Press Release

10 June 2020, Rio de Janeiro, 10am and Zurich, 2pm (1pm UTC)

Global Economic Barometers:
Rise After Three Consecutive Declines

Following a succession of decreases that drove the Coincident and Leading Global Economic Barometers down to their lowest level in history last month, the indicators are showing the first signs of recuperation since the beginning of the Covid-19 pandemic. There remains a great uncertainty, but the modest movement of June may signal that the world economy is entering a phase of gradual recovery.
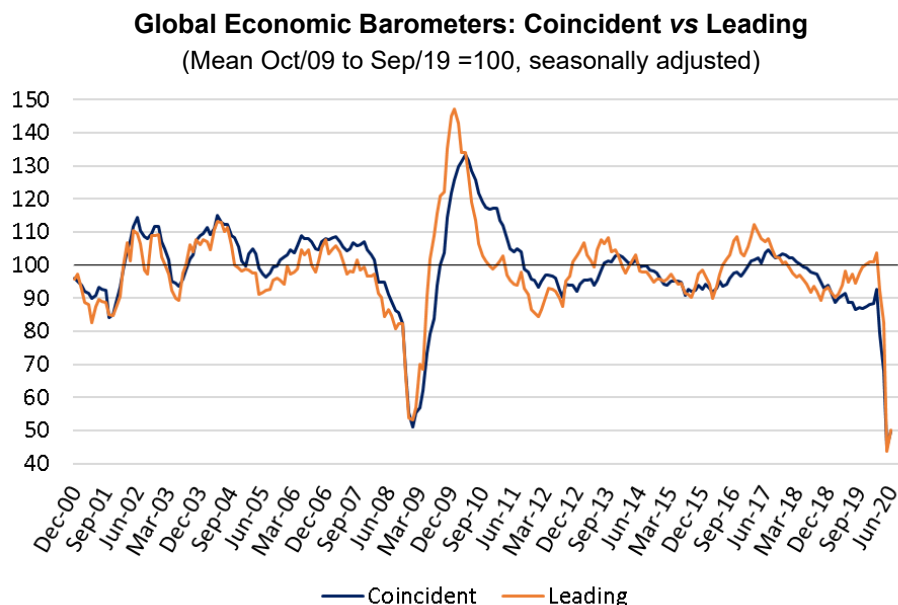
Global Economic Barometers: Coincident *vs* Leading
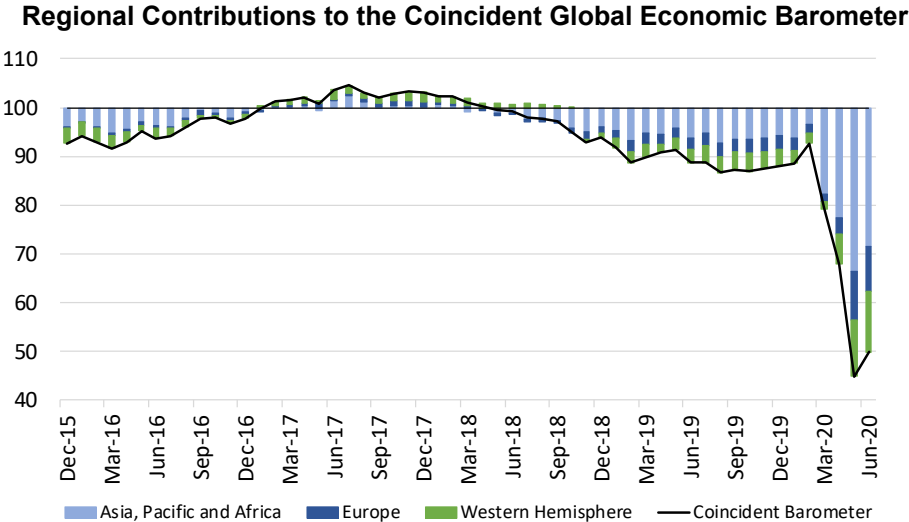(Mean Oct/09 to Sep/19 =100, seasonally adjusted)

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

The Global <u>Coincident</u> Barometer has risen 4.8 points in June in comparison with the previous month, increasing from 45.0 to 49.8 points, the second lowest level since the series began in 1991. There has been a rise in the *Asia, Pacific and Africa,* and *Europe* regions but a further drop in the Coincident Barometer of the *Western Hemisphere*. The Global <u>Leading</u> Barometer has increased 6.6 points, from 43.6 to 50.2 points, also the second lowest level of the historical series, with the three regions examined showing improvement.

"The stabilisation of the Global Barometers signals that we might have reached the bottom of the trough. Most countries have started to ease the lockdown measures, but uncertainty about the development of the global economy remains high for the time being" summarises KOF director Jan-Egbert Sturm the results.
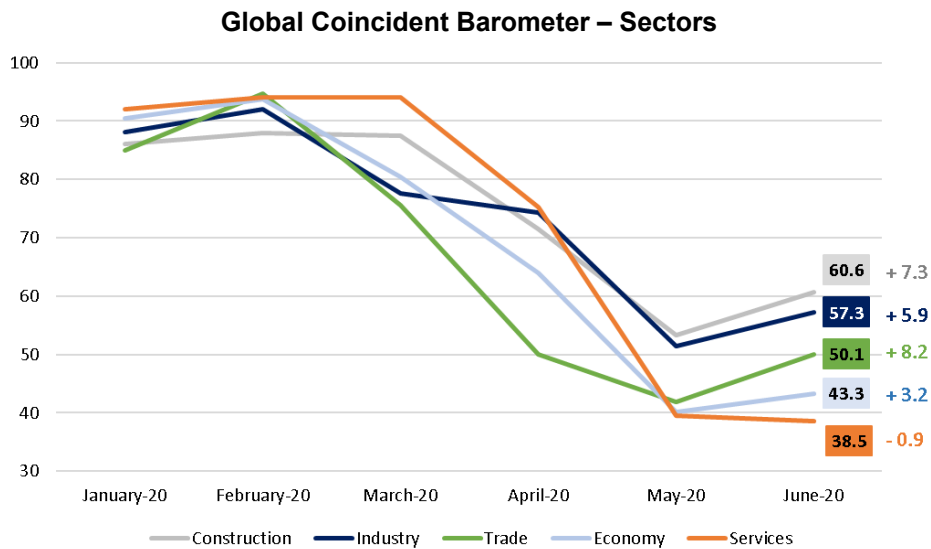
Coincident Barometer – regions and sectors

The 4.8 point increase in the Coincident Barometer represents a recovery of just 10% of the losses occurring between February and May. The major contributor to this month's increase is the *Asia, Pacific, and Africa* region, where the Coincident Barometer rose 8.7 points contributing 5.1 points to the rise in the Global Barometer. The second highest contribution of 0.6 of a point is provided by *Europe* whose Coincident Barometer increased by 2.9 points. The *Western Hemisphere* (North America, Latin America, and the Caribbean) contributes negatively to the result with 0.8 of a point after a regional decline of 3.3 points. The graph below illustrates the contribution of each region to the deviation of the Coincident Barometer from the historical mean level of 100 points.

Regional Contributions to the Coincident Global Economic Barometer

Source: KOF Swiss Economic Institute, ETH Zurich, Switzerland and Fundação Getulio Vargas, Rio de Janeiro, Brazil
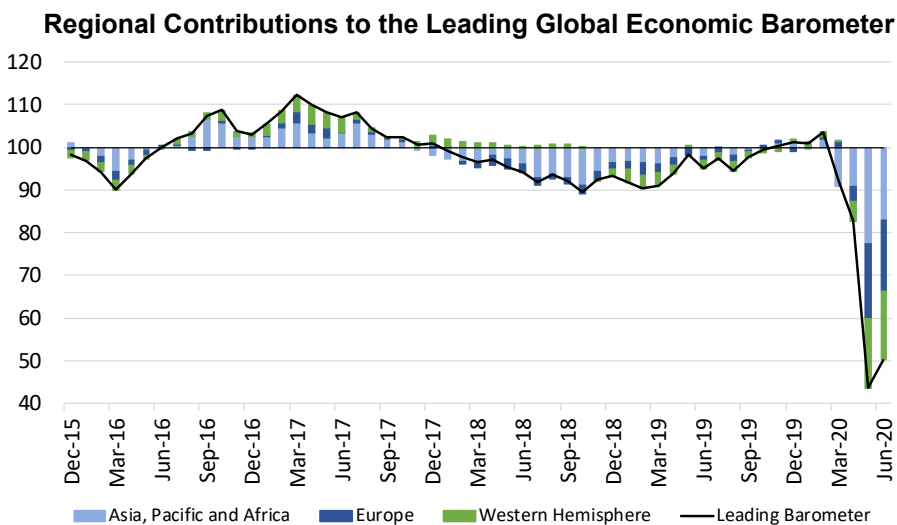
Regarding sectors, the highest contribution to the increase in the Global Coincident Barometer for the month comes from *Industry*, followed by the set of variables reflecting the *Overall Economic Development*. The *Services* sector is the only area to continue receding this month.

Global Coincident Barometer – Sectors

60.6	+ 7.3
57.3	+ 5.9
50.1	+ 8.2
43.3	+ 3.2
38.5	– 0.9

Legend: Construction, Industry, Trade, Economy, Services

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 rise in the indicator in June, signalling a possible improvement for the future development. As in the case of the Coincident indicator, the stand-out region of the month is *Asia, Pacific, and Africa*, whose Leading Barometer rose 9.4 points contributing 5.6 points to the 6.6 point increase in the global indicator. *Europe* and the *Western Hemisphere* Leading Barometers rose 2.6 and 1.6 points contributing 0.6 and 0.4 of a point, respectively.

Regional Contributions to the Leading Global Economic Barometer

Legend: Asia, Pacific and Africa; Europe; Western Hemisphere; Leading Barometer

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

All sectors contribute positively to the result, with the exception of the variables connected to *Overall Economic Development*. *Industry* exerts the largest influence on the increase in the general indicator, followed by *Services*.
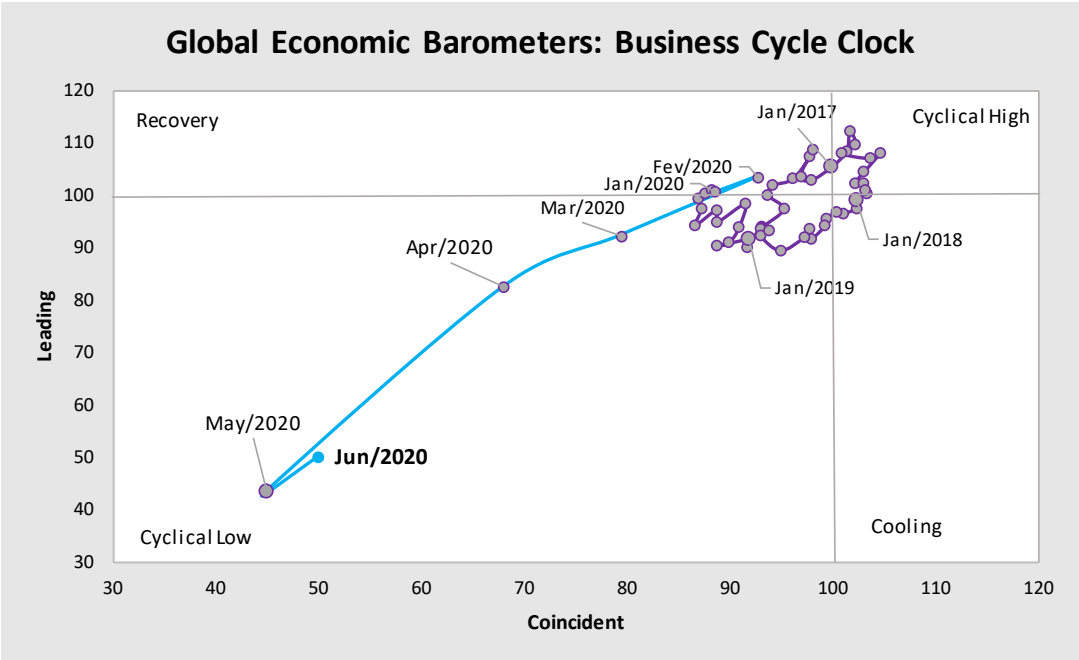
Global Economic Barometers: Business Cycle Clock

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

Period	Global Coincident Barometer Vintages		Global Leading Barometer Vintages	
	June 2020	May 2020	June 2020	May 2020
Jun-19	88.8	88.9	95.0	95.4
Jul-19	88.7	89.0	97.3	97.2
Aug-19	86.6	86.9	94.4	94.9
Sep-19	87.2	87.4	97.6	97.5
Oct-19	86.9	87.1	99.3	99.3
Nov-19	87.5	87.7	100.4	100.7
Dec-19	88.1	88.3	101.1	101.4
Jan-20	88.6	88.6	100.8	100.3
Feb-20	92.7	92.7	103.6	103.3
Mar-20	79.3	79.3	92.4	92.2
Apr-20	67.9	67.9	82.7	84.6
May-20	45.0	45.6	43.6	45.1
Jun-20	**49.8**		**50.2**	

* 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/indikatoren/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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