

Background Information KOF Economic Barometer

September 2016 revision from vintage 2015 to vintage 2016

The KOF Economic Barometer is a composite leading indicator for the Swiss economy. KOF updates the set of underlying indicators and their weights annually after the release of the previous year's annual Gross Domestic Product (GDP) data by the Swiss Federal Statistical Office (SFSO). In September, the 2016 revision took place. The new reference series is the smoothed continuous growth rate of the Swiss GDP according to the new System of National Accounts ESGV 2010, which the State Secretariat for Economic Affairs (SECO) published early September 2016. The ESGV 2010 takes the release of the previous year's annual Gross Domestic Product (GDP) data published by the SFSO into account. The 2015 vintage of the KOF Barometer as published until August 2016, comprised 238 indicator variables. The current vintage 2016 is now replacing the 2015 vintage. It consists of 272 indicator variables, selected from a pool of more than 400 candidate variables. Compared to the previous vintage, 46 indicators are new and 12 indicators dropped out of the set of selected indicator.

The following graph shows the current and previous vintages. The revision affects the whole time span as covered by the Barometer. This is due to the changes in the reference series, the 12 months forward move of the in-sample period used for the selection of the indicators, the resulting indicator selection, the update of seasonal factors as well as the modification of indicator weights and scaling parameters.

The change from the 2015 to the 2016 vintage resulted in a mean absolute revision of 1.39 points (calculated from January 2006, the start of the in-sample period used for indicator selection, to December 2014, 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. The estimated correlation of 0.99 indicates a very close coherence between the two vintages.

