

# The Puget Sound ECONOMIC FORECASTER



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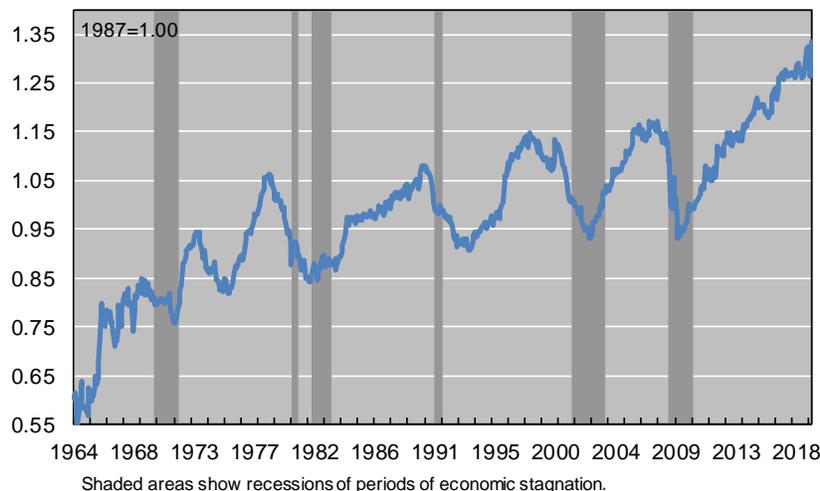
## Monthly Leading Index

The monthly leading index grew upon inclusion of data from March, reversing two straight months of declines and reaching a new high-water mark for the index. As mentioned last month, two months of declines is not enough to start worrying and this month's data indicates why.

Unusually strong activity in the labor market drove much of this growth. Online job postings, as reported by the Conference Board, grew 5.7 percent from March of 2018. Unemployment insurance claims remain unchanged from a year prior, but grew 2.6 percent month-to-month (growth in this index indicates a decline in initial insurance claims). This is partially skewed due to a high amount of unemployment insurance claimed in February as the heavy snowfall in the region dampened construction activity, but claims still grew 0.8 percent quarterly. The manufacturing work week, a measure of statewide industrial production, grew 2 percent on a quarterly basis to a 43 hour work week.

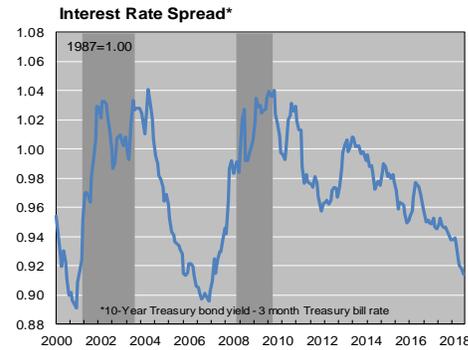
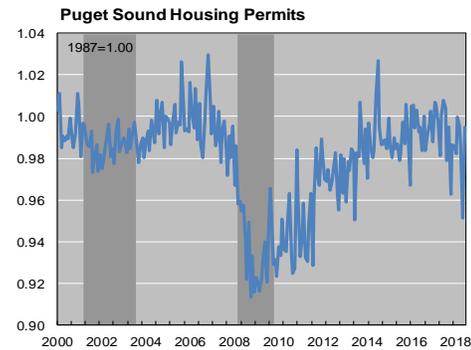
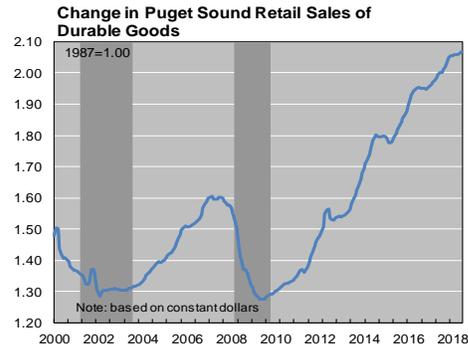
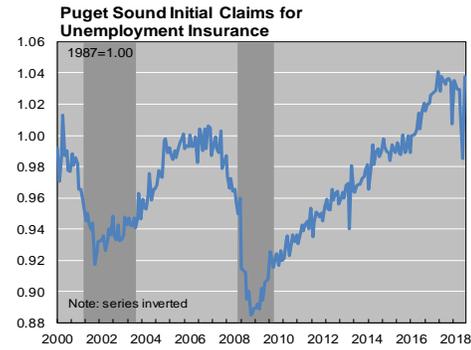
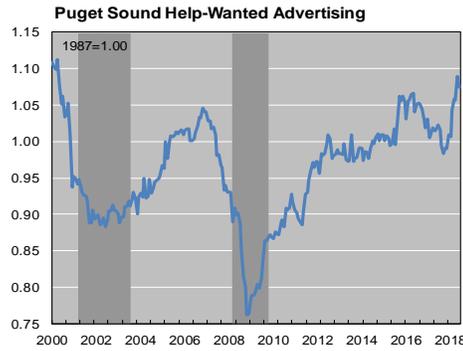
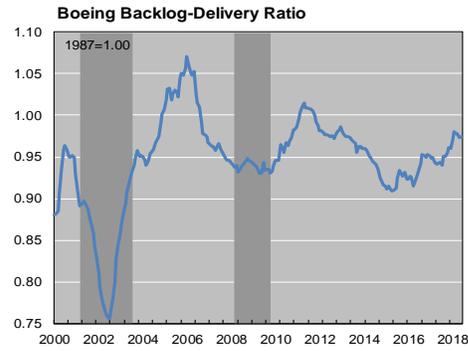
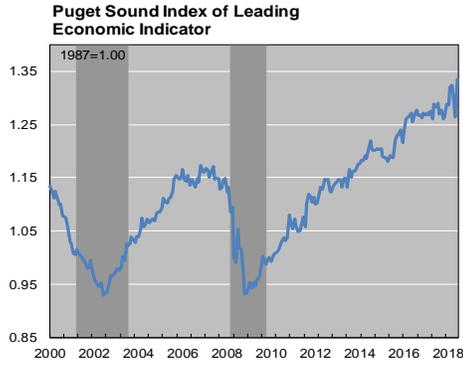
Only one index declined across the board – the Treasury interest rate spread. After inverting in December, the spread is moving decisively, if slowly, towards negative territory again. Still, recessions usually come between 6 months to 2 years after an inversion and nothing is setting off the warning bells yet.

**Puget Sound Index of Leading Economic Indicators**



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Shaded areas show recessions or periods of economic stagnation.

## Explanatory Note

Like its quarterly counterpart, the monthly version of the Puget Sound Index of Leading Economic Indicators is a composite of seven leading regional economic indicators: help-wanted ads (adjusted to take into account the shift of ads from newspapers to the internet), initial claims for unemployment insurance, length of the manufacturing workweek, housing permits, real durable goods purchases, the Boeing backlog-delivery ratio, and an interest rate spread. The monthly leading index tends to lead the regional business cycle, as measured by employment growth, by about nine months (three quarters), falling prior to recessions or periods of stagnation and rising prior to recoveries. As an independent forecasting method, the monthly leading index serves as a check on the predictions that we produce with our regional econometric model (see the Special Topic in the March 2005 issue of *The Puget Sound Economic Forecaster* for additional information on leading indexes).

Since it is based on monthly data, the monthly leading index differs from the quarterly leading index in two important respects. First, compared to the quarterly index, the monthly index provides a timelier assessment of the near-term prospects for the regional economy. Second, because the quarterly index is in effect a smoothed variant of the monthly index, the monthly index tends to be more volatile. Thus, individual month-to-month changes in the monthly leading index and its components should be interpreted with caution, as they can be misleading.