

The Iowa Leading Indicators Index (ILII) declined slightly but remained at 107.5 (100=1999) in July due to rounding from June (-0.1 percent). The monthly diffusion index decreased to 43.8 in July from 75.0 in June. The Iowa nonfarm employment coincident index recorded a 0.01 percent increase in July. The Iowa nonfarm employment coincident index has experienced decreases in eight of the last ten months. However, long term trends in the ILII suggest that nonfarm employment will increase over the next three to six months.

During the six-month span through July 2025, the ILII increased 0.7 percent (an annualized rate of 1.5 percent). The six-month diffusion index decreased to 62.5 in July down from 81.3 in June. 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. Five of the eight component indicators increased more than 0.05 percent over the last half-year: the agricultural futures profits index (AFPI), average manufacturing hours, diesel fuel consumption, the Iowa Stock Market index, and residential building permits. The new orders index, initial unemployment insurance claims (inverted), and the national yield spread decreased by more than 0.05 percent over the last six months.

Four of the eight components increased month-over-month in July 2025: The Iowa Stock Market Index, average weekly manufacturing hours, average weekly unemployment claims (inverted), and the national yield spread. Diesel fuel consumption, residential building permits, the new orders index, and the AFPI were the four components that detracted from the Index.

Figure 1. Iowa Leading Indicators Index and Iowa Nonfarm Employment Coincident Index: January 1999 - July 2025

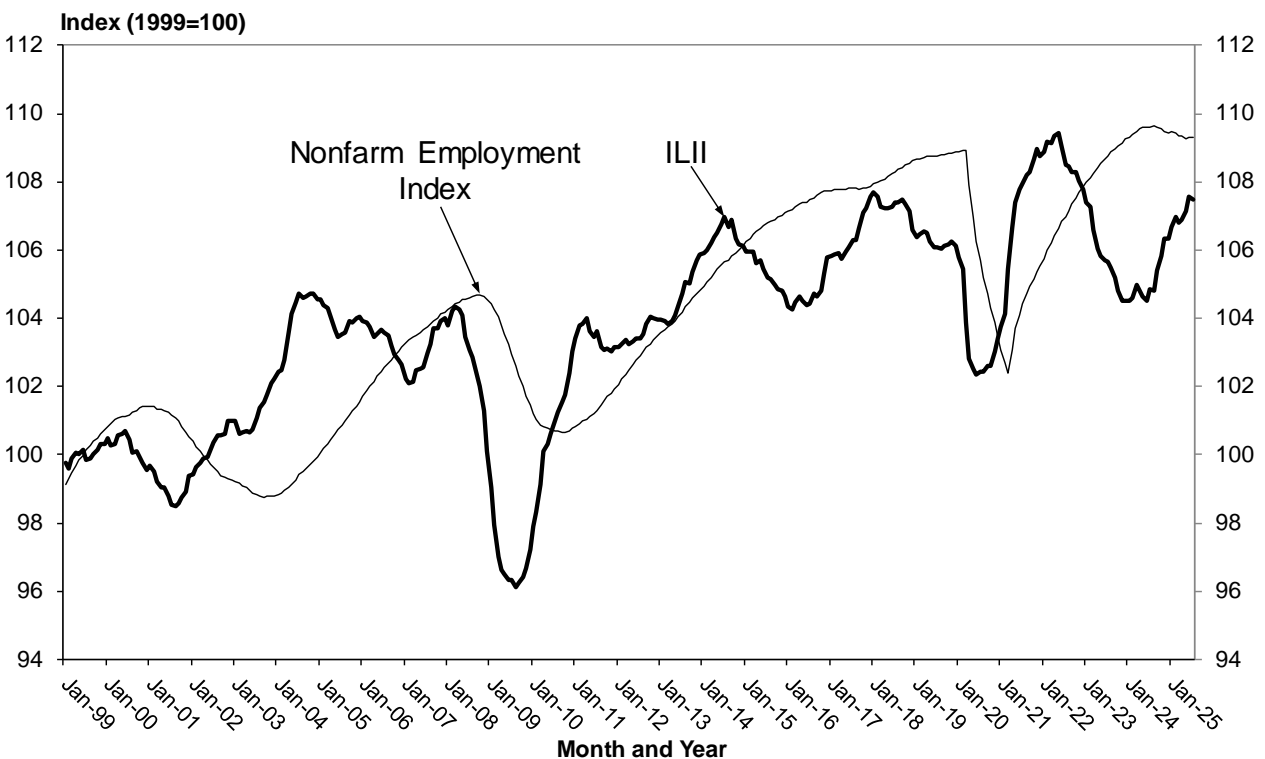


Table 1. Iowa Leading Indicators Index: Six Month Overview

| Monthly Values | 2025 | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Feb | Mar | Apr | May | June | July |
| ILII | 107.0 | 106.8 | 106.9 | 107.2 | 107.5 | 107.5 |
| Percentage Change ^a | 0.3% | -0.2% | 0.1% | 0.2% | 0.4% | -0.1% |
| Diffusion Index ^b | 62.5 | 50.0 | 56.3 | 62.5 | 75.0 | 43.8 |
| Six-Month Values | Sep to Feb | Oct to Mar | Nov to Apr | Dec to May | Jan to Jun | Feb to Jul |
| | | | | | | |
| ILII | | | | | | |
| Percentage Change | 2.1% | 1.3% | 1.0% | 0.8% | 1.1% | 0.7% |
| Annualized Percentage Change | 4.2% | 2.7% | 2.0% | 1.5% | 2.3% | 1.5% |
| Diffusion Index | 62.5 | 62.5 | 62.5 | 62.5 | 81.3 | 62.5 |

Source: Tax Research Bureau, Iowa Department of Revenue, produced September 5, 2025.

a. Percentage changes in the ILII do not always equal changes in the level of the ILII due to rounding.

b. A diffusion index measures the proportion of components that are rising based on the actual changes (not the standardized contributions to the ILII). Components experiencing increases greater than 0.05 percent are assigned a value of 1.0, components that experience changes less than an absolute value of 0.05 percent are assigned a value of 0.5, and components experiencing decreases greater than 0.05 percent are assigned a value of 0.0.

Table 2. Iowa Leading Indicators Index Components: Six Month Overview

| Component Series Monthly Values ^a | | 2025 | | | | | |
|---|----------------|--------|--------|--------|--------|--------|--------|
| | | Feb | Mar | Apr | May | Jun | Jul |
| AFPI ^b | ↓ ^c | | | | | | |
| Corn Profits (cents per bushel) | | -2.2 | -0.3 | 2.0 | 4.0 | 4.3 | 7.1 |
| Soybean Profits (cents per bushel) | | -122.6 | -126.9 | -130.3 | -135.0 | -134.9 | -141.9 |
| Hog Profits (cents per pound) | | 30.2 | 31.0 | 29.1 | 33.2 | 35.3 | 34.8 |
| Cattle Profits (cents per pound) | | 9.5 | 8.6 | 7.0 | 8.2 | 7.7 | 6.9 |
| Iowa Stock Market Index (10=1984-86) | ↑ | 163.24 | 155.22 | 146.36 | 159.83 | 164.09 | 170.61 |
| Yield Spread (10-year less 3-month) | ↑ | 0.12 | -0.06 | -0.04 | 0.06 | -0.04 | -0.02 |
| Residential Building Permits | ↓ | 1,039 | 1,069 | 1,092 | 1,101 | 1,153 | 1,127 |
| Average Weekly Unemployment Claims ^d | ↑ | 2,591 | 2,600 | 2,582 | 2,592 | 2,579 | 2,560 |
| Average Weekly Manufacturing Hours | ↑ | 40.99 | 41.07 | 41.18 | 41.15 | 41.20 | 41.28 |
| New Orders Index (percent) | ↓ | 48.4 | 49.0 | 48.4 | 48.6 | 48.4 | 47.9 |
| Diesel Fuel Consumption (mil gallons) | ↓ | 65.99 | 65.08 | 65.54 | 65.23 | 65.71 | 65.41 |

Source: Tax Research Bureau, Iowa Department of Revenue, produced September 5, 2025.

a. For all component series except for the yield spread and the Iowa stock market index, the values represent 12-month backward moving averages.

b. The agricultural futures profits index is computed as the sum of the standardized symmetric percent changes in the four series, each weighted by the commodity's annual share of Iowa cash farm income (updated September 2, 2025).

c. Arrows indicate the direction of the series' contribution to the ILII for the latest month.

d. Changes in average weekly initial unemployment insurance claims are inverted when added to the ILII, thus a negative change in the series contributes positively to the index.

ILII Components

- **Iowa stock market index:** Capitalization-weighted index of 27 Iowa-based or Iowa-concentrated publicly-traded companies. During July, 18 of the 27 companies gained value, and seven of the nine financial-sector companies increased in value. With over half of the stocks experiencing gains, the index increased to 170.61 in July from 164.09 in June, contributing 0.06 to the ILII.
- **Average weekly manufacturing hours:** Weekly average of hours worked in the manufacturing sector in Iowa. Changes are calculated based on a 12-month moving average. For July, this component contributed 0.06 to the ILII with the 12-month moving average increasing to 41.28 in July from a revised 41.20 in June. In July, average hours were 41.7, over three-quarters of an hour above the historical monthly average (1996-2024).
- **Average weekly unemployment claims:** Weekly average of initial claims for unemployment insurance in Iowa. Changes are calculated based on a 12-month moving average and are inverted when added to the ILII. This component contributed 0.01 to the ILII value, with the 12-month moving average of claims declining from 2,579 to 2,560. Unemployment claims were 10.2 percent below July 2024 claims, and 39.2 percent below average historical claims for July (1988-2024).
- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During July, the yield spread contributed to the ILII, yet remained in inversion territory (below 0.00 percent), up from -0.04 percent in June to -0.02 in July. The long-term rate decreased by 1 basis point in July while the short-term rate increased by 1 basis point. For the month, the yield spread contributed 0.01 to the ILII value.
- **Agricultural futures profits index:** Composite measure of corn and soybean expected profits, measured as the 12-month moving average of the futures price less estimated breakeven costs, and cattle and hog expected profits, measured as the average of the crush margin for the next 12 months, weighted by the respective share of Iowa annual cash receipts averaged over the prior ten calendar years. During July 2025, this component detracted -0.03 from the ILII; expected profits increased in corn commodities, however soybeans as well as both livestock commodities experienced expected profit decreases. Compared to last year, new crop corn prices were 1.8 percent higher while soybean prices were 15.4 percent lower. The July crush margin for cattle decreased 9.7 percent from June while the crush margin for hogs decreased 1.5 percent from June.
- **New orders index:** Diffusion index measuring the share of purchasing managers in Iowa reporting increases in orders received for manufacturing output. Changes are calculated based on a 12-month moving average. In July, the new orders index decreased to 43.9 from 51.9 in June. Likewise, the 12-month moving average of the new orders index decreased to 46.7 from 48.4 in June, and detracted -0.03 from the ILII.
- **Residential building permits:** Number of total permits issued in Iowa for the construction of residential housing units. Changes are calculated based on a 12-month moving average. In July, permits were 973, down from 1,284 in July 2024. This component detracted -0.07 from the July 2025 ILII with the 12-month moving average decreasing to 1,127 in July from 1,153 in June. July 2025 permits were 24.2 percent below July 2024, and 8.1 percent below the monthly historical average (1998-2024).
- **Diesel fuel consumption:** Number of taxable gallons of diesel fuel sold in Iowa. Changes are calculated based on a 12-month moving average. Diesel fuel consumption decreased 5.4 percent between July 2024 and July 2025. The 12-month moving average decreased to 65.41 million gallons in July from 65.71 million in June, detracting -0.07 from the ILII value.

Table 3. ILII Components and Standardization Factors for FY 2026

| Iowa Leading Indicator Index Components | Standardization Factor |
|---|------------------------|
| Agricultural Futures Profits Index | 0.034 |
| Iowa Stock Market Index | 0.016 |
| Yield Spread | 0.350 |
| Residential Building Permits | 0.032 |
| Average Weekly Unemployment Claims | 0.015 |
| Average Weekly Manufacturing Hours | 0.325 |
| New Orders Index | 0.065 |
| Diesel Fuel Consumption | 0.162 |

Source: Tax Research Bureau, Iowa Department of Revenue, produced September 5, 2025

The standardization factors are the inverse of the standard deviation of the month-to-month changes in each component over the January 1999 to June 2025 period. These factors equalize the volatility of the contribution from each component and are normalized to one. The month-to-month changes are based on 12-month backward moving averages for all components except the agricultural futures profits index, the Iowa stock market index, and yield spread. The yield spread and new orders index changes are simple arithmetic changes; month-to-month changes for the rest of the components are computed as symmetric percentage changes.

The factors are updated annually during August.

Comments

The Iowa Leading Indicators Index (ILII) is designed to forecast the future direction of economic activity in the state of Iowa. The techniques used to build the ILII follow those used by The Conference Board to construct the national Leading Economics Index (LEI) prior to the 2001 revisions. A one-month movement in such an index does not produce a clear signal, rather it is necessary to consider the direction of the index over several consecutive months. A contraction signal in the ILII is considered reliable when two conditions are met: 1. The index declines by at least two percent over a six-month period (using an annualized rate); and, 2. A majority of the individual components decline over those six months (the six-month diffusion index less than 50.0).

The Iowa nonfarm employment coincident index measures the change in non-seasonally adjusted, total nonfarm employment in the state of Iowa. Changes are based on a 12-month moving average of employment and are computed as symmetric percentage changes. The index is a representation of overall economic activity in Iowa.

The employment index and the ILII are constructed to have a value of 100 in the year 1999.