

The Iowa Leading Indicators Index (ILII) increased 0.01 percent but remained unchanged due to rounding at 108.1 (100=1999) in March as compared to February. The monthly diffusion index increased to 68.8 in March from 62.5 in February. The Iowa nonfarm employment coincident index recorded a 0.09 percent decrease in March. The Iowa nonfarm employment coincident index has experienced decreases in 17 of the last 18 months.

During the six-month span through March, the ILII increased 0.5 percent (an annualized rate of 1.0 percent). The six-month diffusion index increased to 87.5 in March from a revised 62.5 in February. 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. Seven of the eight component indicators increased more than 0.05 percent over the last half-year: The agricultural futures profits index (AFPI), the national yield spread, the Iowa Stock Market index, new orders index, average weekly manufacturing hours, diesel fuel consumption, and initial unemployment insurance claims (inverted). Residential building permits has decreased by more than 0.05 percent in the last six months and did not contribute to the six-month diffusion index.

Five of the eight components increased month-over-month in March: Diesel fuel consumption, the national yield spread, the new orders index, average weekly unemployment claims (inverted), and the AFPI. The Iowa Stock Market Index and residential building permits were detractors from the index. Average weekly manufacturing hours were unchanged in March from February and was neutral in contribution to the index.

Figure 1. Iowa Leading Indicators Index and Iowa Nonfarm Employment Coincident Index: January 1999 - March 2026

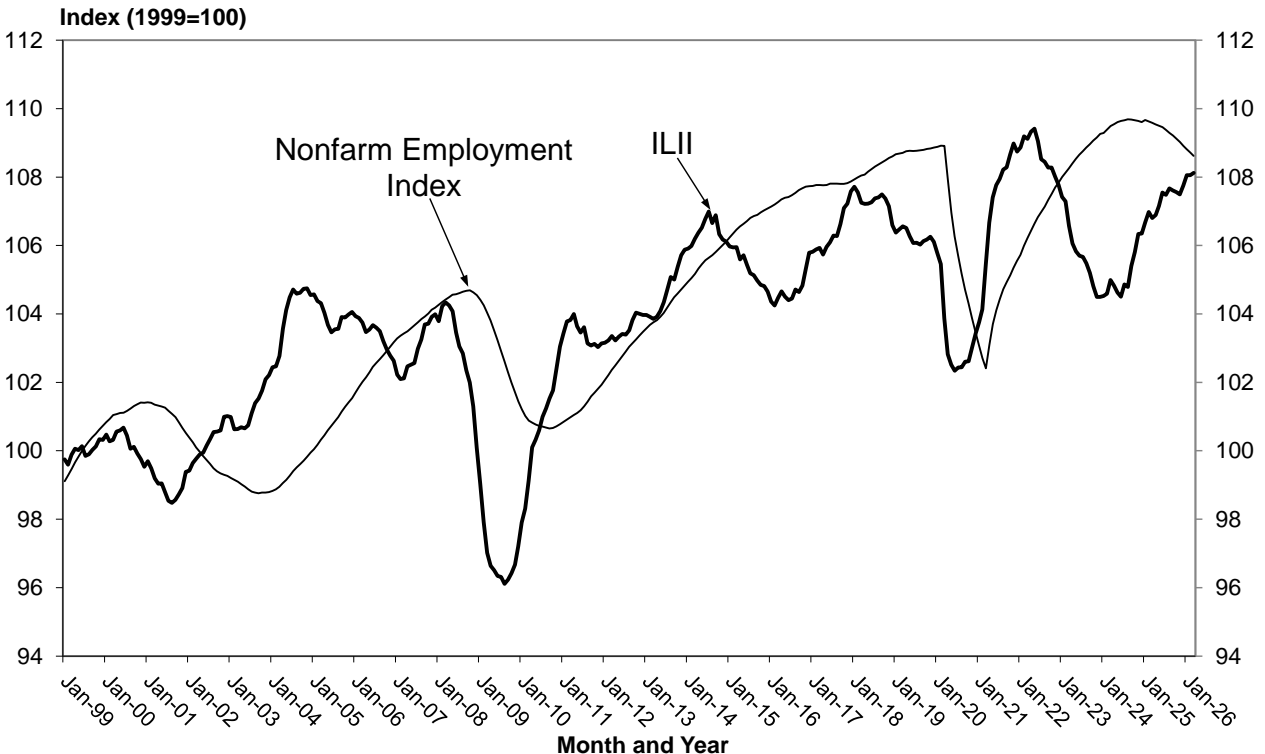


Table 1. Iowa Leading Indicators Index: Six Month Overview

Monthly Values	2025			2026		
	Oct	Nov	Dec	Jan	Feb	Mar
ILII	107.6	107.5	107.7	108.1	108.1	108.1
Percentage Change ^a	0.0%	-0.1%	0.2%	0.3%	0.0%	0.1%
Diffusion Index ^b	37.5	62.5	75.0	87.5	62.5	68.8
Six-Month Values	May to Oct	Jun to Nov	Jul to Dec	Aug to Jan	Sep to Feb	Oct to Mar
ILII						
Percentage Change	0.6%	0.3%	0.2%	0.5%	0.4%	0.5%
Annualized Percentage Change	1.3%	0.6%	0.4%	1.1%	0.7%	1.0%
Diffusion Index	93.8	62.5	50.0	75.0	62.5	87.5

Source: Tax Research Bureau, Iowa Department of Revenue, produced May 6, 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			2026		
	Oct	Nov	Dec	Jan	Feb	Mar
AFPI ^b						
Corn Profits (cents per bushel)	15.5	18.2	22.6	24.7	26.1	31.1
Soybean Profits (cents per bushel)	-110.3	-93.0	-77.1	-65.6	-52.5	-33.2
Hog Profits (cents per pound)	34.0	30.3	32.6	35.4	35.4	34.3
Cattle Profits (cents per pound)	-0.2	0.3	0.2	-3.2	-1.8	-1.0
Iowa Stock Market Index (10=1984-86)	167.51	171.04	178.14	182.35	190.32	179.48
Yield Spread (10-year less 3-month)	0.08	0.15	0.46	0.54	0.44	0.53
Residential Building Permits	1,140	1,092	1,100	1,094	1,067	1,047
Average Weekly Unemployment Claims ^d	2,447	2,423	2,342	2,313	2,268	2,243
Average Weekly Manufacturing Hours	41.18	41.12	41.14	41.19	41.25	41.25
New Orders Index (percent)	48.7	49.0	48.7	49.1	49.8	50.2
Diesel Fuel Consumption (mil gallons)	65.62	66.10	65.62	65.98	65.57	66.09

Source: Tax Research Bureau, Iowa Department of Revenue, produced May 6, 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.

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 12.0 percent between March 2025 and March 2026. The 12-month moving average increased to 66.09 million gallons in March from 65.57 million in February, contributing 0.13 to the ILII value.
- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During March 2026, the yield spread contributed to the ILII and remained out of inversion territory (below 0.00 percent), up from 0.44 percent in February to 0.53 percent in March. The long-term rate increased by 12 basis points in March while the short-term rate increased by 3 basis points. For the month, the yield spread contributed 0.03 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 March, the new orders index increased to 60.5 from 56.0 in February. Likewise, the 12-month moving average of the new orders index increased to 50.2 from 49.8 in February, and contributed 0.02 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 0.02 to the ILII value, with the 12-month moving average of claims declining from 2,268 to 2,243. Unemployment claims were 14.8 percent below March 2025 claims, and 57.1 percent below average historical claims for March (1988-2025).
- **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 March, this component contributed 0.01 to the ILII; expected profits increased for corn, soybean, and live cattle. Expected profits decreased in lean hog commodities. Compared to last year, new crop corn prices were 7.8 percent higher and soybean prices were 12.9 percent higher. The March crush margin for cattle increased 55.2 percent from February, while the crush margin for hogs decreased 3.3 percent from February.
- **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 March, this component contributed 0.00 to the ILII, with the 12-month moving average remaining unchanged at 41.25 in March from February. In March, average hours were 41.0, approximately one-quarter of an hour above the historical monthly average (1996-2025).
- **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 March, permits were 1,038, down from 1,273 in March 2025. This component detracted 0.06 from the index with the 12-month moving average decreasing to 1,047 in March from 1,067 in February. March 2026 permits were 18.5 percent below March 2025, and 2.1 percent below the monthly historical average (1998-2025).
- **Iowa stock market index:** Capitalization-weighted index of 27 Iowa-based or Iowa-concentrated publicly-traded companies. During March, only 8 of the 27 companies increased in value, and only one of the nine financial-sector companies increased in value. With nearly two-thirds of the stocks experiencing losses, the index decreased to 179.48 in March from 190.32 in February, detracting 0.09 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 100.0 in the year 1999.