



Economics Group

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Leading Indicators: U.S. Economy is Still on Its Feet

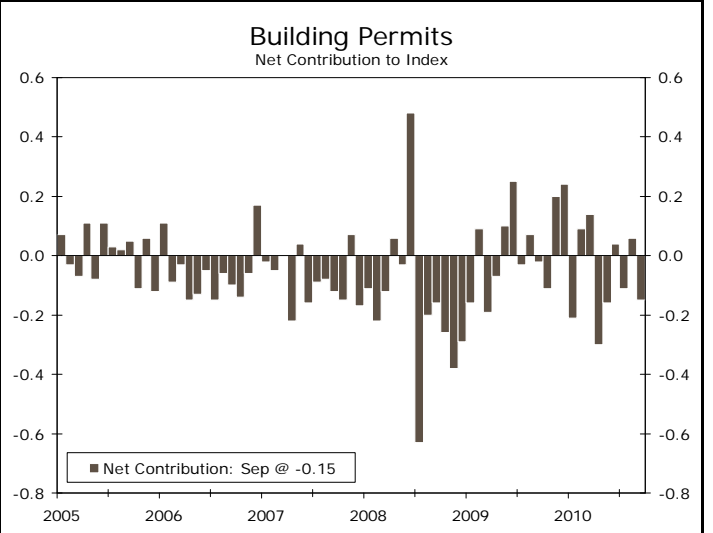
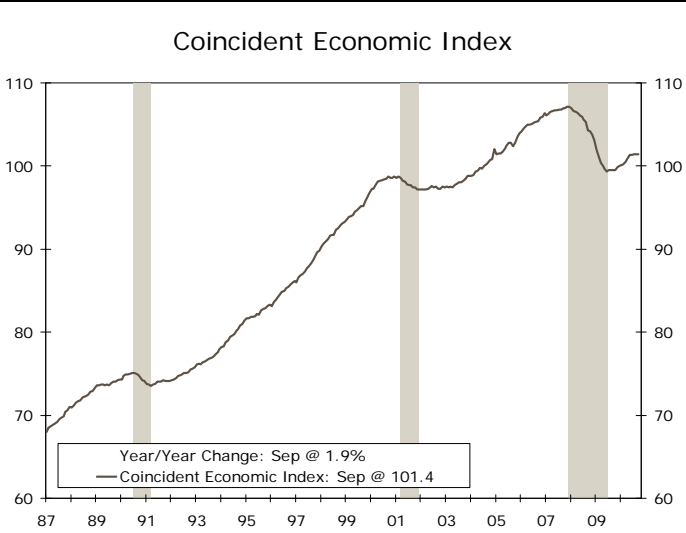
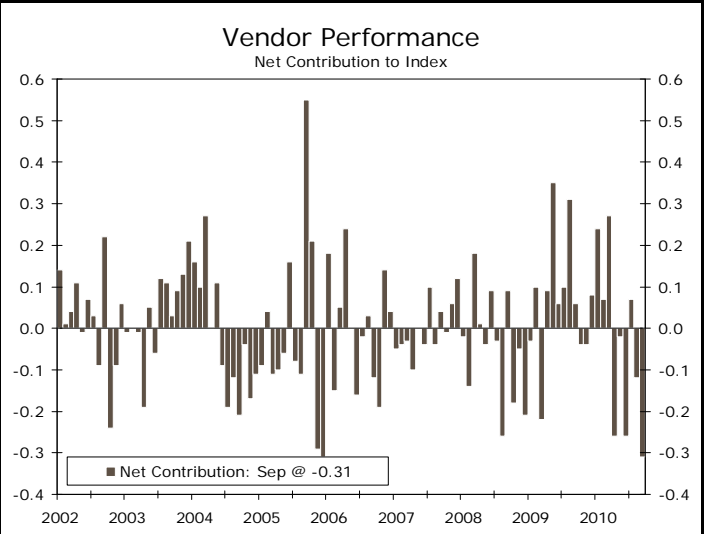
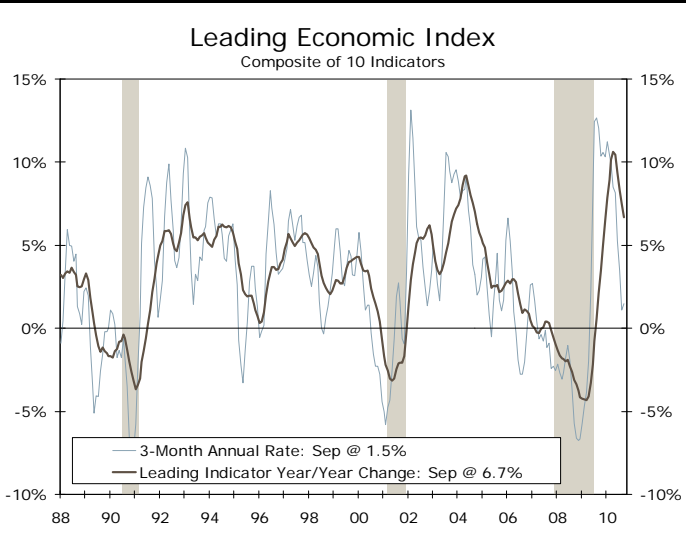
Despite drags from the housing market and signs of slack in the factory sector, the Leading Economic Index managed to gain 0.3 percent in September, signaling the slow recovery will continue.

Pace of Growth Seems to Be Leveling Off

- The leading index turned positive three months before the recovery began in April 2009. The index has remained positive for all but one month throughout this recovery. The magnitude of the increases has gotten smaller—consistent with our expectation of below trend growth for the next year or so.
- A slower trajectory can also be seen in the coincident index, which has had scant growth since June.

Vendor Performance Was Biggest Drag

- The largest negative contribution came from the component known somewhat enigmatically as “vendor performance.” This is essentially a measurement of the time it takes to receive orders. Industrial companies are receiving their orders quickly...a little too quickly. A decrease in delivery time can indicate falling demand for manufacturing supplies.
- The decline in September building permits was another drag.



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