

## Press Release

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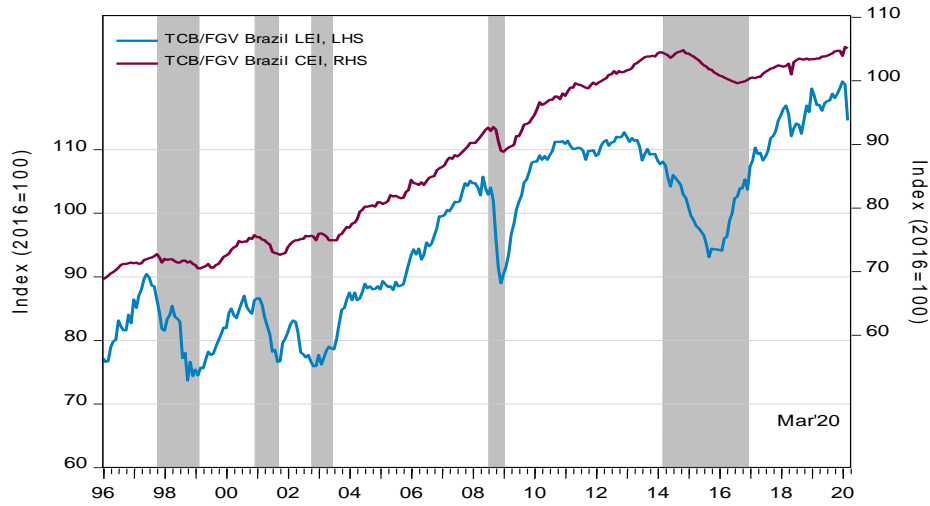
### Leading Economic Index decreased in March

**Rio de Janeiro, April 17<sup>th</sup> 2020...** The *Leading Economic Index<sup>®</sup> for Brazil* (LEI), released by FGV/IBRE in partnership with The Conference Board (TCB), decreased 4.7 percent in March to 114.5, the biggest drop since November 2008. The cumulative change in the last six months was also negative, at 3.5 percent. March's decrease was fueled by negative contributions from six of the eight components, with the largest coming from the Expectations Index of the Services Sector Survey, and by the Bovespa Index, which decreased 18.3 percent and 29.9 percent at the margin, respectively.

The *Coincident Economic Index for Brazil* (CEI, FGV TCB), which measures current economic conditions, decreased 0.2 percent to 105.0, in the same period. The cumulative change in the last six months is positive at 0.8 percent.

“The initial effects of the COVID-19 pandemic on economic activity have already begun negatively impacting the March CEI”, according to Paulo Picchetti of FGV IBRE. “Meanwhile, the rapid decline in the March LEI suggests that the probability of a recession in the coming months has significantly increased.”, said Picchetti.

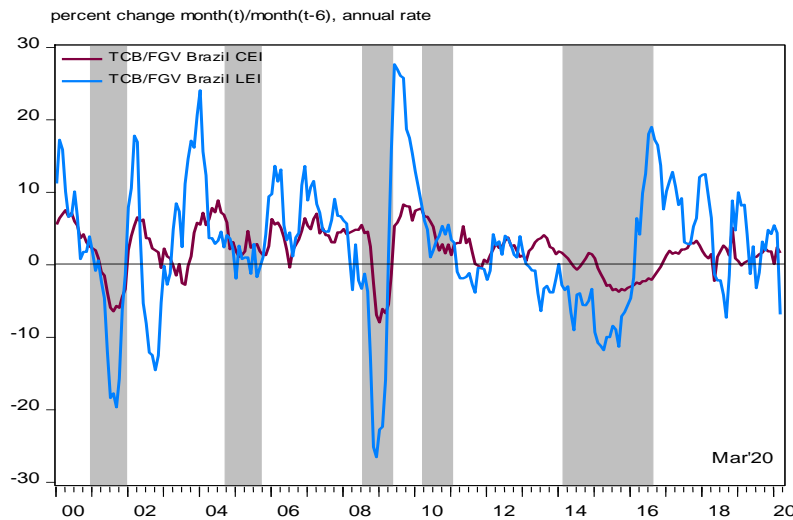
## LEI and CEI decreased in March



Source: FGV IBRE and The Conference Board

Note: The shaded areas denote recessions, according to chronology determined by CODACE. The turning points of the last recession (March 2014 and December 2016) were chosen because they were the last months of the quarters identified recession by CODACE as the peak and trough of the recession of 2014-2016.

## Annualized half-yearly variations of LEI in negative territory



Source: FGV IBRE and The Conference Board

Note: The shaded areas denote growth cycles defined by deviations from the growth trend of the Coincident Economic Index (CEI) + GDP for Brazil, as determined by *The Conference Board* and FGV IBRE.

The Leading Economic Index aggregates eight components that measure economic activity in Brazil. Each of them individually has proved efficient in anticipating economic trends. Aggregating individual indicators into a composite index filters out so-called "noise," smoothing out the volatility of individual components, and revealing the underlying economic trend.

## **About the Leading Economic Index (LEI)**

FGV IBRE and The Conference Board launched the Leading Economic Index (LEI) for Brazil in July 2013. With a series dating back to 1996, the LEI would have anticipated, reliably, all four recessions identified by the Brazilian Dating Committee of Economic Cycles (CODACE) during this period. This indicator allows Brazil to directly compare its business cycles with 11 other countries and regions already covered by The Conference Board: China, the United States, the Eurozone, Australia, France, Germany, Japan, Mexico, Korea, Spain and the UK.

The eight components of the Brazilian LEI are:

Pre-fixed DI swap reference rate – 1 year (Source: Brazil's Central Bank)

Ibovespa Stock Market Index (Source: BOVESPA - São Paulo Stock Exchange)

Expectations index of the Manufacturing Survey (Source: FGV IBRE)

Expectations index of the Services Survey (Source: FGV IBRE)

Expectations index of the Consumer Survey (Source: FGV IBRE)

Durable consumer goods - physical production index (Source: IBGE)

Terms of trade index (Source: FUNCEX)

Volume of Exports index (Source: FUNCEX)

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## **ABOUT FGV IBRE**

Created in 1944, FGV is a Brazilian private higher education institution, think tank and producer of statistics, with a mission "to foster Brazil's socioeconomic development." The Brazilian Institute of Economics (IBRE) is FGV's arm with the mission to produce and disseminate high-quality economic statistics and studies that are relevant to improve policies and private action in Brazil. [www.fgv.br/ibre](http://www.fgv.br/ibre)

## Summary Table of Composite Economic Indexes

2020

	jan		feb		mar		6-month Sep to Mar
<b>LEI</b>	120.6	r	120.1	r	114.5	p	
Percent Change	0.8	r	-0.4	r	-4.7	p	-3.5
Diffusion	62.5		37.5		25.0		37.5
<b>CEI</b>	103.8	r	105.2	p	105.0	p	
Percent Change	-0.8	r	1.3	p	-0.2	p	0.8
Diffusion	66.7		83.3		41.7		100.0

n.a. Not available   p Preliminary   r Revised  
 Indexes equal 100 in 2016

Sources: The Conference Board, FGV IBRE      All Rights Reserved

The next *press release* will be published on Thursday, May 14<sup>th</sup> 2020, at 11:00 A.M. (RIO DE JANEIRO time) 10:00 A.M. (NEW YORK time)

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