

**GLOBAL ACTIVITY INDEX
E-FORECASTING.COM****A Message from the Editor**

Through the year, the e-forecasting.com team also releases a few quarterly reports on global activity and trade conditions. As to not bombard the list, we only send out a select few of these reports.

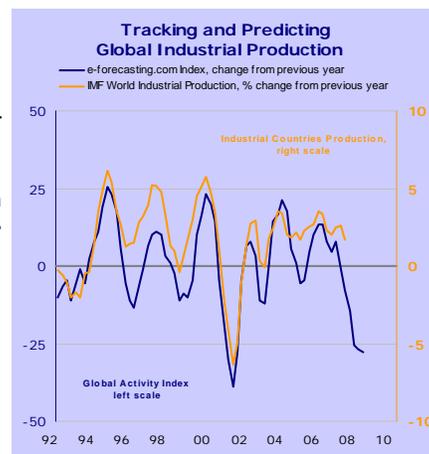
Evidence shows that global inflation will peak in the third quarter of this year and then it is expected to gradually moderate over the forecast horizon, as the factors that spawn current worldwide economic conditions are already in a reversal process. Our first quarter of 2008 global forecast released on February 2008, noted, "The dollar will firmly enter an upward trend that will continue in 2009." The bursting of the euro bubble has begun. After reaching a peak on April 22, 2008 at a rate of 1.601 against the US dollar, the euro has fallen 8.3 percent by the end of August to a rate of 1.468. We continue to forecast a fall in the euro and a probability of 45 percent for the euro to reach parity against the dollar within 16 months.

The second bubble that is also bursting is oil prices – accompanied by commodity prices. The price of oil is forecast to fall below \$100 a barrel with a high probability to be in a range of \$64 to \$58 a year from now. The factors which will lead to the free fall of oil prices are: the expected strength of the U.S. dollar, a slowdown in global demand, more efficient energy technologies, adaptation of alternative energy sources, increased oil exploration and intense price competition among oil exporting countries to maintain high oil revenues for completing expensive public work projects that began at \$150 per barrel.

2008Q3 —**Global Activity Index in Low Territory**

Using the 'soft data' findings of the World Economic Survey, a 92-country composite global business activity index is constructed by e-forecasting to evaluate and forecast the short-term worldwide business cycle. A reading of 50, the flatline, is used as reference in evaluating the wave of alternating booms and busts that mark the global economy. **In the third quarter of 2008, our global business activity index registered 52, the lowest reading since the fourth quarter of 2003, indicating a flirting with a global downswing.**

Historically, changes in our global activity index mirror the growth rate of worldwide industrial production. Based on the real time behavior of our indicator, growth in industrial activity in the world's leading economies is estimated to have continued its moderation in the first three quarters of 2008.



By modeling business executives' two-quarter-ahead expectations into a dynamic high frequency forecast, **we predict growth in the global business activity index to weaken further in the last quarter of 2008 and early in 2009.** Global industrial production is forecast to experience negative growth rates in the next two quarters.

Our composite index of global economic activity also serves as an indicator of worldwide demand and, consequently, its change from a year ago mirrors the year-to-year growth rate in the demand for internationally traded goods and services. Derived from the opinions of about 1,000 business experts from 92 countries, e-forecasting's composite global activity index has shown a strong performance record in tracking the volume of international trade, measured by global exports adjusted for price changes. Following gains in 2007 at a nearly 7.0 percent growth rate, growth in the volume of international trade is estimated to continue its slowing in the rest of 2008. **Looking forward, the predictive power of our global activity index suggests that growth in the volume of world trade will bottom out in the last quarter of 2008, recovering in the course of 2009.**

For more information, please contact:

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

If you would like:

To be added to this mailing list, [click here](#).

To be removed from this mailing list, click [here](#).