

ECONOMIC PULSE

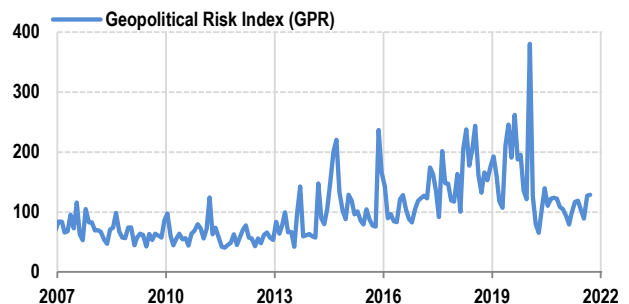
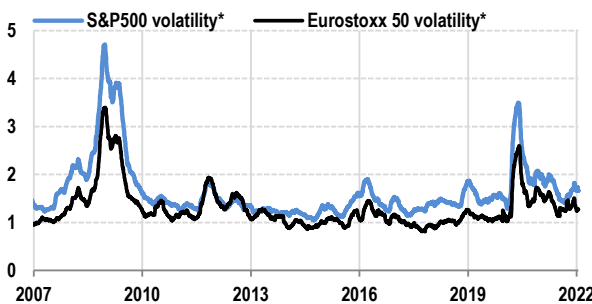
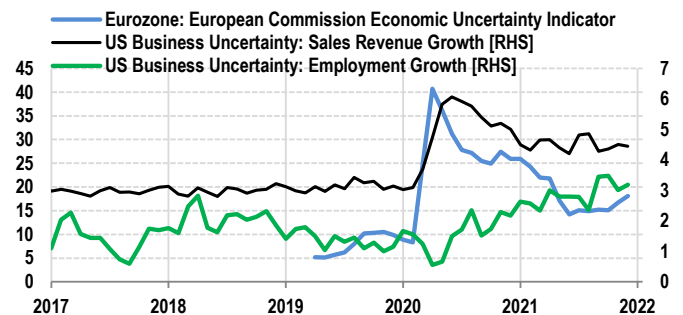
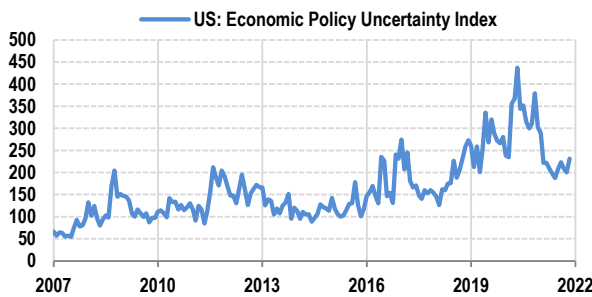
UNCERTAINTY: ANOTHER SLIGHT INCREASE

Our different uncertainty gauges are complementary, in terms of scope and methodology. Last month, our analysis of uncertainty indicators showed, on the whole, a slight increase. Based on the latest readings, the same conclusion applies and several indicators have continued to move slowly higher. The big increase in several countries of new Covid-19 cases plays a role, as well as ongoing problems on the supply side. Starting top left and continuing clockwise, US economic policy uncertainty based on media coverage has rebounded, which reflects the more hawkish tone coming from the Federal Reserve. Uncertainty based on business surveys is rising in the euro area.

In the US, based on the latest data, sales growth uncertainty has eased whereas employment growth uncertainty has edged higher, reflecting the difficulty of finding staff. Geopolitical risk – based on media coverage – has been volatile in recent months but the trend is upwards. Finally, the cross-sectional standard deviation of daily stock market returns of individual companies – a measure of financial uncertainty – has risen in the US and is not showing any clear direction in the euro area.

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: REFINITIV, ECONOMIC POLICY UNCERTAINTY, IFO, ATLANTA FED, BNP PARIBAS

