

VoxEU: Global uncertainty is rising, and that is a bad omen for growth

The global economy is growing, but so is uncertainty. This column presents a new quarterly index of uncertainty for 143 countries. The World Uncertainty Index reveals how uncertainty in the world has evolved over time. **By Hites Ahir, Nicholas Bloom, Davide Furceri from VoxEU**



The October 2018 edition of the World Economic Outlook predicts that global economic growth will remain steady between 2018 and 2020 at the 2017 growth rate of 3.7% (IMF 2018). This exceeds the growth rate in any year between 2012 and 2016. So, the global economy is growing, but so is uncertainty. Headlines that have appeared in the Financial Times in 2018 include: “Stocks unsettled by global trade uncertainty”, “Counting the costs of Brexit uncertainty”, “Latin America faces up to growing uncertainties”, “Italian bonds under pressure from budget uncertainty”, and “Boeing deal with Embraer faces political uncertainty”.

You can read the full article [here](#). Below are some key quotes:

“We constructed the World Uncertainty Index (WUI) – a quarterly index of uncertainty – for 143 individual countries from 1996 onwards. The WUI is defined using the frequency of the word

'uncertainty' (and its variants) in the quarterly EIU country reports. To make the WUI comparable across countries, the raw count is scaled by the total number of words in each report."

"We believe that this dataset can be extremely valuable to researches for many applications.

- First, since innovations in the WUI foreshadow significant declines in output, the WUI could be used as an alternative measure of economic activity when these are not available (such as quarterly GDP for many countries).
- Second, the dataset can be used to examine the impact of differences in the level of uncertainty across countries on key macroeconomic outcomes.
- Third, the broad country coverage allows us to tackle important research questions so far not explored because of data limitations, such as the role played by institutions and regulations in affecting uncertainty and shaping the response of economic variables to uncertainty shocks."

You can read the full article [here](#)

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