

Association d'Instituts Européens de Conjoncture Economique (AIECE)

**AIECE General Report – COVID-19 edition
AIECE Spring 2020**

AIECE General Report:

Part 1

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Abstract:

The General Report was prepared for the AIECE (Association d'Instituts Européens de Conjoncture Economique) Spring Meeting 14-15 May 2020. It summarizes the assessment of the AIECE member institutes regarding the economic situation and the outlook in the euro area and in the home economies of the AIECE member institutes.

We would like to thank all AIECE member institutes who participated in the AIECE General Report survey. Their answers greatly contributed to this document.

The AIECE General Report is published to elicit comment and to encourage debate.

The views expressed are those of the author(s) alone and do not necessarily represent the views of CPB nor those of the AIECE institutes.

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1 Preamble

This is not a regular AIECE General Report, as the time of writing, the COVID-19 pandemic has affected almost every country, and with it, the global economy. There is still scant data on the economic impact COVID-19. Although trying to capture the economic impact of COVID-19 is like shooting a moving target, this spring 2020 edition of the AIECE General Report will hopefully provide some insights into the impact in the AIECE member states.

The questionnaire that was sent out beginning of April was tailored to focus on the impact of COVID-19. The structure of the General Report is therefore different than usual. In Chapter 2 we provide an overview of the development of COVID-19 in Europe and the AIECE member countries. In Chapter 3 we give an update on the measure taken by the European countries, including the AIECE member countries as well as measures taken outside of Europe.

The AIECE members are BIPE, CCIS, CEPREDE, CPB, CSC, CSE, Danish Economic Councils, DGPC, DIW Berlin, ESRI, ETLA, Federal Planning Bureau, GKI Economic, HWWI Hamburg, IFW Kiel, INSEE, IRES, ISTAT, IWH Halle, IW Koln, KEPE, KOF, Kopint-Tárki, NIER, NIESR, OFCE, Polski Instytut Ekonomiczny, Prometeia, REF, Rexecode, RWI Essen, Statistics Norway, WIFO. The EC, ECB, WTO and IMF are observers. More information can be found on <https://www.aiece.org/members-and-observers>

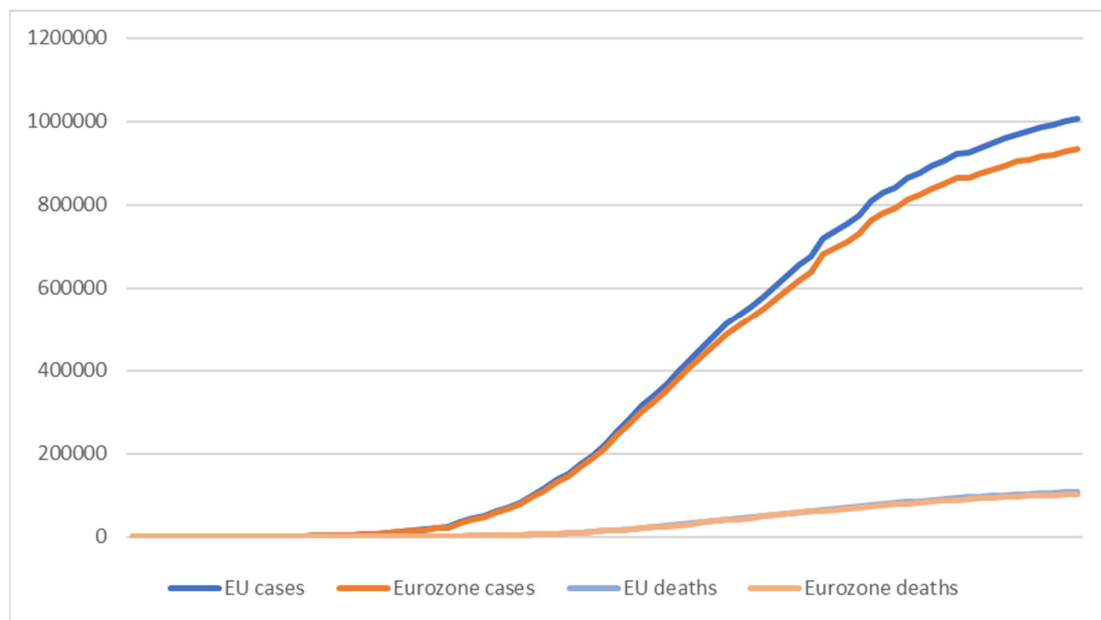
2 Development of Covid-19

2.1 Europe

The first confirmed case of COVID-19 virus (or “corona virus”) in the AIECE countries was in France on the 24st of January 2020. The virus originated in China and has spread quickly becoming a pandemic by March.

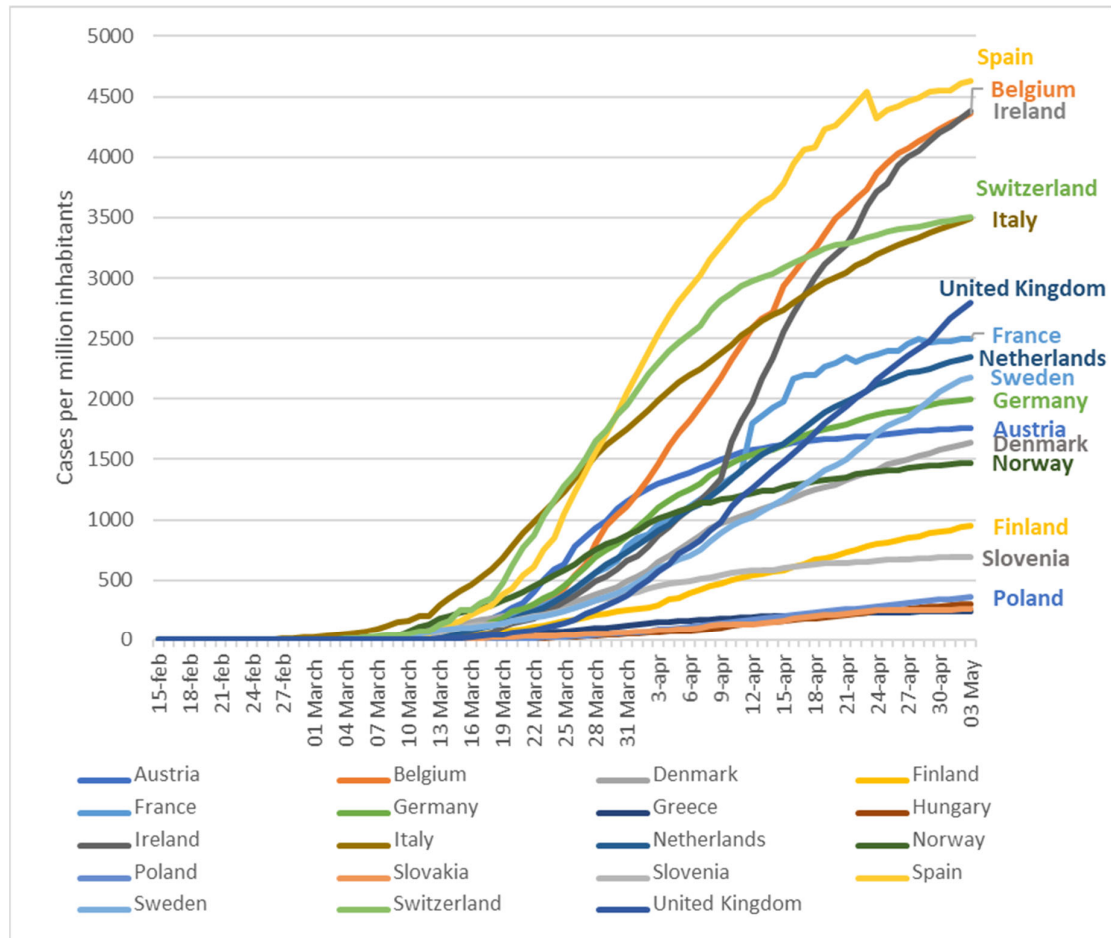
Figure 2.1 shows the speed with which the virus spread over the EU and Eurozone and Figure 2.2 shows the speed for different AIECE countries – in this figure, however, we show the cases per 100.000 inhabitants.

Figure 2.1: Confirmed cases in the EU and Eurozone, mid February to 3 May



Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

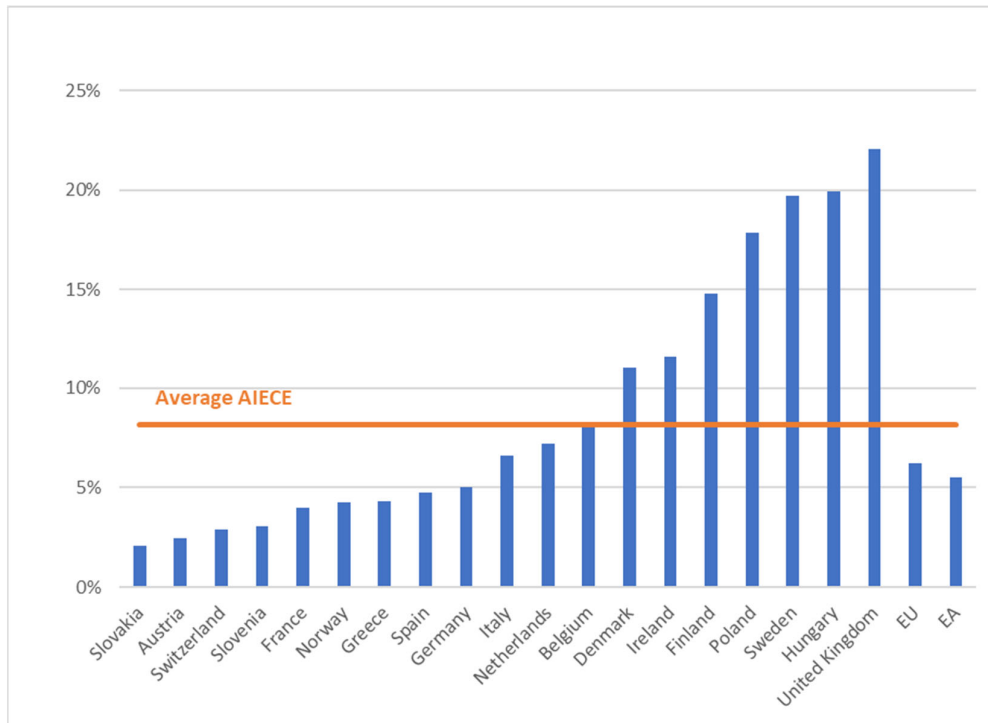
Figure 2.2: Confirmed cases per 100.000 inhabitants in AIECE countries



Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>. Population data from Eurostat (2019)

Confirmed cases seem to be tapering off in most countries, except the UK, where the cases are still rising. This is also confirmed by Figure 2.3, which shows the growth rates per country. Although confirmed cases are still low in Finland, Poland, Sweden and Hungary, the growth rate in the last week of April in these countries is high (15% or higher in one week).

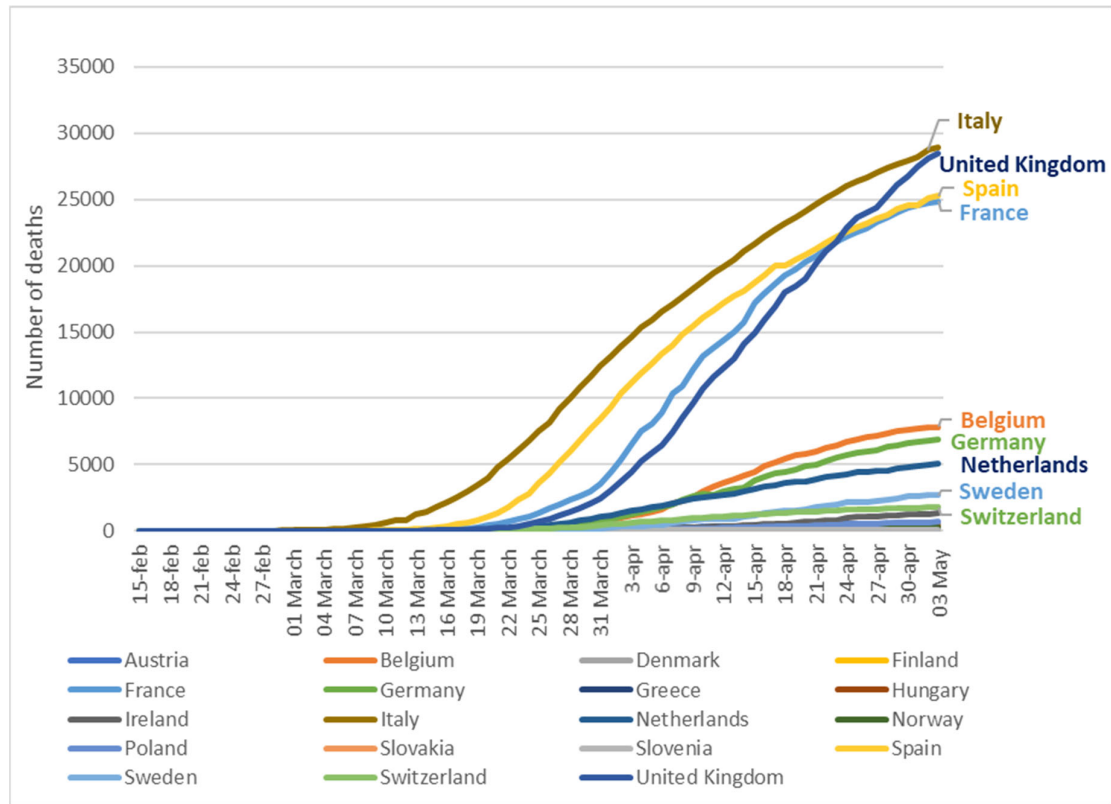
Figure 2.3: Growth rates in the AIECE countries, week 18



Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

The number of confirmed cases depends on the testing capacity in each country, which varies per country. Therefore, the numbers of confirmed cases may be more a reflection of testing capacity than of numbers of people who have COVID-19. We therefore also show the number of deaths from COVID-19, although also these numbers do not reflect the real number of people who have died of COVID-19, as more people are reported to have died at home. Italy, the UK, Spain and France have the highest death rates. Those in the UK seem to be rising still.

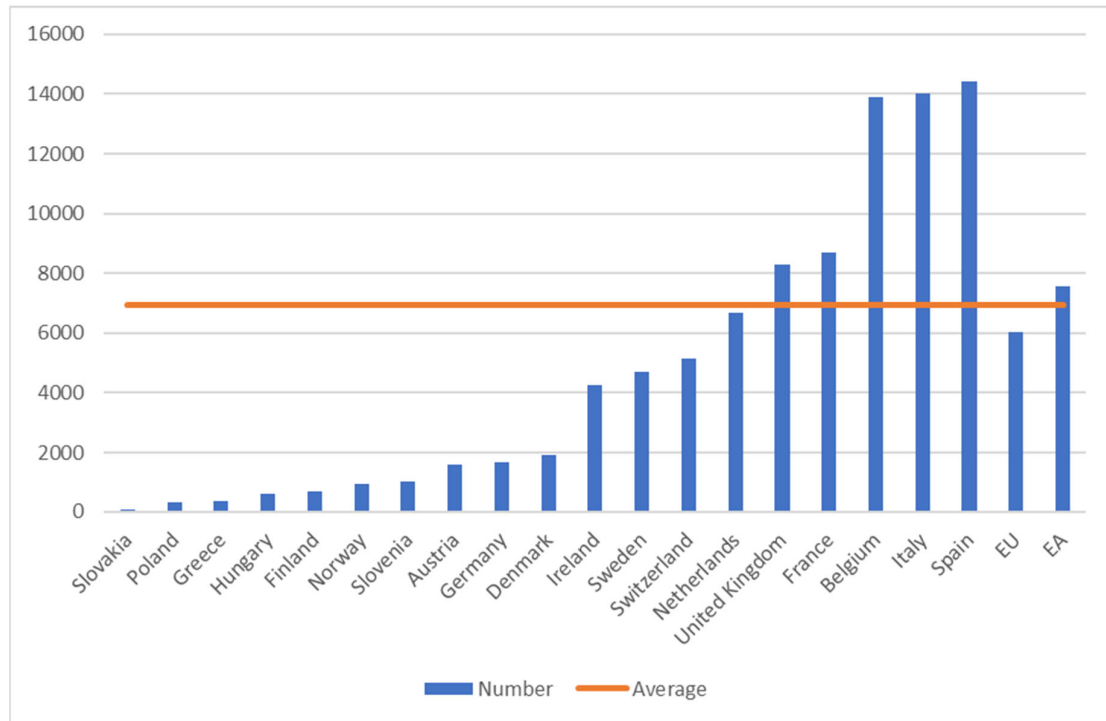
Figure 2.4: Number of COVID-19 deaths AIECE countries



Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

Figure 2.5 shows that Spain, Italy, Belgium, France and the UK have the highest rates of death from COVID-19 per million inhabitants.

Figure 2.5: Number of COVID-19 deaths per million inhabitants in AIECE countries (as of 3rd of May)

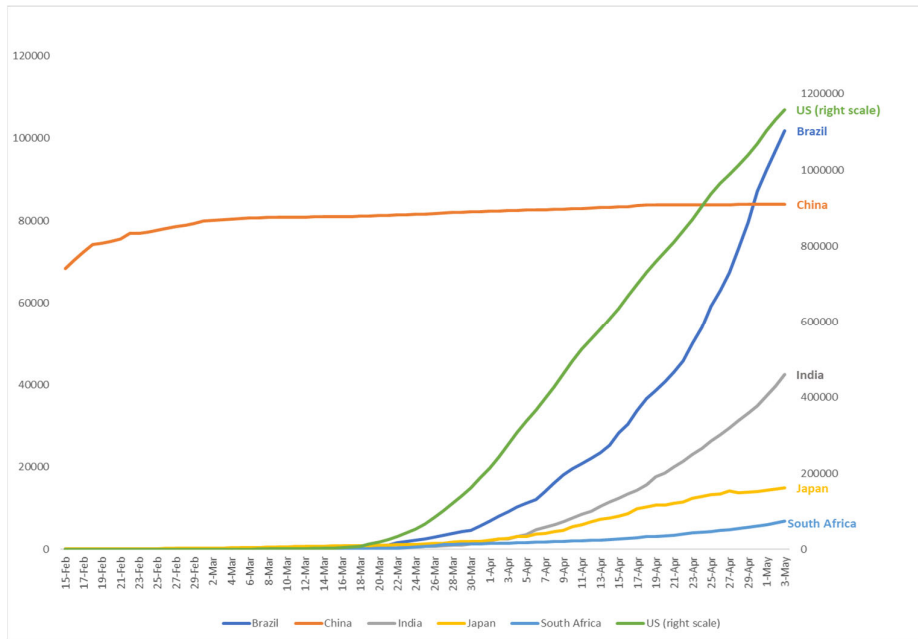


Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

2.2 Other countries

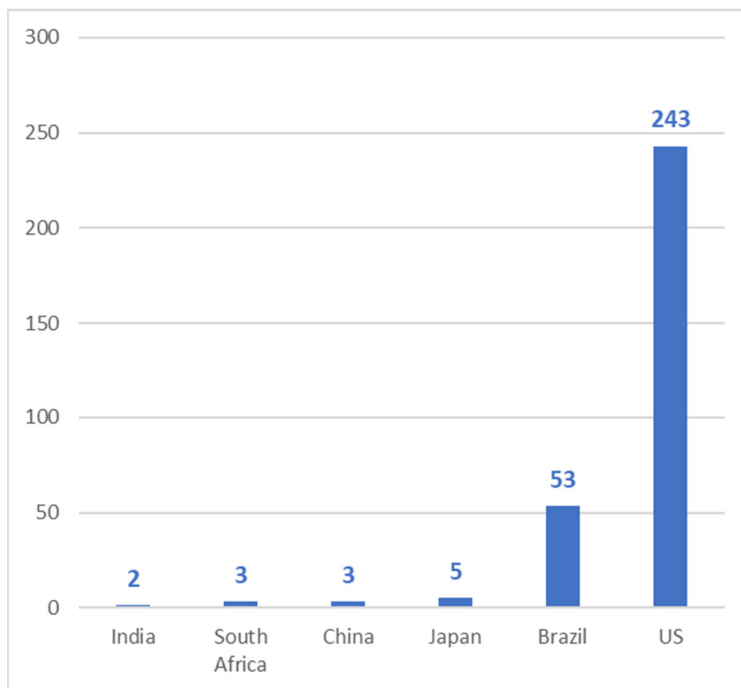
Figure 2.6 shows the number of confirmed COVID-19 cases for Brazil, China, India, Japan, South Africa and United States, with the latter on the right scale (factor 10 larger than left scale). In China, the number of cases seem to have stabilised, in the Brazil and especially the US they are still rising quickly. In Japan and South Africa the growth rate has tapered off. This figure reflects partly the timing: China experienced an early onset. Figure 2.7 shows, however, that the virus has led to many more deaths in the US (and Brazil) than the other countries, although the usual caveats apply: these figures depend on accurate testing and reporting, which may differ per country.

Figure 2.6: number of confirmed cases in Brazil, China, India, Japan, South Africa and United States (week 18)



Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

Figure 2.7: Number of deaths per million in habitants (week 18)



Source: Data compiled by the Johns Hopkins University Center for Systems Science and Engineering (JHU CCSE). Available at: <https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

3 Measures taken

3.1 Measures taken by European countries

In the AIECE member countries, governments have responded differently with measures, see Table 1. Finland, Sweden and Norway but also Hungary stand out with their relatively relaxed measures.

Table 1: Stringency Index of measures taken in AIEE member countries (25th of April 2020)

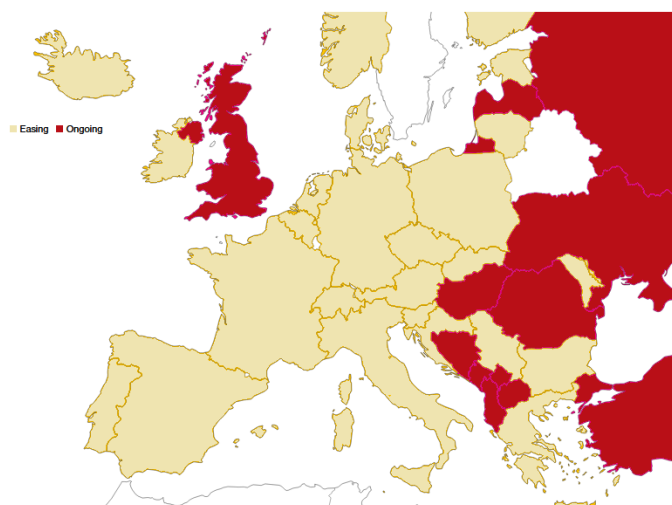
Country	School closing	Workplace closing	Cancel public events	Restrictions on gatherings	Close public transport	Stay at home requirements	Restrictions on internal movement	Income support	Debt/contract relief	Fiscal measures
Austria	3	2	2	4	0	1	1	2	2	0
Belgium	2	3	2	4	0	2	2	2	2	0
Finland	2	2	2	2	1	1	1	1	0	
France	3	3	2	2	1	2	2	2	2	0
Germany	3	1	2	4	1	2	2	2	2	0
Greece	3	2	2	4	1	2	2	1	1	0
Ireland	3	3	2	4	1	2	2	2	2	
Italy	3	3	2	4	2	2	2	1	1	
Netherlands	3	3	2	3	1	1	1	2	1	0
Slovak Republic	3	2	2	3	1	1	1			
Slovenia	3	2	2	4	2	1	2	1	2	
Spain	3	3	2	4	1	2	1		2	
Denmark	2	2	2	4	1	1	1	2	2	0
Hungary	3	2	2	1	1	2	2	0	2	
Poland	3	2	2	4	1	1	2	1	1	0
Sweden	1	1	0	3	0	0	1	2	1	
Norway	2	1	2	2	1	0	1	0	2	0
Switzerland	3	3	2	4	0	2	1	2	1	0
United Kingdom	3	3	2	4	1	2	2	2	2	

Note: A higher number indicated a more stringent measure.

Source: Oxford University, available at <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>

At the time of writing this report, several countries have eased their measures (see fFigure 3.1)

Figure 3.1: Easing of COVID-19 measures (as of 6th of May 2020)



Source: Bloomberg, 2020

Twenty-two AIECE institutes responded to the question “What is your opinion on the response of the ECB and EC to the COVID-19 crisis?”. Most found the response of the ECB sufficient (except one), and half (11) found the response of the EC insufficient.

3.2 Measures taken outside Europe

Here we briefly outline the measures taken by several countries outside Europe.¹ Table 2 gives an overview of adjustments of interest rates and the size of the fiscal measures taken in several countries. The table shows the dollar value of total fiscal responses, along with the additional investment in healthcare in general, and spending on the development of vaccines. The final column shows the adjustment to the interest rate, if any. These data are from Hale et al. (2020).

Table 3, at the end of the section, outlines the most important measures to prevent the spread of Covid-19. In addition to these measures, the table show the number of confirmed infections and fatalities. The first five columns the table indicate whether specific measures, if present, are “required” by governments, or just “recommended”. Each second row further indicates if these measures apply to the whole country, or only targeted areas.

Finally, Table 3 shows the “stringency score”. This score is compiled by Hale et al (2020)² based on the measures listed in the table. The score gives an indication as to how strict the measures taken are in a particular country. Further discussion below elaborates on the situations in a few of the countries presented.

¹ This section heavily relies on Hale et al (2020) and the IMF’s policy response tracker available at : <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.

² Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira. (2020). Oxford COVID-19 Government Response Tracker. Data use policy: Creative Commons Attribution CC BY standard.

Table 2 - Fiscal & Monetary measures regarding Covid-19³

Country	Spending – Fiscal (mln USD)	Spending – Healthcare (mln USD)	Spending – Vaccines (mln USD)	Interest rate (ppt)
AUS	131,000	1,570	7	-0.50
CAN	607	71	200	-1.50
CHN	1,240,000	15,800	-	-0.10
EGY	10,100	1,750	-	-3.00
IND	25,300	1,970	100	-0.75
IRN	25,100	-	-	0
JPN	3,770	529	-	0
KOR	17,600	18	174	-0.50
NGA	3,430	338	-	-0.50
USA	2,150,000	307,000	826	-1.50
ZAF	147	31	-	-0.75

3.2.1 United States

The United States is in the middle of the outbreak of Covid-19, at the time of writing. The developments of the virus' spread has been running behind many European countries, but is by no means less severe. Almost 600 thousand people have been confirmed to be infected and over 23 thousand people have lost their lives.

The U.S. government prepared an aid and stimulus package amounting to about 12% of GDP. This money is used to safeguard firms and job, help those fallen into unemployment, and boost funding to hospitals. The monetary authorities have also undertaken various measures in an attempt to limit the economic consequences of the outbreak. These measures include a reduction in interest rates and purchase of securities. The cost for central banks in other countries to access dollars have also been reduced and supplies increased.

3.2.2 China

China was the first country to suffer the consequences of a significant Covid-19 outbreak. The statistics show that China has suffered around 3 thousand fatalities, and 80 thousand have been infected since the start of the pandemic. While very strict measures have been in place in parts of the country, the virus' spread appears to have slowed. For this reason, the measures in place are being relaxed at the time of writing. This is reflected by China having the lowest stringency-score in Table 3.

China's fiscal and monetary response is expected to amount to around 3.8 percent of GDP. Measures such as tax relief and waived securities, additional production of medical equipment, and spending of prevention and control of the virus. The monetary response has been extensive and includes additional interest rates cuts for targeted businesses. Additional liquidity and further measures to support the banking system have also been issues. Further measures include easing of housing policies, credit guarantees, and delays on loan payments.

3.2.3 Japan

Japan has been relatively successful in preventing spread of and deaths caused by Covid-19. Japan was among the first countries to be affected and has just over 7500 registered cases and just over 100 deaths. Measures include the postponement of the 2021 Olympic games to be held in Tokyo.

³ This table is based on Hale et al (2020). The data is available at: <https://covidtracker.bsg.ox.ac.uk/>. The data are the latest available at time of writing (15-04)

Fiscal policies in Japan to fight the consequences of the virus amount to around 20% of GDP. This package is aimed at fighting the spread of the virus, protect business and employees, restructure the economy, and enhance readiness against potential future outbreaks. Monetary policies include measures such as liquidity provision, support for financial institutions, easing lending, and purchasing of corporate bonds.

Table 3: Measures to prevent spread of Covid-19, by Country (Latest available information – 15-04-2020)

Country	Closing Schools	Closing Work	Events Cancelled	Closing pub. transport	Internal Movement	International movement	Testing	Contact tracing	Stringency	Cases	Fatalities
AUS	Required	Required	Required	Nothing	Required	No high-risk regions	Symptoms	Comprehensive	71.43	6,366	61
	<i>Targeted</i>	<i>Targeted</i>	<i>General</i>	-	<i>Targeted</i>						
CAN	Required	Required	Required	Nothing	Required	No high-risk regions	Open to public	Limited	80.95	25,663	780
	<i>General</i>	<i>General</i>	<i>General</i>	-	<i>Targeted</i>						
CHN	Required	Required	Required	Required	Required	No high-risk regions	Open to public	Comprehensive	42.86	83,303	3,345
	<i>General</i>	<i>General</i>	<i>Targeted</i>	<i>General</i>	<i>Targeted</i>						
EGY	Required	Required	Required	Required	Required	No high-risk regions	Symptoms	Comprehensive	100.00	2,190	164
	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>						
IND	Required	Required	Required	Required	Required	No high-risk regions	Open to public	Comprehensive	100.00	10,363	339
	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>						
IRN	Required	Required	Required	Recommend	Required	No measures	-	No contact tracing	66.67	73,303	4,585
	<i>General</i>	<i>Targeted</i>	<i>General</i>	<i>General</i>	<i>General</i>						
JPN	Recommend	Recommend	Recommend	Nothing	Recommend	No high-risk regions	Symptoms	Limited	66.67	7,645	109
	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>						
KOR	Required	Required	Required	Nothing	Required	No high-risk regions	Open to public	Comprehensive	80.95	10,564	222
	<i>General</i>	<i>Targeted</i>	<i>General</i>	-	<i>General</i>						
NGA	Required	Required	Required	Required	Required	No high-risk regions	Symptoms	Comprehensive	80.95	343	10
	<i>General</i>	<i>Targeted</i>	<i>Targeted</i>	<i>Targeted</i>	<i>Targeted</i>						
USA	Required	Required	Required	Required	Required	No high-risk regions	Open to public	Limited	76.19	582,594	23,649
	<i>Targeted</i>	<i>General</i>	<i>Targeted</i>	<i>General</i>	<i>General</i>						
ZAF	Required	Required	Required	Required	Required	No high-risk regions	Open to public	Comprehensive	100.00	2,272	27
	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>						

4 GDP estimates and assumptions

4.1 AIECE members

At the time of the questionnaire (mid April 2020), not many AIECE member institutes had GDP estimates. The estimates show a range of +2.5 to -2.5% growth for 2020 and a more optimistic outlook for 2021: 1.5% to 5.7%.

Table 4: AIECE member estimates of global GDP

Country	2020	2021
Finland	-2	4
Germany	-1.8	5.7
Greece	-3	4.5
Hungary	-2.5	
Italy	0.7	2.9
Italy	-1.6	4.6
Poland	-2	1.5
Slovenia	-2	5.5
Spain	-3	5.8
Sweden	-0.8	4.4
Switzerland	0.5	3.0
United Kingdom	-1.0	

The AIECE members assume that the duration of measures to avoid the spread of COVID-19 lasts from 0 to 56 weeks, depending on the scenario, highlighting the uncertainty surrounding the development of COVID-19 (Table 5). On average, a mild scenario entails 8 weeks, a moderate scenario 17 weeks, and a severe scenario 27 weeks). This also implies that any mild scenario is no longer relevant, as most countries have institutes measures that surpass 8 weeks.

Most do not foresee major problems for the financial sector in a mild scenario, except Italy, and to some extent France, highlighting the vulnerability of the financial sector in those countries.. AIECE members are slightly more pessimistic about the negative effects of measures taken in other countries, in all scenario's.

Table 5: Assumptions behind different COVID-19 scenario's

Country	Duration of measures to avoid spread of COVID-19	Financial sector problems	Negative impact of measures in other countries	Scenario
Belgium	7	moderate		moderate
	4	mild	moderate	mild
	8	severe		moderate
Finland	10	mild	mild	mild
	15	moderate		moderate
	20	severe	severe	severe
France	4	moderate	moderate	mild
	8	moderate		moderate

	12	severe	severe	severe
Germany	8	severe		moderate
Greece	10	mild	moderate	mild
	20	severe		moderate
	30	severe	severe	severe
Hungary	12	mild	mild	mild
	15	moderate		moderate
	30	severe	severe	severe
Italy	7	severe	severe	mild
	13	severe		moderate
	16			moderate
	20	severe	severe	severe
Netherlands	26	mild	mild	mild
	26	moderate		moderate
	52	moderate	severe	severe
Poland	6	mild	moderate	mild
	10	severe		moderate
	15	moderate	severe	severe
Slovenia	8	mild	moderate	mild
	12	moderate		moderate
	20	moderate	severe	severe
Spain	4	mild	mild	mild
	8	moderate		moderate
	16	moderate	severe	severe
Sweden	12	severe		moderate
	24	mild	severe	severe
Switzerland	0		mild	mild
	56	moderate		moderate
	56	severe	severe	severe
Average mild	8			
Average moderate	17			
Average severe	27			

The projections of the AIEE members are shown in Table 6 and Table 7. Most countries project a severe dip in 2020 and moderate growth or catch-up growth in 2021. Except for the Netherlands, where a severe scenario projects negative GDP growth in 2021.

Table 6: Projections for 2020

Country	GDP	Private consumption	Public consumption	Consumer prices	Nominal hourly gross wage rate (in LCU)	Employment (thousands)	Unemployment rate (1)	Gross public debt (2.3)	Scenario
Belgium	-8	-5.7		0.4				115	Moderate
Denmark	-3.7	-1.5	0.7	0.2	2.2	2832	6.6	44	Least Severe
	-5.6	-3.4	0.7	0	1.7	2805	7.2	47	Moderate
Finland	-5	-3.5	2.5	0.8	2.3	-4	8.3	68	Least Severe
	-7.5	-6	3	0.5	2	-6	9	71	Moderate
	-10	-8	3.5	0	1.7	-8	10.5	75	Severe
France	-1.2	-2.5	1.5	0.6		28433	8.4	103.1	Least Severe
	-2.9	-3.3	0.9	0.6			9.5	107	Moderate
	-6	-5.5	0.2	0.6			11	120	Severe
Germany	-4.2	-5.7	2.5	0.6	-0.1	44969	3.8	70.5	Moderate
Greece	-5								Least Severe
	-8								Moderate
	-15								Severe
Hungary	-2			3.8	7	-5	6.5	71	Least Severe
	-5.5	-3.8	0.6	3.8	5.5	-8	9	73.9	Moderate
	-10	-8	0.6	2.5	2	-11	11.5	78	Severe
Italy	-6.5	-4.3	2.0	-0.4		23074.2	11.0	150.0	Moderate
	-6.5	-6.8		0.2			11.2	147	Moderate
	3.5	3.5		0.6			9.6	144.3	Severe
Netherlands	-5	-4.4	3.2	0.8	2.3		4.2	55.4	Least Severe
	-7.7	-7.7	3.2	0.6	0.9		6.3	60.4	Moderate
	-7.3	-5.4	3.4	0.8	0.9		6.1	61.7	Severe
Poland	-2.9	-7	6	3	2	-2.8	6	51.5	Least Severe

	-3.7	-8.6	6.7	2.9	1.5	-4.5	7.6	52	Moderate
	-5.4	-10	5	2.5	-2	-5.9	9	53.5	Severe
Slovenia	-1.6	-0.8	1.5	2	4.9	886.7	4.9	68	Least Severe
	-4.8	-2.2	1.4	1.7	4.7	873.8	6	71	Moderate
	-10.1	-2.9	1.2	1	3.5	818.2	8	75	Severe
Spain	0.1	-2.6	3	0.1	1.9	-0.1	15.2	100	Least Severe
	-6	-9	5		1.8	-6	20	111.4	Moderate
Sweden	-3.2	-2.9	0.8	0.5	2.0	-1.6	8.7	40.9	Moderate
	-4.7	-5.5	0.8	0.3	1.3	-3.2	9.9	42.8	Severe
Switzerland	0.8			-0.3			4.6		Least Severe
	0.3	0.7	5.5	-0.5			4.8		Moderate
	-2.3			-0.8			5.3		Severe

Table 7: Projections for 2021

Country	GDP	Private consumption	Public consumption	Consumer prices	Nominal hourly gross wage rate (in LCU)	Employment (thousands)	Unemployment rate (1)	Gross public debt (2.3)	Scenario
Belgium	8.6			1.2					Moderate
Finland	4								Least severe
	5.5								Moderate
	7								Severe
France	1.3	1	1	0.7		28462	9	105.2	Least severe
	1.6	1.2	0.6	0.7			9	110	Moderate
	3.5	2	1.5	0.6			9	115	Severe
Germany	5.8	7.7	2.6	1.2	4.3	45232	3.6	64	Moderate
Greece	3								Least severe
	2								Moderate
	0								Severe

Italy	3.3	3.2	-1.6	1.0	23242.4	10.5	147.9	Moderate	
				0.6				Moderate	
Netherlands	3.8	3.1	1.9	0.9	2.2	5.3	56.1	Least severe	
	2	1.3	1.9	0.3	1.1	8.4	65.5	Moderate	
	-2.7	-1.2	2.1	0.6	0.5	9.4	73.6	Severe	
Poland	6	5	2	2.5	5	2	4.1	53	Least severe
	5.4	5.8	2.9	2	5	1.7	6	54	Moderate
	2.5	2	4	1	3	-1	9.9	56	Severe
Slovenia	6	4	1.8	2.6	3.5	900	4.8	64	Least severe
	4	3.5	1.5	2.4	3	873.8	5.9	68	Moderate
	2	1.9	1.3	2	2	802.1	9	77	Severe
Spain	2.6	3.8	0	1.8	2.6	2.4	14	100	Least severe
	4.8	7.5	-1	1.8	1.5	5.4	16	112	Moderate
Sweden	3.5	4	1.4	1.3	2.2	-0.3	8.9	39.7	Moderate
	3.3	4.4	1.4	0.8	1.0	0.0	10.2	43.3	Severe
Switzerland	0.9			0.3			4.8		Least severe
	1.4	0.3	1.8	0			4.9		Moderate
	1.3			-0.3			5.4		Severe

4.2 International organisations and banks

In addition to estimates by national agencies like the AIECE members, different international organisations have made estimates of the consequences of COVID-19 (Table 8). The estimates of the different organisations vary quite strongly, much like the estimates of the AIECE members themselves. ECB, EC, and IMF are AIECE observers.

Table 8: GDP growth forecasts for 2020

Organisation	2020 GDP-growth (EA)	2020 GDP-growth (World)	Publication Date
EC ⁴	-7.75		6-May
ECB ⁴	-5 à -12		5-May
Capital Economics		-5	1-May
Morgan Stanley	-11		27-April
IMF ⁴	-7.5	-3	14-April
ABN AMRO	-4.3 à -8.0		10-April
Oxford Economics		-2.8	9-April
Rabobank	-7		9-April
ABN AMRO	-4.3		4-April
Unicredit	-13	-6	2-April
IHS Markit		-2.8	30-March
Goldman Sachs		-1	23-March
Oxford Economics		0	20-March
EC ⁴	< -4		20-March
Rabobank	-0.8	0.9	19-March
OECD	0.0		13-March
OECD	0.8		2-March

One pattern is exceedingly clear however, as time moved on and the implications of COVID-19 have become increasingly clear, estimates have worsened significantly. Table 8 illustrates this for two series of GDP predictions, for the Euro area (EA) and for the world. Both show a strong declining trend over time, with of course, some obvious outliers.

In early March, estimates for GDP growth of the Euro area and the world still tended to be slightly positive (Table 8 : GDP growth forecasts for 2020). However, moving into April, and with it the severity of the situation becoming increasingly clear, estimates were adjusted downward accordingly. Latest estimates released early May suggests a GDP growth of less -5% for the World and worse for the Euro-area.

⁴ The EC, ECB, and IMF are AIECE observers and as such participate in the AIECE meetings.