

eLEI  
E-FORECASTING.COM LEADING ECONOMIC INDEX

A Message from the Editor

Our September reading sheds light on early signs of an end to the downswing. With our August reading, the majority of the components improved, the six month growth rate improved and the recession probability fell dramatically. With our September reading, the six-month smoothed growth rate registered a negative growth rate for the 13th month in a row. However, in the last two months, the negative rates are smaller than the July reading of -6.2 percent. With this in mind, it seems that July may have been the bottom of the leading indicator's growth downswing. If this holds, the US economy will enter its recovery phase at the turn of the year. 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.

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September: End May Be in Sight, Silver Lining in Growth Rate

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 September.

Following an increase of 1.1 percent in August, the Real Time U.S. Leading Economic Indicator fell 1.0 in September to 107.1. The index is set to average 100 in 2000.

On a year-over-year basis, eLEI in September declined by an annual rate of 4.2 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 4.7 percent in September, following a drop of 3.4 percent in August. 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 83 percent in September. As a result, the odds of business expansion in the near future were at the 17 percent mark in September, lower than the August reading of 43 percent.

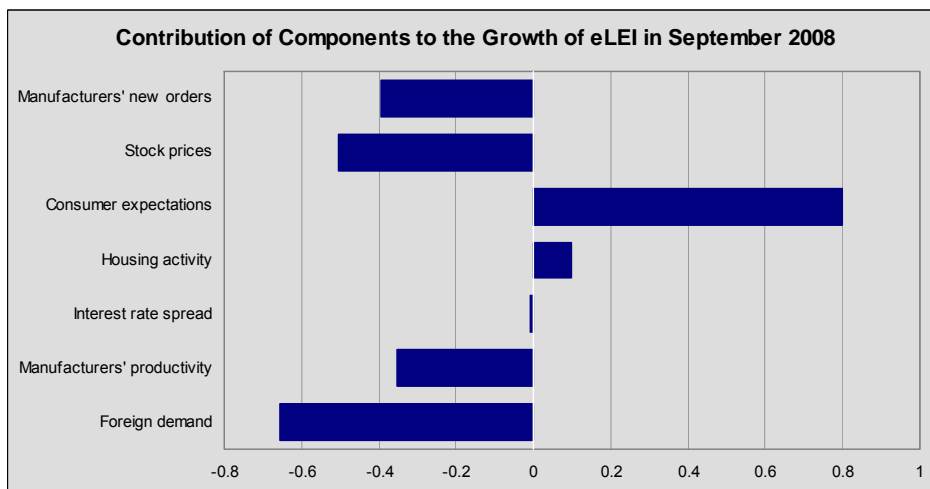
Two of the seven components that make up the Real Time U.S. Leading Economic Indicator improved in September: Consumer expectations and Housing activity.

The five components that had a negative or zero contribution to the composite leading indicator were: Manufacturers' new orders; Stock prices; Interest rate spread; Manufacturers' productivity and Foreign demand.

Six-Month Growth Rate Smoothed, Annualized, in eLEI

Year	Month	percent
2007	September	-0.6
2007	October	-1.3
2007	November	-1.4
2007	December	-3.4
2008	January	-1.1
2008	February	-3.2
2008	March	-4.8
2008	April	-4.2
2008	May	-3.0
2008	June	-3.4
2008	July	-6.2
2008	August	-3.4
2008	September	-4.7

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.



For more information, please contact:

Maria Simos by phone (603) 868-7436 or email: [mesimos@e-forecasting.com](mailto:mesimos@e-forecasting.com)

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