

# The KOF Barometer, version 2013: A composite leading indicator for the Swiss business cycle\*

---

Klaus Abberger<sup>a,b</sup>, Michael Graff<sup>a,c</sup>,  
Boriss Siliverstovs<sup>a</sup> and Jan-Egbert Sturm<sup>a,b</sup>

This version: November 2013

Very preliminary – Please do not cite without permission

**Abstract:** This paper presents a composite leading indicator for the Swiss business cycle corresponding to the growth rate cycle concept. It is the result of a complete overhaul of the KOF Barometer that has been published by the KOF Swiss Economic Institute on a monthly basis since 1976. In line with this tradition, the calculation of the new KOF Barometer comprises two main stages. The first consists of the variable selection procedure; and in the second stage these variables are subsequently transformed into one leading indicator. Whereas in the previous versions of the KOF Barometer six to 25 variables survived the first stage, the new – less discretionary and more automated – version of the first stage is much more generous. Currently, out of a set of XXX variables resulting in XXX transformations thereof that are tested in the first stage, XXX variables manage to enter the second stage. The increased number of variables underlying the second stage allows a relatively stable and robust KOF Barometer – compared to its previous versions – that has hence no longer to rely on filtering techniques to reduce the noise in the final indicator. In a (pseudo-) real-time analysis the characteristics of the new KOF Barometer are compared to previous versions and other alternatives.

**JEL classification:** E32; E37

**Keywords:** Business cycles; growth rate cycles; composite indicators; leading indicators; principal component analysis; real-time simulations

\* We thank Yngve Abrahamsen, David Iselin and Anne Stücker for their manifold support and feedback during the development phase of the new KOF Barometer. The usual disclaimer applies.

<sup>a</sup> KOF Swiss Economic Institute, ETH Zürich, Switzerland.

<sup>b</sup> CESifo Munich, Germany.

<sup>c</sup> Jacobs University, Bremen, Germany.