# Press Release

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

Global Economic Barometers Signal Economic Rebound

The Coincident and Leading Global Economic Barometers have risen for the second consecutive month in July, indicating a gradual recovery of the world economy. Although the numbers have begun moving away from the trough of the crisis, further developments remain uncertain, both on the economic and the health front.

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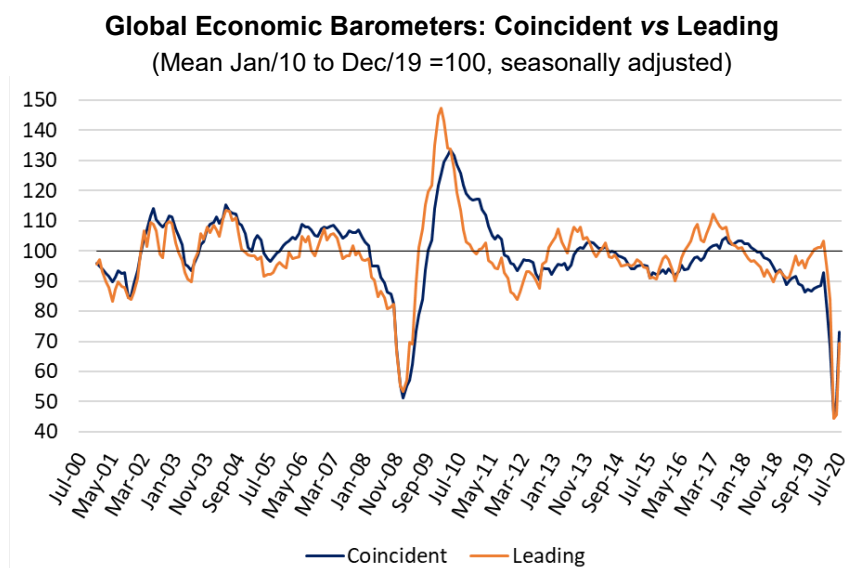
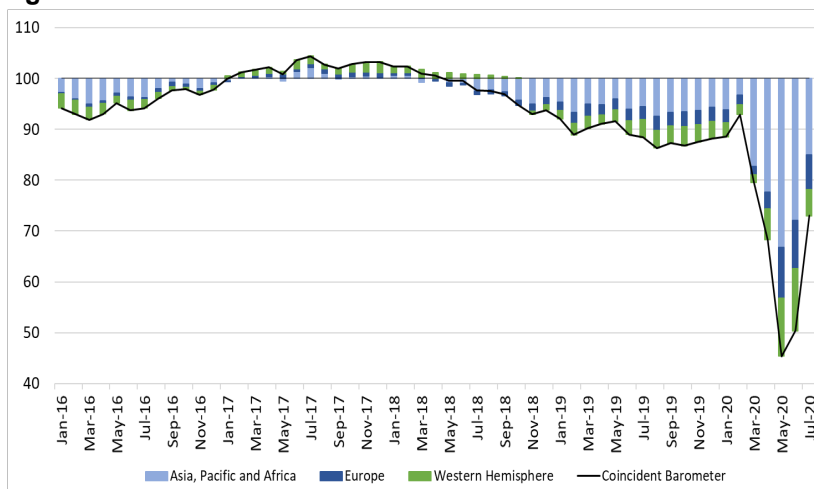Source: KOF ETH Zurich and FGV IBRE

The Coincident Global Barometer has risen 22.6 points in July in comparison with the previous month, increasing from 50.4 to 73.0 points. Similarly, the Leading Global Barometer has gained 23.7 points, climbing from 45.7 to 69.3. Both indicators have advanced in line with the improvement in the economic environment in the three regions investigated. However, they are still 27 and more than 30 points below their long-term averages, respectively (i.e. about 3 standard deviations). The *Asia, Pacific and Africa* region exerted the greatest influence on the development of the Coincident indicator, while the *Western Hemisphere* was most influential on the development of the Leading Barometer.

"Although the recovery of the Barometers can be observed across all sectors and regions, the improvement should be interpreted with caution. The indicators have not yet reached their long-term average values and there is great uncertainty about the future development. Even though the gradual lifting of the lockdown measures has had a positive effect in many countries, the danger of a second Coronavirus wave remains – with potentially serious economic consequences", says KOF director Jan-Egbert Sturm.

Coincident Barometer – regions and sectors

After the second consecutive rise, in the two months of June and July, the Coincident Barometer has recovered 58% of the losses accrued from March to May. The lion's share of this month's 22.6 points increase came from the *Asia, Pacific and Africa* region (12.9 points). The second largest contribution of 7.1 points stemmed from the *Western Hemisphere* (North America, Latin America and the Caribbean). *Europe* contributed 2.6 points to the increase. 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
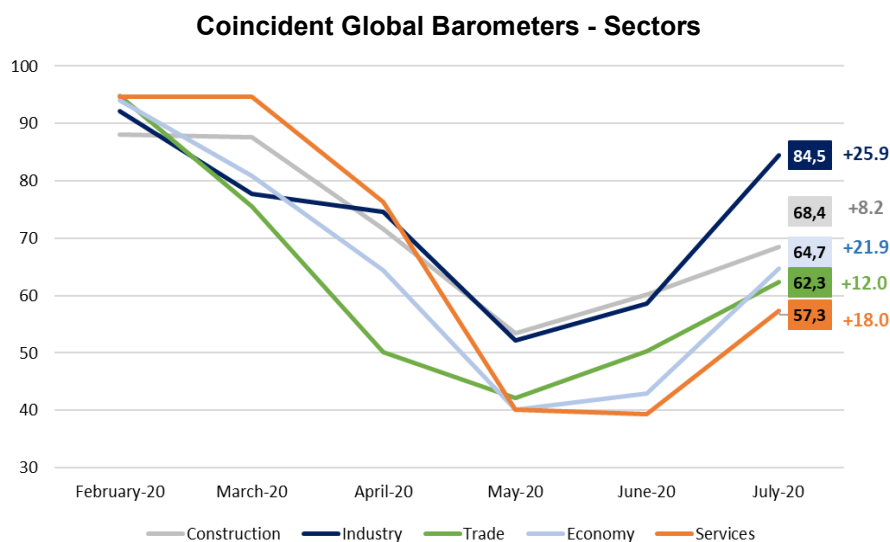

Source: KOF ETH Zurich and FGV IBRE

Coincident Regional Barometers			
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Coincident Barometer*
Feb-20	94.2	91.0	92.3	92.9
Mar-20	70.1	92.8	94.0	79.6
Apr-20	61.6	84.5	75.2	68.3
May-20	43.0	52.3	53.5	45.4
Jun-20	52.0	55.1	49.9	50.4
Jul-20	**74.0**	**67.7**	**79.1**	**73.0**
Cumulative Var. Mar-Jul	-20.2	-23.3	-13.2	-19.9

Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Coincident Barometer				
	Contribution per Region			Monthly Variation
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Coincident Barometer*
Mar-20	-14.1	0.4	0.4	-13.3
Apr-20	-5.0	-1.7	-4.6	-11.3
May-20	-10.9	-6.7	-5.3	-22.9
Cumulative Contrib. Mar-May	-30.0	-8.1	-9.5	-47.5
Jun-20	5.3	0.6	-0.9	5.0
Jul-20	**12.9**	**2.6**	**7.1**	**22.6**
Cumulative Contrib. Jun-Jul	18.1	3.2	6.2	27.6
Cumulative Contrib. Mar-Jul	-11.8	-4.8	-3.2	-19.9

Source: KOF ETH Zurich and FGV IBRE

Regarding sectors, for the first month since the beginning of the pandemic, there has been a positive evolution in every sector. The highest contributions to the increase in the Coincident Global Barometer once again came from *Industry*, followed by the set of variables reflecting the aggregated evolution of economies (*Overall Economic Development*). *Services, Trade*, and *Construction* have contributed moderately to the development.

Coincident Global Barometers - Sectors

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. All regions contribute to the rise of the indicator in July, with the *Western Hemisphere* being responsible for almost 60% of the month's evolution. Increased optimism regarding economic recovery led the region to contribute 14.0 points to the 23.7 points rise in the Leading Barometer in July. *Europe* contributed 8.9 points, while the *Asia, Pacific and Africa* region added only 0.8 of a point to the global indicator, possibly reflecting concerns about a potential second wave of Covid-19 diseases.

Regional Contributions to the Coincident Global Economic Barometer
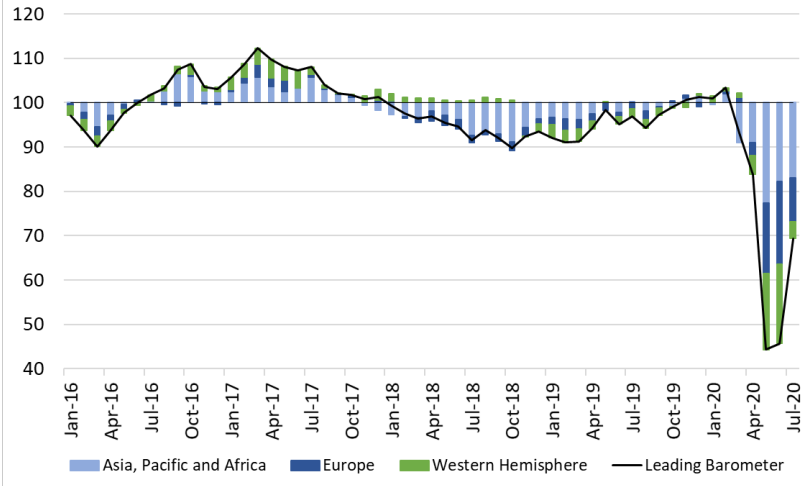

Source: KOF ETH Zurich and FGV IBRE

Leading Regional Barometers			
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Leading Barometer*
Feb-20	103.1	103.4	102.9	103.3
Mar-20	85.0	105.9	103.6	93.1
Apr-20	84.8	87.0	83.2	83.8
May-20	62.3	25.9	32.0	44.3
Jun-20	70.5	12.6	29.0	45.7
Jul-20	71.7	54.3	84.9	69.3
Cumulative Var. Mar-Jul	-31.4	-49.1	-18.1	-34.0

Source: KOF ETH Zurich and FGV IBRE

	Regional Contributions to Changes in the Leading Barometer			
Period	Contribution per Region			Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Leading Barometer
Mar-20	-10.9	0.5	0.2	-10.2
Apr-20	-0.1	-4.1	-5.1	-9.3
May-20	-13.6	-13.1	-12.9	-39.5
Cumulative Contrib. Mar-May	-24.6	-16.6	-17.8	-59.0
Jun-20	4.9	-2.8	-0.8	1.3
Jul-20	0.7	8.9	14.0	23.7
Cumulative Contrib. Jun-Jul	5.6	6.1	13.3	25.0
Cumulative Contrib. Mar-Jul	-18.9	-10.5	-4.5	-34.0

Source: KOF ETH Zurich and FGV IBRE

All sector indicators contribute positively to the result, with the variables connected to *Overall Economic Development* exerting the greatest influence on the Leading Barometer. *Industry* had the second largest influence, while the contribution of the remaining sectors was less relevant to the increase in the general indicator.
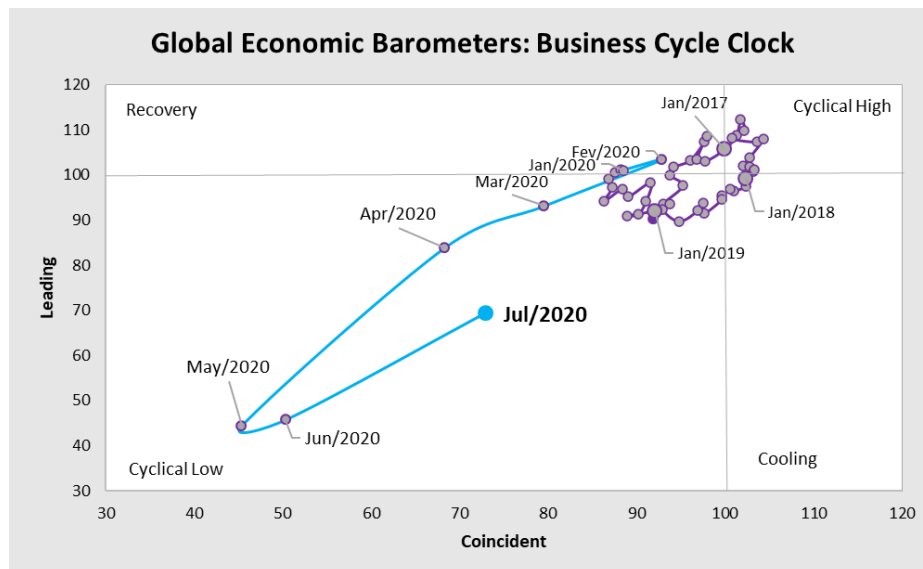
Period	Global Coincident Barometer Vintages		Global Leading Barometer Vintages	
	July 2020	June 2020	July 2020	June 2020
Jul-19	88.4	88.7	97.0	97.3
Aug-19	86.3	86.6	94.3	94.4
Sep-19	87.2	87.2	97.2	97.6
Oct-19	86.8	86.9	99.0	99.3
Nov-19	87.5	87.5	100.6	100.4
Dec-19	88.2	88.1	101.2	101.1
Jan-20	88.5	88.6	101.0	100.8
Feb-20	92.9	92.7	103.3	103.6
Mar-20	79.6	79.3	93.1	92.4
Apr-20	68.3	67.9	83.8	82.7
May-20	45.4	45.0	44.3	43.6
Jun-20	50.4	49.8	45.7	50.2
Jul-20	**73.0**		**69.3**	

* 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. By construction the indicator has an average value of 100 and a standard deviation of 10 for the 10-year period preceding the most recent observations.

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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