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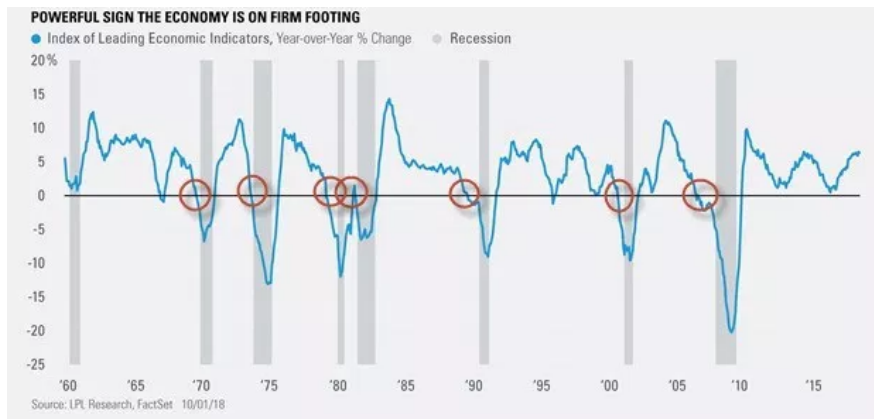
LEI-ding the Way to No Recession

Posted by [lplresearch](#)

The Conference Board's Leading Economic Index (LEI) is one of our favorite economic indicators. It is designed to predict future movements in the economy based on a composite of 10 economic indicators (like manufacturers' new orders, stock prices, and weekly unemployment claims) whose changes tend to precede shifts in the overall economy. Last week, it painted a continued strong backdrop for future economic growth, as it rose 0.4% month-over-month and 6.4% year-over-year (YoY).

Looking under the hood, the LEI has risen or been flat for 27 consecutive months, just topping the streak of 26 months that ended in 2011. This is now the longest streak without a drop in the LEI since the mid-1980s. While the yield curve has been getting all the attention recently, all recessions going back to the early 1970s first saw the LEI turn negative YoY; and because of its solid track record of predicting recessions, the LEI is a component of [LPL Research's Five Forecasters](#).

As our LPL Chart of the Day shows, the LEI is nowhere near turning negative currently.



“The fact that the LEI has been very successful at forecasting recessions, and is one of the few forward-looking economic indicators, makes it one of our

favorites. The strong recent data suggests a recession is nowhere in sight and signals solid underlying fundamentals in the U.S. economy,” said Ryan Detrick, LPL senior market strategist.

Lastly, here are all seven recessions going back to early 1970. As you can see, the LEI turned negative year-over-year on average eight months (with a median of six months) before a recession officially took place. That is what we call a nice track record. Again, with the LEI up 6.4% year-over-year, we are a long way from this economic indicator flashing any major recession warning.

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