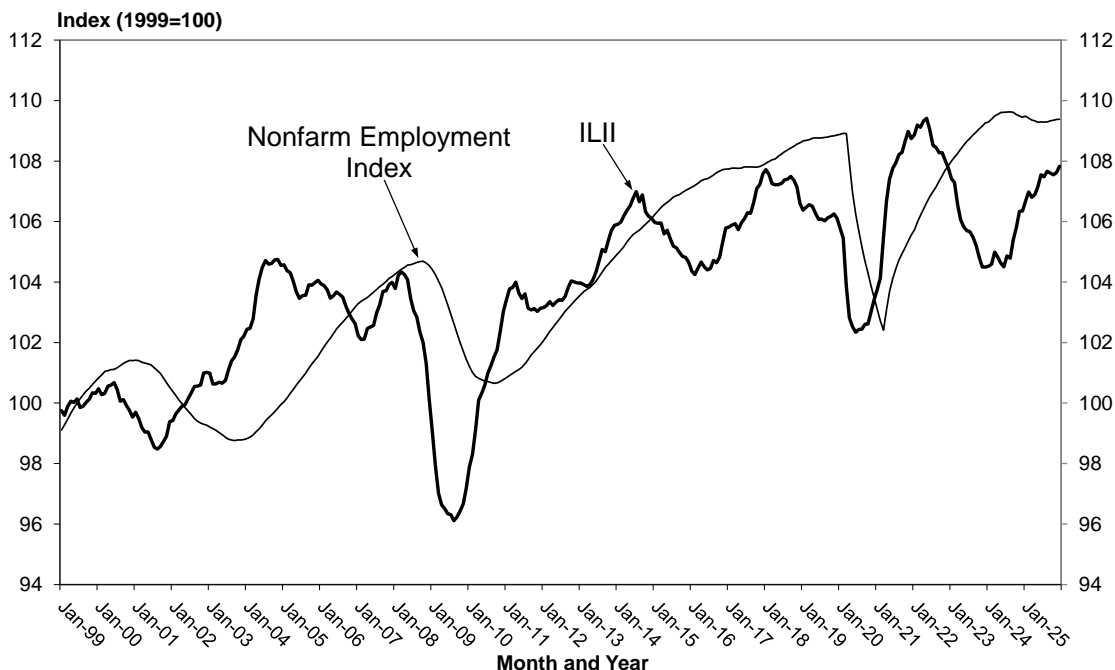


The Iowa Leading Indicators Index (ILII) increased 0.2 percent to 107.8 (100=1999) in December from 107.6 in November. The monthly diffusion index decreased to 62.5 in December from 68.8 in November. The federal government shutdown has affected the release of housing data utilized in the ILII and therefore, the December 2025 ILII will present economic analysis based upon available component and neutralize the as yet unavailable component. When the November and December data become available retroactive revisions will be included in the ILII historical data.

During the six-month span through December 2025, the ILII increased 0.3 percent (an annualized rate of 0.5 percent). The six-month diffusion index decreased to 57.1 in December from a revised 71.4 in November. 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. Four of the seven component indicators¹ increased more than 0.05 percent over the last half-year: the national yield spread, the Iowa Stock Market index, new orders index, and initial unemployment insurance claims (inverted). The agricultural futures profits index (AFPI), average manufacturing hours, and diesel fuel consumption decreased by more than 0.05 percent over the last six months.

Four of the eight components increased month-over-month in December 2025: the national yield spread, the agricultural future profits index AFPI, the Iowa Stock Market Index, and average weekly unemployment claims (inverted). Diesel fuel consumption, the new orders index, and average weekly manufacturing hours were detractors from the Index. Residential building permits are as yet unrecorded in the monthly ILII.

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



¹ November 2025 and December 2025 residential building permits data have yet to be released and the monthly impact of this component to the ILII has been negated. The 6-month diffusion index has been modified to measure the seven available components. As November and December data becomes available revisions will be included in future reports.

Table 1. Iowa Leading Indicators Index: Six Month Overview

Monthly Values	2025					
	July	Aug	Sept	Oct	Nov	Dec
ILII	107.5	107.7	107.6	107.5	107.6	107.8
Percentage Change ^a	-0.1%	0.2%	-0.1%	0.0%	0.1%	0.2%
Diffusion Index ^b	43.8	75.0	50.0	37.5	68.8	62.5
Six-Month Values	Feb to Jul	Mar to Aug	Apr to Sept	May to Oct	Jun to Nov	Jul to Dec
ILII						
Percentage Change	0.7%	0.6%	0.7%	0.6%	0.4%	0.3%
Annualized Percentage Change	1.5%	1.3%	1.5%	1.2%	0.9%	0.5%
Diffusion Index	62.5	75.0	100	87.5	71.4	57.1

Source: Tax Research Bureau, Iowa Department of Revenue, produced February 2, 2026.

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					
		Jul	Aug	Sept	Oct	Nov	Dec
AFPI ^b	↑ ^c						
Corn Profits (cents per bushel)		7.1	9.9	12.9	15.5	18.2	22.6
Soybean Profits (cents per bushel)		-141.9	-130.3	-121.4	-110.3	-93.0	-77.1
Hog Profits (cents per pound)		34.8	35.9	35.8	34.0	30.3	32.6
Cattle Profits (cents per pound)		6.9	4.9	3.0	-0.2	0.3	0.2
Iowa Stock Market Index (10=1984-86)	↑	170.61	166.10	168.25	167.51	171.04	178.14
Yield Spread (10-year less 3-month)	↑	-0.02	-0.04	0.05	0.08	0.15	0.46
Residential Building Permits	*	1,127	1,136	1,103	1,140	1,140	1,140
Average Weekly Unemployment Claims ^d	↑	2,560	2,544	2,483	2,447	2,423	2,342
Average Weekly Manufacturing Hours	-	41.28	41.28	41.18	41.16	41.09	41.09
New Orders Index (percent)	↓	47.9	48.6	49.4	48.7	49.0	48.7
Diesel Fuel Consumption (mil gallons)	↓	65.41	65.82	65.78	65.62	66.10	65.62

Source: Tax Research Bureau, Iowa Department of Revenue, produced February 2, 2026.

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 residual delay in US Census Bureau release of housing statistics. Data from November 2024 and December 2024 used for November 2025 and December 2025 in order to neutralize impact of component. Most recent residential building permits data released for October 2025 and updates to the ILII have been made retroactively.

ILII Components

- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During December, the yield spread contributed to the ILII, and remained out of inversion territory (below 0.00 percent), up from 0.15 percent in November to 0.46 percent in December. The long-term rate increased by 5 basis points in December while the short-term rate decreased by 26 basis points. For the month, the yield spread contributed 0.11 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 December 2025, this component contributed 0.10 to the ILII; expected profits increased in corn, soybean, and hogs. However, cattle commodities experienced an expected profit decrease. Compared to last year, new crop corn prices were 3.7 percent higher and soybean prices were also 9.0 percent higher. The December crush margin for cattle decreased 27.4 percent from November while the crush margin for hogs increased 7.6 percent from November.
- **Iowa stock market index:** Capitalization-weighted index of 27 Iowa-based or Iowa-concentrated publicly-traded companies. During December, 19 of the 27 companies increased in value, and eight of the nine financial-sector companies increased in value. With just over two-thirds of the stocks experiencing gains, the index increased to 178.14 in December from 171.04 in November, contributing 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 0.05 to the ILII value, with the 12-month moving average of claims declining from 2,423 to 2,342. Unemployment claims were 17.6 percent below December 2024 claims, and 30.75 percent below average historical claims for December (1988-2024).
- **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 December, this component contributed 0.00 to the ILII with the 12-month moving average remaining unchanged at 41.09 in December from 41.09 in November. In December, average hours were 41.8, nearly a half-hour above the historical monthly average (1996-2024).
- **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 December, the new orders index decreased to 41.3 from 48.8 in November. Likewise, the 12-month moving average of the new orders index decreased to 48.7 from 49.0 in November, and detracted -0.02 from 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 8.5 percent between December 2024 and December 2025. The 12-month moving average decreased to 65.62 million gallons in December from 66.10 million in November, detracting -0.12 from the ILII value.
- **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 December, this component contributed 0.00 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.