

Economics Group

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Blame Sandy For Most of the Drop in LEI

The Leading Economic Index fell 0.2 percent in November. An increase in claims for unemployment insurance in November was the primary drag. Orders for manufacturer's goods also fell.

Drag From Claims Overstates Labor Market Weakness

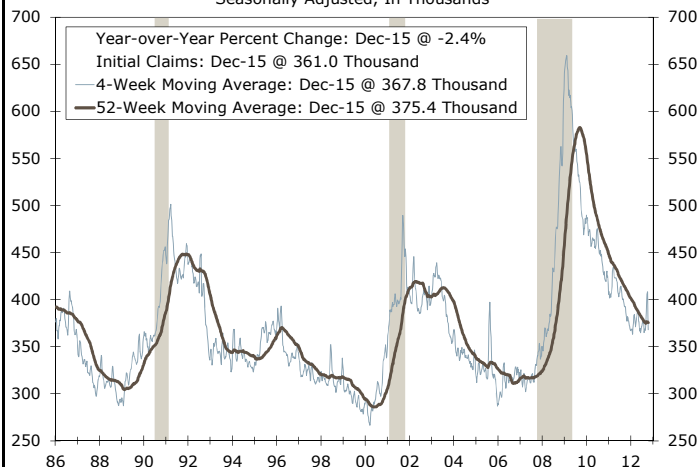
- A spike in jobless claims in November resulted in the largest overall drag on LEI. In the second week of November, claims soared as Hurricane Sandy held back turnout the prior week. This proved temporary as claims trended lower in December which should result in a reversal for this component next month. Had claims not been a factor, LEI would have been off only slightly for the month.

Coincident Index Increases

- The gradual recovery we have seen in the labor market is better reflected this month by the overall change in nonfarm payrolls which boosted the Coincident Index.
- There were other signs of weakness, like the decline in orders for and factory goods, but there were bright spots as well, with a pick-up in manufacturing hours and the yield spread. Growth will continue in Q4, though probably at a slower pace.

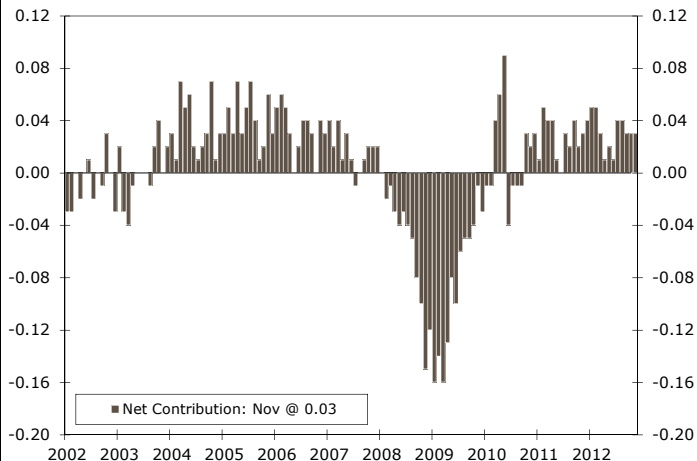
Initial Claims for Unemployment

Seasonally Adjusted, In Thousands



Nonfarm Payroll Changes

Net Contribution to Index



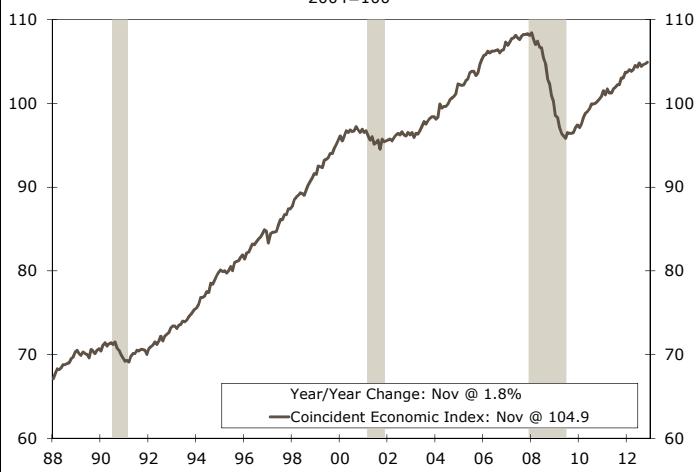
Net Contribution to Leading Economic Index

November 2012



Coincident Economic Index

2004=100



Source: U.S. Department of Labor, Conference Board and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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