



Iowa Leading Indicators Index: October 2021 Report

The Iowa Leading Indicators Index October 2021 Report and Memo are indicative of economic activity experienced in October of 2021. The Iowa Leading Indicators Index (ILII) regained some momentum in October. The index increased 0.4 percent in October 2021 after only increasing 0.1 percent in September. The index increased to 109.8 (100=1999) from 109.4 in September. With six of the eight components contributing positively, the monthly diffusion index increased to 81.3 in October, from 50.0 in September. October marks the fifteenth month in a row that the monthly diffusion index has registered at or above 50.0. The COVID pandemic caused the ILII to drop as low as 103.4 in June 2020 before sharply recovering to the current high. October marks the thirteenth month in a row since the ILII has exited contraction.

The ILII was constructed to signal economic turning points with two key metrics that when seen together are considered a signal of a coming contraction: a six-month annualized change in the index below -2.0 percent and a six-month diffusion index below 50.0. With consistent positive improvements over the last year, this report suggests that employment growth will improve over the next 3 to 6 months. The six-month diffusion index decreased to 62.5 in October from 75.0 in September and the annualized six-month ILII change value was 4.2 percent. The Iowa nonfarm employment coincident index¹ recorded a 0.15 percent increase in October, the seventh month of increase since February 2020. These are all good indications of a robust economic turnaround.

- The Agricultural futures profits index was the strongest contributor to the ILII in October, with both grain commodities and both livestock commodities expecting profit gains. Compared to last year, new crop corn prices were 34.5 percent higher while soybean prices were 16.6 percent higher. The October crush margin for cattle increased 5.2 percent from September while the crush margin for hogs increased 12.5 percent.
- Residential building permits and the Iowa stock market index both went from detractors in September to positive contributors in October. The 12-month moving average of residential building permits increased to 1,208 in October from 1,177 in September. The increase of 121 percent in 5 or more units structure permits drove the increase in the year over year permit data. In October 2021, 20 of the 30 companies in the Iowa Stock Market Index gained value, including nine of the 10 financial-sector companies. With two-thirds of the stocks experiencing gains, the index increased to 129.61 in October from 128.72 in September.
- The largest detractor from the index in October 2021 was the new orders Index. October 2021 is the second month since June 2020 that the new orders index was a negative contributor to the Index. The monthly value of the new orders index increased to 73.8 from 64.6 in September, yet was substantially lower than the October 2020 value of 82.1. The 12-month moving average of the new orders index decreased to 74.4 from 75.1.

The monthly Iowa Leading Indicators Index report is available on the [Department's website](#). Please contact Robin Anderson, the State Chief Economist, at Robin.Anderson@iowa.gov or (515) 423-8005 if you have any questions or feedback about the report.

¹ The Iowa nonfarm employment coincident index is the measure of the number of workers in Iowa excluding farm workers and workers in a handful of other job classifications. This is measured by the Bureau of Labor Statistics (BLS), which surveys private and government entities throughout the U.S. about their payrolls. The BLS reports the nonfarm payroll numbers to the public on a monthly basis and the index then creates a 12-month moving average.