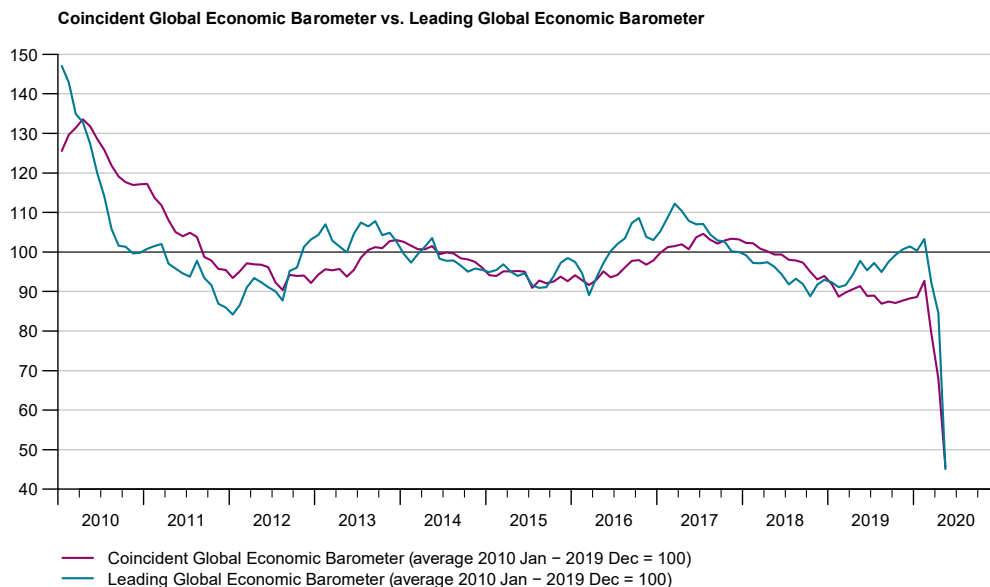


Press Release

Rio de Janeiro and Zurich, 8th May 2020, 2 pm (CET) – 1pm (UTC).

Global Economic Barometers: The Crisis Deepens

The Coincident and Leading Barometers for the Global Economy for May demonstrate a deepening of the crisis caused by the Covid-19 pandemic. After the third and so far most significant of these three declines, the two indicators reached the lowest levels of their respective series since their beginning in 1991. This signals an unprecedented impact of the pandemic on World GDP for the second quarter of 2020.



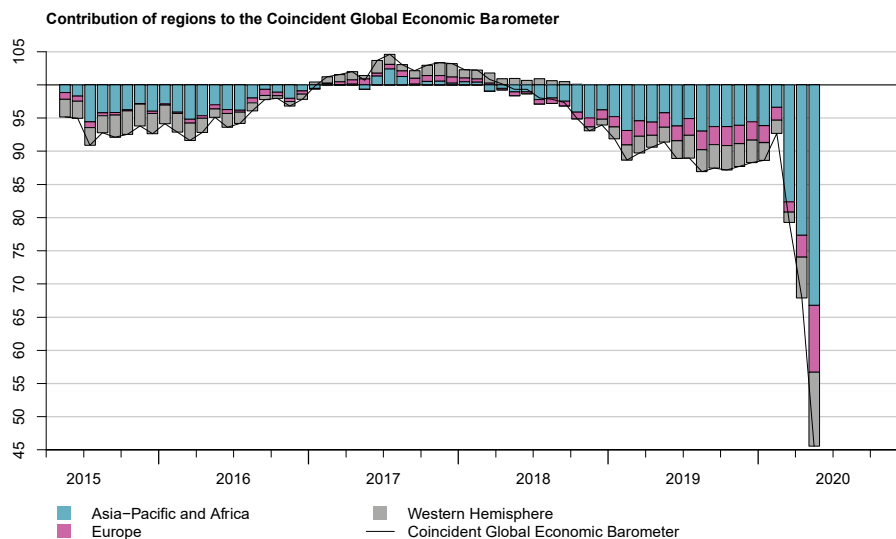
Source: KOF Swiss Economic Institute, ETH Zurich, Switzerland and Fundação Getúlio Vargas, Rio de Janeiro, Brazil

The **Global Coincident Barometer** falls by 22.3 points in May to 45.6 index points, compared to 67.9 points in the previous month. This is the lowest level since the beginning of the series in 1991 and 5.5 points below the previous historical low, which was reached in January 2009. The **Global Leading Barometer** recedes by 39.5 points, from 84.6 to 45.1 points, also reaching the lowest level of the series. It has now dropped 8.3 points below the previous low of January 2009. The drop in both indicators is spread across all continents and signals a retraction of the world economy at the beginning of the second quarter that already appears to be more serious than the crisis of 2008-2009.

“The development of the Global Barometers indicates a deepening of the crisis caused by COVID-19. This poses a major challenge not only for the entire global economy, but also for small, open economies like Switzerland,” says KOF Director Jan-Egbert Sturm. “The current standing of the indicators gives us an idea of the economic difficulties we will face in the coming months.”

Coincident Barometer – regions and sectors

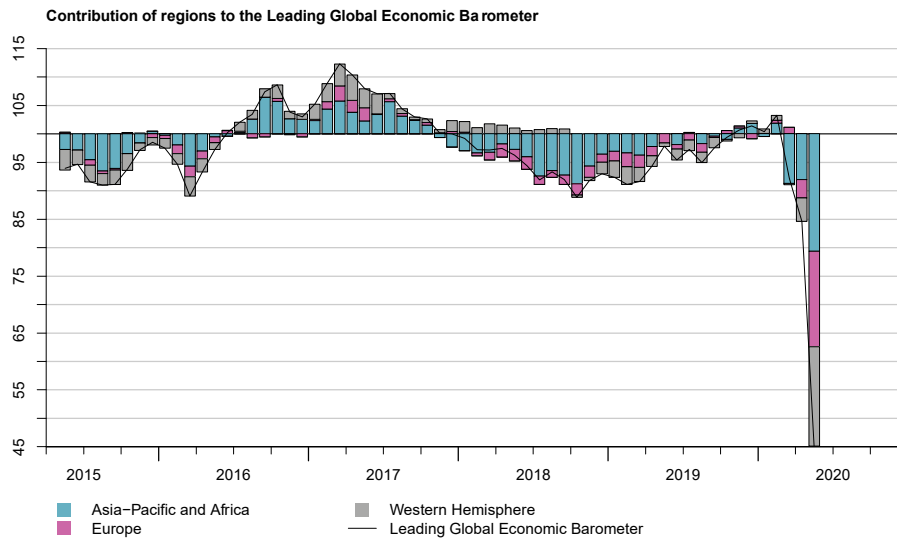
In the three regions examined, this month's decrease in the Coincident Barometer is even stronger than that of the previous month. The *Asia, Pacific, and Africa* region, whose indicator had retreated less than the indicators of the other regions in April, return to recording an intense drop and exercising the largest contribution to the evolution of the indicator for the month. *Europe* provides the second largest contribution, followed by the *Western Hemisphere* (North America, Latin America, and the Caribbean). The graph below illustrates the contribution of each region to the deviation of the Coincident Barometer from the historical mean level of 100 points. Regarding sectors, the highest contribution to the drop comes from *Industry*, followed by the set of variables reflecting the aggregated evolution of economies (*Overall Economic Development*).



Source: KOF Swiss Economic Institute, ETH Zurich, Switzerland and Fundação Getulio Vargas, Rio de Janeiro, Brazil

Leading Barometer – regions and sectors

The Global Leading Barometer leads the world economic growth rate cycle by three to six months. All the regions contribute to the fall of the indicator in May, especially *Europe* and the *Western Hemisphere*, followed by the *Asia, Pacific, and Africa* region, whose Leading Barometer returns to decline after a slight rise in the previous month. There is a strong decrease in the sectorial indicators, except in the Leading Barometer for *Trade*, which falls only slightly this month. *Industry* exerts the largest influence on the drop of the general indicator, followed by the variables linked to *Overall Economic Development*, *Services*, and *Construction*.



Source: KOF Swiss Economic Institute, ETH Zurich, Switzerland and Fundação Getulio Vargas, Rio de Janeiro, Brazil

| Period | <i>Global Coincident Barometer</i> Vintages | | <i>Global Leading Barometer</i> Vintages | |
|---------------|--|------------|---|------------|
| | May 2020 | April 2020 | May 2020 | April 2020 |
| | May/19 | 91.4 | 91.0 | 97.8 |
| Jun/19 | 88.9 | 88.3 | 95.4 | 91.3 |
| Jul/19 | 89.0 | 88.8 | 97.2 | 90.8 |
| Aug/19 | 86.9 | 86.7 | 94.9 | 89.5 |
| Sep/19 | 87.4 | 87.4 | 97.5 | 90.4 |
| Oct/19 | 87.1 | 87.0 | 99.3 | 90.5 |
| Nov/19 | 87.7 | 88.1 | 100.7 | 91.6 |
| Dec/19 | 88.3 | 87.9 | 101.4 | 92.7 |
| Jan/20 | 88.6 | 87.8 | 100.3 | 94.6 |
| Feb/20 | 92.7 | 92.2 | 103.3 | 97.4 |
| Mar/20 | 79.3 | 77.9 | 92.2 | 86.9 |
| Apr/20 | 67.9 | 69.4 | 84.6 | 74.4 |
| May/20 | 45.6 | | 45.1 | |

* 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 two Barometers are calculated once every month and are usually published on the 10th of each calendar month.

More information on the Global Economic Barometers is available on the KOF website:

<https://kof.ethz.ch/prognosen-indikatoren/indikatore/kof-globalbaro.html> →

The 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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