



**EUROPEAN
DEPARTMENT**

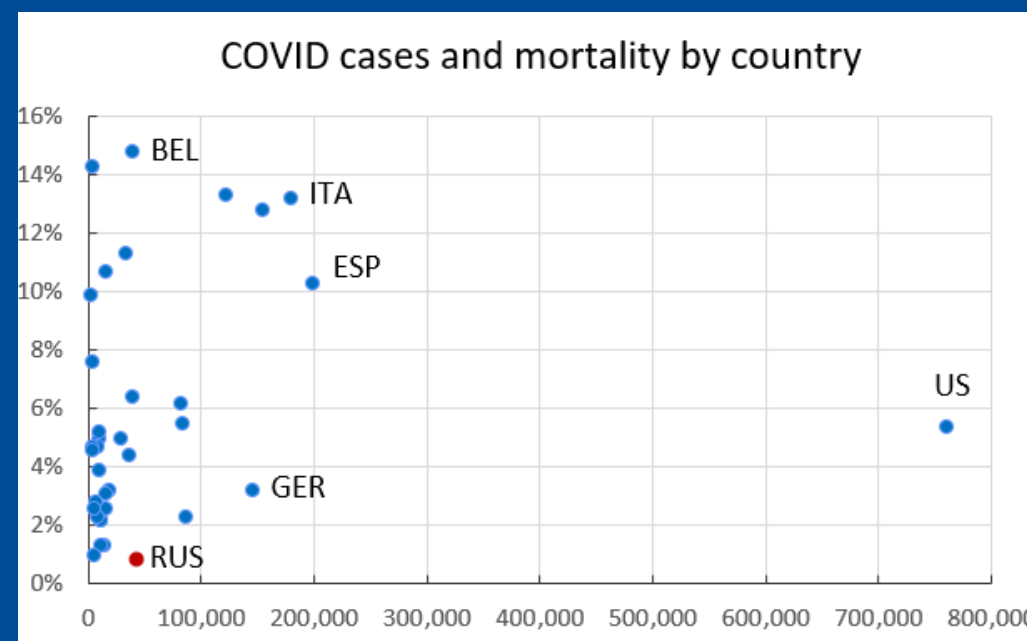
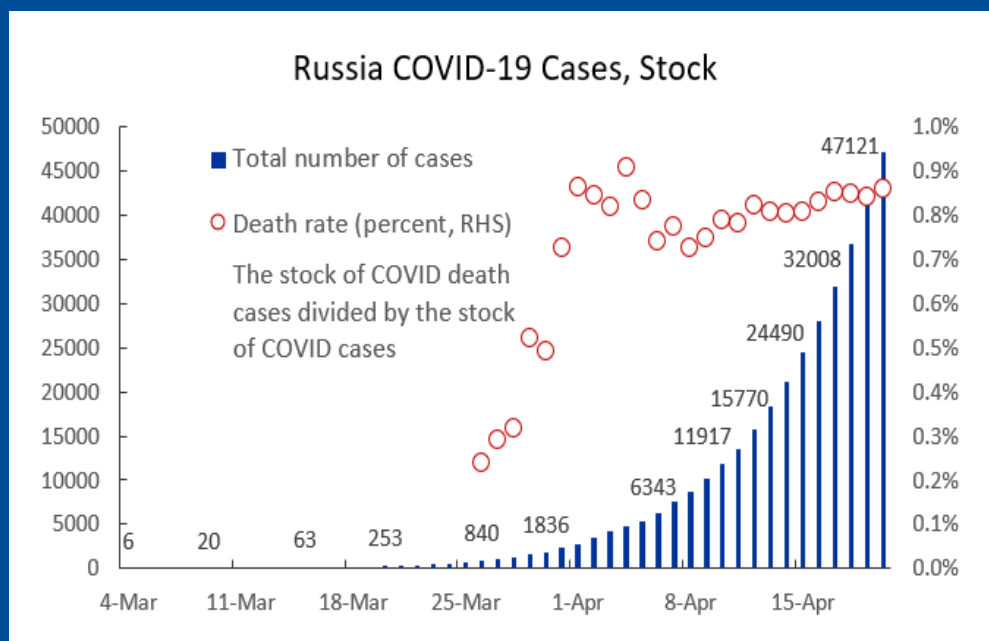
EUROPEAN ECONOMIC OUTLOOK

Association of European Businesses

APRIL 21, 2020

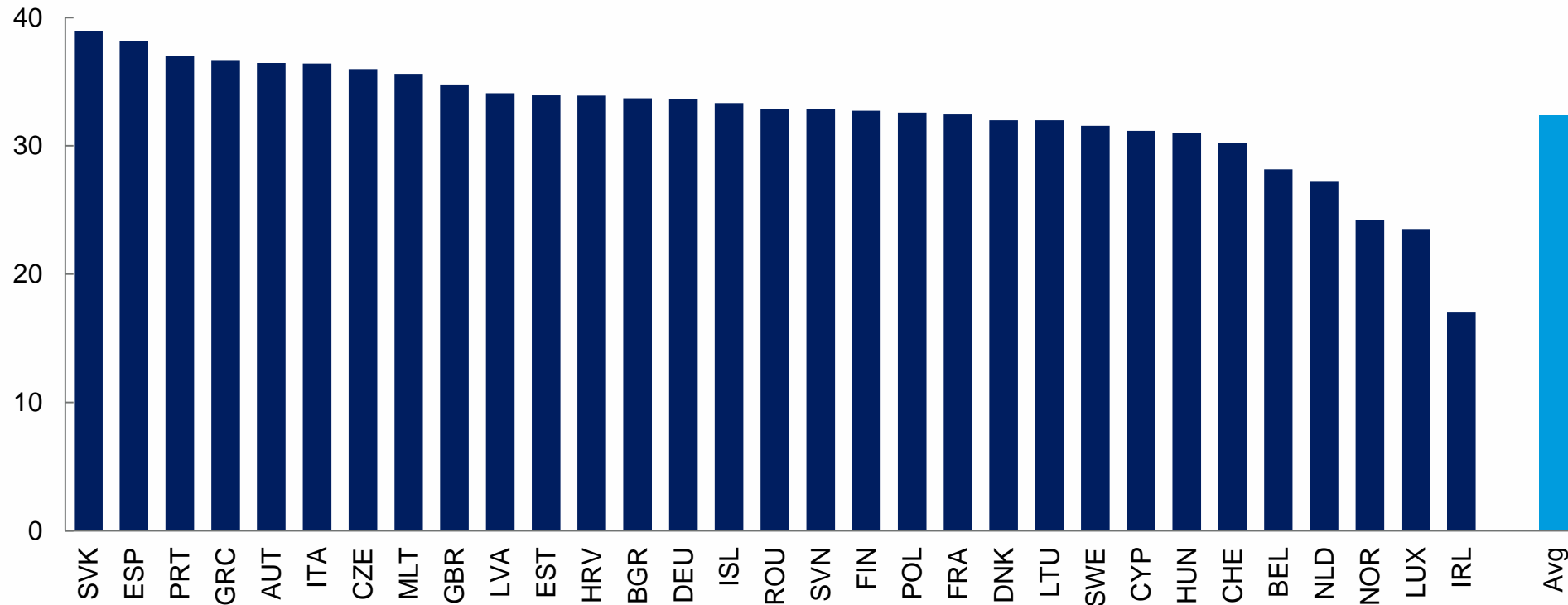
Annette Kyobe
Resident Representative

COVID in Russia



Severe economic impact of COVID-19: each month of shutdown of non-essential sectors implies a 3 percent drop in annual GDP

Share of Non-essential Sectors
(Percent of total output)



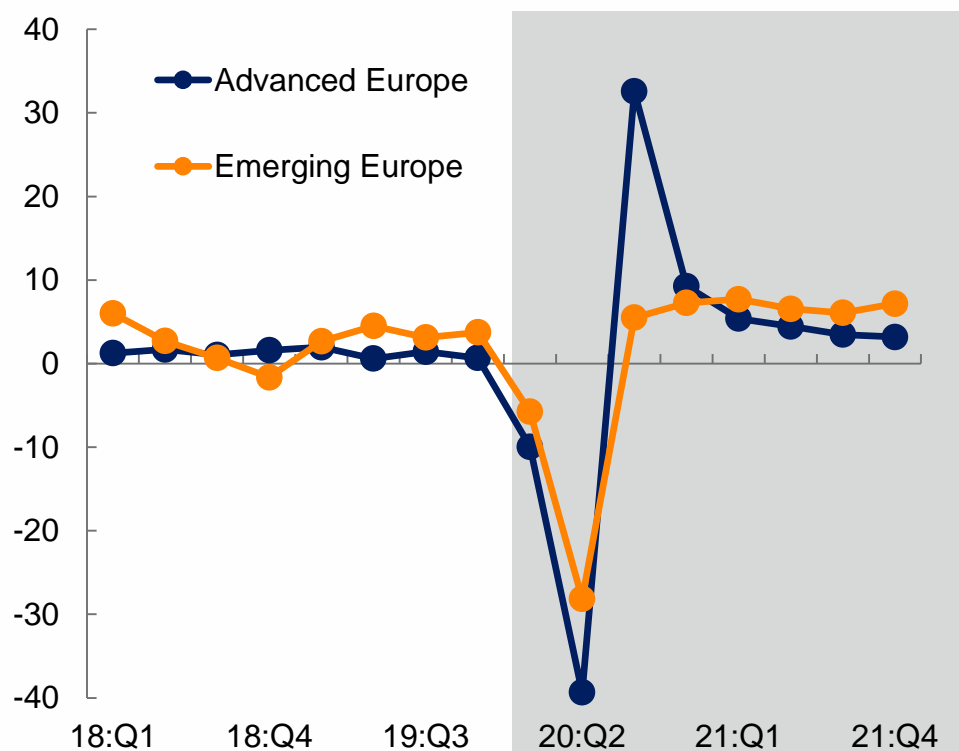
Sources: Haver Analytics; and IMF staff calculations.

Note: The classification of sectors generally follows the decree that Italy announced on March 22, 2020. Non-essential sectors: Textiles & apparel; Basic metals; Transport equipment; Construction; Wholesale and retail trade and repair of motor vehicles; Accommodation and food services; Real estate; Arts and entertainment. For wholesale and retail trade (except motor vehicles), adjusted to exclude items related to food, pharma, and other medical products. Figures refer to 2018; earlier year used for some countries.



The WEO forecast for Europe is grim

Real GDP Growth
(Quarter-over-quarter percent change, annualized)



Real GDP Growth Projections
(Year-over-year percent change)

| | 2019 | 2020 | 2009 | 2021 |
|--|------|------|------|------|
| Europe | 1.6 | -6.6 | -4.7 | 4.5 |
| Advanced Europe | 1.4 | -7.3 | -4.3 | 4.7 |
| Euro area | 1.2 | -7.5 | -4.5 | 4.7 |
| Emerging Europe | 2.1 | -5.2 | -5.7 | 4.2 |
| Emerging Europe ex. Russia & Turkey | 3.8 | -5.0 | -3.4 | 4.4 |
| Russia | 1.3 | -5.5 | -7.8 | 3.5 |
| Turkey | 0.9 | -5.0 | -4.7 | 5.0 |

Sources: Haver Analytics; IMF, *World Economic Outlook*; and IMF staff calculations.
Note: The content of this slide is embargoed until April 14, 2020, 8:30 am EDT.



Downside risks are large

The baseline scenario does not assume that:

- ❑ Major disruptions could continue until a vaccine is available, implying a delayed and weaker recovery
- ❑ Large balance sheet impairment

If these risks materialize, many countries will face significant constraints responding to a protracted downturn



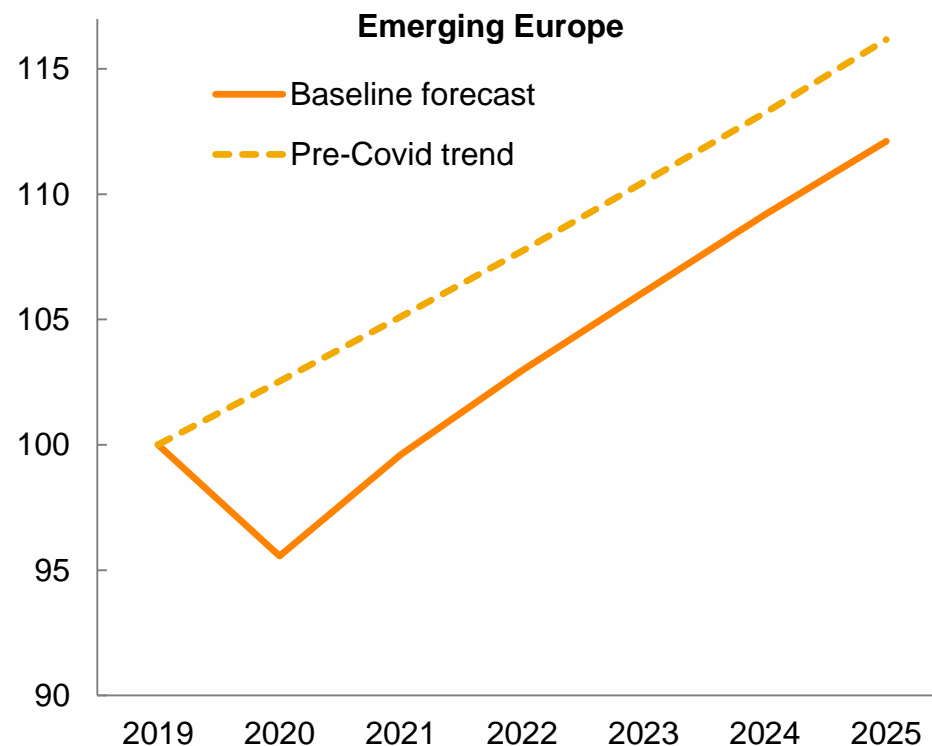
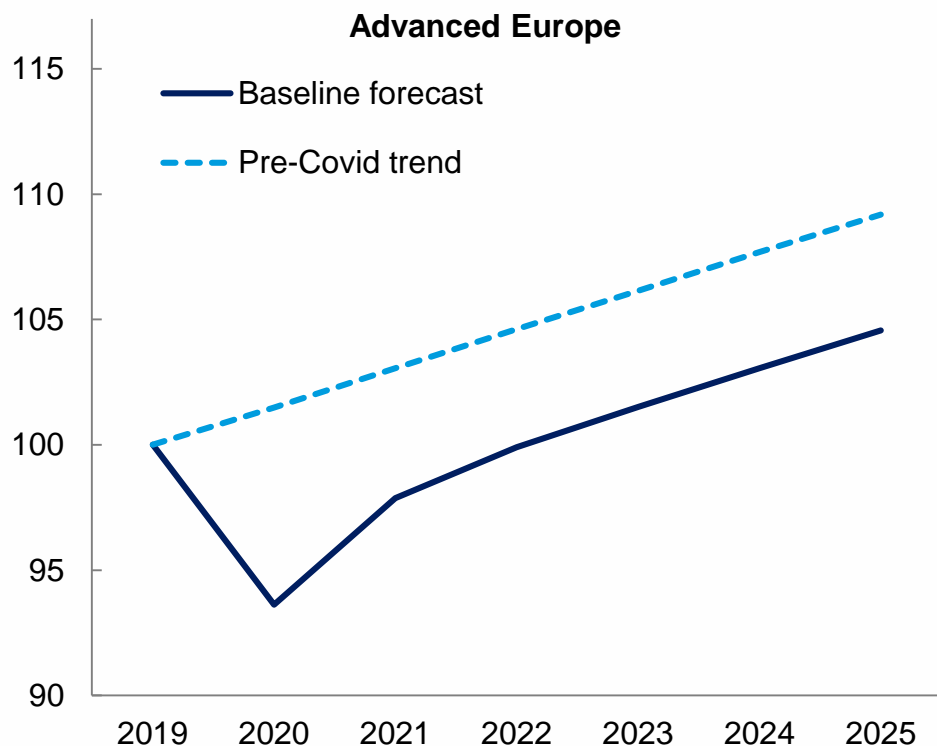
Different assumptions can lead to very different output trajectories

- ❑ The baseline assumes two months of containment measures, a recovery in Q3 with limited damage to balance sheets
- ❑ The downside scenario assumes three months of containment measures, deeper balance sheet impairment, with a more gradual recovery



We envisage permanent output losses relative to pre-COVID trend of about 5 percent in the baseline—could be double in a downside scenario

Real GDP
(Index, 2019=100)



Sources: IMF, *World Economic Outlook*; and IMF staff calculations.



The whole policy toolkit has been deployed, supported by substantial easing of fiscal and monetary policy

