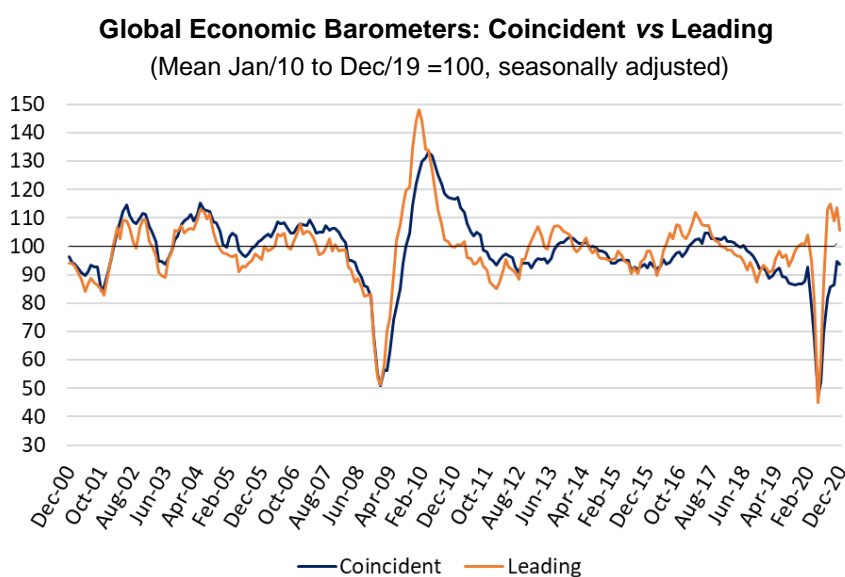


Press Release

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

Global Barometers signal slowing world recovery

The **Coincident and Leading Global Economic Barometers** show a deceleration in the rate of recovery of world economic activity in December, reflecting the arrival of a second wave of COVID-19 in various countries. The **Coincident Barometer** interrupts its sequence of increases. The **Leading Barometer**, which showed optimism in the previous months, is moving towards its long-term average.



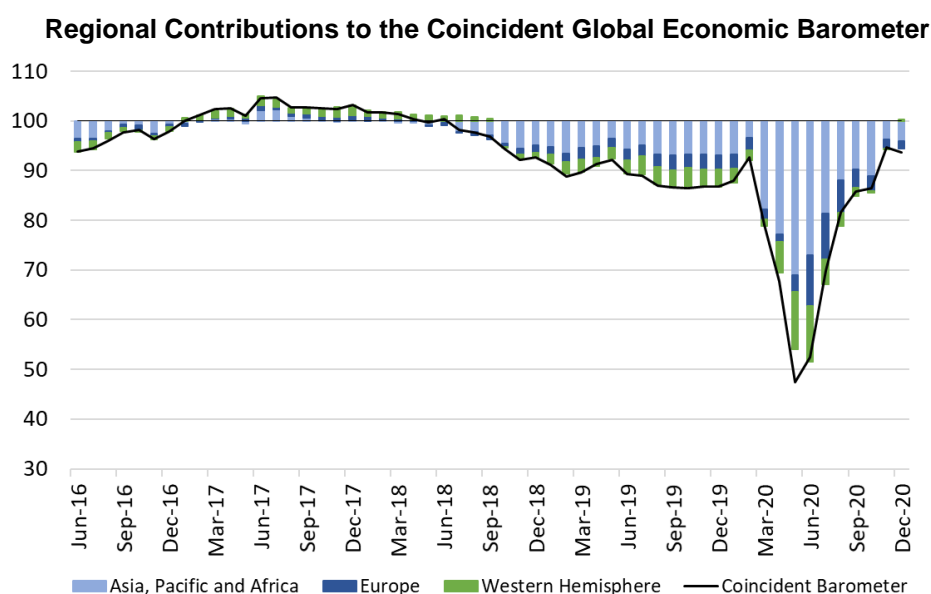
Source: KOF ETH Zurich and FGV IBRE

The Coincident Global Barometer drops by 1.0 point in December, from 94.7 to 93.7 points, after six consecutive gains. The Leading Global Barometer falls by 7.9 points to 105.7 points. The indicator has been fluctuating since September, but this month's decrease has been more pronounced, also leading to a drop in the quarterly moving average. The *Western Hemisphere* moved in the opposite direction and contributed positively to the Coincident Barometer. All regions contribute negatively to the aggregate results of the Leading Barometer.

“Recent advances in the field of immunization have brought about a perspective of resolution to the health crisis, while also exposing the concrete logistical challenges to mass vaccination. Meanwhile, the reality of the resurgence of the pandemic has been felt around the world, leading to the reestablishment of social distancing measures and a consequent reduction in the level of activity, especially in the services sector, which was already recovering at a slower rate than the other sectors. The performance of the leading and coincident barometers in December show that the path to robust economic recovery still has a period of uncertainty ahead associated with the pandemic and the response capacity of economic policies”, evaluates Paulo Picchetti, researcher of FGV IBRE.

Coincident Barometer – regions and sectors

The Coincident Barometer for the *Asia, Pacific and Africa* as well as *Europe* regions drops in December, contributing negatively with 0.4 and 0.9 points, respectively, to the result of the general indicator. The increase in the *Western Hemisphere* continues, but at a progressively lower rate. This month, the region contributes positively to the aggregate result with a rise of 0.3 points. 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	93.8	91.1	92.5	92.7
Mar-20	69.2	92.9	94.5	79.2
Apr-20	60.8	84.3	74.7	67.6
May-20	46.8	51.9	53.1	47.4
Jun-20	53.5	56.0	54.0	52.4
Jul-20	67.9	68.8	80.2	69.9
Aug-20	79.4	82.1	89.4	81.6
Sep-20	83.2	86.2	93.5	85.7
Oct-20	80.7	91.3	98.4	86.5
Nov-20	93.3	93.1	99.9	94.7
Dec-20	92.7	89.0	101.1	93.7
Cumulative Var. Mar-Dec	-1.1	-2.1	8.6	1.0

Source: KOF ETH Zurich and FGV IBRE

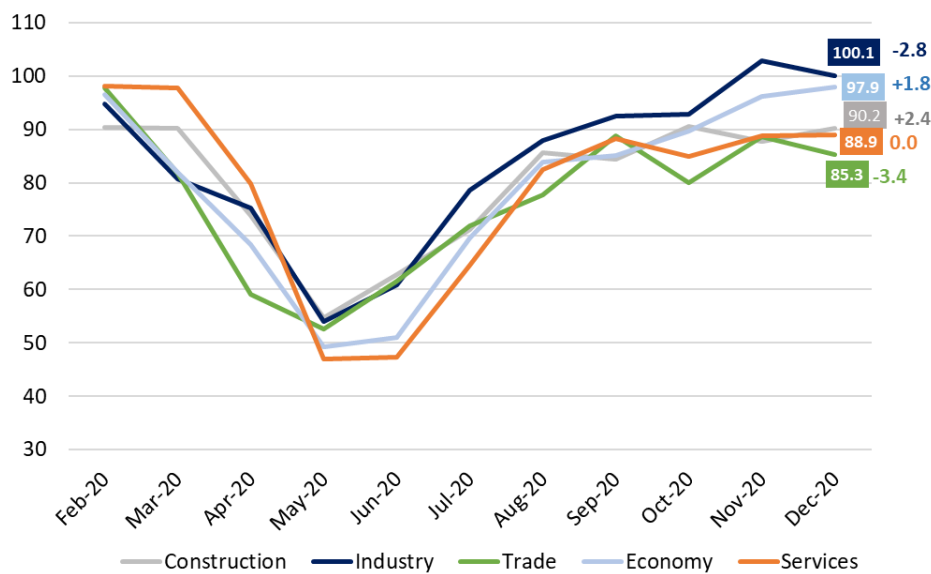
Regional Contributions to Changes in the Coincident Barometer				
Period	Contributions per Regions			Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Coincident Barometer
Mar-20	-14.4	0.4	0.5	-13.6
Apr-20	-4.9	-1.8	-4.8	-11.5
May-20	-8.2	-6.7	-5.3	-20.2
Cumulative Contrib. Mar-May	-27.6	-8.2	-9.6	-45.3
Jun-20	3.9	0.8	0.2	5.0
Jul-20	8.4	2.7	6.4	17.5
Aug-20	6.8	2.8	2.2	11.8
Sep-20	2.2	0.9	1.0	4.1
Oct-20	-1.4	1.0	1.2	0.8
Nov-20	7.4	0.4	0.4	8.2
Dec-20	-0.4	-0.9	0.3	-1.0
Cumulative Contrib. Jun-Dec	26.9	7.7	11.7	46.3
Cumulative Contrib. Mar-Dec	-0.6	-0.5	2.1	1.0

Source: KOF ETH Zurich and FGV IBRE

The largest sectorial contribution to the decrease in the Coincident Global Barometer in December comes from *Industry*, which, nevertheless, sustains the highest barometer value among all sectors. The Trade sector also contributes negatively to the overall result. The remaining sectors contribute slightly positively, while *Services* remain stable.

Coincident Global Barometers - Sectors

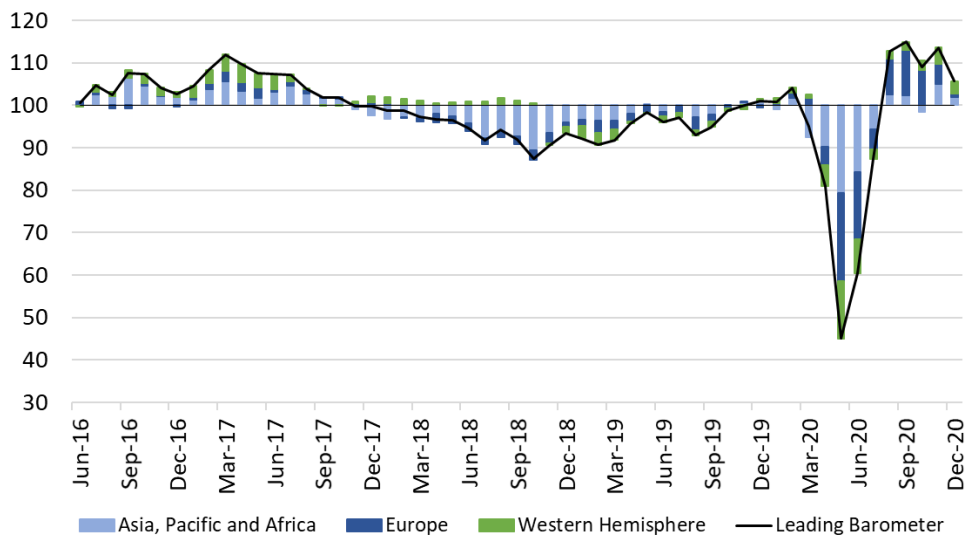
Source: KOF ETH Zurich and FGV IBRE



Leading Barometer – regions and sectors

The Leading Global Barometer leads the world economic growth rate cycle by three to six months on average. In December, all the regions contribute negatively to the aggregate result, with the largest negative contribution coming from Europe, reflecting the second wave of COVID-19 and its consequences for the recovery of the region’s economies. The second strongest contribution stems from Asia, Pacific and Africa followed by the Western Hemisphere.

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	102.7	106.3	104.4	104.1
Mar-20	87.4	108.6	103.0	95.0
Apr-20	83.6	80.8	80.1	81.0
May-20	65.8	3.1	46.5	45.0
Jun-20	73.9	26.8	68.0	60.4
Jul-20	90.4	78.2	91.6	87.4
Aug-20	103.9	140.1	107.2	112.8
Sep-20	103.8	149.6	107.6	114.9
Oct-20	97.4	139.3	108.6	109.0
Nov-20	108.1	122.0	115.5	113.6
Dec-20	103.1	104.0	111.6	105.7
Cumulative Var. Mar-Dec	0.4	-2.4	7.2	1.6

Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Leading Barometer				
Periodo	Contributions per Regions			Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Leading Barometer
Mar-20	-9.2	0.5	-0.4	-9.1
Apr-20	-2.3	-6.0	-5.8	-14.0
May-20	-10.8	-16.7	-8.5	-35.9
Cumulative Contrib. Mar-May	-22.3	-22.2	-14.6	-59.1
Jun-20	4.9	5.1	5.4	15.4
Jul-20	10.0	11.1	6.0	27.0
Aug-20	8.2	13.3	3.9	25.4
Sep-20	-0.1	2.1	0.1	2.1
Oct-20	-3.9	-2.2	0.2	-5.9
Nov-20	6.5	-3.7	1.8	4.5
Dec-20	-3.0	-3.9	-1.0	-7.9
Cumulative Contrib. Jun-Dec	22.6	21.7	16.4	60.6
Cumulative Contrib. Mar-Dec	0.3	-0.5	1.8	1.6

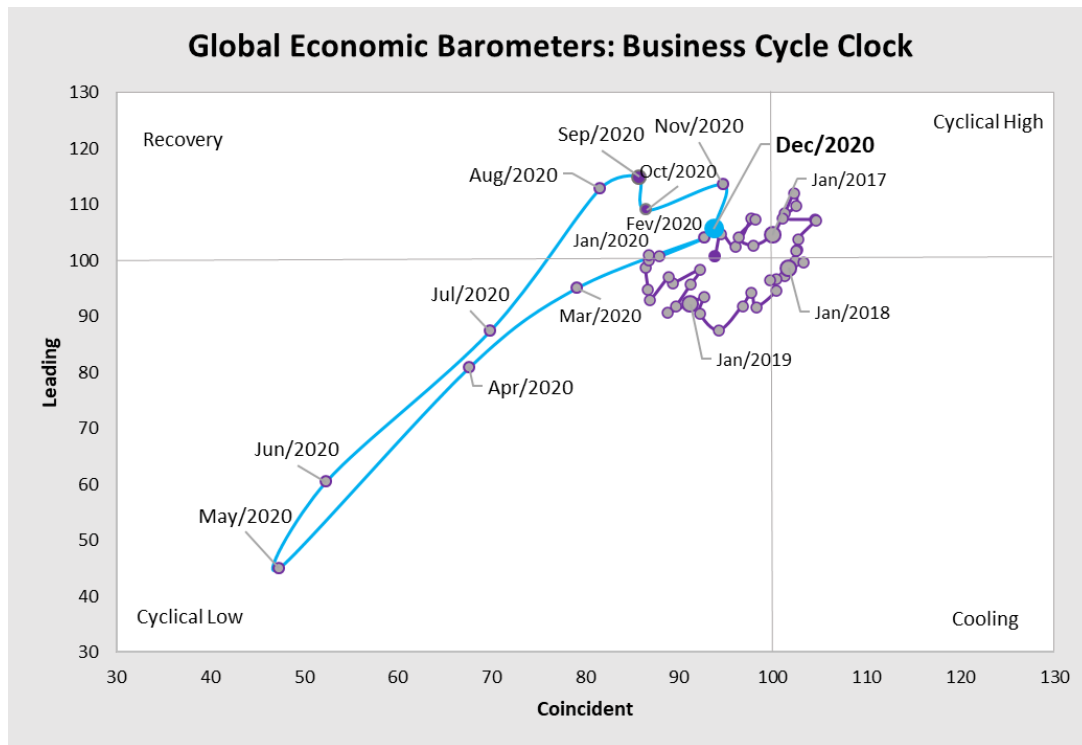
Source: KOF ETH Zurich and FGV IBRE

In December, the Leading Barometer values for all sectors fell, except the *Services* sector. The set of variables reflecting the *aggregated development of economies (Overall Economic Development)* is the most optimistic sectorial barometer, with a value of 114.0 points, followed by *Industry* (111.6 points), *Construction* (109.5 points) and *Services* (105.1 points). Wholesale and retail *Trade* is the least optimistic sector at the moment, with a value of 85.1 points.

Leading Barometers - Sectors					
Period	Construction	Economy	Industry	Trade	Services
Feb-20	103.1	112.5	104.7	108.4	113.0
Mar-20	105.5	89.5	97.6	95.9	109.3
Apr-20	83.2	77.0	90.4	53.6	70.9
May-20	48.6	46.7	37.4	50.4	45.1
Jun-20	64.8	71.3	50.8	75.2	58.0
Jul-20	79.6	90.0	92.0	89.1	79.2
Aug-20	122.1	116.5	123.8	99.1	94.7
Sep-20	107.0	117.3	125.0	102.1	119.2
Oct-20	111.2	124.0	110.0	92.7	120.0
Nov-20	112.3	118.9	124.1	99.0	103.5
Dec-20	109.5	114.0	111.6	85.1	105.1
% of losses between March and May were recovered until Dec.	112%	102%	110%	60%	88%

Source: KOF ETH Zurich and FGV IBRE

Industry has contributed the most to the decline of the aggregate indicator this month, with almost 6.0 points. The set of variables reflecting the *aggregated development of economies (Overall Economic Development)* and wholesale and retail *Trade* contribute 1.0 points, followed by *Construction*, which contributes modestly. *Services* was the only sector to contribute positively, albeit with little significance.



Period	<i>Global Coincident Barometer</i>		<i>Global Leading Barometer</i>	
	<i>Vintages</i>		<i>Vintages</i>	
	<i>December 2020</i>	<i>November 2020</i>	<i>December 2020</i>	<i>November 2020</i>
Dec-19	86.7	87.2	101.0	101.1
Jan-20	87.9	88.1	100.8	100.0
Feb-20	92.7	92.8	104.1	103.4
Mar-20	79.2	79.7	95.0	94.0
Apr-20	67.6	67.7	81.0	80.6
May-20	47.4	47.3	45.0	45.7
Jun-20	52.4	52.1	60.4	61.0
Jul-20	69.9	69.7	87.4	85.9
Aug-20	81.6	81.4	112.8	110.4
Sep-20	85.7	85.4	114.9	113.8
Oct-20	86.5	86.2	109.0	108.3
Nov-20	94.7	94.6	113.6	114.0
Dec-20	93.7		105.7	

* 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 time period used for this correlation analysis is January 2010 to December 2019.

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

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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