# Press Release

Rio de Janeiro and Zurich, July 8, 2022, 10 am (local time) – 1 pm (UTC).

Confirmed slowdown tendency of Global Barometers

The Global Barometers overall continue to signal a strong deceleration in world economic growth in 2022. In July, the Coincident Barometer declines for the sixth consecutive month, while the Leading Barometer continues to be 10 points below the historical mean of 100 points. The results reflect a gloomy outlook for global economic growth in the coming months.

Global Economic Barometers: Coincident vs Leading
(Mean Jan/10 to Dec/19 =100, seasonally adjusted)
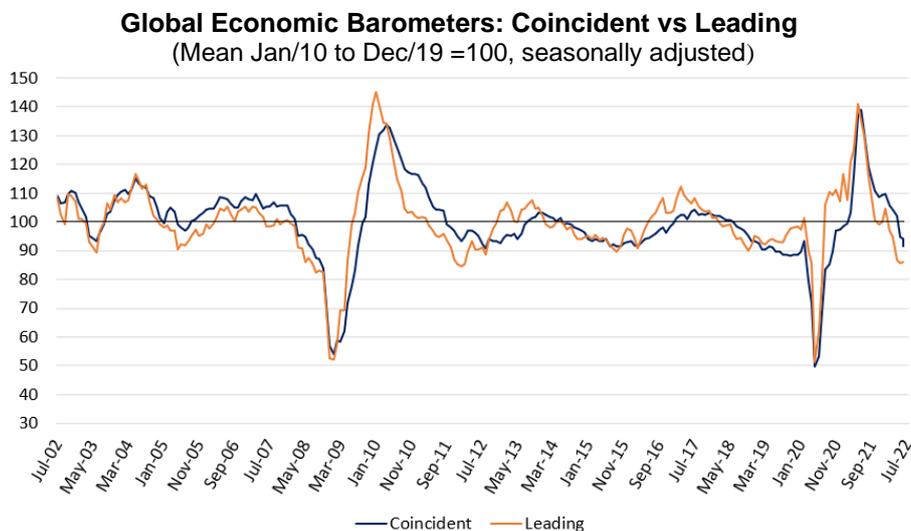
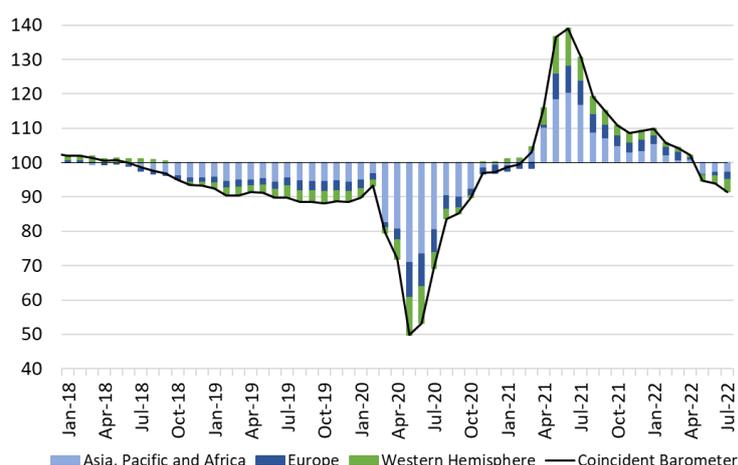Source: KOF ETH Zurich and FGV IBRE

The <u>Coincident</u> Global Economic Barometer declines 2.5 points in July, to 91.5 points, accumulating losses of almost 20 points since last February, while the <u>Leading</u> Global Economic Barometer remains stable this month at 86.2 points. The decrease in the coincident indicator is influenced by renewed worsening of conditions in the *Western Hemisphere*, followed by *Europe*.

"The performance of the global barometers in July reflects the challenges to maintaining the level of activities across almost all regions and sectors in the coming months. While monetary authorities around the world act to contain the generalized price increases, on the supply side, the continuing restrictions imposed by supply-chain problems mean the measures to contain demand will need to be more far-reaching", evaluates Paulo Picchetti, researcher of FGV IBRE.

Coincident Barometer – regions and sectors

In July, the *Western Hemisphere* and *Europe* contribute negatively 1.5 and 1.1 points, respectively, to the decrease in the Coincident Global Barometer, while the *Asia, Pacific, and Africa* region remained relative stable with small positive contribution of 0.1 points. The drop in the global indicator is at least partly caused by the additional supply restrictions related to the Russian-Ukrainian War. The gradual recovery of the Chinese economy, after easing the mobility restrictions adopted to combat an outbreak of Covid-19, may have positively influenced the *Asia, Pacific, and Africa* region slightly for the second consecutive month. Nevertheless, the region remains responsible for more than half of the 39.2-point fall in the global indicator during the previous 12 months. The graph below illustrates the contribution of each region to the deviation of the Coincident Barometer from the historical mean of 100 points.

Regional Contributions to the Coincident Global Economic Barometer
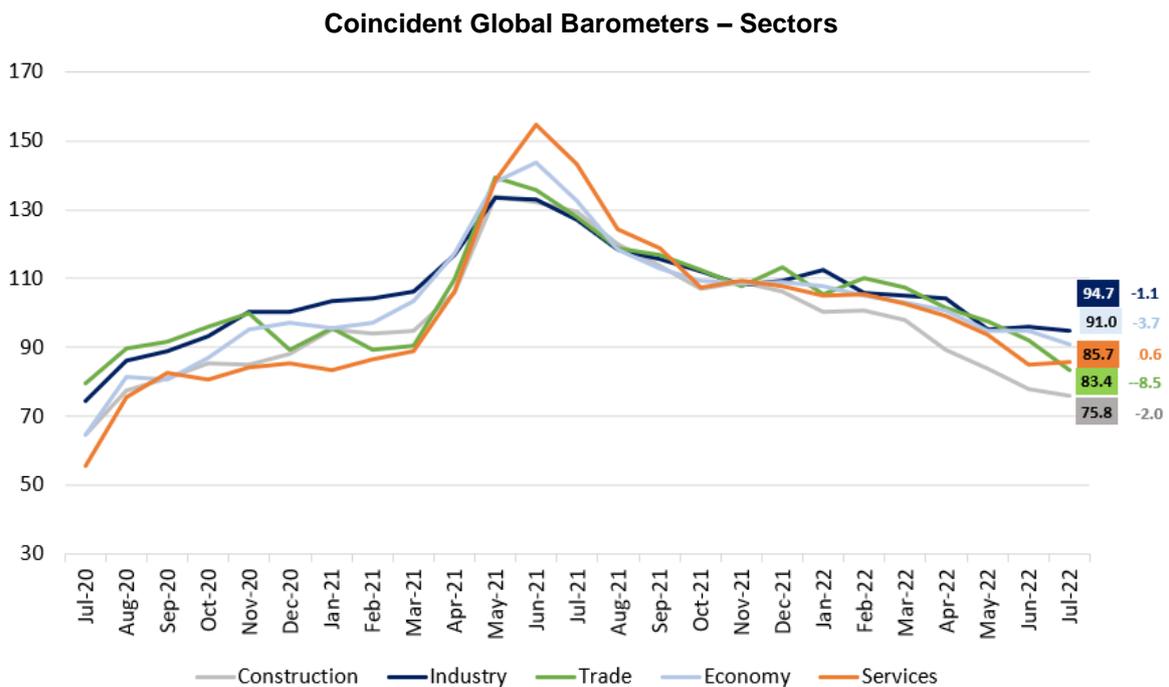

Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Coincident Barometer				
	Contributions per Regions			**Monthly Variation**
Period	*Asia, Pacific and Africa*	*Europe*	*Western Hemisphere*	*Coincident Barometer*
Worst pandemic moment: Cum. Contrib. Mar/20-May/20	-25.9	-8.3	-9.2	-43.4
Cum. Contrib. Jun/20-Jul/21	46.2	17.1	17.5	80.9
Aug-21	-8.1	-1.7	-1.6	-11.5
Sep-21	-1.7	-1.3	-1.1	-4.2
Oct-21	-2.3	-0.9	-1.1	-4.2
Nov-21	-1.8	-0.2	-0.2	-2.2
Dec-21	0.5	0.4	-0.2	0.7
Jan-22	2.0	-0.8	-0.6	0.6
Feb-22	-3.4	0.0	-0.7	-4.2
Mar-22	-1.3	0.0	-0.2	-1.5
Apr-22	0.2	-2.0	-0.5	-2.1
May-22	-4.7	-0.7	-1.9	-7.3
Jun-22	0.7	-0.9	-0.5	-0.8
Jul-22	**0.1**	**-1.1**	**-1.5**	**-2.5**
Cum. Contrib. Last 12 months	-19.8	-9.2	-10.1	-39.2
Cum. Contrib. Mar/20-Jul/22	0.5	-0.4	-1.8	-1.7

Source: KOF ETH Zurich and FGV IBRE

Coincident Global Barometers – Regions
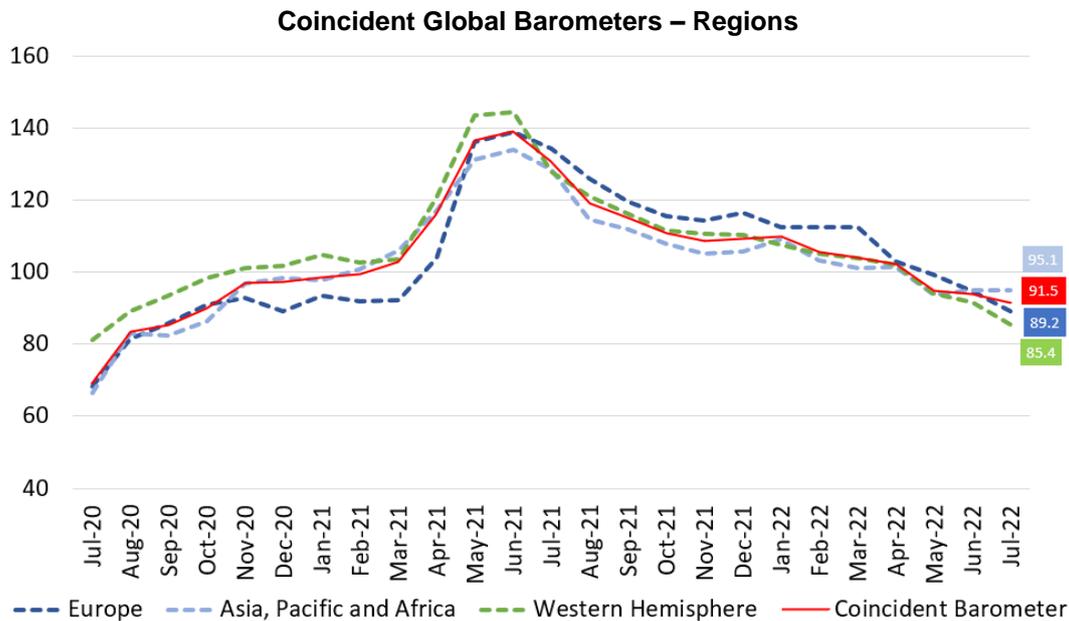
Source: KOF ETH Zurich and FGV IBRE

Among the underlined coincident sector indicators, only the *Services* sector increases this month. All the remaining sectors decrease, especially *Trade*, with a fall of 8.5 points. With this result, all the indicators move further below the historical mean of 100 points. The *Construction* sector records its lowest level since July 2020 (64.7 pts.)

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 July, the global indicator remains stable at 86.2 points. As with the Coincident Barometer, the *Western Hemisphere* and *Europe* contribute negatively to the Leading Barometer result. In contrast, the *Asia, Pacific, and Africa* region moves in the opposite direction, partially compensating the more noticeably decreases of previous months by contributing 1.7 points to the development of the Leading Barometer. Global growth expectations for 2022 have been worsening as a result of continuing conflict between Ukraine and Russia and the adoption of more restrictive monetary policies in various countries. These factors have contributed to keeping the global indicator below the long-term average.

Regional Contributions to the Leading Global Economic Barometer
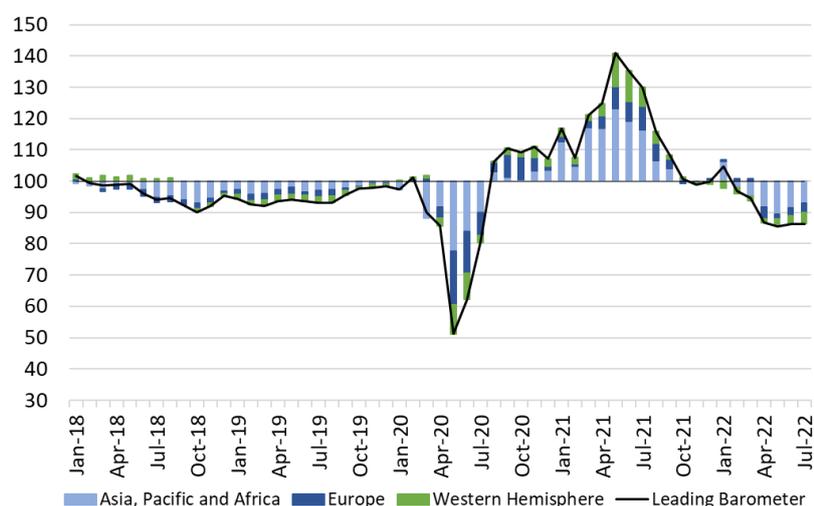
Source: KOF ETH Zurich and FGV IBRE

Regional Contributions to Changes in the Leading Barometer				
Period	Contributions per Regions			Monthly Variation
	Asia, Pacific and Africa	Europe	Western Hemisphere	Leading Barometer
Worst pandemic moment: Cum. Contrib. Mar/20-May/20	-22.3	-17.9	-9.9	-50.0
Cum. Contrib. Jun/20-Jul/21	41.5	23.6	19.2	84.1
Aug-21	-9.6	-2.1	-2.3	-14.0
Sep-21	-2.7	-2.3	-2.5	-7.5
Oct-21	-3.1	-3.8	-0.8	-7.7
Nov-21	-1.1	0.3	-1.0	-1.7
Dec-21	0.4	0.9	-0.3	0.8
Jan-22	6.1	0.0	-1.4	4.8
Feb-22	-8.4	0.2	0.5	-7.7
Mar-22	-2.7	0.1	0.4	-2.2
Apr-22	-3.4	-4.7	0.2	-8.0
May-22	-2.4	2.3	-1.1	-1.1
Jun-22	2.0	-0.9	-0.4	0.6
Jul-22	**1.7**	**-0.7**	**-1.0**	**0.0**
Cum. Contrib. Last 12 months	-23.2	-10.7	-9.7	-43.7
Cum. Contrib. Mar/20-Jul/22	-4.0	-5.0	-0.4	-9.6

Source: KOF ETH Zurich and FGV IBRE

Leading Global Barometers – Regions

Source: KOF ETH Zurich and FGV IBRE
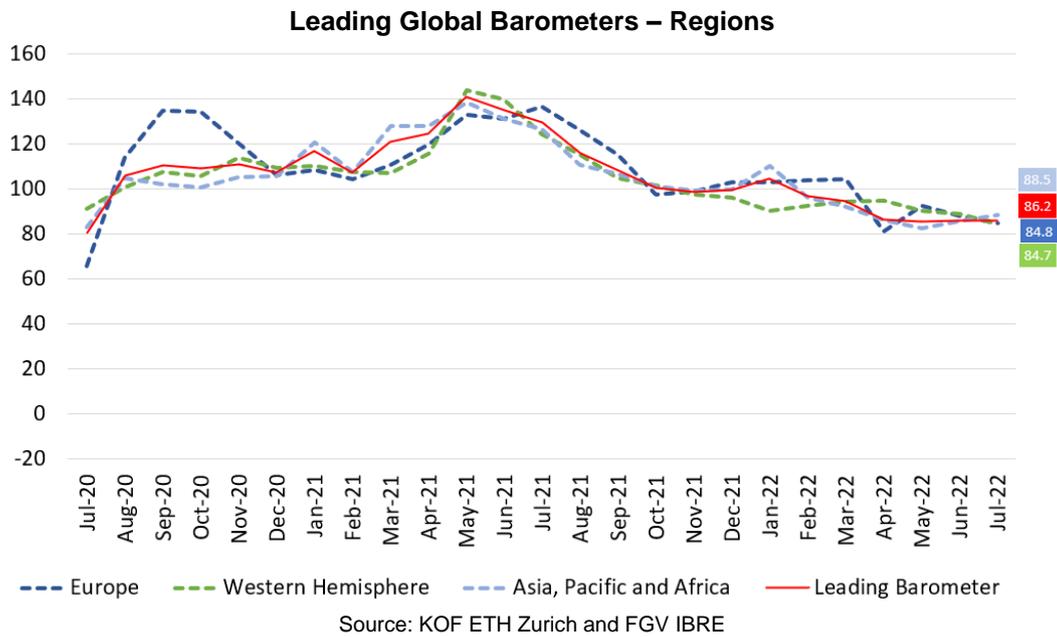
Three of the five leading indicator sectors decrease in July. Only the indicators for the *general state of the Economy* (aggregated business and consumer evaluations) and *Industry* increase this month. All indicators remain far below the historical mean of 100 points.

Sectoral Leading Indicators					
Period	*Construction*	*Economy*	*Industry*	*Trade*	*Services*
Feb-20	96.1	101.9	100.1	103.5	106.9
Mar-20	103.8	80.6	91.0	106.3	99.8
Apr-20	87.6	84.7	91.1	65.5	75.3
May-20	53.4	65.7	52.8	41.0	27.0
Worst pandemic moment: Cum. Variation. Mar/20-May/20	-42.6	-36.2	-47.3	-62.5	-80.0
Cum. Variation Jun/20-Jul/21	82.0	56.2	77.5	86.3	107.7
Aug-21	120.1	114.1	113.7	111.6	125.8
Sep-21	119.8	103.9	107.1	107.1	118.7
Oct-21	103.0	95.4	101.0	103.1	112.0
Nov-21	102.0	96.0	96.5	107.9	115.8
Dec-21	109.3	94.9	97.7	119.3	111.3
Jan-22	97.0	91.2	111.9	103.5	106.1
Feb-22	96.8	97.8	94.9	106.2	102.8
Mar-22	90.7	92.1	95.6	98.4	100.4
Apr-22	89.9	83.2	86.0	104.4	96.7
May-22	98.4	77.5	85.9	100.7	98.9
Jun-22	88.3	84.5	87.0	90.4	90.5
Jul-22	**78.1**	**86.5**	**88.9**	**79.5**	**85.2**
Cum. Variation Last 12 months	-57.3	-35.4	-41.4	-47.8	-49.5
Cum. Variation Mar/20-Jul/22	-18.0	-15.4	-11.2	-24.0	-21.7

Source: KOF ETH Zurich and FGV IBRE

Global Economic Barometers: Business Cycle Clock
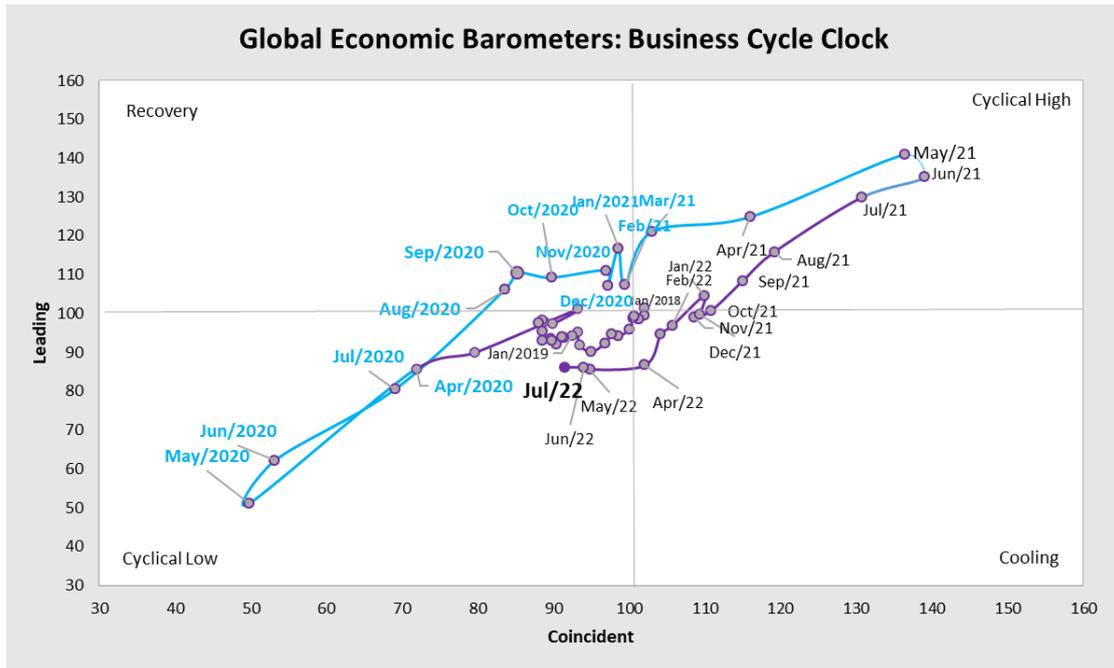
Period	Global Coincident Barometer Vintages		Global Leading Barometer Vintages	
	July 2022	June 2022	July 2022	June 2022
Jul-21	130.7	129.4	129.9	123.5
Aug-21	119.2	118.3	115.9	113.2
Sep-21	115.0	114.6	108.4	105.1
Oct-21	110.8	108.5	100.7	99.7
Nov-21	108.6	107.4	99.0	99.4
Dec-21	109.3	111.2	99.8	101.0
Jan-22	109.9	104.9	104.6	94.3
Feb-22	105.7	104.6	96.9	96.7
Mar-22	104.2	104.6	94.7	93.6
Apr-22	102.1	98.4	86.7	86.1
May-22	94.8	93.2	85.6	82.2
Jun-22	94.0	94.1	86.2	82.2
Jul-22	91.5		86.2	

Source: KOF ETH Zurich and FGV IBRE

*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), in which 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/indikatoren/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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