September 2026 Report

November 5, 2026

The Iowa Leading Indicators Index (ILII) decreased -0.2 percent to 108.9 (100=1999) in September 2026, as compared to 109.1 in August 2026. The monthly diffusion index decreased to 56.3 in September 2026 from 62.5 in August 2026. The Iowa nonfarm employment coincident index increased 0.02 percent in September 2026. The Iowa nonfarm employment coincident index increased for the first time since January 2025.

During the six-month span through September 2026, the ILII increased 0.8 percent (an annualized rate of 1.6%). The six-month diffusion index remained unchanged, at 87.5 in September from 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. Seven of the eight component indicators increased more than 0.05 percent over the last half-year: Residential building permits, 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). The agricultural futures profits index (AFPI) has decreased by more than 0.05 percent in the last six months and did not contribute to the six-month diffusion index.

Four of the eight components increased month-over-month in September: residential building permits, the national yield spread, the new orders index, and average weekly unemployment claims (inverted). Diesel fuel consumption, the AFPI, the Iowa Stock Market Index, and average weekly manufacturing hours decreased month-over-month in September.

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

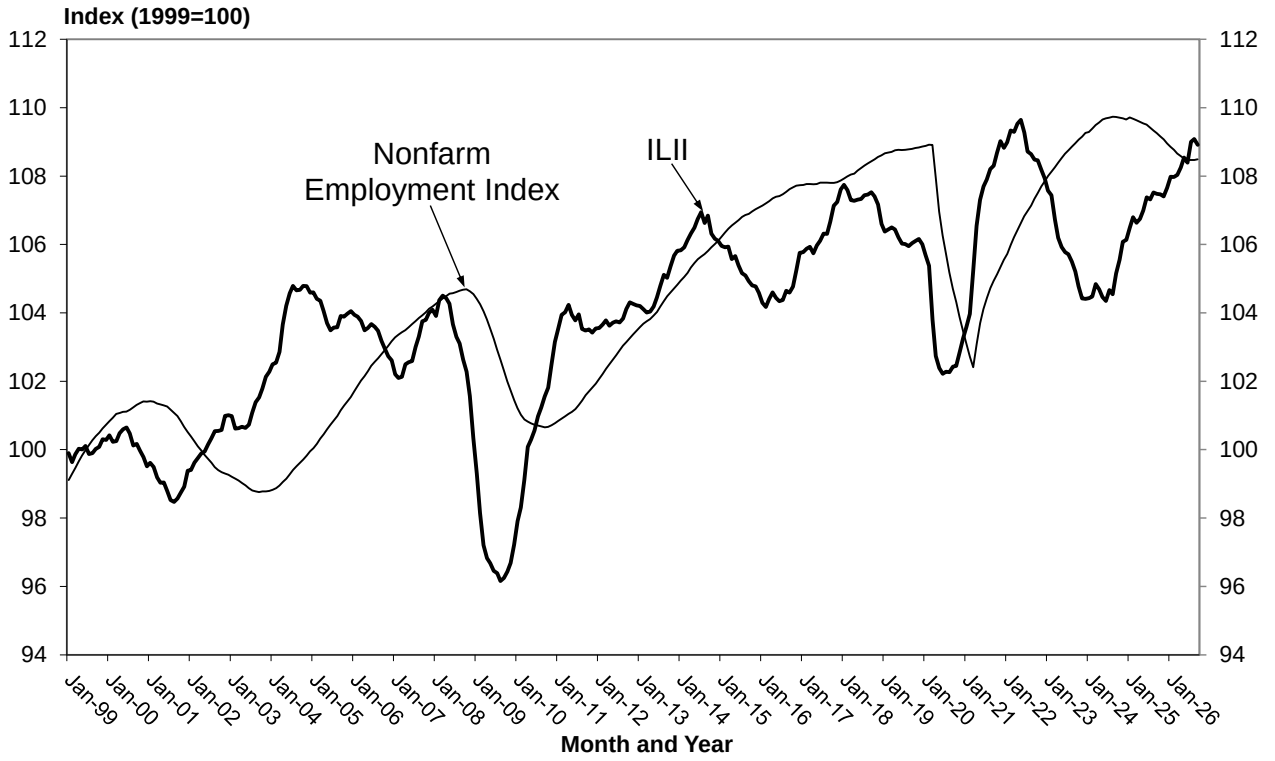


Table 1. Iowa Leading Indicators Index: Six Month Overview

Monthly Values	2026 Apr	May	Jun	Jul	Aug	Sep
ILII	108.3	108.5	108.4	109.0	109.1	108.9
Percentage Change[a]	0.2%	0.3%	-0.1%	0.6%	0.1%	-0.2%
Diffusion Index[b]	87.5	62.5	50.0	93.8	62.5	56.3

Six-Month Values	Nov to Apr	Dec to May	Jan to Jun	Feb to Jul	Mar to Aug	Apr to Sep
ILII						
Percentage Change	0.7%	1.1%	0.7%	0.9%	1.0%	0.8%
Annualized Percentage Change	1.5%	2.1%	1.4%	1.9%	2.1%	1.6%
Diffusion Index	87.5	87.5	87.5	87.5	87.5	87.5

Source: Tax Research Bureau, Iowa Department of Revenue, produced November 4, 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]		2026 Apr	May	Jun	Jul	Aug	Sep
AFPI[b]	↓[c]						
Corn Profits (cents per bushel)		14.1	18.2	16.4	17.8	22.5	29.1
Soybean Profits (cents per bushel)		-5.5	16.4	21.6	33.0	44.7	64.6
Hog Profits (cents per pound)		33.6	31.7	30.2	30.6	27.4	22.5
Cattle Profits (cents per pound)		-1.5	-0.1	1.6	0.6	4.5	3.7
Iowa Stock Market Index (10=1984-86)	↓	184.51	179.18	185.05	193.30	193.24	185.31
Yield Spread (10-year less 3-month)	↑	0.62	0.79	0.66	0.73	0.80	0.90
Residential Building Permits	↑	1,074	1,065	1,042	1,087	1,078	1,092
Average Weekly Unemployment Claims[d]	↑	2,210	2,193	2,142	2,093	2,053	2,049
Average Weekly Manufacturing Hours	↓	41.28	41.35	41.40	41.41	41.43	41.41
New Orders Index (percent)	↑	50.4	50.5	51.0	52.1	52.6	53.1
Diesel Fuel Consumption (mil gallons)	↓	65.96	66.85	66.26	67.05	67.28	66.87

Source: Tax Research Bureau, Iowa Department of Revenue, produced November 4, 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 3, 2026).
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

- **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 2026, permits were 1,063, down from 1,142 in September 2025. However, this component contributed 0.04 to the index, with the 12-month moving average increasing to 1,092 in September from 1,078 in August. September 2026 permits were 19.6 percent above September 2025, yet -4.47 percent below the monthly historical average (1998-2025).
- **Yield spread:** Difference between the yield on 10-year Treasury bonds and 3-month Treasury bills. During September 2026, the yield spread remained out of inversion territory (defined as below 0.00 percent) for the eleventh month in a row, up from 0.80 percent in August to 0.90 percent in September. The long-term rate increased by 31 basis points in September, while the short-term rate increased by 21 basis points. For the month, the yield spread contributed 0.04 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 September 2026, the new orders index increased to 56.7 from 55.9 in August. The 12-month moving average of the new orders index increased to 53.1 from 52.6 in August, and contributed 0.03 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 0.002 to the ILII value, with the 12-month moving average of claims declining from 2,053 to 2,049. Unemployment claims were 3.0 percent below September 2025 claims, and 46.4 percent below average historical claims for September (1988-2025).
- **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 2026, this component detracted -0.01 from the ILII, with the 12-month moving average decreasing to 41.41 in September from 41.43 in August. In September, average hours were 40.5, nearly an hour below the historical monthly average (1996-2025).
- **Iowa stock market index:** Capitalization-weighted index of 25 Iowa-based or Iowa-concentrated publicly-traded companies. During September 2026, 11 of the 25 companies increased in value, and three of the seven financial-sector companies increased in value. With over half of the stocks experiencing losses, the index decreased to 185.31 in September from a revised 193.24 in August, detracting -0.07 from 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 September 2026, this component detracted -0.09 from the ILII; expected profits increased for corn and soybean commodities. Expected profits decreased for lean hog and live cattle commodities. Compared to last year, new crop corn prices were 25.8 percent higher and soybean prices were 27.8 percent higher. The September crush margin for cattle decreased -17.1 percent from August, while the crush margin for hogs decreased -17.9 percent from August.
- **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 -6.6 percent between September 2025 and September 2026. The 12-month moving average declined to 66.87 million gallons in September from 67.28 million in August, detracting 0.10 from the ILII value.

Table 3. ILII Components and Standardization Factors for FY 2027

Iowa Leading Indicator Index Components	Standardization Factor
Agricultural Futures Profits Index	0.031
Iowa Stock Market Index	0.016
Yield Spread	0.353
Residential Building Permits	0.032
Average Weekly Unemployment Claims	0.015
Average Weekly Manufacturing Hours	0.328
New Orders Index	0.066
Diesel Fuel Consumption	0.159

Source: Tax Research Bureau, Iowa Department of Revenue, produced September 3, 2026

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 2026 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.