

## December Leading Indicators, January UI Claims

### Leading Economic Index Moves Down, with an Asterisk\*

- The Conference Board's Leading Economic Index for December decreased by 0.1 percent.
- Initial Claims for Unemployment Insurance fell by 13,000 for the week ending Jan. 19, to hit 199,000.

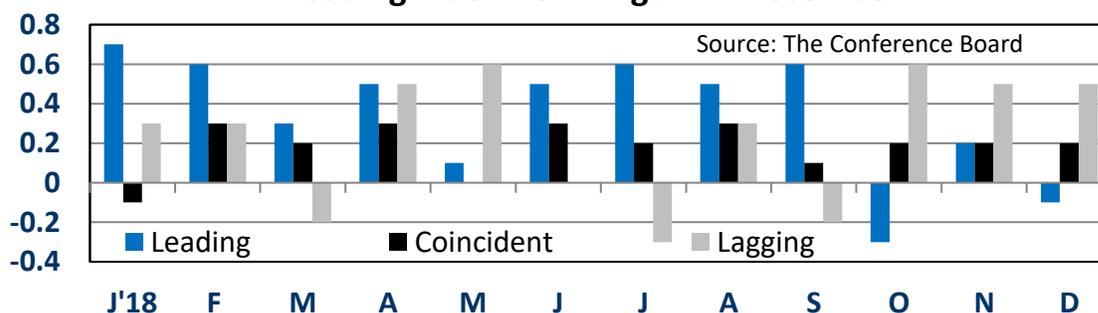
The Conference Board's Leading Economic Index for the U.S. dipped by 0.1 percent in December. There are two important things to say about the December LEI. First, it is not unusual for the leading index to dip briefly into negative territory and then bounce back without the U.S. economy falling into recession. However, being down two out of the last three months focuses our attention. Secondly, due to the partial federal government shutdown, two out of ten components of the leading index were not available for December. The Conference Board developed its own forecast of manufacturers' new orders for consumer goods and materials and developed its own forecast for building permits. So, we must give the December Leading Economic Index an asterisk and say that it is subject to a potentially larger than normal revision. According to the Conference Board, six out of ten subcomponents of the leading index were positive in December. They were, beginning with the largest positive contributors, initial claims for unemployment insurance, the Leading Credit Index, interest rate spread, consumer expectations for business conditions, manufacturers' new orders for nondefense capital goods excluding aircraft and manufacturers' new orders for consumer goods and materials. The negative components were stock prices, the ISM New Orders Index and building permits. Average weekly manufacturing hours were unchanged in December. The Coincident Index was positive for the eleventh month in a row, gaining 0.2 percent in December. The Lagging Index was positive for the third consecutive month, increasing by 0.5 percent in December.

Initial claims for unemployment insurance fell by 13,000 for the week ending January 19, to hit 199,000. This is the lowest level of initial claims since November 1969. The upward trend in initial claims visible from mid-September through early December 2018 appears to have reversed. Continuing claims for unemployment benefits fell by 24,000 for the week ending January 12, to hit 1,713,000. Federal workers who are not receiving paychecks are eligible for unemployment benefits, so we expect that category of UI claims to increase through January. However, federal workers who are still working but are not getting paid are not eligible for UI benefits. Initial claims filed by federal government workers increased by 14,965 for the week ending January 12. Continuing claims data shows that 24,681 former federal employees were claiming UI benefits through January 5, up 11,183 from the previous week.

We can see in today's U.S. economic data that the federal government shutdown is muddying up both the government generated data and the private sector data. Fortunately, there is some redundancy in economic data and much of the private sector data is still unaffected. Our view into the current condition of the U.S. economy is imperfect at best, now it is getting murkier.

**Market Reaction:** U.S. equity markets have reversed opening losses. The 10-year Treasury bond yield is down to 2.72 percent. NYMEX crude oil is up to \$52.73/barrel. Natural gas futures are up to \$3.01/mmbtu.

### Leading Index Down Again in December



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