

Press Release

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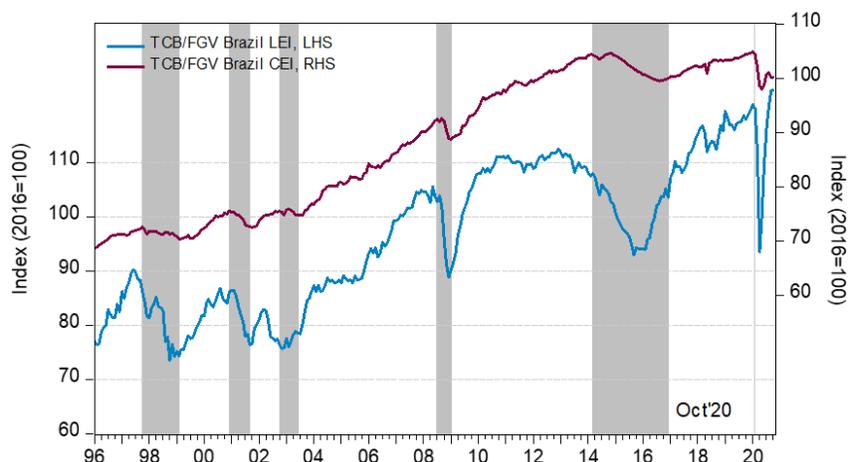
Leading Indicator Remains Stable in October

Rio de Janeiro, November 13th 2020... The *Leading Economic Index for Brazil* (LEI), published by FGV IBRE in partnership with The Conference Board (TCB), remained unchanged in October at 123.3 (2016 =100), 3.3 points above the pre-pandemic level (February 2020). Of the eight components that comprise the index, five contributed negatively and three positively. The largest positive contribution came from the Manufacturing Survey's Expectations Index, while the largest negative contribution came from the Services Expectations Index.

The *Coincident Economic Index for Brazil* (CEI) (FGV IBRE / TCB), which measures current economic conditions, also was unchanged at 100.2 points in the same period (2016 = 100).

“The recent trajectory of the LEI and the CEI is consistent with the recovery in the level of economic activity following the significant contraction in the second quarter. However, October's results point to sluggish growth and a great deal of heterogeneity between sectors, with service-related activities being the most affected by labor market developments and the restrictions imposed in response to the pandemic,” said Paulo Picchetti of FGV IBRE. “Acceleration of the recovery in the coming months could be constrained by difficulties in the extension of government support and the possibility of a resurgence of the health crisis,” Picchetti added.

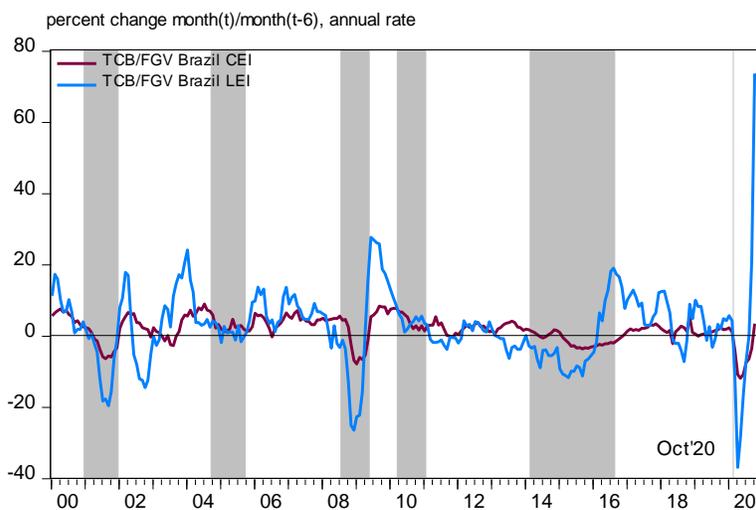
LEI remains stable in October



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 positive 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

Summary Table of Composite Economic Indexes

2020

	Aug		Sep		Oct		6-month to Oct	Apr
LEI	119.9	r	123.3	r	123.3	p		
Percent Change	3.2	r	2.8	r	0.0	p		31.7
Diffusion	68.8		62.5		37.5			87.5
CEI	101.0	r	100.2	p	100.2	p		
Percent Change	0.2	r	-0.8	p	0.0	p		1.6
Diffusion	83.3		66.7		25.0			66.7

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 Wednesday, December 16th 2020, at 12:00 A.M. (RIO DE JANEIRO time) 10:00 A.M. (NEW YORK time)

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