

New Index Provides More Timely Information



Whoever said “you can’t teach old dogs new tricks” might want to reconsider after reading this article about the replacement of the Minnesota Labor Market Index (LMI) with the Minnesota Coincident Index (Minnesota Index).

For more than two decades the LMI has been around in one form or another, first appearing in a stand-alone publication and then in *Minnesota Economic Trends* before landing as a monthly segment in the *Minnesota Employment Review*. The LMI, developed by economists at the University of Minnesota for the Minnesota Department of Jobs and Training [a forerunner of the Minnesota Department of Employment and Economic Development (DEED)], has provided a single-summary metric aimed at answering the question, How is Minnesota’s economy doing?¹

DEED reports on a variety of monthly economic indicators —

such as unemployment rate, wage-and-salary employment and initial claims for unemployment benefits — that can be used to track and assess the direction and strength of the state’s economy. These various monthly economic statistics, however, often give mixed signals with some indicators hinting at an expanding economy while other indicators suggest a stagnant or slumping economy. For example, unemployment can go up during a month when total wage-and-salary employment climbs and initial claims for unemployment benefits decline. Combining several economic measures into a composite index of economic activity increases the amount of information being

utilized while at the same time minimizing conflicting signals. A composite index cuts through the noise, providing a gauge of economic activity that is easier to interpret and more reliable.

Minnesota’s LMI was patterned after the national Conference Board coincident index,

