

ECONOMIC PULSE

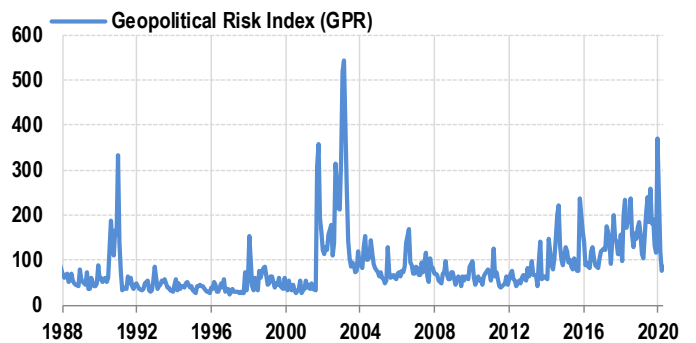
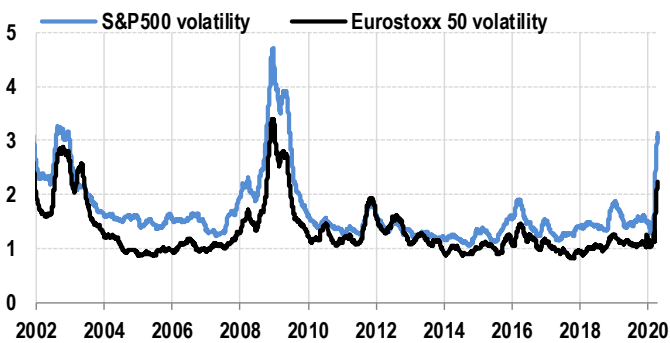
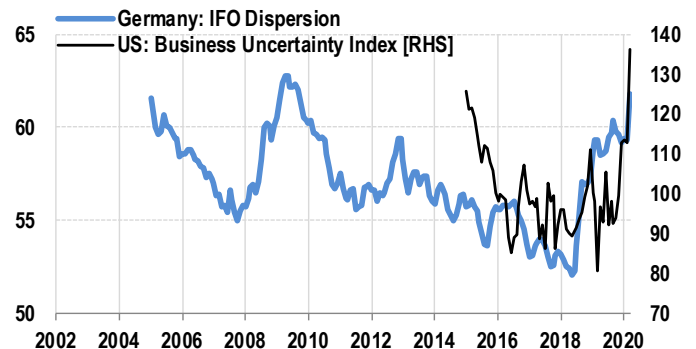
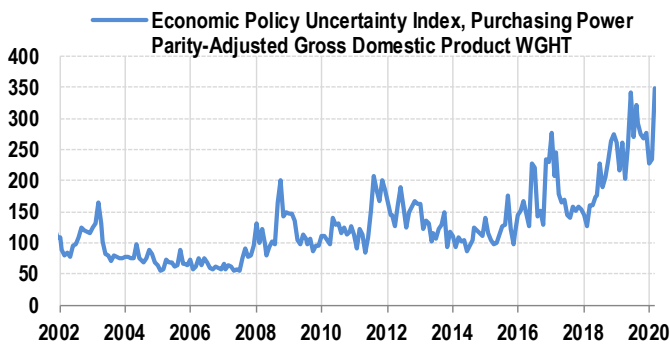
HUGE JUMP IN UNCERTAINTY ACTS AS AN ADDITIONAL DRAG ON ACTIVITY

The Covid-19 pandemic has caused a jump in most of our uncertainty indicators. Starting top left and moving clockwise, the media coverage based indicator is now at a record high. After stabilising at a high level, uncertainty of German companies has increased further whereas it has seen a big jump for US businesses. The behaviour of geopolitical risk is an exception: it had jumped at the end of last year but dropped subsequently. As the attention shifts to fighting the coronavirus, it seems that things quieten down at the geopolitical level. Finally, our stock

volatility measure –the cross-sectional dispersion of individual company share price returns- has seen a huge jump, without reaching the peak of 2008: it illustrates the extent to which the pandemic is impacting companies differently, depending on their sector. This increase in uncertainty will act as an additional drag on activity in addition to the other direct and indirect effects of the health crisis.

William De Vijlder

CHANGES IN UNCERTAINTY



volatility = 60-day moving average of the cross-sectional standard deviation of daily returns of the index constituents

SOURCE: ECONOMIC POLICY UNCERTAINTY, BLOOMBERG, IFO, ATLANTA FED, BC, BNP PARIBAS

