# Press Release

Rio de Janeiro and Zurich, 10th September 2020, 2 pm (local time) – 1 pm (UTC).

Global Economic Barometers Maintain Upward Tendency

The Global Economic Barometers maintain their upward tendencies that began in May, after historic lows in April. The Coincident Barometer has reduced its upward pace and still reflects economic activity levels well below those before the Covid-19 pandemic. The Leading Barometer, on the other hand, reaches its highest level since 2010, signalling continued optimism regarding upcoming world GDP developments. Given the high levels of uncertainty, this should be interpreted with caution.

Global Economic Barometers: Coincident *vs* Leading
(Mean Jan/10 to Dec/19 =100, seasonally adjusted)
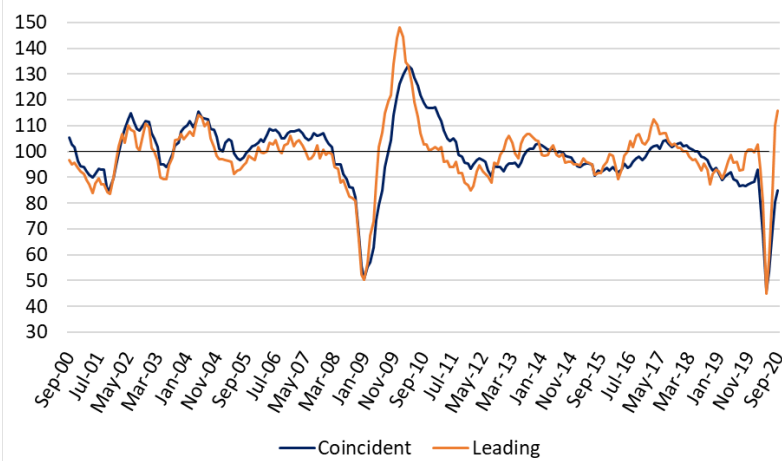
Source: KOF ETH Zurich and FGV IBRE

The <u>Coincident</u> Global Barometer records a rise of 4.5 points in September, increasing from 80.5 to 85.0 points. The <u>Leading</u> Global Barometer, meanwhile, rises 5.7 points this month, from 110.2 to 115.9 points. Albeit at a slower pace than before, both barometers have been rising for fourth months in a row now. Although all three regions investigated contribute positively to the movement of the Coincident Barometer, the *Asia, Pacific and Africa* region is taking the lead. In the Leading Barometer, the increase was influenced by *Europe* and the *Western Hemisphere*, while the *Asia, Pacific and Africa* region returned to contributing (slightly) negatively. The difference of 30.9 points between the two Barometers is the highest recorded in history, i.e. since 1991. This demonstrates the optimism regarding the future economic recovery relative to the current situation.

"The speed with which the world barometers fell early year and have recovered in recent months is higher than during the financial crisis. Although it is unclear when we will return to pre-crisis production levels, it does appear that so far it is more of a V-shaped type of crisis than what we have observed during any other world crisis in recent history" comments KOF-Director Jan-Egbert Sturm the latest results of the Global Barometers.

Coincident Barometer – regions and sectors

The *Asia, Pacific and Africa* region accounts for 61% of the growth in the Coincident Barometer in September, contributing 2.8 points to the rise of 4.5 points. The *Europe* and the *Western Hemisphere* (North America, Latin America and the Caribbean) regions both contribute 0.9 points to the global indicator. The *Western Hemisphere* is the first to return to its level of February 2020. The graph below illustrates the contribution of each region to the deviation of the Coincident Barometer from the historical average of 100 points.

Regional Contributions to the Coincident Global Economic Barometer

Source: KOF ETH Zurich and FGV IBRE
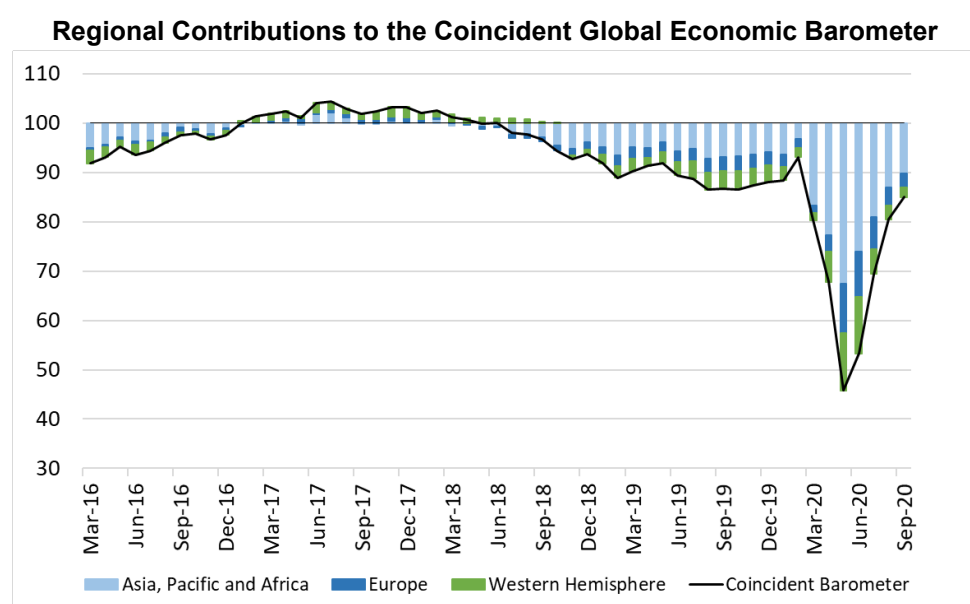
Coincident Regional Barometers				
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Coincident Barometer*
Feb-20	94.4	91.0	92.5	93.1
Mar-20	71.1	93.0	94.4	80.3
Apr-20	61.0	84.6	74.7	67.8
May-20	44.1	52.1	53.0	45.8
Jun-20	55.3	56.1	53.5	53.3
Jul-20	67.2	68.8	79.8	69.4
Aug-20	77.5	82.4	88.8	80.5
Sep-20	**82.2**	**86.6**	**92.5**	**85.0**
Cumulative Var. Mar-Sep	-12.2	-4.4	0.0	-8.1

Source: KOF ETH Zurich and FGV IBRE

| Regional Contributions to Changes in the Coincident Barometer			
Period	Contributions per Regions		Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Coincident Barometer
Mar-20	-13.6	0.4	0.5	-12.8
Apr-20	-5.9	-1.7	-4.8	-12.5
May-20	-9.9	-6.8	-5.3	-22.0
Cumulative Contrib. Mar-May	-29.5	-8.1	-9.7	-47.2
Jun-20	6.5	0.8	0.1	7.5
Jul-20	7.0	2.6	6.4	16.1
Aug-20	6.0	2.8	2.2	11.0
Sep-20	**2.8**	**0.9**	**0.9**	**4.5**
Cumulative Contrib. Jun-Sep	22.3	6.3	8.8	34.6
Cumulative Contrib. Mar-Sep	-7.1	-0.9	0.0	-8.1

Source: KOF ETH Zurich and FGV IBRE

The highest contribution to the increase in the Coincident Global Barometer once again comes from Industry, and, for the first time since the start of this health crisis, the second highest from *Trade*. The set of variables reflecting the *aggregated evolution of economies* (*Overall Economic Development*), which is usually more influential, comes in third place and contributes with less than 1.0 point this month. *Services* and *Construction* continue to contribute modestly to the result, with the latter exerting a negative influence.
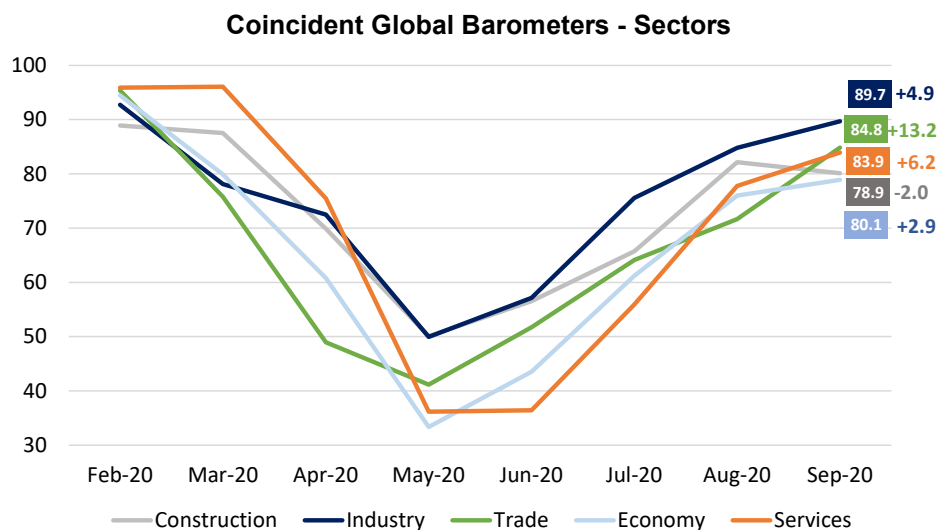
Source: KOF ETH Zurich and FGV IBRE

Leading Barometer – regions and sectors

The Leading Global Barometer leads the world economic growth rate cycle by three to six months on average. In September, *Europe* contributes 6.2 points to the 5.7 points rise in the global indicator, in comparison with a stronger increase of 28.7 points in its Coincident Barometer. The *Western Hemisphere* indicator makes a slight, positive contribution, while *Asia, Pacific and Africa* falls, partly compensates the increase recorded in the other regions. This last region is the only one in which the leading indicator is yet to recover the losses that occurred between March and May of this year.

Regional Contributions to the Leading Global Economic Barometer
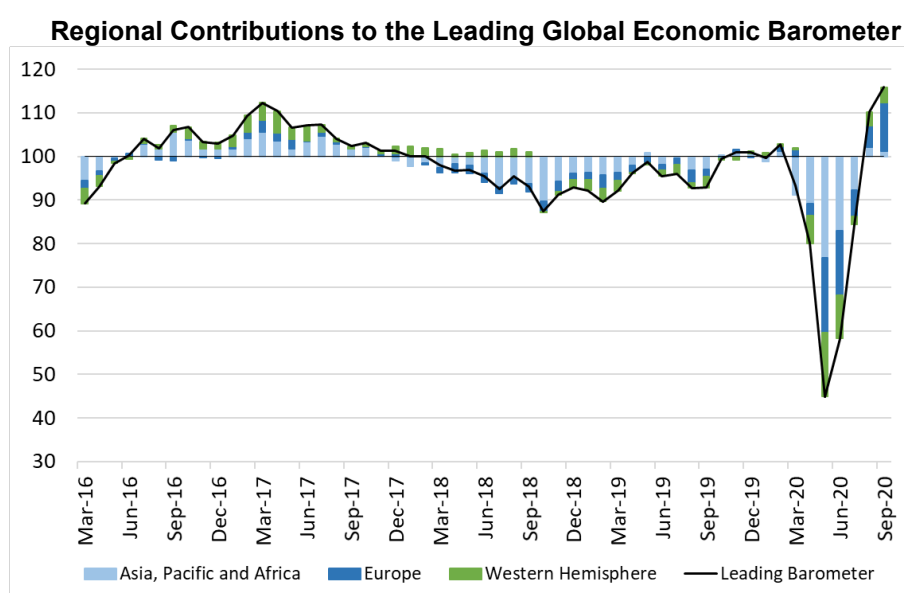
Source: KOF ETH Zurich and FGV IBRE

Leading Regional Barometers				
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Leading Barometer*
Feb-20	102.0	105.3	101.5	102.8
Mar-20	85.4	107.5	101.7	93.2
Apr-20	82.0	86.8	75.2	80.1
May-20	61.4	20.8	41.6	44.9
Jun-20	71.6	31.2	61.1	58.2
Jul-20	87.2	71.8	92.7	84.4
Aug-20	103.4	123.3	112.2	110.2
Sep-20	**101.9**	**152.0**	**113.9**	**115.9**
Cumulative Var. Mar-Sep	-0.1	46.7	12.4	13.1

Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Leading Barometer				
	Contributions per Regions			Monthly Variation
Period	Asia, Pacific and Africa	Europe	Western Hemisphere	Leading Barometer
Mar-20	-10.1	0.5	0.1	-9.5
Apr-20	-2.0	-4.4	-6.7	-13.2
May-20	-12.5	-14.2	-8.5	-35.2
Cumulative Contrib. Mar-May	-24.6	-18.2	-15.1	-57.9
Jun-20	6.2	2.2	4.9	13.3
Jul-20	9.5	8.7	8.0	26.1
Aug-20	9.8	11.1	4.9	25.8
Sep-20	-0.9	6.2	0.4	**5.7**
Cumulative Contrib. Jun-Sep	25.4	22.0	17.8	65.3
Cumulative Contrib. Mar-Sep	0.8	3.9	2.7	7.4

Source: KOF ETH Zurich and FGV IBRE

All sector indicators contribute positively to the result of the Leading Barometer, except for *Construction*. The *Industry* sector contributed more than 3.0 points and the set of variables reflecting the *aggregated evolution of economies* (*Overall Economic Development*) and the *Services* sector added a little over 1.0 point each. The remaining sectors contributed less significantly to the increase in the global leading indicator.

Global Economic Barometers: Business Cycle Clock
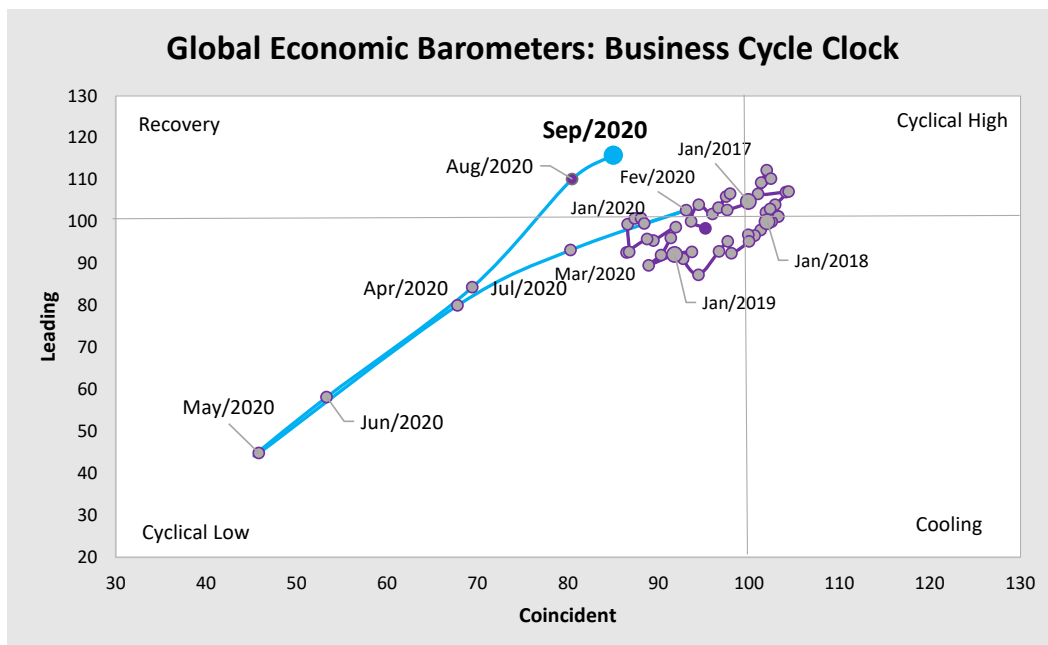
Period	Global Coincident Barometer Vintages		Global Leading Barometer Vintages	
	September 2020	August 2020	September 2020	August 2020
Sep-19	86.8	87.2	92.8	94.0
Oct-19	86.6	86.6	99.5	99.2
Nov-19	87.4	87.4	100.8	101.1
Dec-19	88.1	88.1	100.9	101.0
Jan-20	88.4	88.3	99.6	100.1
Feb-20	93.1	93.0	102.8	103.0
Mar-20	80.3	80.1	93.2	92.3
Apr-20	67.8	67.8	80.1	81.4
May-20	45.8	45.9	44.9	45.1
Jun-20	53.3	53.2	58.2	57.6
Jul-20	69.4	68.5	84.4	80.5
Aug-20	80.5	79.8	110.2	110.5
Sep-20	85.0		115.9	

* The Global Barometer series are revised monthly to reflect updates in the component series and revision of the seasonal adjustment

The Global Economic Barometers

The Global Economic Barometers are a system of indicators enabling timely analysis of global economic development. They represent a collaboration between the KOF Swiss Economic Institute of the ETH Zurich in Switzerland and Fundação Getulio Vargas (FGV), based in Rio de Janeiro, Brazil. The system consists of two composite indicators, the Coincident Barometer and the Leading Barometer. The Coincident Barometer reflects the current state of economic activity, while the Leading Barometer provides a cyclical signal roughly six months ahead of current economic developments.

The two Barometers comprise the results of economic tendency surveys conducted in more than 50 countries with the aim of achieving the broadest possible global coverage. The advantages of economic tendency surveys are that their results are usually readily available and are not substantially revised after first publication.

The Coincident Barometer includes more than 1,000 different time series, while the Leading Barometer consists of over 600 time series. Cross-correlation analysis is used to decide which individual time series are included in the barometers. This involves correlating the individual time series with a reference series. The reference series used is the year-on-year growth rate of global gross domestic product (GDP), where the individual national GDPs are aggregated at purchasing power parity to form global GDP. A time series is only included in a Barometer if it shows a sufficiently high correlation and a suitable synchronization or lead with the reference series.

The series of the two Barometers are revised each month at publication and are standardized to have a mean of 100 and a standard deviation of 10 for the 10-year period previous to the most recent observations. The coefficients of the component series of the Global Barometers have been maintained stable since the April 2020 edition.

More information on the Global Economic Barometers is available on the KOF website:
 https://kof.ethz.ch/prognosen-indikatoren/indikatoren/kof-globalbaro.html →

The Global Barometers methodology is described in:
Klaus Abberger, Michael Graff, Aloisio Campelo Jr., Anna Carolina Lemos Gouveia, Oliver Müller and Jan-Egbert Sturm (2020), The Global Economic Barometers: Composite indicators for the world economy. KOF Working Papers, vol. 471, Zurich: KOF Swiss Economic Institute, ETH Zurich, 2020.

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