

## Press Release

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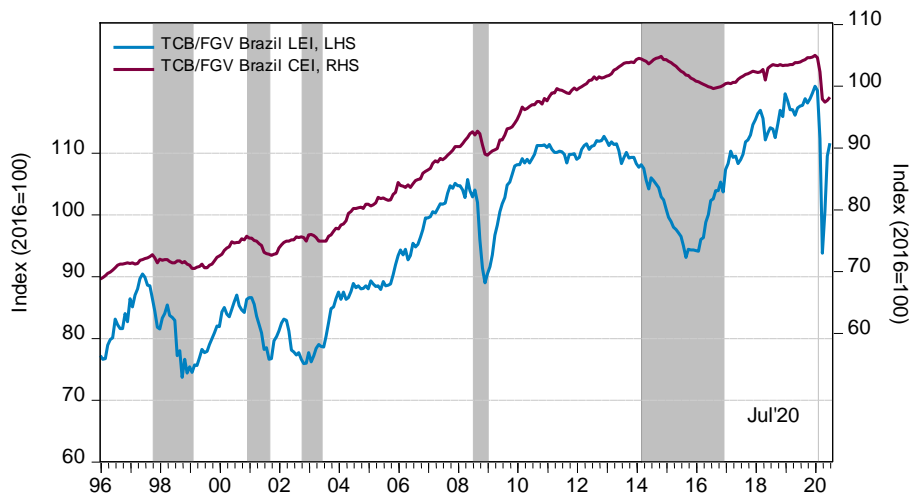
### Leading Indicator Increases in July

**Rio de Janeiro, August 12<sup>th</sup> 2020...** The *Leading Economic Index or Brazil* (LEI), published by FGV IBRE in partnership with The Conference Board (TCB), rose 1.9 percent in July to 111.5. Six out of the eight components that comprise the index contributed positively, with the largest contributions coming from the Manufacturing Expectations Index and the Consumer Expectations Index.

The *Coincident Economic Index for Brazil* (CEI) (FGV IBRE / TCB), which measures current economic conditions, rose 0.5 percent to 98.1 in the same period.

“The sharp rebound of May’s and June’s LEI has been followed by the growth in the CEI in July, which is reflecting the gradual reopening of economic activity. The worst economic impact of the pandemic was concentrated in the first half of the year”, states Paulo Picchetti of FGV IBRE. “However, slower growth in July’s LEI suggests the speed and strength of the economic recovery remains uncertain and subject to the dynamics of the health crisis”, says Picchetti.

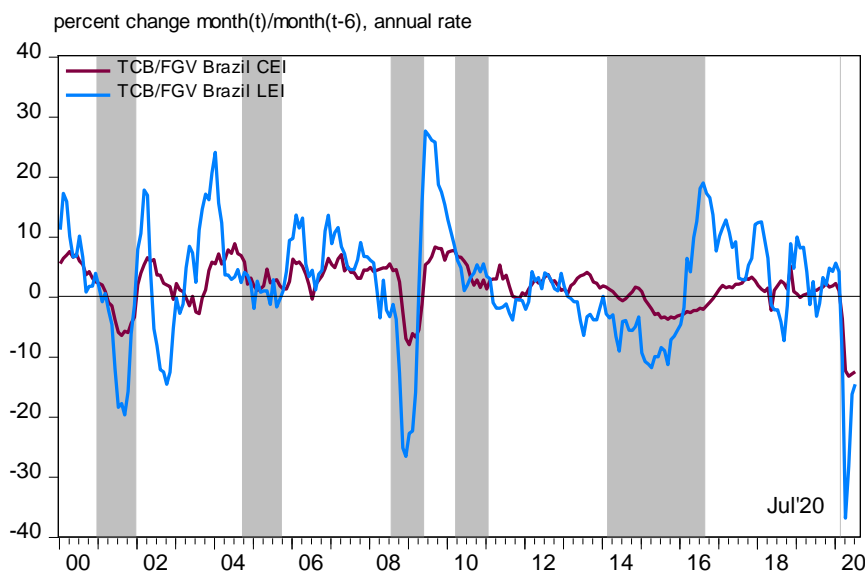
## LEI rose in July



Source: FGV IBRE and The Conference Board

Note: The shaded areas denote recessions, according to the chronology determined by CODACE. At the last meeting, the monthly turning points of the 2014-2016 recession were identified (March 2014 and December 2016) and a recent peak of the Brazilian cycle in the fourth quarter of 2019. The Committee has yet to determine the monthly turning points for this latest recession. February 2020 was chosen as the peak of this last recession by the LEI/CEI team.

## Annualized six-month growth rate 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 has proved individually 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 reliably anticipated 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: Brazilian Central Bank)

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

Manufacturing Expectations Index (Source: FGV IBRE)

Services Expectations Index (Source: FGV IBRE)

Consumer Expectations Index (Source: FGV IBRE)

Durable consumer goods - physical production index (Source: IBGE – Brazilian Institute of Geography and Statistics)

Terms of trade index (Source: FUNCEX – Center for Foreign Trade Studies Foundation)

Exports Quantum Index (Source: FUNCEX - Center for Foreign Trade Studies Foundation)

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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 improving policies and private action in Brazil. [www.fgv.br/ibre](http://www.fgv.br/ibre)

## Summary Table of Composite Economic Indexes

2020

|                | May   |   | Jun   |   | Jul   |   | 6-month<br>Jan to Jul |
|----------------|-------|---|-------|---|-------|---|-----------------------|
| <b>LEI</b>     | 100.5 | r | 109.4 | r | 111.5 | p |                       |
| Percent Change | 7.3   | r | 8.9   | r | 1.9   | p | -7.6                  |
| Diffusion      | 87.5  |   | 75.0  |   | 75.0  |   | 25.0                  |
| <b>CEI</b>     | 97.3  | r | 97.6  | p | 98.1  | p |                       |
| Percent Change | -0.5  | r | 0.3   | p | 0.5   | p | -6.5                  |
| Diffusion      | 66.7  |   | 66.7  |   | 83.3  |   | 33.3                  |

n.a. Not available    p Preliminary    r Revised

Indexes equal 100 in 2016

Sources: The Conference Board, FGV IBRE

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The next *press release* will be published on Monday, September 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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