


**eLEI**  
**E-FORECASTING.COM LEADING ECONOMIC INDEX**

**A Message from the Editor**

Will this be the recession of 1974 revisited? These monthly results are the equivalent to the recession of 74. Only in that time had we seen such large monthly drops in the US leading indicator. Led by steep declines in the stock market and future foreign demand, almost all major components of the US leading indicator bombed in October, more than tripling the negative depth of the six-month growth rate. Our e-forecasting.com team continues to deliver on our promise, providing cutting edge indicators and company-tailored solutions to help you better discern the headlines. The bellwether of the future direction of the US economy—eLEI— follows. A full copy of this reports is available with an annual subscription, click [here](#) to send an email for details or [here](#) to purchase directly from our e-store for \$180.



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**October: eLEI Sinks to Extreme Low; 100% Recession Risk**

The e-forecasting Leading Economic Index, a forward-looking composite indicator that forecasts five to six months ahead, on the average, business activity in the United States, declined in October.

Following a decrease of 1.0 percent in September, the Real Time U.S. Leading Economic Indicator fell 5.4 in October to 101.6. The index is set to average 100 in 2000.

On a year-over-year basis, eLEI in October declined by an annual rate of 9.2 percent compared to the same month of last year.

Looking at the six-month growth rate of the leading indicator, which historically has signaled impending turning points in business activity, eLEI went down 13.5 percent in October, following a drop of 4.8 percent in September. Consecutive negative values in the six-month growth rate predict an end to an economic expansion and the beginning of an upcoming recession. The latest growth rates compare to a long-term annual average growth rate of 3.3 percent during 1959-2006, which is equal to the growth rate in real GDP.

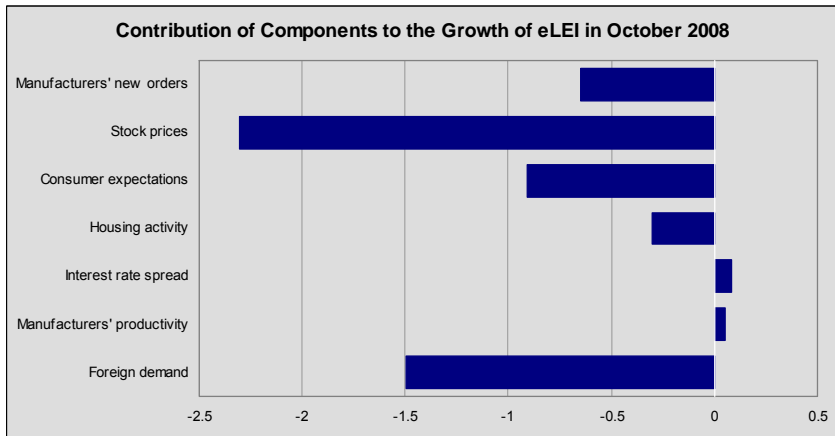
The probability of an impending recession in the next five to six months in the United States, which is detected with the help of sophisticated statistical techniques from the historical behavior of e-forecasting Leading Economic Index, registered 100 percent in October. As a result, the odds of business expansion in the near future were at the 0 percent mark in October, lower than September's reading of 21 percent.

Two of the seven components that make up the Real Time U.S. Leading Economic Indicator improved in October: Interest rate spread; Manufacturers' productivity;

The five components that had a negative or zero contribution to the composite leading indicator were: Manufacturers' new orders; Stock prices; Consumer expectations; Housing activity; Foreign demand;

Six-Month Growth Rate Smoothed, Annualized, in eLEI		
Year	Month	percent
2007	October	-1.3 ▼
2007	November	-1.5 ▼
2007	December	-3.5 ▼
2008	January	-1.2 ▼
2008	February	-3.4 ▼
2008	March	-5.0 ▼
2008	April	-4.4 ▼
2008	May	-3.1 ▼
2008	June	-3.5 ▼
2008	July	-6.4 ▼
2008	August	-3.5 ▼
2008	September	-4.8 ▼
2008	October	-13.5 ▼

It signals turning points in the future direction in the business cycle. Consecutive negative values predict an end to an upward trend and the beginning of an upcoming recession.



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