

Background information

Zurich, 30 October 2014

KOF Economic Barometer:

October 2014 revision from vintage 2013 to vintage 2014

The KOF Economic Barometer is a composite leading indicator for the Swiss economy. The indicator variable selection and their weights are updated annually after the release of the previous year's annual Gross Domestic Product (GDP) data by the Swiss Federal Statistical Office. The 2014 revision took place in October. Our new reference series is the smoothed continuous growth rate of Swiss GDP according to the new System of National Accounts ESVG 2010, released at the end of September 2014. The 2013 vintage, which was published up to September 2014, comprised 219 indicator variables, selected from a pool of 476 candidates. The latest vintage 2014 replaced the 2013 vintage in October 2014. It is based on 217 indicator variables selected from the enlarged pool of 479 candidates; 33 were newly selected, and 35 dropped out.

Due to the changes in the reference series and the 12 months forward move of the in-sample period, the indicator selection, the weights as well as the seasonal adjustment and scaling experienced slight modifications. The resulting revision affects the whole time span covered by the Barometer. Accordingly, a comparison of Barometer readings for different months is meaningful only within the latest vintage. The two vintages are shown in the following graph.

Graph: Comparison of vintages 2013 and 2014



The change from the 2013 to the 2014 vintage resulted in a mean absolute revision of 1.22 points (calculated from January 2004, the start of the new reference series, to December 2012, the last common in-sample data point for both vintages). Given that the average of the barometer equals 100, this is a reasonably small revision. To shed some light on the main drivers of the revision, we also calculated the mean absolute revision for an imaginary Barometer version that is computed using the new reference time series from 2014 (2004:01 – 2013:12), but refers to the 10-year window used in the vintage 2013 variable selection process (2003:01 – 2012:12). In this way, we isolate the effect of the changes to the entire history of the GDP series brought about by the recent revision of the official data from the effect that our ten-year-window has moved forward by one year. This mean absolute revision statistics is 0.92, which amounts to 75 per cent of the factual magnitude. Thus, the revision from the 2013 to the 2014 vintage would have been three fourths in terms of the observed mean absolute had we taken the new GDP number but left everything else in the computation of the barometer exactly as before. Accordingly, all other changes (moving window, seasonal adjustment, factor loadings) add only about an extra fourth to the mean absolute revision caused exclusively by the recent revisions to the Swiss GDP data.