

ECONOMIC PULSE

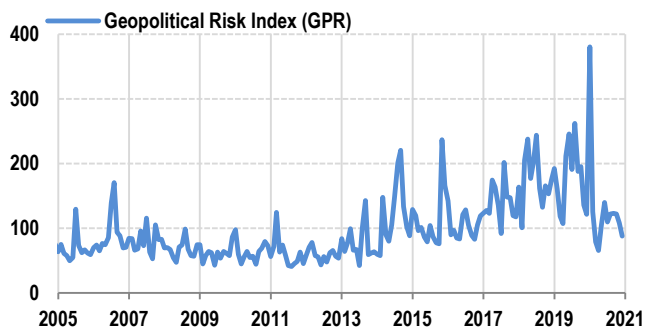
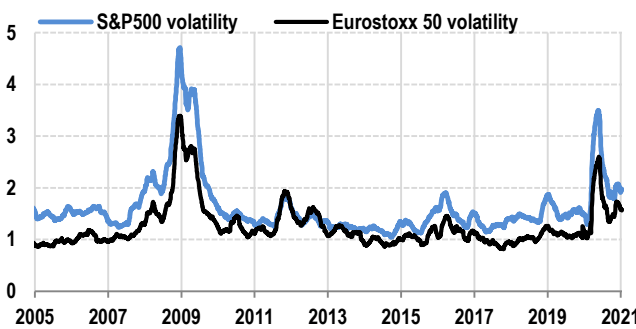
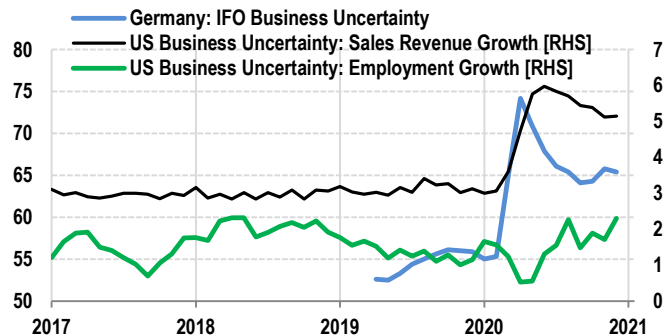
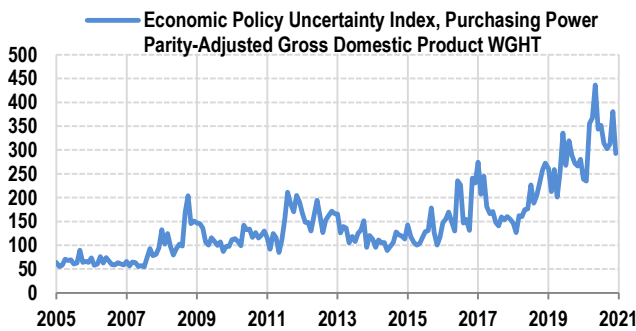
UNCERTAINTY: LOWER BUT STILL ELEVATED

The latest readings of our indicators show a decline of uncertainty. Starting top left and moving clockwise, the decline of the media coverage based indicator continues but momentum is slowing and the level remains high. This is unsurprising given the newsflow on new infections. Uncertainty based on company surveys has recently declined somewhat in Germany but, again, the level remains very high. The same applies to the US with respect to sales revenue growth expectations. More worrisome is the increase of uncertainty in the United States about future employment levels. The geopolitical risk measure has eased recently, reaching a level which for the period since 2014 is very low. Finally, the uncertainty measure which is based on equity

prices –the cross-sectional dispersion of individual company share price returns- has fluctuated quite a bit. After a big drop, it rebounded slightly and has eased again very recently. With the exception of the spike during the first lockdown, the current level remains relatively high compared to the history since 2010. All in all, uncertainty has declined but remains high with the health situation being the key factor.

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, IFO, ATLANTA FED, BC, BNP PARIBAS

