

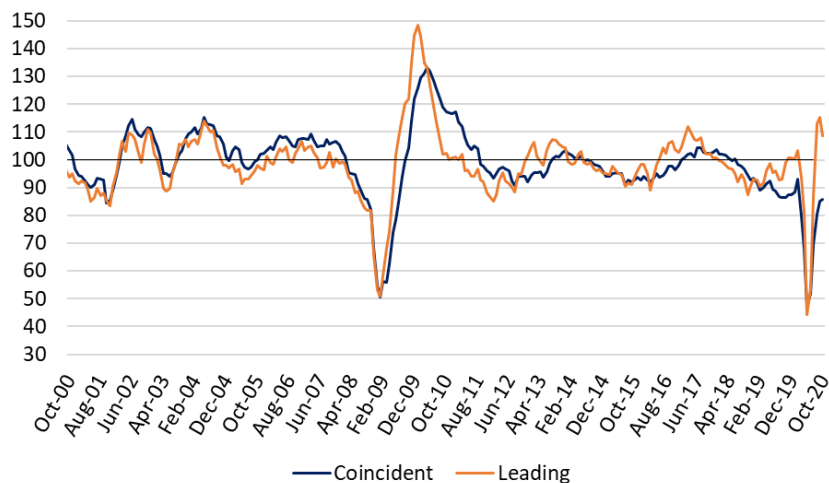
Press Release

Rio de Janeiro and Zurich, 9th October 2020, 10 am (local time) – 1 pm (UTC).

Global Economic Barometers: Weakening Momentum

The **Coincident and Leading Global Economic Barometers** move in opposite directions in October. The **Coincident Barometer** maintains a rising tendency, albeit at a clearly slower pace than in the previous months. Despite its decline, the **Leading Barometer** continues to show a recovery in global GDP. The slowdown, respectively decline in the indicators suggest that after a first strong rebound, the pace of recovery is to weaken.

Global Economic Barometers: Coincident vs Leading
(Mean Jan/10 to Dec/19 =100, seasonally adjusted)



Source: KOF ETH Zurich and FGV IBRE

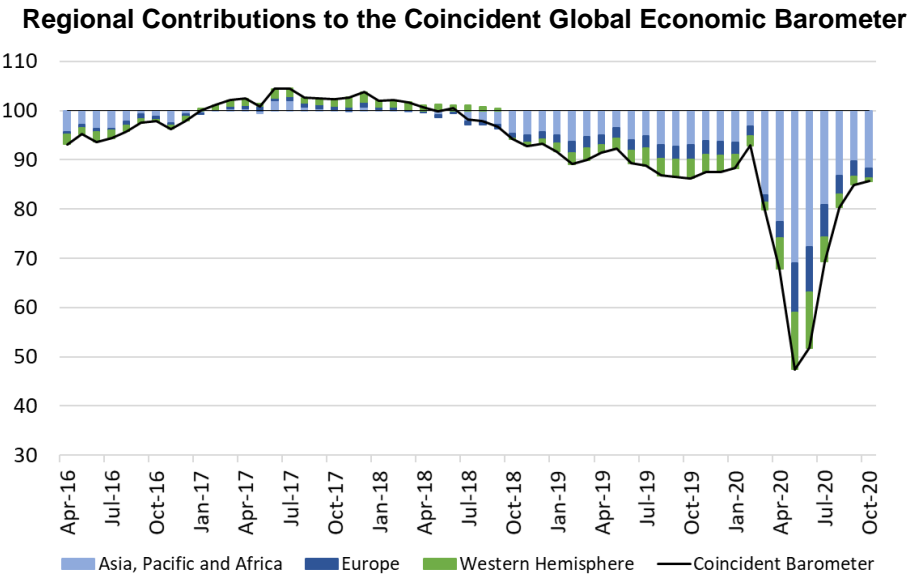
The Coincident Global Barometer records a slight increase of 0.8 points in October, rising from 84.9 to 85.7 points. The Leading Global Barometer, meanwhile, falls by 6.5 points this month, from 115.2 to 108.7 points. This indicates a weakening of optimism after the rise of more than 70 points in the previous four months. The slower rise in the Coincident Barometer is caused by a negative contribution from the *Asia, Pacific and Africa* region, while positive contributions come from *Europe* and the *Western Hemisphere*. The Leading Barometer decreases in all three investigated regions, while the strongest contribution to the aggregate result comes from *Asia, Pacific and Africa*.

“While some countries continue to see high levels of contagion during the pandemic, others have begun experiencing a new wave of cases. The resulting restoration of social distancing measures could particularly affect the trade and services sectors. These factors limit a more robust recovery of the level of activities across the regions and sectors and are responsible for the deceleration of the coincident barometer and the decrease in the leading barometer in October. The performance of the leading

barometer further reflects the uncertainties in relation to the viability adopting new stimulus packages in various countries”, evaluates Paulo Picchetti, researcher of FGV IBRE.

Coincident Barometer – regions and sectors

After its rise from June to September, the Coincident Barometer for the *Asia, Pacific and Africa* region declines in October, contributing negatively to the Global indicator with -1.5 points. *Europe* and the *Western Hemisphere* regions (North America, Latin America and the Caribbean) both contribute positively, with 1.0 and 1.3 points, respectively. The *Western Hemisphere* continues to be the only region to return to the pre-pandemic level of February 2020, which it achieved in September. *Europe* has almost reached the pre-pandemic level in October, while the *Asia, Pacific and Africa* region remains 14.6 points below this reference. The graph below illustrates the contribution of each region to the deviation of the Coincident Barometer from the historical average of 100 points.



Source: KOF ETH Zurich and FGV IBRE

Coincident Regional Barometers				
<i>Period</i>	<i>Asia, Pacific and Africa</i>	<i>Europe</i>	<i>Western Hemisphere</i>	<i>Coincident Barometer</i>
Feb-20	94.2	91.0	92.4	92.9
Mar-20	70.4	92.9	94.3	79.9
Apr-20	61.0	84.5	74.8	67.8
May-20	46.8	52.1	53.0	47.4
Jun-20	52.6	56.2	53.6	51.8
Jul-20	67.0	69.0	80.0	69.3
Aug-20	77.2	82.0	89.3	80.3
Sep-20	82.1	86.0	93.0	84.9
Oct-20	79.5	90.9	98.0	85.7
Cumulative Var. Mar-Oct	-14.6	-0.1	5.5	-7.2

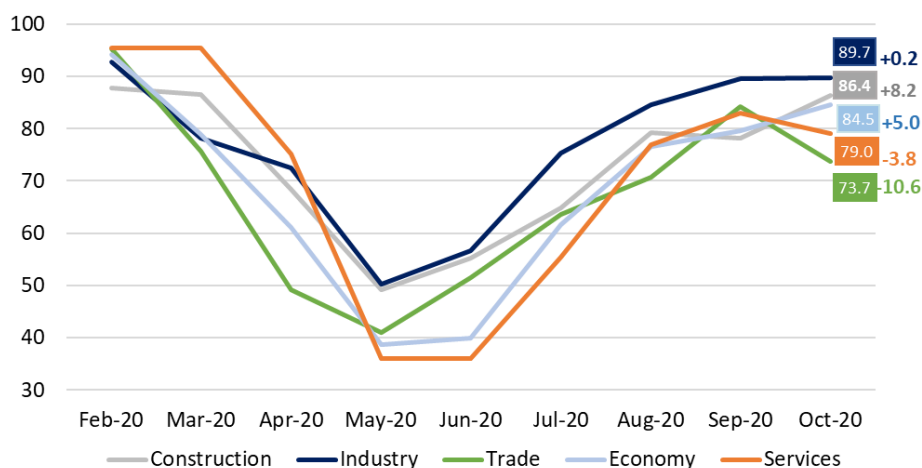
Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Coincident Barometer				
Period	Contributions per Regions			Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Coincident Barometer
Mar-20	-13.9	0.4	0.5	-13.0
Apr-20	-5.5	-1.7	-4.8	-12.0
May-20	-8.4	-6.8	-5.3	-20.4
Cumulative Contrib. Mar-May	-27.8	-8.1	-9.6	-45.5
Jun-20	3.4	0.9	0.1	4.4
Jul-20	8.4	2.7	6.5	17.6
Aug-20	6.0	2.7	2.3	11.0
Sep-20	2.8	0.8	0.9	4.6
Oct-20	-1.5	1.0	1.3	0.8
Cumulative Contrib. Jun-Oct	19.2	8.0	11.0	38.3
Cumulative Contrib. Mar-Oct	-8.5	-0.1	1.4	-7.2

Source: KOF ETH Zurich and FGV IBRE

The highest contribution to the increase in the Coincident Global Barometer in October comes from the set of variables reflecting the *aggregated development of economies (Overall Economic Development)*, followed by *Construction*, which contributes modestly, and *Industry*, which remains constant. Variables from the *Trade and Services* sectors contribute negatively to the result.

Coincident Global Barometers - Sectors

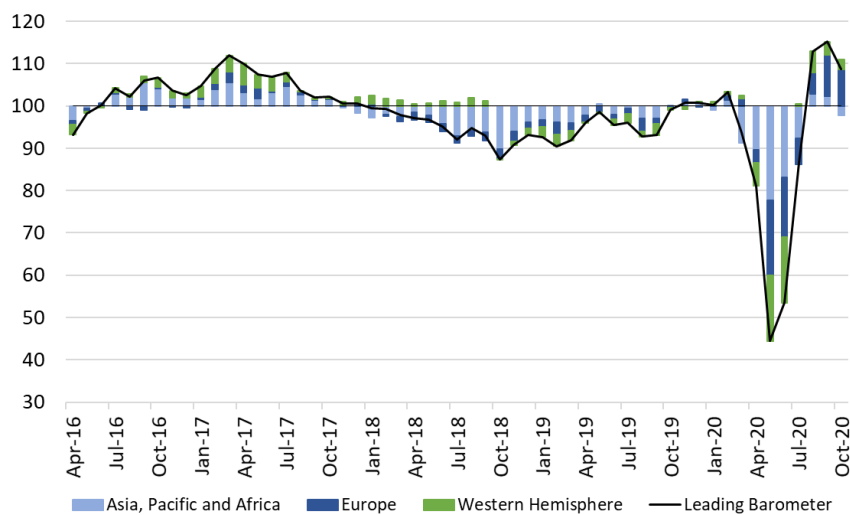


Source: KOF ETH Zurich and FGV IBRE

Leading Barometer – regions and sectors

The Leading Global Barometer leads the world economic growth rate cycle by three to six months on average. In October, the highest negative influence stems from the *Asia, Pacific and Africa* region, contributing -4.5 points (or 68%) to the Global indicator. After the indicators of the region recovered from the worst losses of the pandemic in August and September, they now return to a lower level than before the pandemic. *Europe* also contributes negatively to the fall with -1.2 points, although it remains highly optimistic, recording 140 points. The *Western Hemisphere* indicator shows a revision of underlying expectations as well and contributes negatively to the Leading Barometer with -0.9 points.

Regional Contributions to the Leading Global Economic Barometer



Source: KOF ETH Zurich and FGV IBRE

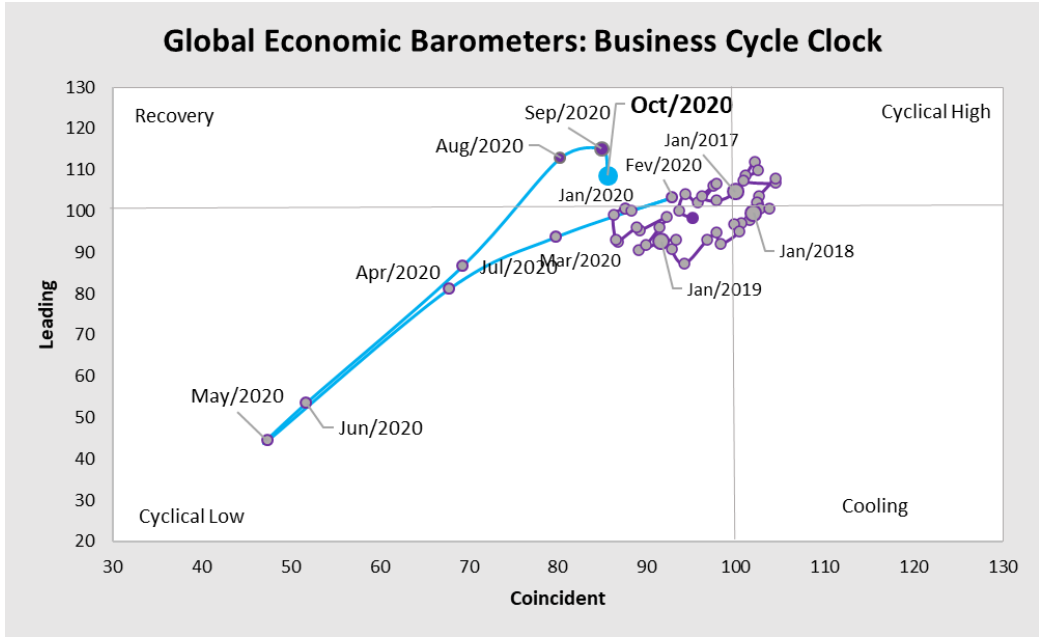
Leading Regional Barometers				
Period	Asia, Pacific and Africa	Europe	Western Hemisphere	Leading Barometer
Feb-20	102.1	106.4	102.4	103.3
Mar-20	85.4	108.0	103.0	93.7
Apr-20	82.6	86.2	78.3	81.1
May-20	62.8	18.2	38.2	44.4
Jun-20	71.9	34.4	38.6	53.5
Jul-20	87.2	71.7	102.1	86.7
Aug-20	104.4	124.3	119.9	112.9
Sep-20	103.5	145.8	112.6	115.2
Oct-20	96.2	140.3	109.0	108.7
Cumulative Var. Mar-Oct	-5.9	33.9	6.6	5.4

Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Leading Barometer				
Period	Contributions per Regions			Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Leading Barometer
Mar-20	-10.1	0.3	0.1	-9.6
Apr-20	-1.7	-4.7	-6.2	-12.6
May-20	-12.0	-14.6	-10.1	-36.7
Cumulative Contrib. Mar-May	-23.8	-18.9	-16.2	-58.9
Jun-20	5.5	3.5	0.1	9.1
Jul-20	9.2	8.0	16.0	33.3
Aug-20	10.4	11.3	4.5	26.2
Sep-20	-0.5	4.6	-1.9	2.2
Oct-20	-4.5	-1.2	-0.9	-6.5
Cumulative Contrib. Jun-Oct	20.2	26.2	17.9	64.2
Cumulative Contrib. Mar-Oct	-3.6	7.3	1.7	5.4

Source: KOF ETH Zurich and FGV IBRE

After contributing positively in the previous four months, *Industry* contributes negatively by -5.6 points in October. As in the Coincident Barometer, *Trade* and *Services* contribute negatively to the result. This month, only the set of variables reflecting the *aggregated development of economies (Overall Economic Development)* and *Construction* contribute positively to the result of the general indicator, albeit to a small extent.



Period	<i>Global Coincident Barometer</i> Vintages		<i>Global Leading Barometer</i> Vintages	
	<i>October 2020</i>	<i>September 2020</i>	<i>October 2020</i>	<i>September 2020</i>
Oct-19	86.3	86.6	99.1	99.5
Nov-19	87.5	87.4	100.7	100.8
Dec-19	87.5	88.1	100.8	100.9
Jan-20	88.3	88.4	100.2	99.6
Feb-20	92.9	93.1	103.3	102.8
Mar-20	79.9	80.3	93.7	93.2
Apr-20	67.8	67.8	81.1	80.1
May-20	47.4	45.8	44.4	44.9
Jun-20	51.8	53.3	53.5	58.2
Jul-20	69.3	69.4	86.7	84.4
Aug-20	80.3	80.5	112.9	110.2
Sep-20	84.9	85.0	115.2	115.9
Oct-20	85.7		108.7	

* 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 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 website:

<https://kof.ethz.ch/prognosen-indikatoren/indikatore/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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