



Nonmetallic Mineral Products Industry Indexes

November 2015

This report analyzes and explains the U.S. Geological Survey's (USGS) monthly leading and coincident indexes for the nonmetallic mineral products industry (NAICS 327). This industry was classified as the stone, clay, glass, and concrete products industry (SIC 32) under the Standard Industrial Classification system, which has been replaced by the North American Industry Classification System. This industry processes certain industrial minerals, minerals that are neither metals nor fuels, into useful products. More than 50 percent of the total value of these products is shipped to the highly cyclical construction industry. The indexes have been computed for each month back to 1948 and are available on the World Wide Web at: <http://minerals.usgs.gov/minerals/pubs/imii/scghist.xls>

Analysis

The nonmetallic mineral products industry leading index increased 1.3% to 247.5 in October from a revised 244.3 in September, and its 6-month smoothed growth rate increased to 4.3% from a upwardly revised 2.0% in September. The 6-month smoothed growth rate is a compound annual rate that measures the near-term trend. A growth rate above +1.0% is usually a signal of future growth in industry activity, while a growth rate below -1.0% points to a decrease in activity.¹ The rise in the leading index growth rate suggests that activity could increase in the nonmetallic mineral products industry. The latest data show that nonresidential construction spending, which accounts for two-thirds of all construction spending, rose 10% year-to-date. Highway maintenance, a major consumer of nonmetallic mineral products, is rising and is likely to lift nonmetallic mineral products demand in the months ahead. Furthermore, nonmetallic mineral products demand from residential construction activity is also likely to increase, as home inventories are well below a balanced housing market level. Rising employment, higher wages, and low interest rates could elevate residential construction activity. Meanwhile, another consumer of nonmetallic mineral products, oil and gas well services, is not

¹The 6-month smoothed growth rate is a compound annual rate based on the ratio of the current month's index to its average level during the preceding 12 months.

likely to generate additional demand unless a disruption in oil supplies occurs.

Three of the four leading index indicators increased in October. A longer average workweek in nonmetallic mineral products facilities made the largest positive contribution, 0.7 percentage point, to the net increase in the leading index. Moreover, employment in the nonmetallic minerals products industry is the highest that it has been since May 2009. A rebound in the index of new housing permits issued contributed 0.4 percentage point. The total housing permits index was pushed up mostly by an increase in the volatile multi-unit apartment building permits segment. However, permits for multi-unit apartment buildings are 33% less than they were at their recent peak reached in June. The S&P stock price index for building products companies resumed its upward climb in October, after a slight dip in September and contributed 0.2 percentage point to the leading index. In contrast, a tighter yield spread between the U.S. 10-year Treasury Note and the Federal Reserve's federal funds rate contributed -0.1 percentage point (table 2).

The coincident index, which measures current industry activity, increased 2.7% to 144.5 in October from a revised 140.7 in September. Its 6-month smoothed growth rate increased to 7.1% in October from an upwardly revised 2.1% in September.

Explanation

The USGS uses the same methodology for the nonmetallic mineral products indexes that it uses for the metal manufacturing indexes in the *Metal Industry Indicators*. This methodology consists of constructing and tracking, each month, two composite indexes of diverse economic indicators. The composite leading index for nonmetallic mineral products signals, several months in advance, major changes in current economic activity as measured by a composite coincident index. The construction of the leading and coincident indexes follows well-established procedures for the analysis of cyclical indicators that were developed at the National Bureau of Economic Research, the U.S. Department of Commerce, and the Center for International Business Cycle Research.

Coincident indicators

The indicators selected to represent current activity in the coincident index for the nonmetallic mineral products industry are industrial production, the value of shipments in 1982 dollars, and total employee hours worked. Previously, these indicators reflected activity in the stone, clay, glass, and concrete products industry (SIC 32). The source agencies for these data, the Bureau of Labor Statistics (BLS), U.S. Census Bureau, and the Federal Reserve Board have completed their conversions to the NAICS. These indicators now reflect activity in the nonmetallic mineral products industry (NAICS 327). According to BLS, approximately 99% of the employment in NAICS 327 was classified in SIC 32.

Leading indicators

Leading indicators represent various economic activities that can point to near-term changes in industry activity. The following four indicators proved to be reliable at signaling major changes in economic activity in the nonmetallic mineral products industry: 1) average weekly hours worked in the nonmetallic mineral products industry, 2) an index of new private housing

units authorized by building permits in the United States, 3) the Standard & Poor's stock price index for building products companies, and 4) the yield spread between the 10-year Treasury Note interest rate and the federal funds interest rate. The composite leading index constructed from these indicators turned before the coincident index at every trough and at 89% of the peaks. Although the leading index did not lead the coincident index at every peak, the average leads at troughs and peaks were 8.1 and 9.4 months, respectively, for an overall lead of 8.8 months.

This report was produced at the U.S. Geological Survey (USGS) by the National Minerals Information Center. For more information about these indexes, contact Gail James (703-648-4915), e-mail (gjames@usgs.gov).

The USGS also produces *Mineral Industry Surveys* (MIS) or *Minerals Yearbook* chapters for most industrial minerals important to the U.S. economy. These minerals include cement, clay and shale, crushed stone, dimension stone, and construction sand and gravel. Information on how to access these reports is available on the World Wide Web at: <http://minerals.usgs.gov/minerals/pubs/>

Tables and charts follow.

Table 1.
The Nonmetallic Mineral Products Industry Indexes and Growth Rates

	<u>Leading Index</u>		<u>Coincident Index</u>	
	<u>(1977 = 100)</u>	<u>Growth Rate</u>	<u>(1977 = 100)</u>	<u>Growth Rate</u>
2014				
November	240.4	2.4	137.7	5.8
December	241.0	2.3	139.9	8.0
2015				
January	238.9	0.1	139.5	6.0
February	241.6	1.7	139.0	4.0
March	238.7	-0.9	138.2	1.8
April	240.9	0.7	138.3	1.2
May	243.1	2.2	138.3	0.7
June	246.8	4.6	139.5	1.7r
July	241.1	-0.2	139.7r	1.6r
August	245.4r	3.1r	141.3	3.4
September	244.3r	2.0r	140.7r	2.1r
October	247.5	4.3	144.5	7.1

r: Revised

Note: Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

Table 2.
The Contribution of Nonmetallic Mineral Products Index Component to the Percent Change in the Index from the Previous Month

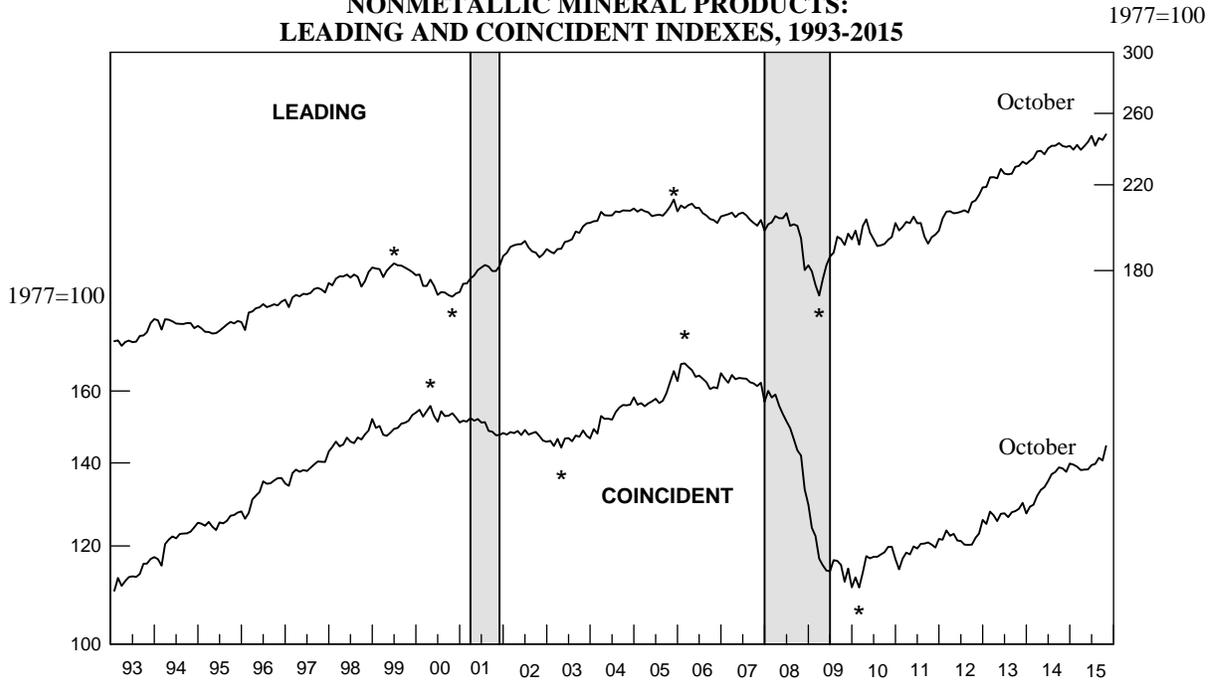
Leading Index	September	October
1. Average weekly hours, nonmetallic mineral products (NAICS 327)	0.0r	0.7
2. Index of new private housing units authorized by permits	-0.4	0.4
3. S&P stock price index, building products companies	-0.1	0.2
4. Spread between the U.S. 10-year Treasury Note and the federal funds rate	0.0	-0.1
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	-0.4r	1.3
Coincident Index		
1. Industrial production index, nonmetallic mineral products (NAICS 327)	-0.4r	1.2
2. Total employee hours, nonmetallic mineral products (NAICS 327)	-0.3	1.4
3. Shipments of nonmetallic mineral products (NAICS 327)	0.2	NA
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	-0.4r	2.7

Sources: Leading: 1, Bureau of Labor Statistics; 2, U.S. Census Bureau and U.S. Geological Survey; 3, Standard & Poor's; 4, Federal Reserve Board, Conference Board, and U.S. Geological Survey. Coincident: 1, Federal Reserve Board; 2, Bureau of Labor Statistics and U.S. Geological Survey; 3, U.S. Census Bureau and U.S. Geological Survey. All series are seasonally adjusted, except 3 of the leading index.

r: Revised NA: Not available

Chart 1.

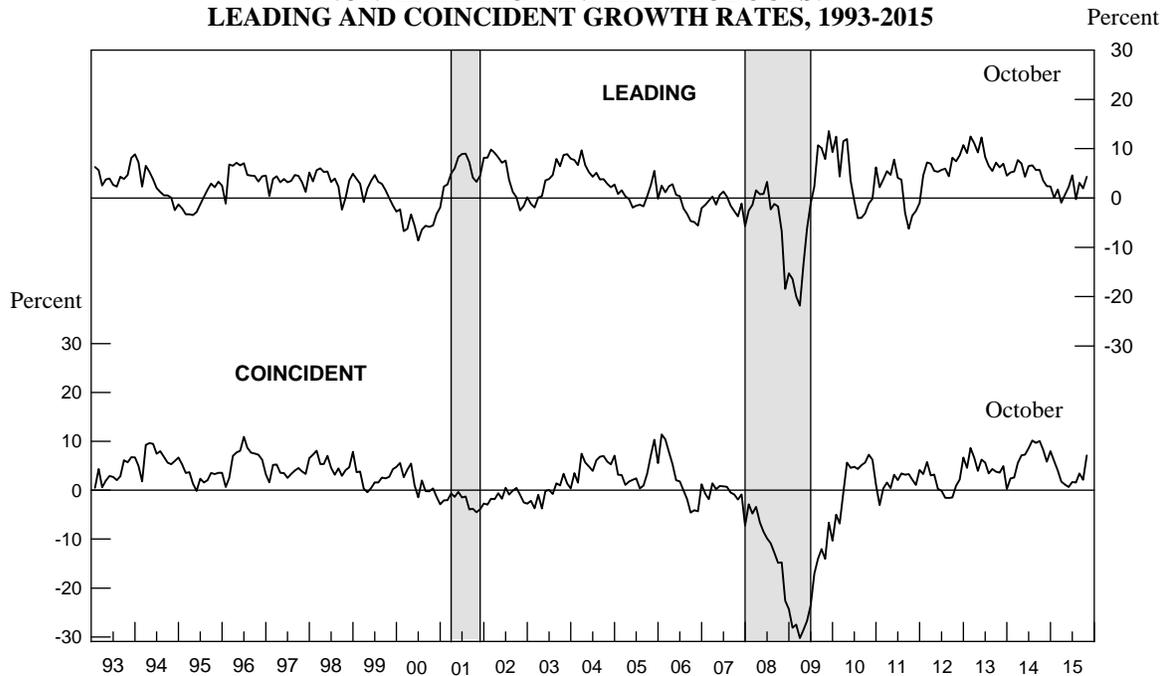
**NONMETALLIC MINERAL PRODUCTS:
LEADING AND COINCIDENT INDEXES, 1993-2015**



Shaded areas are business cycle recessions. Asterisks (*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes. More than 50% of the value of shipments of nonmetallic mineral products is used in the construction industry.

Chart 2.

**NONMETALLIC MINERAL PRODUCTS:
LEADING AND COINCIDENT GROWTH RATES, 1993-2015**



Shaded areas are business cycle recessions. The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.