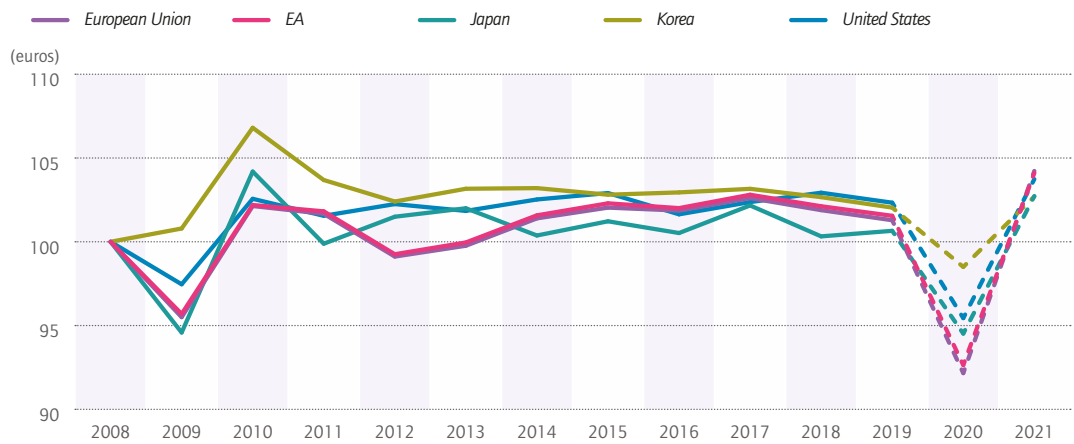


A global recession: GDP growth in Europe and the world



The EU and the euro area shrank by 13.9% and 14.8% respectively between the first and the second quarters of 2020.”

Figure 1.1 Real GDP change, EU, Japan, South Korea and the US, 2008-2021 (f) (2008=100)



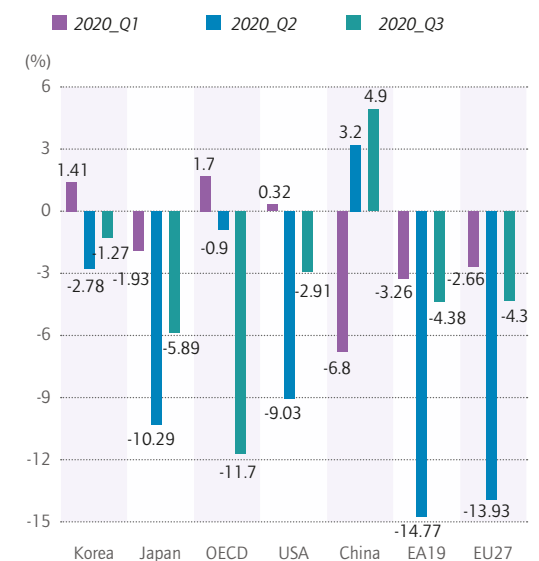
Source: Own calculations using AMECO data, OVGD series.

The EU economy went into a nosedive in March 2020 once the number of reported Covid-19 cases started picking up rapidly. Wary of avoiding the saturation and, eventually, the collapse of healthcare systems, European governments began taking measures to stem the speed at which the virus was spreading among the population. The measures taken in spring 2020 were sharp and sudden, consisting primarily of ordering the shutdown of all economic activity except for those sectors considered 'essential', such as food production and healthcare, or those in which teleworking or virtual provision was possible, such as electronic trading. Schools were also closed, as were borders between Member States and, eventually, EU borders themselves. While the range of measures taken and their degree of severity varied across countries, it was very clear from February/March onwards that the global economy was entering a period of crisis, with very high uncertainty about its depth, duration and consequences.

Figure 1.1 shows the evolution of real GDP growth in the EU and the US, including the (autumn) annual forecasts of the European Commission for 2020, while Figure 1.2 focuses on OECD quarterly real GDP data for the EU, the euro area, the US, China, South Korea and Japan. While the European Commission's annual autumn forecasts are still subject to great uncertainty and feature rather optimistic scenarios regarding subsequent waves of the pandemic and the measures that national governments will have to take to stem them, the data clearly shows (Figure 1.1) that the shock is going to be larger than that of the global financial crisis in 2008, which led to what has been dubbed the 'Great Recession', in comparison to the Great Depression of the late 1920s and 1930s. This recent large shock came during a period in which real GDP growth had been slowing down (since 2017) following a lacklustre recovery from the 'W-shaped' recession between 2008 and 2012. According to OECD data, real GDP in the EU and the euro area shrank by 2.6% and 3.3% respectively between the final quarter

of 2019 and the first quarter of 2020, by 13.9% and 14.8% respectively between the first and second quarters of 2020, and by 4.3% and 4.4% respectively between the second and third quarters of 2020. The US real GDP was flat in the first quarter of 2020 and shrank by 9% between the first and second and 2.9% between the second and third quarters of 2020. Remarkably, South Korea, whose approach to stemming the pandemic did not rely as heavily and exclusively on blanket measures restricting economic and social activity, experienced much smaller real GDP losses in the second and third quarters than the EU, the US and Japan did. Last but not least, the Chinese economy, the first to be affected by the virus, shrank only during the first quarter of 2020 (by 6.8%) and grew by 3.2% and 4.9% in the following two quarters.

Figure 1.2 GDP growth in the EU27, EA, US, Japan, Korea, China and the OECD (growth rate compared to previous quarter), 2020_Q1-2020_Q3



Source: OECD Quarterly GDP data.