May 2026 Report

July 2, 2026

The Iowa Leading Indicators Index (ILII) increased 0.3 percent to 108.7 (100=1999) in May as compared to 108.3 in April. The monthly diffusion index decreased to 75.0 in May from 87.5 in April. The Iowa nonfarm employment coincident index recorded a 0.07 percent decrease in May. The Iowa nonfarm employment coincident index has experienced decreases in 20 of the last 21 months.

During the six-month span through May, the ILII increased 1.1 percent (an annualized rate of 2.2 percent). The six-month diffusion index remained unchanged at 87.5 in May from April. 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.

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

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

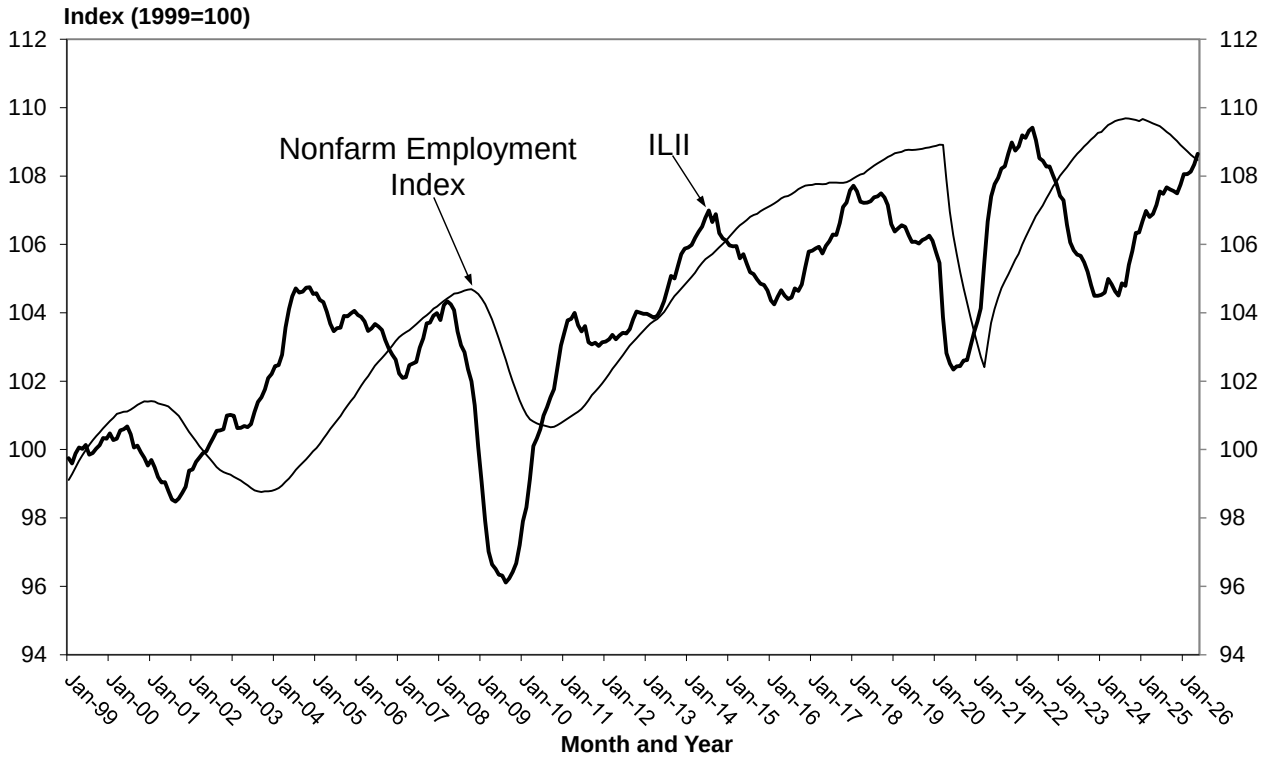

Table 1. Iowa Leading Indicators Index: Six Month Overview

Monthly Values	2025 Dec	2026 Jan	Feb	Mar	Apr	May
ILII	107.7	108.1	108.1	108.1	108.3	108.7
Percentage Change[a]	0.2%	0.3%	0.0%	0.1%	0.2%	0.3%
Diffusion Index[b]	75.0	87.5	62.5	68.8	87.5	75.0

Six-Month Values	Jul to Dec	Aug to Jan	Sep to Feb	Oct to Mar	Nov to Apr	Dec to May
ILII						
Percentage Change	0.2%	0.5%	0.4%	0.5%	0.7%	1.1%
Annualized Percentage Change	0.4%	1.1%	0.7%	1.0%	1.4%	2.2%
Diffusion Index	50.0	75.0	62.5	87.5	87.5	87.5

Source: Tax Research Bureau, Iowa Department of Revenue, produced June 29, 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 Dec	2026 Jan	Feb	Mar	Apr	May
AFPI[b]	↑[c]						
Corn Profits (cents per bushel)		22.6	24.7	26.1	31.1	35.4	41.5
Soybean Profits (cents per bushel)		-77.1	-65.6	-52.5	-33.2	-13.2	7.9
Hog Profits (cents per pound)		32.6	35.4	35.4	34.3	33.6	31.7
Cattle Profits (cents per pound)		0.2	-3.2	-1.8	-1.0	-1.5	-0.1
Iowa Stock Market Index (10=1984-86)	↓	178.14	182.35	190.32	179.48	185.35	180.03
Yield Spread (10-year less 3-month)	↑	0.46	0.54	0.44	0.53	0.62	0.79
Residential Building Permits	↓	1,100	1,094	1,067	1,047	1,074	1,065
Average Weekly Unemployment Claims[d]	↑	2,342	2,313	2,268	2,243	2,210	2,193
Average Weekly Manufacturing Hours	↑	41.14	41.19	41.25	41.26	41.28	41.37
New Orders Index (percent)	↑	48.7	49.1	49.8	50.2	50.4	50.5
Diesel Fuel Consumption (mil gallons)	↑	65.62	65.98	65.57	66.09	65.96	66.85

Source: Tax Research Bureau, Iowa Department of Revenue, produced June 29, 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 18.1 percent between May 2025 and May 2026. The 12-month moving average increased to 66.85 million gallons in May from 65.96 million in April, contributing 0.22 to the ILII value.
- **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 May, this component contributed 0.07 to the ILII, with the 12-month moving average increasing to 41.37 in May from 41.28 in April. In May, average hours were 41.7, nearly three-quarters of an hour above the historical monthly average (1996-2025).
- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During May 2026, the yield spread remained out of inversion territory (defined as below 0.00 percent) for the ninth month in a row, up from 0.62 percent in April to 0.79 percent in May. The long-term rate increased by 16 basis points in May while the short-term rate decreased by 1 basis point. For the month, the yield spread contributed 0.06 to the ILII value.
- **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 2,210 to 2,193. Unemployment claims were 10.6 percent below May 2025 claims, and 38.7 percent below average historical claims for May (1988-2025).
- **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 May, the new orders index decreased to 51.8 from 55.0 in April. However, the 12-month moving average of the new orders index increased to 50.5 from 50.4 in April, and contributed 0.01 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 May, this component contributed 0.002 to the ILII; expected profits increased for corn, soybean, and live cattle commodities. Expected profits decreased in lean hog. Compared to last year, new crop corn prices were 10.6 percent higher and soybean prices were 14.7 percent higher. The May crush margin for cattle increased over 2,000 percent from April, while the crush margin for hogs decreased 5.5 percent from April.
- **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 May, permits were 848, down from 952 in May 2025. This component detracted 0.03 from the index with the 12-month moving average decreasing to 1,065 in May from 1,074 in April. May 2026 permits were 10.9 percent below May 2025, and 25.2 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 May, 15 of the 27 companies increased in value, and four of the nine financial-sector companies increased in value. Despite over half of the stocks experiencing gains, the index decreased to 180.03 in May from 185.35 in April, detracting 0.05 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.