

The Iowa Leading Indicators Index (ILII) increased 0.1 percent to 107.8 (100=1999) in September from 107.7 in August. The monthly diffusion index decreased to 62.5 in September from 81.3 in August. The federal government shutdown has affected the release of employment and housing data utilized in the ILII and therefore, the September 2025 ILII will present economic analysis based upon available components and neutralize the as yet unavailable components. When the federal shutdown concludes and the September data becomes available retroactive revisions will be included in the ILII historical data and nonfarm employment index.

During the six-month span through September 2025, the ILII increased 0.9 percent (an annualized rate of 1.9 percent). The six-month diffusion index increased to 100 in September, up from 75.0 in August. 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. For the first month since April 2010, all of the eight component indicators increased more than 0.05 percent over the last half-year. However, data for two components (average weekly manufacturing hours and residential building permits) have yet to be released and could yet negatively affect this diffusion index.

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

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

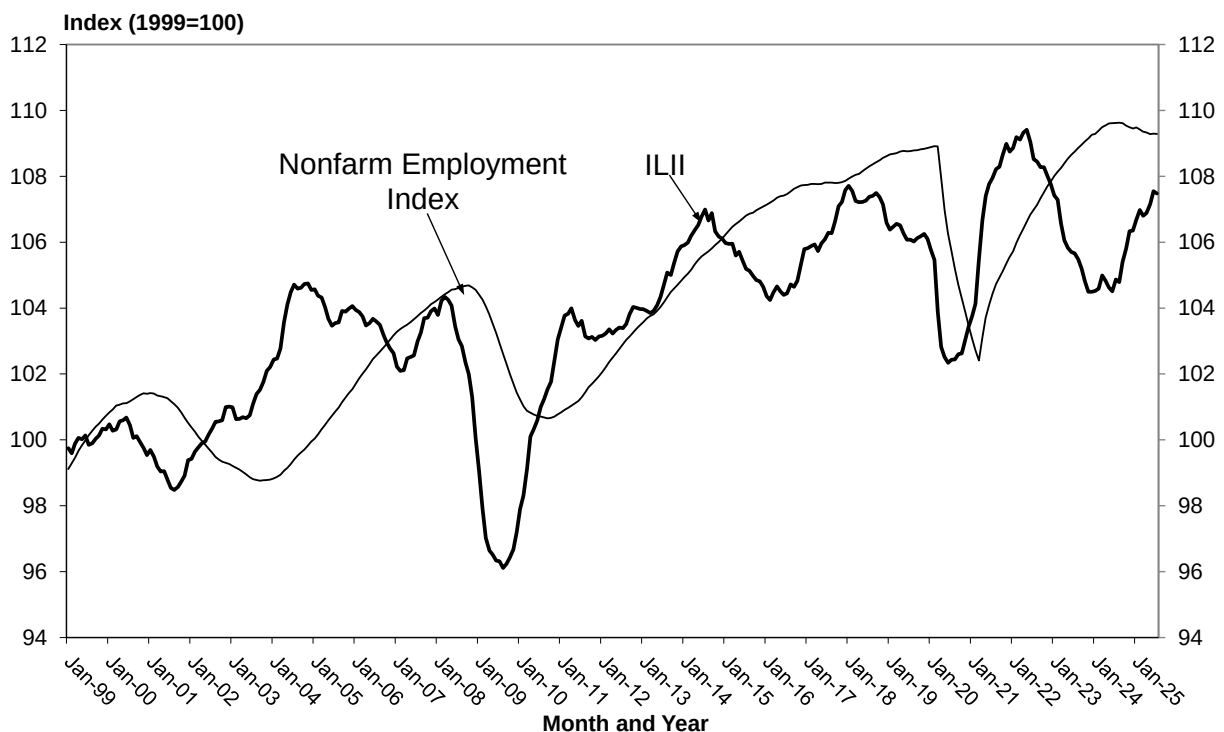


Table 1. Iowa Leading Indicators Index: Six Month Overview

Monthly Values	2025					
	Apr	May	June	July	Aug	Sept
ILII	106.9	107.2	107.5	107.5	107.7	107.8
Percentage Change ^a	0.1%	0.2%	0.4%	-0.1%	0.2%	0.1%
Diffusion Index ^b	56.3	62.5	75.0	43.8	81.3	62.5
Six-Month Values	Nov to Apr	Dec to May	Jan to Jun	Feb to Jul	Mar to Aug	Apr to Sept
ILII						
Percentage Change	1.0%	0.8%	1.1%	0.7%	0.7%	0.9%
Annualized Percentage Change	2.0%	1.5%	2.3%	1.5%	1.3%	1.9%
Diffusion Index	62.5	62.5	81.3	62.5	75.0	100

Source: Tax Research Bureau, Iowa Department of Revenue, produced October 31, 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					
		Apr	May	Jun	Jul	Aug	Sept
AFPI ^b	↓ ^c						
Corn Profits (cents per bushel)		2.0	4.0	4.3	7.1	9.9	13.0
Soybean Profits (cents per bushel)		-130.3	-135.0	-134.9	-141.9	-130.3	-121.5
Hog Profits (cents per pound)		29.1	33.2	35.3	34.8	36.0	35.8
Cattle Profits (cents per pound)		7.0	8.2	7.7	6.9	4.9	3.0
Iowa Stock Market Index (10=1984-86)	↑	146.36	159.83	164.09	170.61	166.10	168.25
Yield Spread (10-year less 3-month)	↑	-0.04	0.06	-0.04	-0.02	-0.04	0.05
Residential Building Permits	*	1,092	1,101	1,153	1,127	1,136	1,136
Average Weekly Unemployment Claims ^d	↑	2,582	2,592	2,579	2,560	2,544	2,483
Average Weekly Manufacturing Hours	*	41.18	41.15	41.20	41.28	41.30	41.30
New Orders Index (percent)	↑	48.4	48.6	48.4	47.9	48.6	49.4
Diesel Fuel Consumption (mil gallons)	↓	65.54	65.23	65.71	65.41	65.82	65.78

Source: Tax Research Bureau, Iowa Department of Revenue, produced October 31, 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.

* Data currently unavailable due to federal government shutdown. Data from September 2024 used in order to neutralize impact of component

ILII Components

- **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 September, the new orders index increased to 50.5 from 50.3 in August. Likewise, the 12-month moving average of the new orders index increased to 49.4 from 48.6 in August, and contributed 0.06 to the ILII.
- **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 0.04 to the ILII value, with the 12-month moving average of claims declining from 2,544 to 2,483. Unemployment claims were 34.8 percent below September 2024 claims, and 44.8 percent below average historical claims for September (1988-2024).
- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During September, the yield spread contributed to the ILII, and moved out of inversion territory (below 0.00 percent), up from -0.04 percent in August to 0.05 in September. The long-term rate decreased by 14 basis points in September while the short-term rate decreased by 23 basis points. For the month, the yield spread contributed 0.03 to the ILII value.
- **Iowa stock market index:** Capitalization-weighted index of 27 Iowa-based or Iowa-concentrated publicly-traded companies. During September, only 9 of the 27 companies gained value, and only one of the nine financial-sector companies increased in value. Despite the number of stocks experiencing losses, the index increased to 168.25 in September from 166.10 in August due to such strong gains by Lumen Technologies stock (CenturyLink), contributing 0.02 to the ILII.
- **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 0.6 percent between September 2024 and September 2025. The 12-month moving average decreased to 65.78 million gallons in September from 65.82 million in August, detracting 0.01 from 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 September 2025, this component detracted 0.01 from the ILII; expected profits increased in corn and soybean and hog commodities, however cattle and hog commodities experienced an expected profit decrease. Compared to last year, new crop corn prices were 2.9 percent higher and soybean prices were also 2.9 percent higher. The September crush margin for cattle decreased 38.0 percent from August while the crush margin for hogs decreased 0.4 percent from August.
- **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 September, this component contributed 0.0 to the index as the Bureau of Labor Statistics has not yet released employment data due to the federal government shutdown.
- **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 September, this component contributed 0.0 to the index as the U.S. Census Bureau has not yet released housing data due to the federal government shutdown.

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.