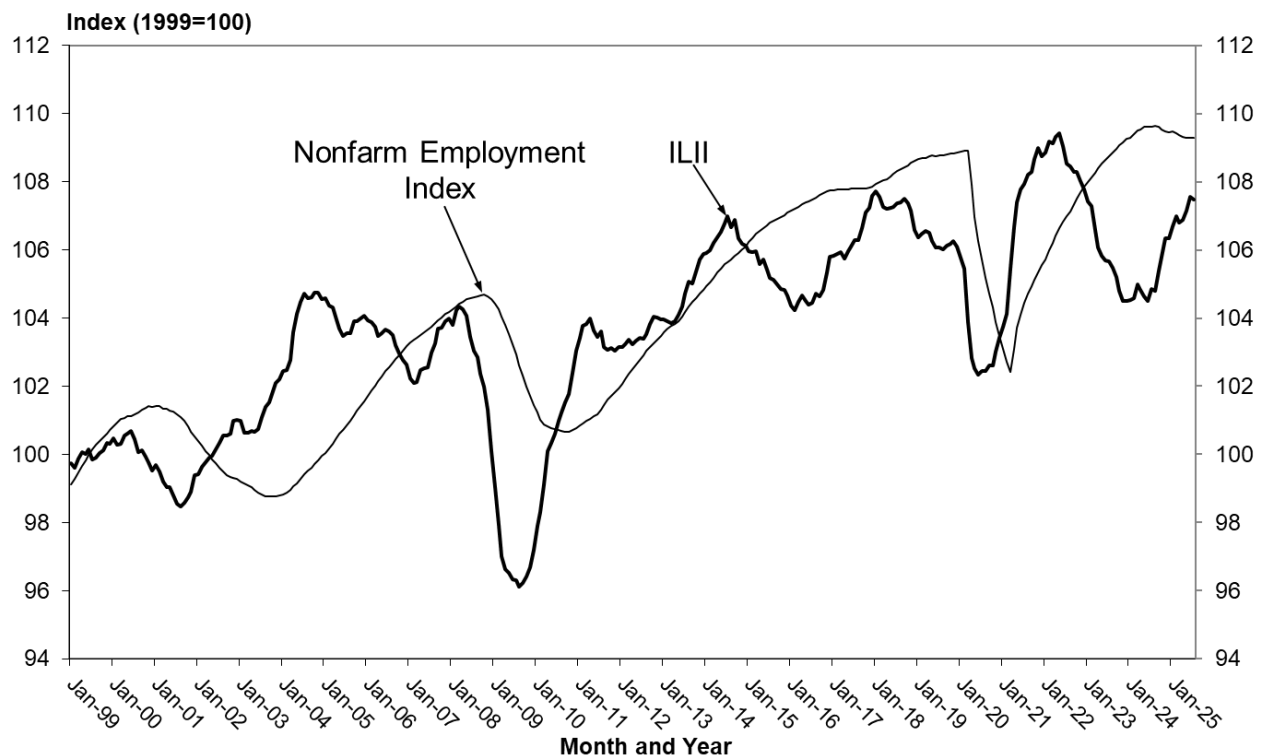


The Iowa Leading Indicators Index (ILII) increased 0.2 percent to 107.7 (100=1999) in August from 107.5 in July. The monthly diffusion index increased to 81.3 in August from 43.8 in July. The Iowa nonfarm employment coincident index recorded a 0.01 percent increase in August. The Iowa nonfarm employment 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 August 2025, the ILII increased 0.7 percent (an annualized rate of 1.3 percent). The six-month diffusion index increased to 75.0 in August, up from 62.5 in July. 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. Six 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, the Iowa Stock Market index, new orders index, initial unemployment insurance claims (inverted), and residential building permits. The national yield spread and diesel fuel consumption decreased by more than 0.05 percent over the last six months.

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

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



**Table 1. Iowa Leading Indicators Index: Six Month Overview**

Monthly Values	2025					
	Mar	Apr	May	June	July	Aug
ILII	106.8	106.9	107.2	107.5	107.5	107.7
Percentage Change <sup>a</sup>	-0.2%	0.1%	0.2%	0.4%	-0.1%	0.2%
Diffusion Index <sup>b</sup>	50.0	56.3	62.5	75.0	43.8	81.3
Six-Month Values	Oct to Mar	Nov to Apr	Dec to May	Jan to Jun	Feb to Jul	Mar to Aug
ILII						
Percentage Change	1.3%	1.0%	0.8%	1.1%	0.7%	0.7%
Annualized Percentage Change	2.7%	2.0%	1.5%	2.3%	1.5%	1.3%
Diffusion Index	62.5	62.5	62.5	81.3	62.5	75.0

Source: Tax Research Bureau, Iowa Department of Revenue, produced October 7, 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 <sup>a</sup>		2025					
		Mar	Apr	May	Jun	Jul	Aug
AFPI <sup>b</sup>	↑ <sup>c</sup>						
Corn Profits (cents per bushel)		-0.3	2.0	4.0	4.3	7.1	9.9
Soybean Profits (cents per bushel)		-126.9	-130.3	-135.0	-134.9	-141.9	-130.3
Hog Profits (cents per pound)		31.0	29.1	33.2	35.3	34.8	35.9
Cattle Profits (cents per pound)		8.6	7.0	8.1	7.7	6.9	4.9
Iowa Stock Market Index (10=1984-86)	↓	155.22	146.36	159.83	164.09	170.61	166.10
Yield Spread (10-year less 3-month)	↓	-0.06	-0.04	0.06	-0.04	-0.02	-0.04
Residential Building Permits	↑	1,069	1,092	1,101	1,153	1,127	1,136
Average Weekly Unemployment Claims <sup>d</sup>	↑	2,600	2,582	2,592	2,579	2,560	2,544
Average Weekly Manufacturing Hours	↑	41.07	41.18	41.15	41.20	41.28	41.30
New Orders Index (percent)	↑	49.0	48.4	48.6	48.4	47.9	48.6
Diesel Fuel Consumption (mil gallons)	↑	65.08	65.54	65.23	65.71	65.41	65.82

Source: Tax Research Bureau, Iowa Department of Revenue, produced October 7, 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

- **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 increased 7.7 percent between August 2024 and August 2025. The 12-month moving average increased to 65.82 million gallons in August from 65.41 million in July, contributing 0.10 to the ILII value.
- **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 August, the new orders index increased to 50.3 from 43.9 in July. Likewise, the 12-month moving average of the new orders index increased to 48.6 from 47.9 in July, and contributed 0.04 to the ILII.
- **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 August 2025, this component contributed 0.03 to the ILII; expected profits increased in corn, soybean and hog commodities, however cattle commodities experienced an expected profit decrease. Compared to last year, new crop corn prices were 2.3 percent higher and soybean prices were 3.7 percent higher. The August crush margin for cattle decreased 29.2 percent from July while the crush margin for hogs increased 3.4 percent from July.
- **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 August, permits were 1,251, up from 1,142 in August 2024. This component contributed 0.03 to the August 2025 ILII with the 12-month moving average increasing to 1,136 in August from 1,127 in July. August 2025 permits were 9.5 percent above August 2024, and 9.6 percent above the monthly historical average (1998-2024).
- **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 August, this component contributed 0.02 to the ILII with the 12-month moving average increasing to 41.30 in August from 41.28 in July. In August, average hours were 41.3, approximately one-quarter 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 0.02 to the ILII value, with the 12-month moving average of claims declining from 2,560 to 2,544. Unemployment claims were 9.8 percent below August 2024 claims, and 33.4 percent below average historical claims for August (1988-2024).
- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During August, the yield spread detracted from the ILII, and remained in inversion territory (below 0.00 percent), down from -0.02 percent in July to -0.04 in August. The long-term rate decreased by 13 basis points in August while the short-term rate decreased by 11 basis points. For the month, the yield spread detracted 0.01 from the ILII value.
- **Iowa stock market index:** Capitalization-weighted index of 27 Iowa-based or Iowa-concentrated publicly-traded companies. During August, 12 of the 27 companies gained value, and only three of the nine financial-sector companies increased in value. With less than half of the stocks experiencing gains, the index decreased to 166.10 in August from 170.61 in July, detracting 0.04 from the ILII.

**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.