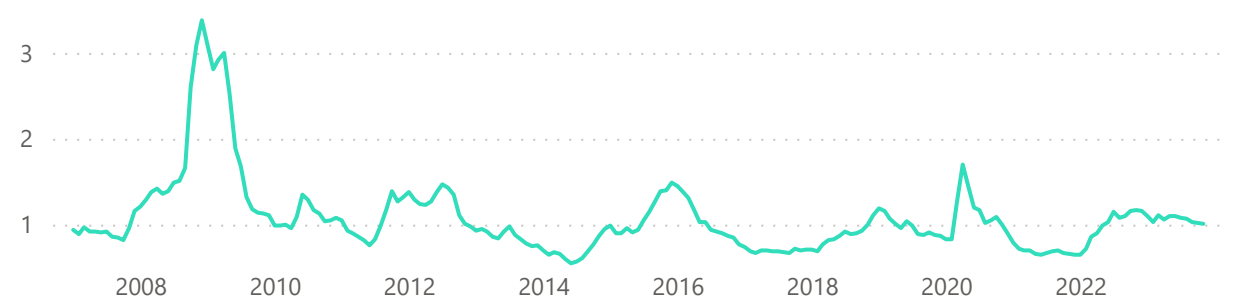
Inflation adjusted measure of money supply where contraction can be indicative of recession.

Source: Federal Reserve Bank of St. Louis

Data as of 10-2023

Junk Bond Spread 3-5 month lead-time

Raw
Latest Value: 1.0



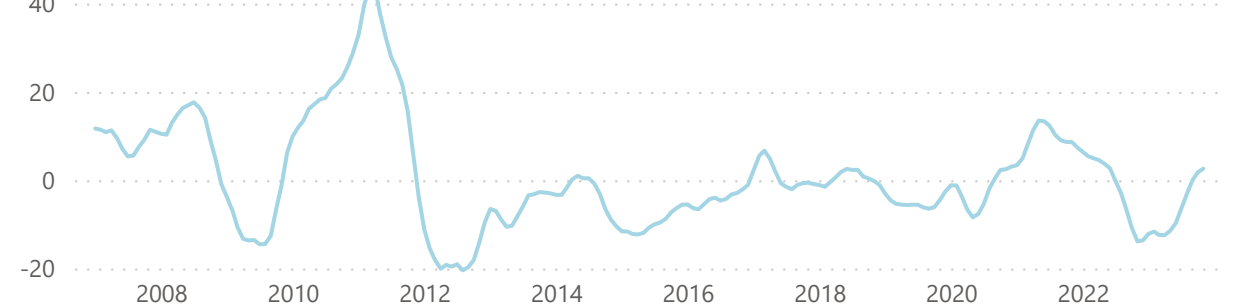
The spread between BAA rated corporate bonds and AAA rated corporate bonds. An increasing spread is indicative of recession as investors move toward more guaranteed returns on AAA bonds.

Source: Prevedere

Data as of 11-2023

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

3 Period Year over Year
Latest Value: 2.6



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

Source: The World Bank

Data as of 11-2023

MONTHLY TRENDS

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

Indicator	Relationship	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 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

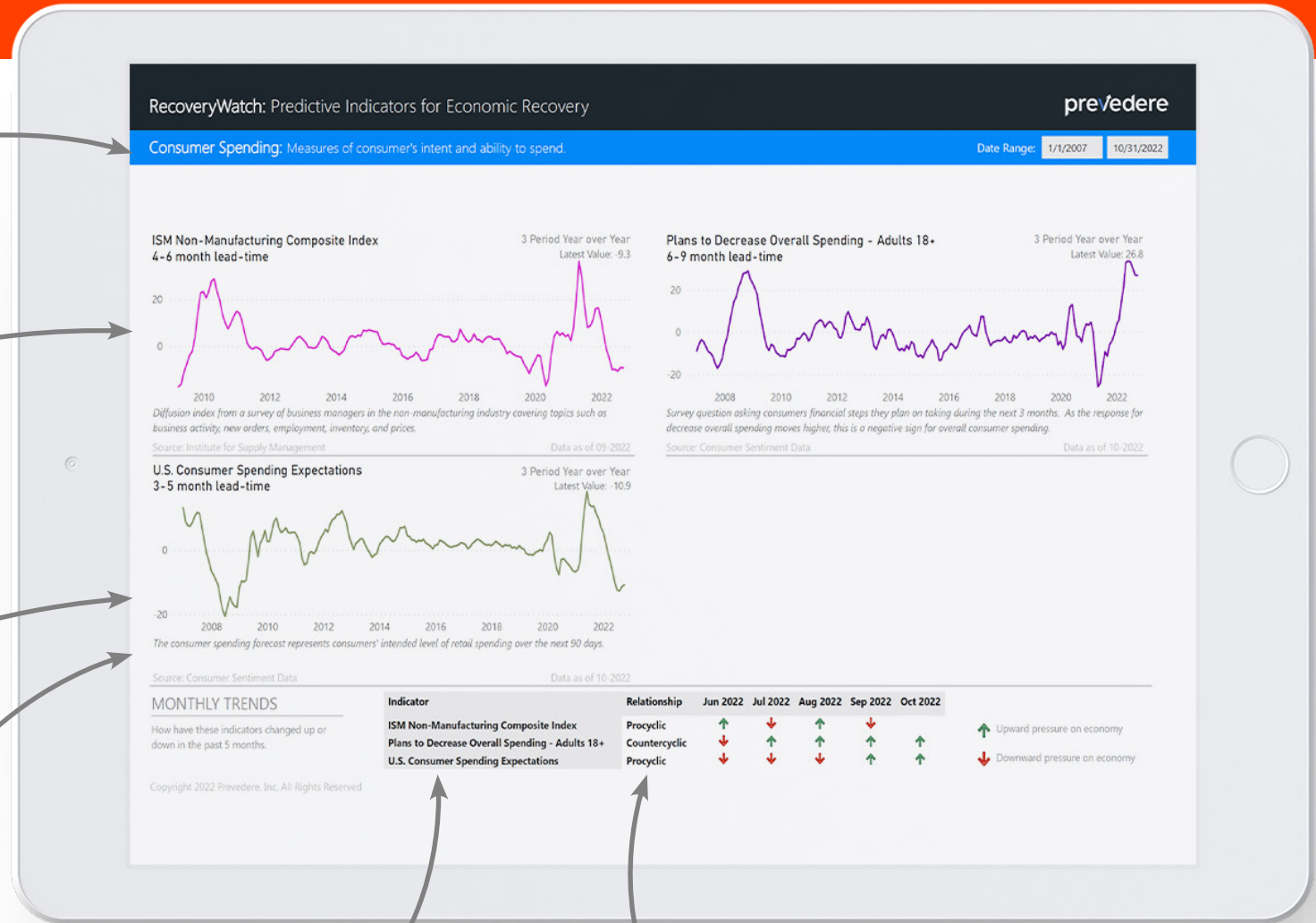
Our economists have determined for the reader what the best frequency and calculation the data should be viewed at if you are looking for real signals of economic change. If you look at data too granularly (such as by the hour, or day) the signal can get lost in the volatility. So we utilize moving averages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

- **Forecast accuracy**, where a 1% improvement results in millions of dollars of cost savings or revenue growth.
- 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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