

Leading Indicators: Clouds Getting Darker Over U.S. Economy

The Index of Leading Economic Indicators (LEI) was down a larger-than-expected 0.7 percent in July and has now been negative for nine out of the last twelve months. The beleaguered housing market and sputtering stock market offset positives in the economy from the interest rate spread and a modest improvement in consumer sentiment.

More Challenges for Growth Ahead

- Despite challenges so far this year, the recent acceleration in the downward trend in LEI suggests even-greater risks to the U.S. economy in the months ahead.
- The coincidence index, a reflection of the current economic environment, remained barely positive, up 0.1 percent, despite seven consecutive monthly declines in non-farm payrolls.

Housing, Stock Markets Weigh Down LEI in July

- The struggling housing market pulled down LEI more than any other component in July as building permits nosed-dived. The weakness may be somewhat overstated here; last month there was a spike in permits tied to the NYC building code.
- The sell-off in equities in July, and an up-tick in unemployment claims were other major negatives in this month's report.

