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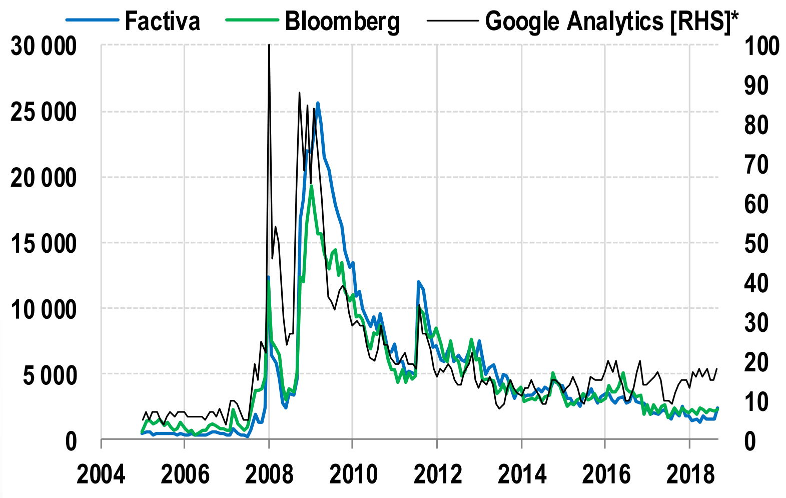
Don't mention the R word

■ People update their expectations more quickly when media coverage of a given economic topic becomes more intense ■ The change in the outlook is more important than today's cyclical environment ■ Monitoring media coverage of economic slowdown risk will become particularly relevant against the background of a loss of momentum in survey data

A recent cover of The Economist titled: "The next recession. How bad will it be?" Considering that the world economy is still growing at a healthy pace, is the time ripe to talk about the next recession? It is reminiscent of an article in the same newspaper back in the 90s which showed a recession index based on the number of references to the R-word in The Washington Post and the New York Times. The accompanying chart has been inspired by this index. Whereas the data from Factiva are based on a large number of media in several countries, the Bloomberg data show the number of Bloomberg articles mentioning recession. Finally, the data from Google show the search activity in the US. Interestingly, the recent readings of the three indicators are still well above those of 2005-2006. This might reflect that the Great Recession is still influencing the search activity and the media attention to economic downturns. Since the beginning of last year the results for Bloomberg have been rather stable and the recession count by Factiva has been trending down. The very recent increase might be related to the intense media coverage of the 10th anniversary of the collapse of Lehman Brothers. Google search activity has actually been rising since the summer of 2017 and we're now back to the levels of 2016. Things still look very quiet at the moment compared to the big jumps in the three series in 2007, 2008 and 2011. Back in 2004, research by Doms and Morin[1] of the Federal Reserve had already shown that intense media coverage pushes people to update their expectations more frequently. This implies that a significant increase in the use of the R-word could end up influencing how people assess the economic outlook. Clearly, press articles could also merely reflect increasing concerns of people about the economy, rather than being a cause of such an increase. Recent research by Soroka et al. (2015) also highlights the responsiveness of media and the public to perceived changes in the outlook, rather than to where the economy is today[2]. In an environment of softening survey data, monitoring media coverage will become increasingly important.

RECESSION WORD COUNT



*Data expressed as an index which reflects the search intensity

Sources: Bloomberg, Factiva, Google, BNP Paribas.

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[1] Mark Doms and Norman Morin, Consumer Sentiment, the Economy, and the News Media, Federal Reserve Bank of San Francisco and Board of Governors of the Federal Reserve System, September 2004

[2] Stuart N. Soroka, Dominik A. Stecula, Christopher Wlezien, It's (Change in) the (Future) Economy, Stupid: Economic Indicators, the Media, and Public Opinion, American Journal of Political Science, Vol. 59, No. 2, April 2015

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