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Using newspapers for tracking the business cycle: a comparative study for Germany and Switzerland

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ABSTRACT
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Economic Barometer and the Purchasing Managers Index in manufacturing for

Switzerland. Our results are robust to changes in estimation/forecast samples, the use of rolling versus expanding estimation windows and the inclusion of a web-based recession indicator from Google Trends. As our indices are timely and simple to construct, they could be replicated in countries or regions where no reliable economic indicators exist or their provision is very costly.

Q KEYWORDS: [Nowcasting](#) [recession](#) [indicators](#) [Google Trends](#)

Q JEL CLASSIFICATION: [C22](#) [C53](#)

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Notes

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konstanten Preisen [C]/absolute Angaben [A]/vierteljährlich [Q]/kalender- und saisonbereinigt [Y].

⁶ Q.DE.YA.AG1.CA010.A.I Pfad: Volkswirtschaftliche Gesamtrechnungen [A]/Bruttoinlandsprodukt [AG1]/Gesamtwirtschaft (Inlandskonzept) [CA010]/in verketteten Vorjahrespreisen [A]/Index [I]/vierteljährlich [Q]/kalender- und saisonbereinigt [Y].

⁷ The use of alternative keywords is investigated in Iselin ([2015](#)). The results confirm that the keyword 'Recession' captures business cycle dynamics better than other keywords such as 'Uncertainty', for example.

⁸ The Ifo Business Climate Index is based on around 7000 monthly survey responses from firms in manufacturing, construction, wholesaling and retailing. The firms are asked to give their assessments of the current business situation and their expectations for the next 6 months.

⁹ The ZEW Indicator of Economic Sentiment is constructed by asking up to 350 financial experts on their expectations for the economic development in Germany in 6 months.

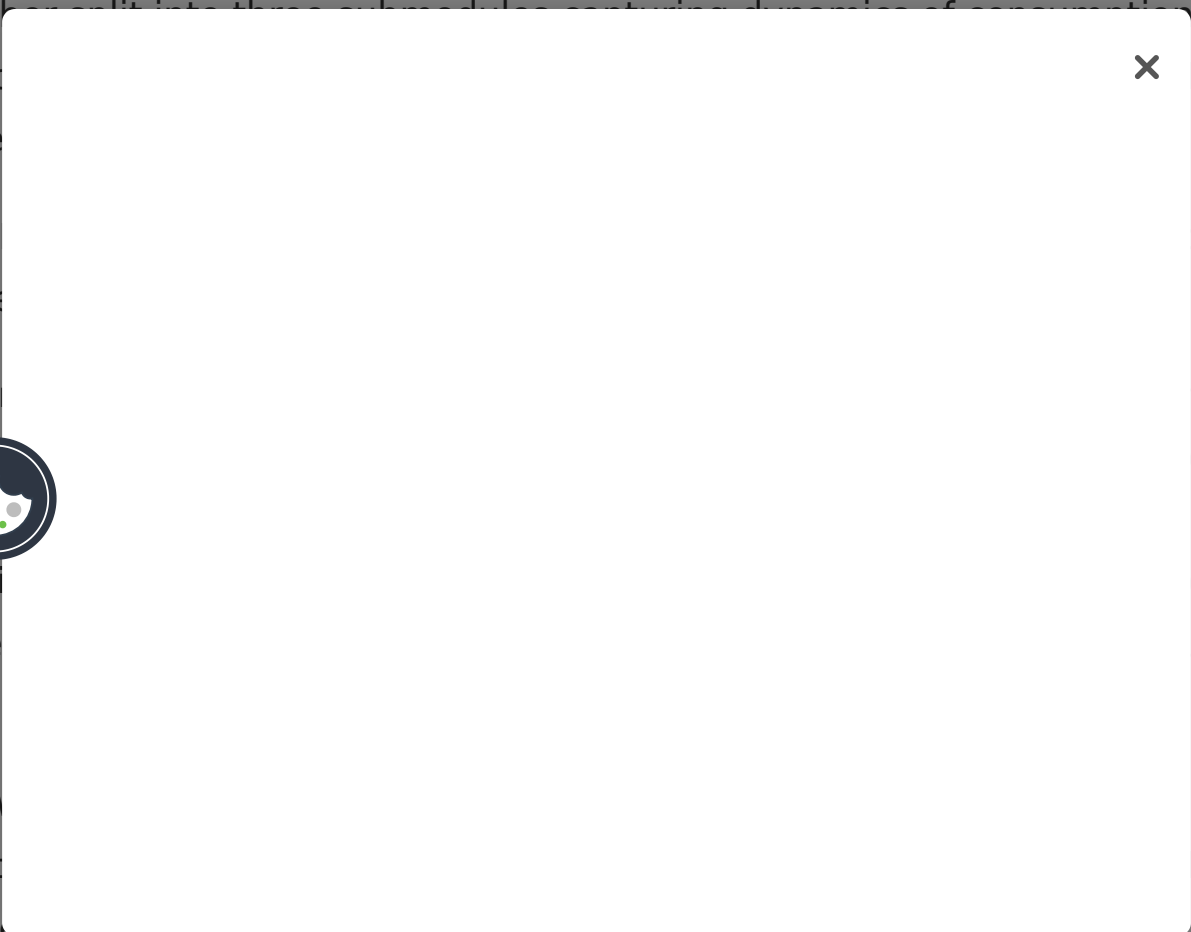
¹⁰ The KOF Economic Barometer was at the time comprised of 25 individual indicators subdivided into core-GDP, banking and construction modules. The core-GDP module

was further subdivided into three sub-modules: construction, manufacturing, and services. The construction module is based on data from the construction industry (check Abberge

¹¹ The P... companies in Switze

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¹⁴ Although the French-speaking and the Italian-speaking parts of Switzerland are more French-oriented and Italy-oriented, respectively, the German-speaking part of Switzerland is the economically speaking dominant part of the country.

¹⁵ As mentioned in the Introduction, Germany is by far the single most important export and import country for Switzerland, responsible for 20% of all exports and almost 30% of imports according to the Swiss Customs Administration, the official body for measuring Swiss trade.

¹⁶ Since one may argue that by restricting the starting date for the model estimation in 1998Q1 we are likely to artificially impair the forecasting performance of the models augmented with economic indicators for which more data points are available, we also conducted the robustness check where we allow for maximum possible estimation samples. We make these results available upon request.

¹⁷ We experimented with alternative criterion for model specification choice, like minimizing the Schwarz Information Criterion, and longer lags of the explanatory variables, but it did not result in any systematic improvement in forecast accuracy.

¹⁸ Since this transformation requires positive keyword counts, we substituted zero counts with 1.

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