# Press Release

Rio de Janeiro and Zurich, September 11, 2023, 10 am (local time) – 1 pm (UTC).

Global Barometers point to improving conditions

The Global Barometers rise in all regions for the third consecutive month in September. Although still below average, the Coincident Barometer shows some improvement in overall economic conditions, while the Leading Barometer reaches its historical average of 100 points.

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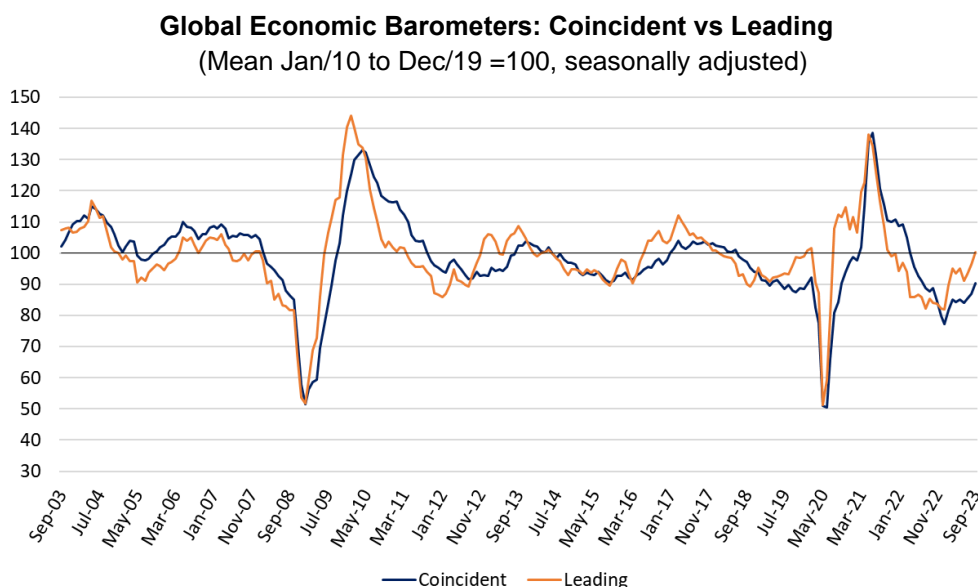
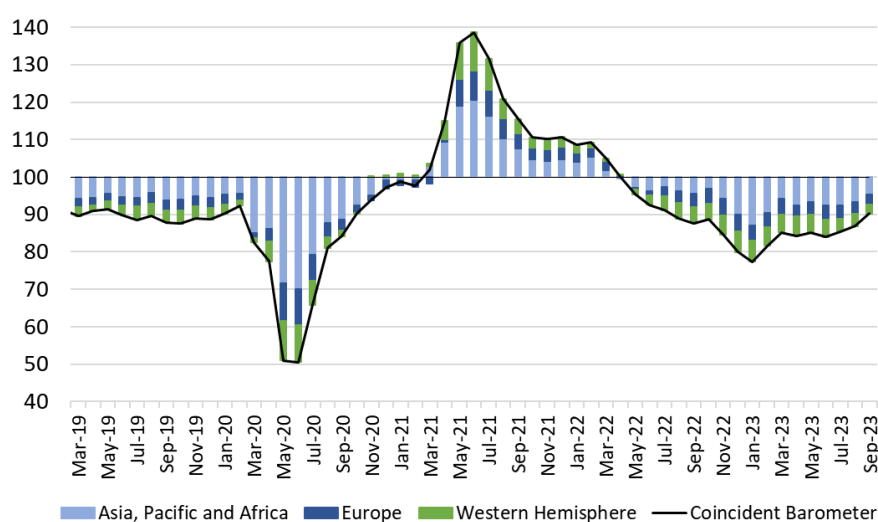Source: KOF, ETH Zurich and FGVIBRE

The Coincident Global Economic Barometer increases by 3.4 points in September to 90.3 points, its highest level since July 2022 (91.1 pts.), while the Leading Economic Barometer rises by 3.7 points to 100.2 points, its highest level since October 2021 (101.1 pts.). In both cases, the results were driven by gains in all three regions analysed, with the strongest contribution coming from the *Asia, Pacific & Africa* region*.*

"The light at the end of the current stagnation tunnel is beginning to appear. After almost two years of below-average readings, the leading version of the global barometer has returned to its long-term average. However, the assessment of the current situation is still one standard deviation below the average. So global growth remains subdued, but barring new negative shocks to the global economy or major parts of it, the cyclical trough is increasingly likely to be behind us. With inflation falling, the soft-landing scenario in the back of the minds of many central bankers around the world appears to be materialising. Let us hope that this assessment remains valid in the coming months", evaluates Jan-Egbert Sturm, Director of KOF Swiss Economic Institute.

Coincident Barometer – regions and sectors

After a period of relative stability in the previous months, the Coincident Barometer accelerates in September. The largest contribution to the increase comes from the *Asia, Pacific & Africa* region with 2.2 points, followed by the *Western Hemisphere* and *Europe*, with 0.9 and 0.3 points, respectively. The Coincident indicator for the *Asia, Pacific & Africa* region remains the highest among the regions, although the *Western Hemisphere* shows the largest increase for the year with a rise of 13.5 points. The graph below shows the contribution of each region to the deviation of the Coincident Barometer from its historical average of 100 points.

Regional Contributions to the Coincident Global Economic Barometer
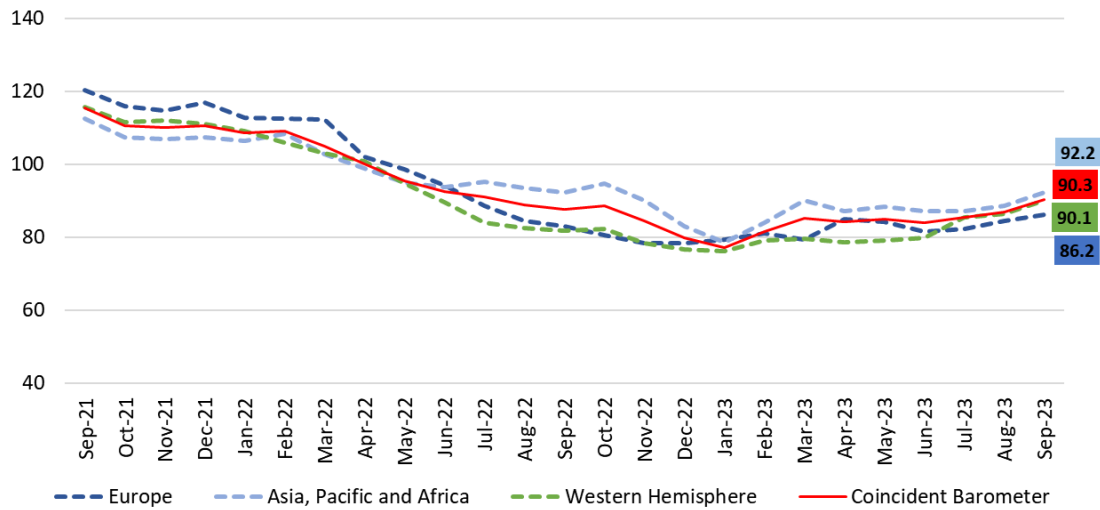

Source: KOF, ETH Zurich and FGVIBRE

| Regional Contributions to Changes in the Coincident Barometer				
	Contributions per Regions			**Monthly Variation**
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Coincident Barometer*
Worst pandemic moment: Cum. Contrib. Mar/20-May/20	-24.1	-8.1	-9.0	-41.3
Cum. Contrib. Jun/20-Sep/22	24.0	6.5	6.0	36.6
Oct-22	1.4	-0.5	0.2	1.1
Nov-22	-2.7	-0.4	-1.0	-4.1
Dec-22	-4.3	0.0	-0.4	-4.7
Jan-23	-2.8	0.3	0.0	-2.6
Feb-23	3.3	0.3	0.7	4.3
Mar-23	3.7	-0.3	0.1	3.6
Apr-23	-1.7	1.1	-0.3	-0.9
May-23	0.8	-0.2	0.2	0.8
Jun-23	-0.8	-0.5	0.2	-1.1
Jul-23	0.0	0.1	1.3	1.4
Aug-23	0.8	0.5	0.2	1.5
Sep-23	**2.2**	**0.3**	**0.9**	**3.4**
Cum. Contrib. Last 12 months	-0.1	0.7	2.1	2.7
Cum. Contrib. Mar/20-Sep/23	-0.2	-0.9	-0.9	-2.0

Source: KOF, ETH Zurich and FGVIBRE

Coincident Global Barometers – Regions

Source: KOF, ETH Zurich and FGVIBRE

All of the <u>Coincident sector indicators</u> rise this month, the most notable being that for *Industry*, which approaches the 90-point level. The indicators for the *Economy (aggregated business and consumer evaluations)*, *Trade*, and *Services* show similar increases, while the *Construction* sector records the lowest increase for the month.

## Coincident Global Barometers – Sectors
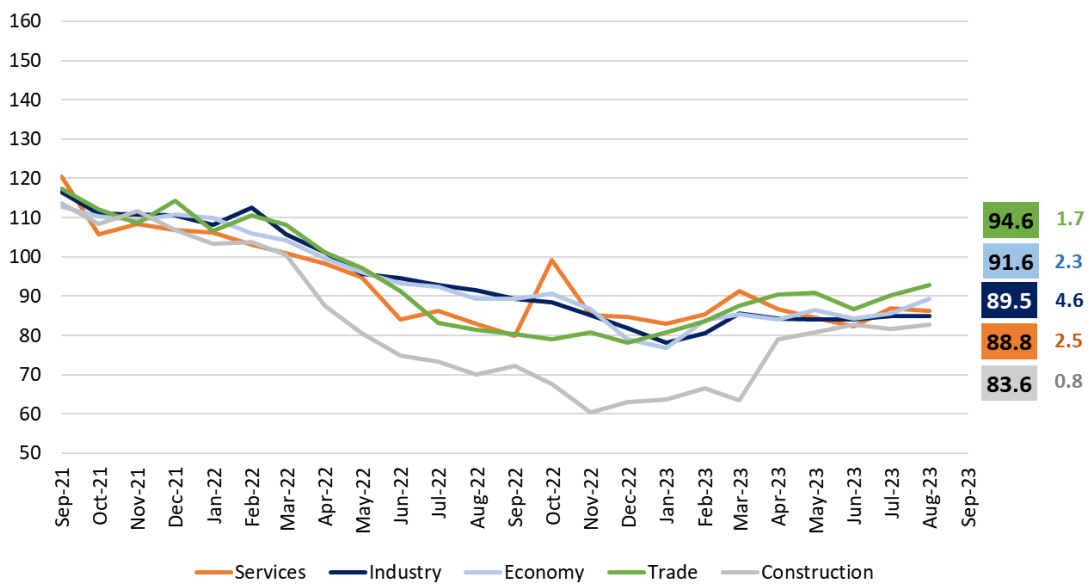
Source: KOF, ETH Zurich and FGVIBRE

Leading Barometer – regions and sectors

On average, the Leading Global Barometer leads the world economic growth rate cycle by three to six months. In September, the regional contributions follow the pattern of the Coincident indicator, with the *Asia, Pacific & Africa* region contributing 1.6 points, followed by the *Western Hemisphere* and *Europe*, with 1.4 and 0.7 points, respectively. The level of the indicators suggests a more widespread perception of an increased growth rate in the main regions, with the *Asia, Pacific & Africa* region approaching the neutral level of 100 points.

**Regional Contributions to the Leading Global Economic Barometer**
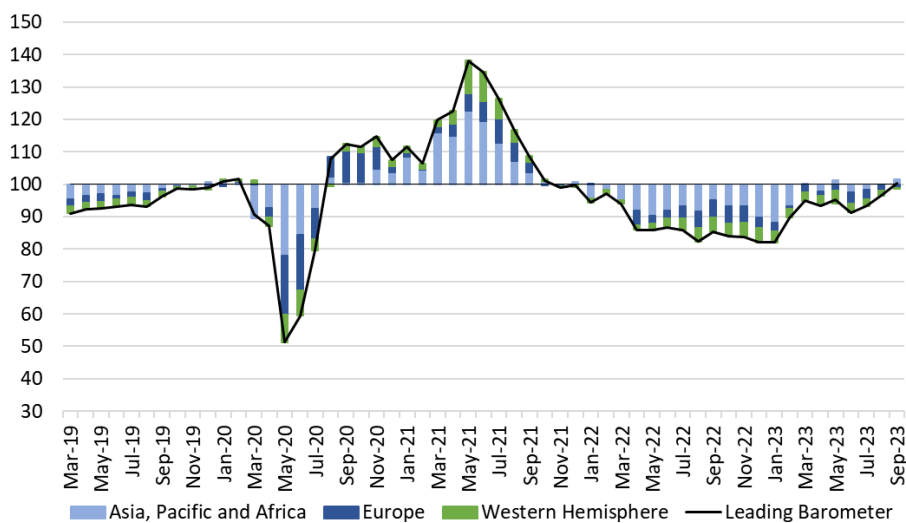
Source: KOF, ETH Zurich and FGVIBRE

Regional Contributions to Changes in the Leading Barometer				
	Contributions per Regions			**Monthly Variation**
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Leading Barometer*
Worst pandemic moment: Cum. Contrib. Mar/20-May/20	-22.8	-18.4	-9.1	-50.3
Cum. Contrib. Jun/20-Sep/22	17.2	12.6	4.3	34.0
Oct-22	-2.0	0.1	0.6	-1.3
Nov-22	0.0	0.4	-0.7	-0.2
Dec-22	-3.3	1.7	-0.1	-1.6
Jan-23	-1.6	0.4	1.1	-0.2
Feb-23	4.9	2.1	0.8	7.7
Mar-23	7.2	-1.9	0.0	5.4
Apr-23	-2.6	1.3	-0.4	-1.7
May-23	3.5	-0.7	-1.0	1.8
Jun-23	-3.7	-1.4	1.2	-4.0
Jul-23	0.9	0.4	0.6	2.1
Aug-23	1.4	1.2	0.7	3.2
Sep-23	**1.6**	**0.7**	**1.4**	**3.7**
Cum. Contrib. Last 12 months	6.3	4.3	4.2	14.9
Cum. Contrib. Mar/20-Sep/23	0.7	-1.5	-0.6	-1.4

Source: KOF, ETH Zurich and FGVIBRE

Leading Global Barometers – Regions
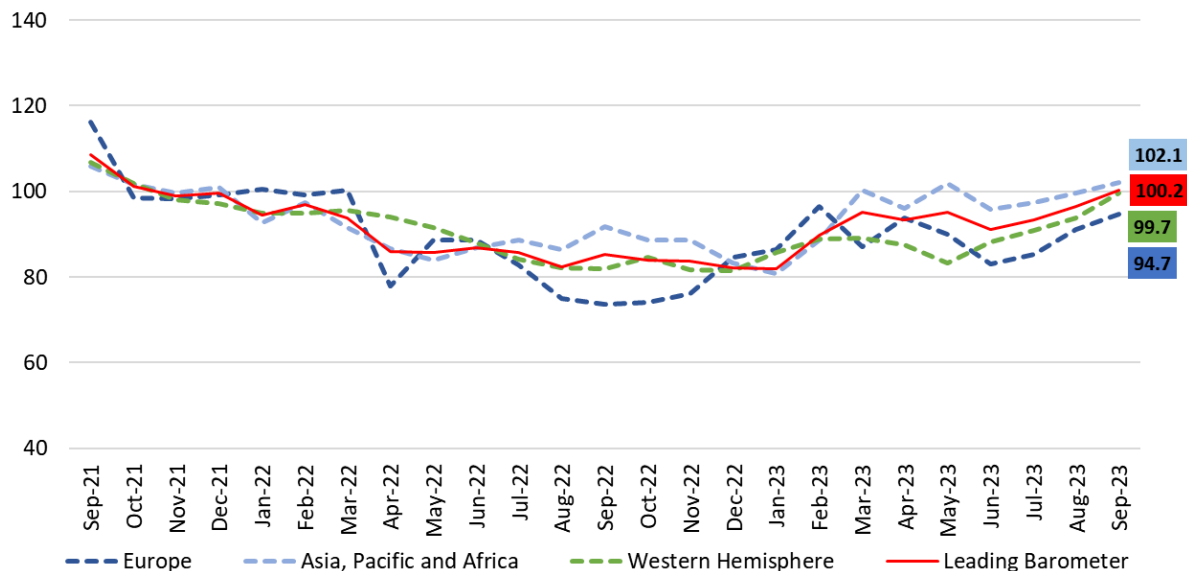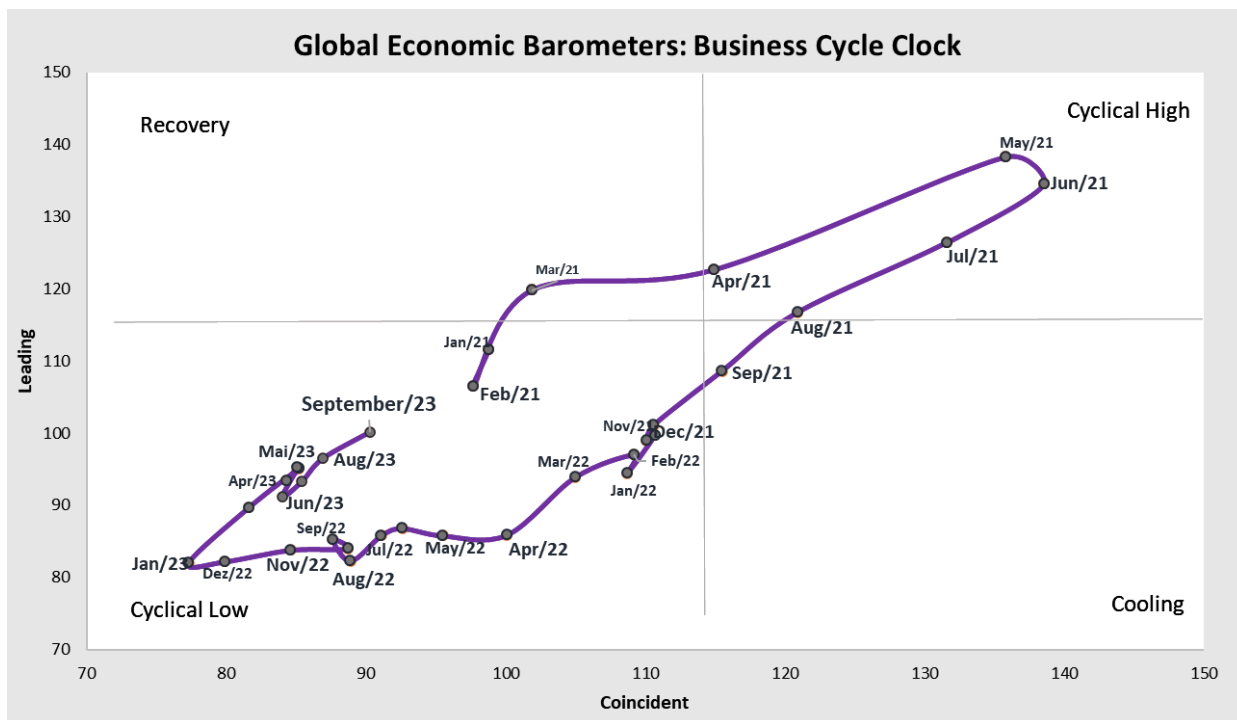

Source: KOF, ETH Zurich and FGVIBRE

The <u>Leading sector indicators</u> for *Construction*, *Industry*, *Trade*, and the *Economy (aggregated business and consumer assessments)* rose in September, while *Services* fell after strong increases in July and August. Despite the decline, *Services* remains the sector with the highest level. Only the *Industry* indicator is still below the neutral level of 100 points.

Sectoral Leading Indicators					
Period	*Construction*	*Economy*	*Industry*	*Trade*	*Services*
Feb-20	97.7	101.8	100.9	104.2	106.1
Mar-20	103.6	80.2	92.7	103.9	101.2
Apr-20	89.5	82.9	93.0	74.5	83.1
May-20	57.8	62.7	52.1	55.2	15.0
Worst pandemic moment: Cum. Variation. Mar/20-May/20	-39.9	-39.2	-48.9	-49.0	-91.1
Cum. Variation Jun/20-Sep/22	22.8	26.4	33.7	27.3	68.5
Oct-22	89.9	83.3	85.7	78.9	85.0
Nov-22	86.2	84.9	84.4	80.2	86.7
Dec-22	75.2	80.3	86.4	81.1	80.0
Jan-23	72.7	83.7	84.3	76.4	87.7
Feb-23	75.2	89.5	93.3	84.8	93.3
Mar-23	79.2	98.5	95.0	95.6	102.1
Apr-23	86.2	98.1	93.6	92.1	84.8
May-23	80.7	105.3	92.8	90.8	92.7
Jun-23	90.7	96.9	89.7	90.1	85.0
Jul-23	98.4	95.4	90.8	99.5	94.9
Aug-23	95.3	97.8	94.7	98.0	107.9
Sep-23	**100.9**	**101.7**	**98.5**	**101.9**	**103.6**
Cum. Variation Last 12 months	-14.8	26.2	6.8	-2.8	-13.7
Cum. Variation Mar/20-Sep/23	3.2	-0.1	-2.4	-2.3	-2.6

Source: KOF, ETH Zurich and FGVIBRE

Global Economic Barometers: Business Cycle Clock

Source: KOF, ETH Zurich and FGVIBRE

Period	Global Coincident Barometer Vintages		Global Leading Barometer Vintages	
	September 2023	August 2023	September 2023	August 2023
Sep-22	87.6	86.9	85.3	85.6
Oct-22	88.7	88.9	84.0	85.1
Nov-22	84.6	84.5	83.8	83.1
Dec-22	79.9	80.0	82.2	82.1
Jan-23	77.3	77.8	82.0	83.5
Feb-23	81.6	81.8	89.7	88.7
Mar-23	85.2	85.4	95.1	95.1
Apr-23	84.3	84.6	93.4	93.7
May-23	85.1	85.1	95.2	94.9
Jun-23	84.0	83.8	91.2	91.4
Jul-23	85.4	85.7	93.3	93.4
Aug-23	86.9	87.2	96.5	96.3
Sep-23	90.3		100.2	

*As series dos Barômetros Globais são revisadas mensalmente refletindo a atualização de series componentes e a revisão do ajuste sazonal.

Source: KOF, ETH Zurich and FGVIBRE

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), in which 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 remained stable since the April 2020 edition.

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