

ECONOMIC PULSE

UNCERTAINTY: STILL HIGH, THOUGH LESS THAN BEFORE

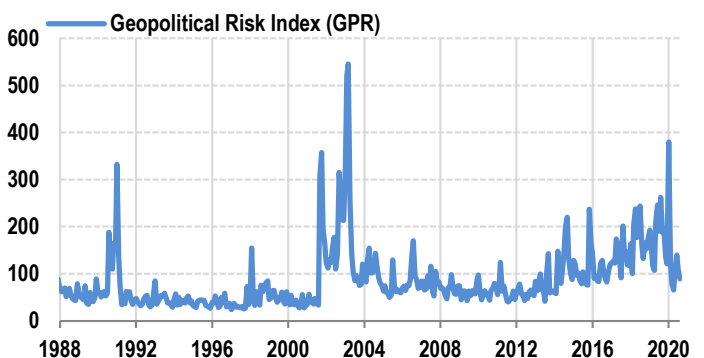
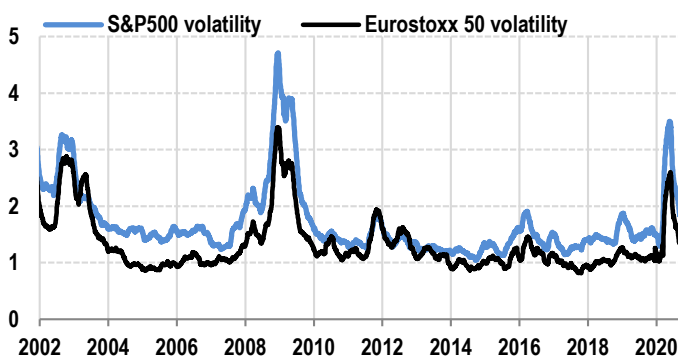
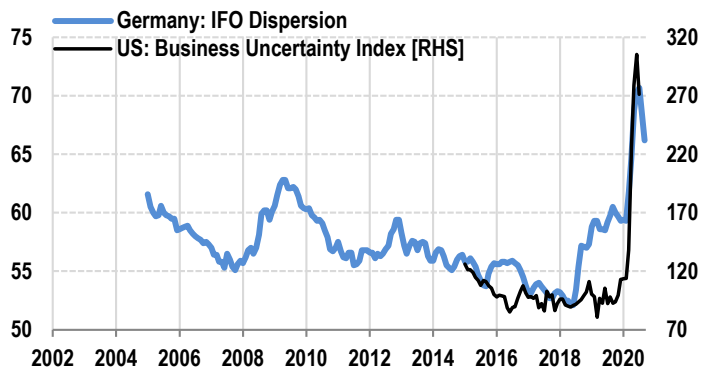
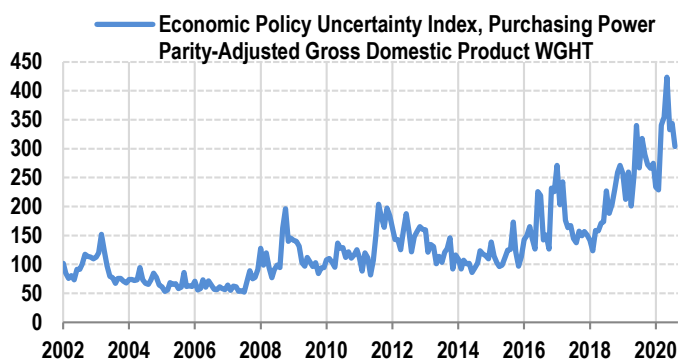
Based on our indicators, uncertainty has declined after the huge jump earlier in the year following the outbreak and spreading of Covid-19. Starting top left and moving clockwise, the media coverage based indicator has declined but remains at a high level, reflecting that the pandemic continues to dominate headlines. Uncertainty based on company surveys has eased in the US whereas in Germany, the improvement is more outspoken. In both cases however, the level remains very high. The geopolitical risk measure has increased recently. The series is quite volatile but one observes a rising trend.

Finally, the uncertainty measure which is based on equity prices –the cross-sectional dispersion of individual company share price returns– has seen a big decline.

The overall conclusion is that uncertainty has declined but remains high. It concerns the health situation but also how households and companies will cope with the economic consequences. In addition, political developments have become a new source of uncertainty: the Brexit negotiations and the concern that the election outcome in the US would not be clearcut and would be contested.

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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

