

Euro Area Business Cycle Dating Committee: *A sui generis recovery is following a sui generis recession*

9 November 2021

The [CEPR-EABCN Euro Area Business Cycle Dating Committee](#) deliberated on 25 October 2021 to assess the state of euro area economic activity. The Committee has determined that a trough in economic activity occurred in 2020Q2, marking the end of the recession that had started after 2019Q4. This brief, two-quarter recession is unprecedented in length and strength: it is both the shortest and the deepest of all euro recessions to date – reflecting the magnitude and unusual nature of the Covid-19 disruption to economic activity.

The euro area has been expanding since this 2020Q2 trough with economic activity recovering in punctuated bursts – as can be expected from the uneven pace of the pandemic since then. In particular, the two quarters of negative GDP growth in 2020Q4 and 2021Q1 are judged, based on available data, to be part of the unsteady expansion that started after 2020Q2.

The second quarter of 2020 is designated as a trough in euro area economic activity

The Committee has determined that the euro area Covid-19 recession that started after the last peak in 2019Q4 reached its trough, and thus its end, in 2020Q2.¹ This Covid-19 recession, which lasted two quarters, is the shortest and deepest of all euro area recessions.²

Since the 2020Q2 trough, the euro area has experienced the steepest recovery in activity on record in 2020Q3, two subsequent quarters of (mild) negative GDP growth in 2020Q4 and 2021Q1, and a resumption of positive GDP growth in 2021Q2.³

The Committee's assessment is that the period since the 2020Q2 trough constitutes an expansion despite the unsteady and uneven nature of resumption in economic activity. The Committee's view is that both the Covid-19 recession and the recovery from that deep contraction are unprecedented in their origin and their macroeconomic impact. A *sui generis* recovery is thus following a *sui generis* recession.

The two quarters of negative GDP growth in 2020Q4 and 2021Q1

The Committee considered, but rejected, the possibility that the euro area Covid-19 recession that started after 2019Q4 lasted longer than two quarters and that the trough had occurred in 2021Q1 and not in 2020Q2. This alternate dating of the trough would have had the merit of highlighting that, unlike the United States, the euro area experienced two quarters of negative GDP growth in 2020Q4 and 2021Q1. The strong growth in 2020Q3 would then be interpreted not as the start of a true recovery but as the mechanical and partial rebound from the widespread economic shutdowns of the second quarter. In this alternative dating, the recessionary diminishment of economic activity would be judged as having continued through 2021Q1 and the *sui generis* recession would have been a "double-trough" recession.

However, both the *average* pace of the pickup in euro area economic activity and its *distribution* across time are more consistent with a *sui generis* recovery phase than with a continuation of previous recessionary dynamics. The negative GDP growth rates in 2020Q4 and 2021Q1 (-0.4% and -0.3%, respectively) have been moderate relative not only to the strong growth rate in the preceding quarter 2020Q3 (12.6%), but also relative to the growth rates in the subsequent two quarters 2021Q2 and 2021Q3 (2.1% and 2.2%). Over the 2020Q3-2021Q3 period, growth has been positive in 3 out of 5 quarters, at the start and at the end of the

¹ See Figures 1 to 9.

² See Figure 10.

³ See Figures 11 and 12.

period, and with a mean quarter-to-quarter growth rate of 3.2% (or a compounded quarterly rate of 3.1%).

The judgment of the Committee is thus that expansionary dynamics have indeed been at work in the euro area since 2020Q2 but that they are *unsteady* – reflecting the ebb and flow of the pandemic, the policy responses, and the rollout of vaccines. The two-quarters of negative GDP growth in 2020Q4 and 2021Q1 are therefore assessed, based on currently available data, to be part of the euro area expansion that started after 2020Q2.

Conclusion

The euro area Covid-19 recession that started after the last peak in 2019Q4 reached its trough, and thus its end, in 2020Q2. A *sui generis* recovery is following a *sui generis* recession.

The Committee will continue to monitor developments in the euro area economic activity to further assess the characteristics of this unsteady expansion whose pace depends, among other factors, on the course of the pandemic, public health developments, and the macroeconomic policy response.

About the EABCN-CEPR Area Business Cycle Dating Committee

The [CEPR-EABCN Euro Area Business Cycle Dating Committee](#) establishes the chronology of recessions and expansions of the eleven original euro area member countries plus Greece for 1970-1998, and of the entire euro area from 1999 onwards.

It also comments, in the spring and in the fall, on the current state of aggregate economic activity in the euro area and launches research initiatives designed to better monitor and understand aggregate economic developments in the euro area.

Dating activities and bi-annual statements on the state of euro area economic activity are conducted in total independence from EABCN. Research initiatives launched and pursued by the Committee are subject to the approval and evaluation of the EABCN Scientific Committee.

The Committee is currently composed of the following members, with overlapping terms:

- Philippe Weil (chair), ULB and CEPR
- Refet Gürkaynak (vice-chair), Bilkent University and CEPR
- John Fernald, INSEAD, Federal Reserve Bank of San Francisco and CEPR
- Evi Pappa, Universidad Carlos III de Madrid and CEPR
- Antonella Trigari, Bocconi University and CEPR

The Committee's research assistant and rapporteur is Isabel Mico Millan, Universidad Carlos III de Madrid.

Appendix: Figures

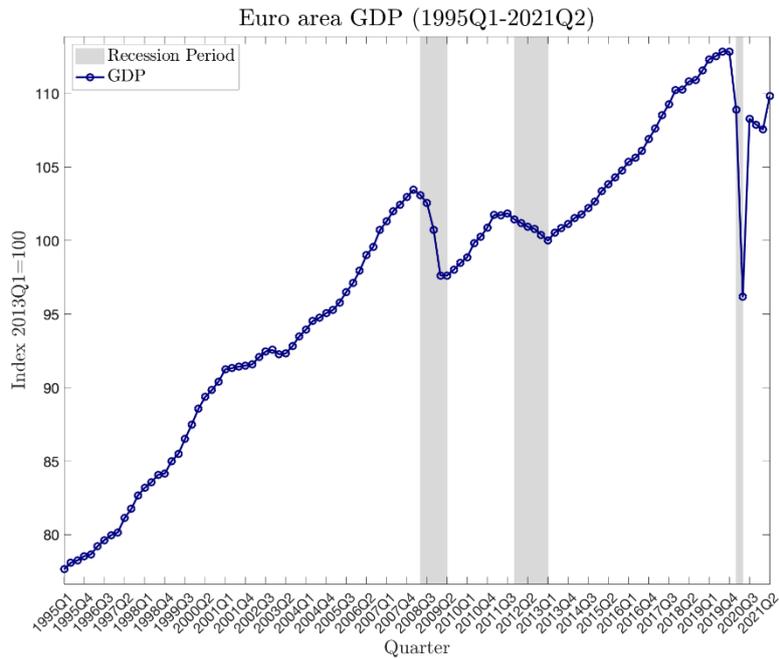


Figure 1. Evolution of euro-area GDP for the period 1995Q1-2021Q2. All variables are expressed as quantity index with base year and quarter 2013Q1 = 100. The gray areas represent the recession periods as dated by the Committee. *Source:* Eurostat

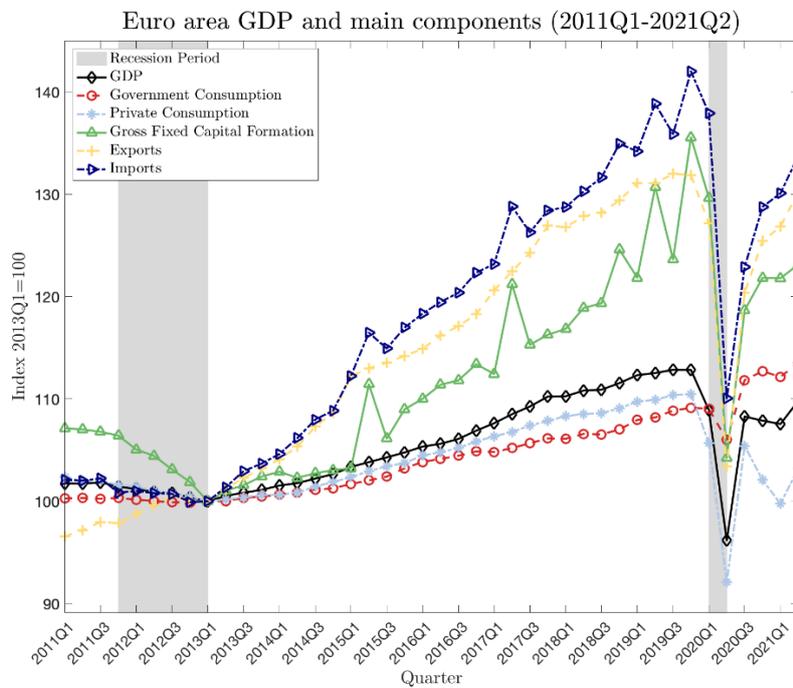
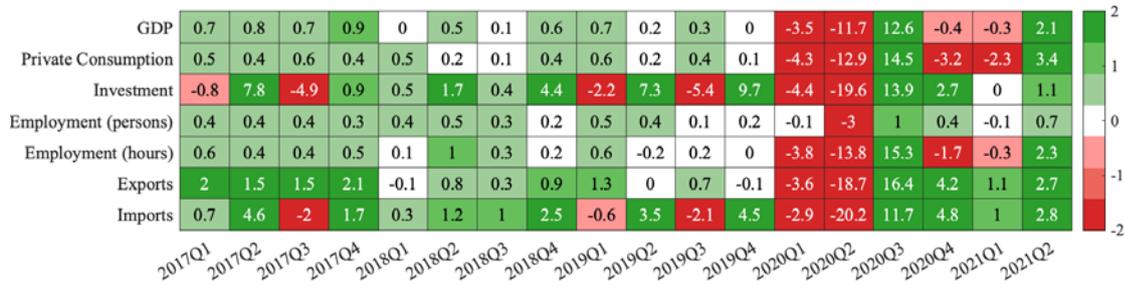
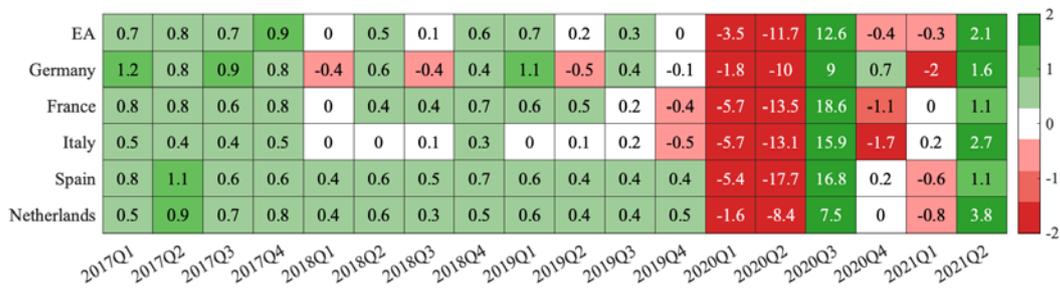


Figure 2. Evolution of euro-area GDP and main components for the period 2009Q1-2021Q2. All variables are expressed as quantity index with base year and quarter 2013Q1 = 100. The gray areas represent the recession periods as dated by the Committee. *Source:* Eurostat

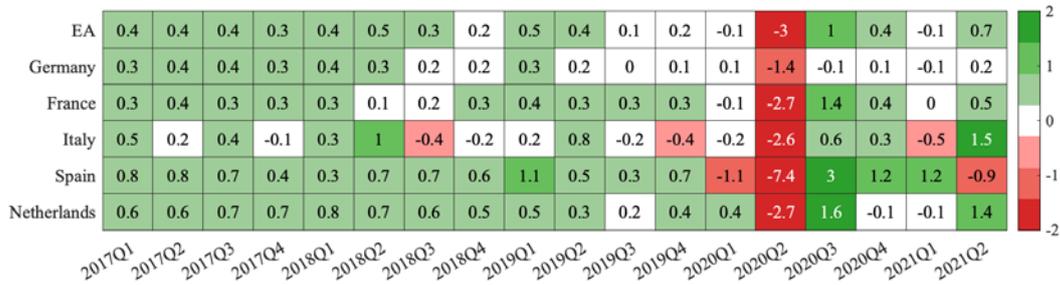
EA GDP, main components and employment (based on persons and hours)



Gross Domestic Product



Employment (based on persons)



Employment (based on hours)

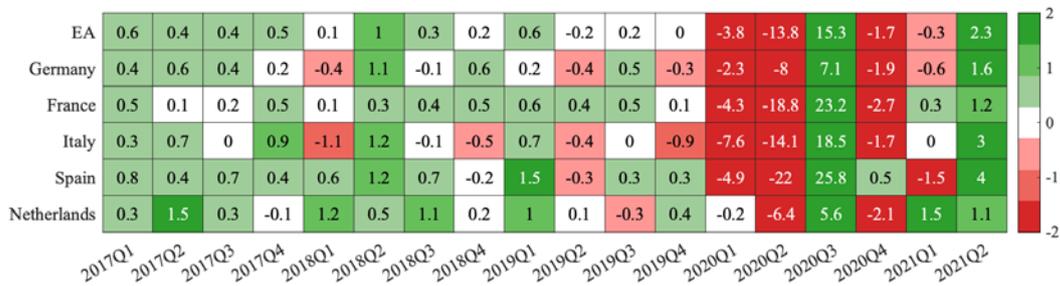


Figure 3. Heat map for the euro area and the largest EA countries for the period 2017Q1-2021Q2. Investment refers to gross fixed capital formation. All variables are expressed in percentage change over previous period. Source: Eurostat

Contribution of each GDP component to euro area GDP growth rate (2012Q3-2021Q2)

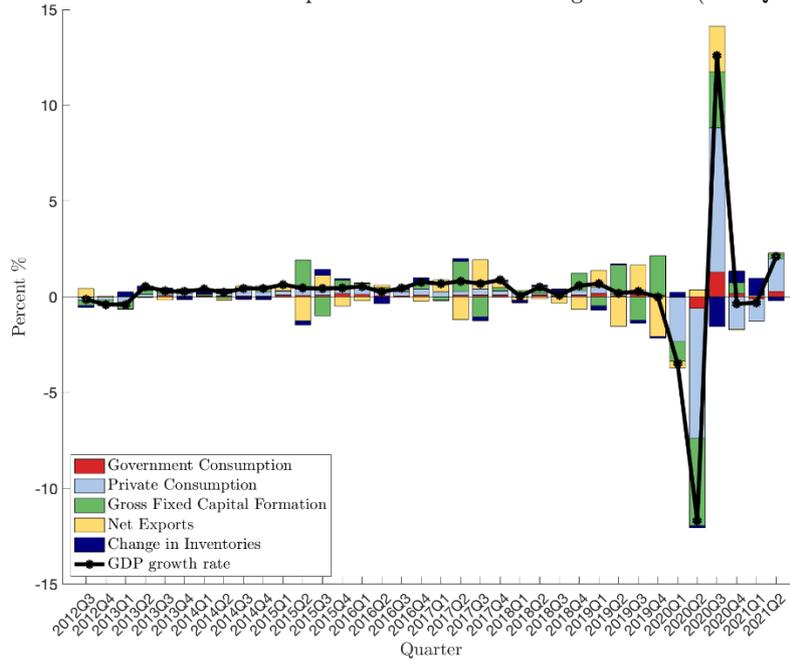


Figure 4. Contribution of each GDP component to the quarter-on-quarter GDP growth rate in the Euro Area for the period 2012Q3-2021Q2. The black solid line is the quarter-on-quarter GDP growth rate. Source: Eurostat

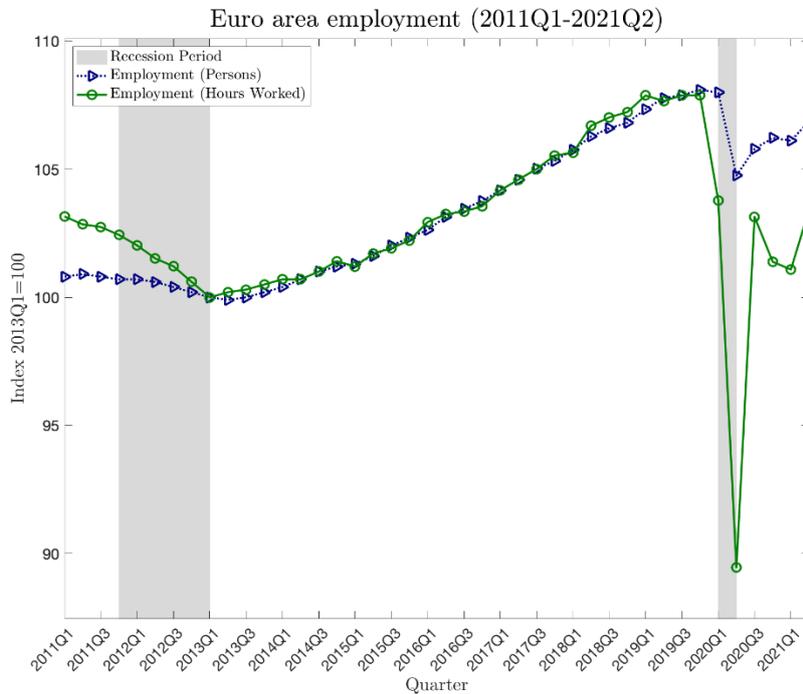


Figure 5. Evolution of employment in the period 2011Q1-2021Q2 in the euro area (changing composition). All variables are expressed as quantity index with base year and quarter 2013Q1 = 100. Source: Eurostat

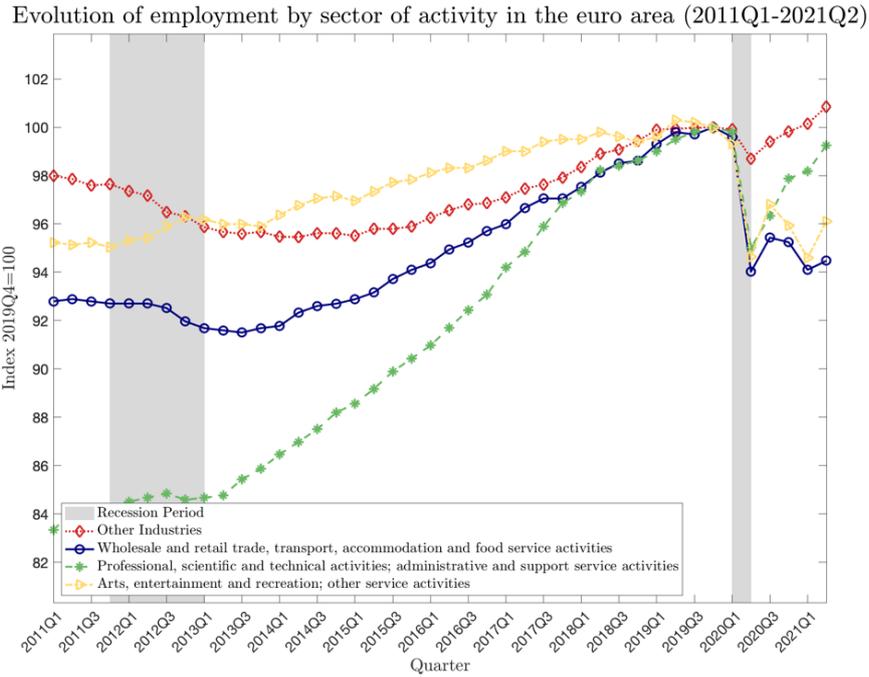


Figure 6. Evolution of employment (based on persons) by sector of activity in the euro area (changing composition). Employment expressed as quantity index with base year and quarter 2019Q4=100. Source: Eurostat

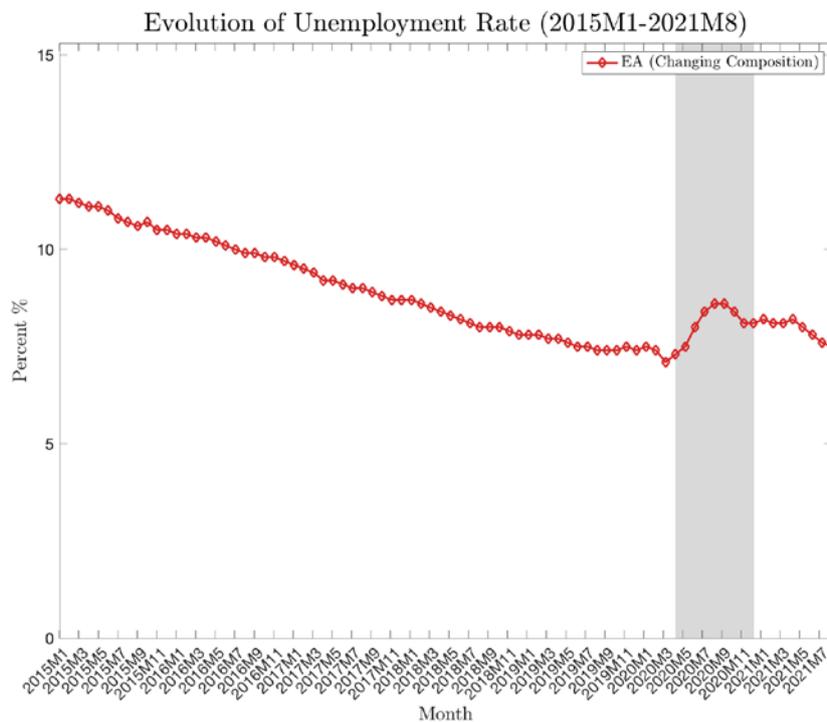


Figure 7. Evolution of unemployment rate in the euro area. Unemployment rate is defined as the total unemployed individuals aged between 16 and 74 as percentage of the total labor force. Source: Eurostat

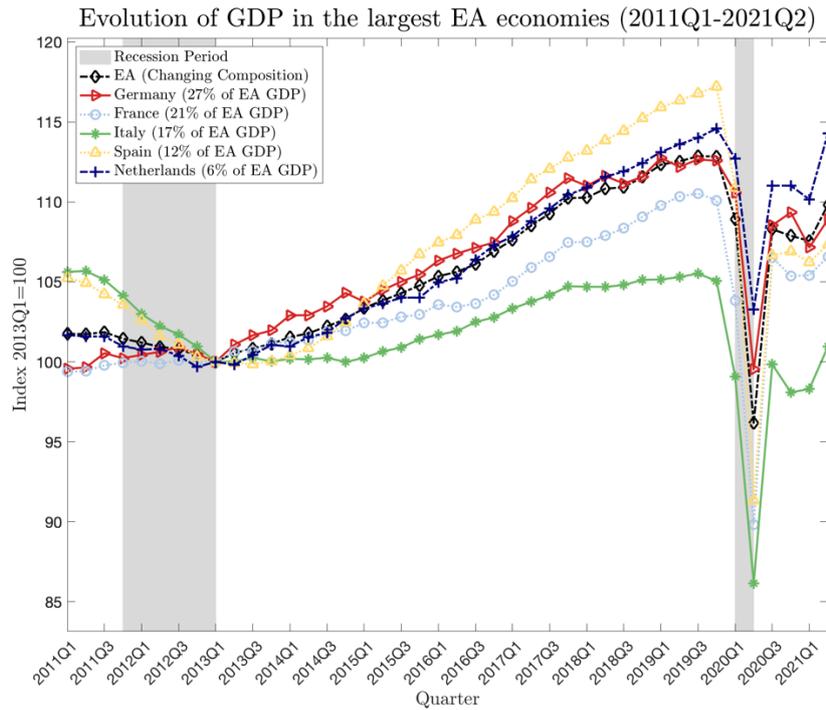


Figure 8. Evolution of GDP in the euro area and in the five largest EA economies (Germany, France, Italy, Spain, Netherlands). GDP expressed as quantity index with base year and quarter 2013Q1 = 100. The weights for each country are based on 2011 GDP. *Source:* Eurostat

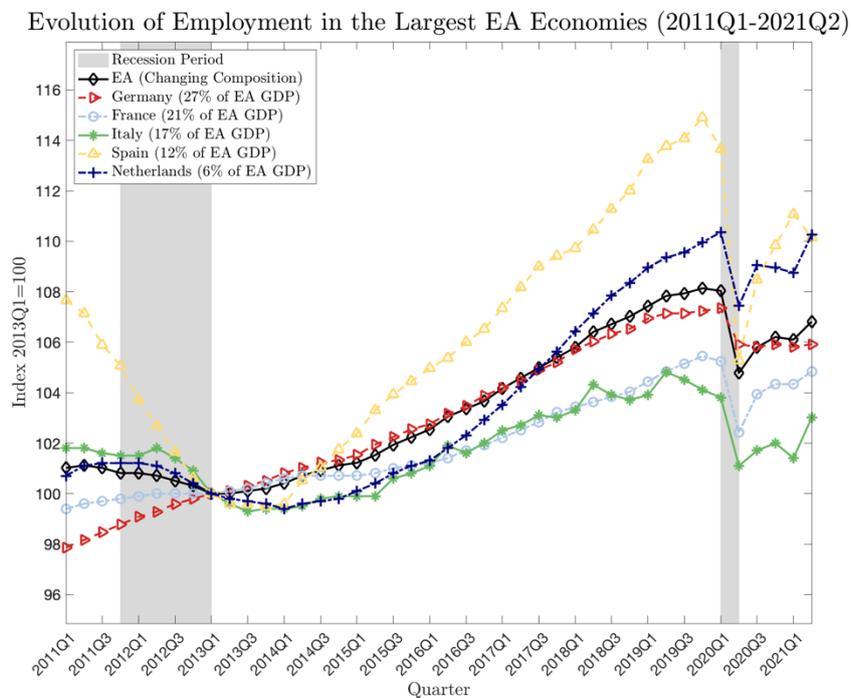


Figure 9. Evolution of employment (based on persons) in the euro area and in the five largest EA economies (Germany, France, Italy, Spain, Netherlands). GDP expressed as quantity index with base year and quarter 2013Q1 = 100. The weights for each country are based on 2011 GDP. *Source:* Eurostat

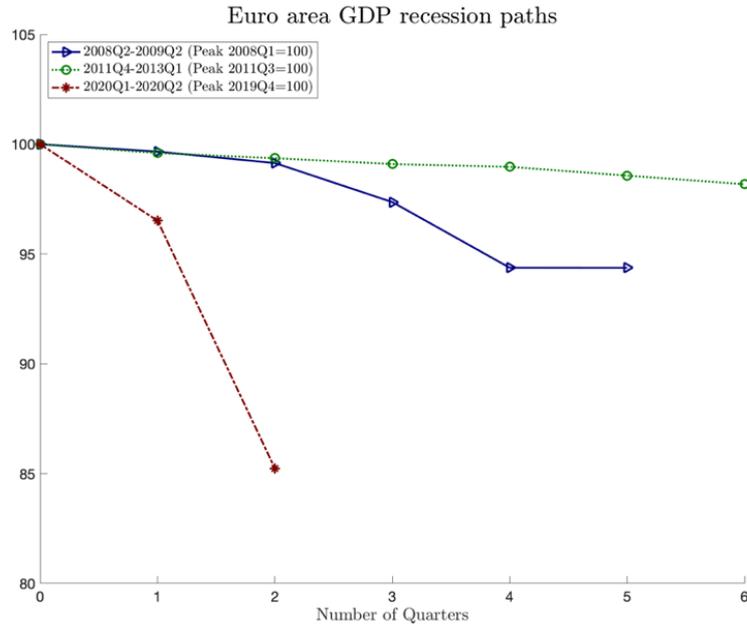


Figure 10. Euro area GDP recession paths. The figure shows the evolution of GDP in the euro area during a recession period dated by the Committee. All lines represent the evolution of GDP expressed as quantity index with base year and quarter equal to the peak preceding the relevant recession period. On the x-axis the number of quarters after the peak are shown. *Source:* Eurostat

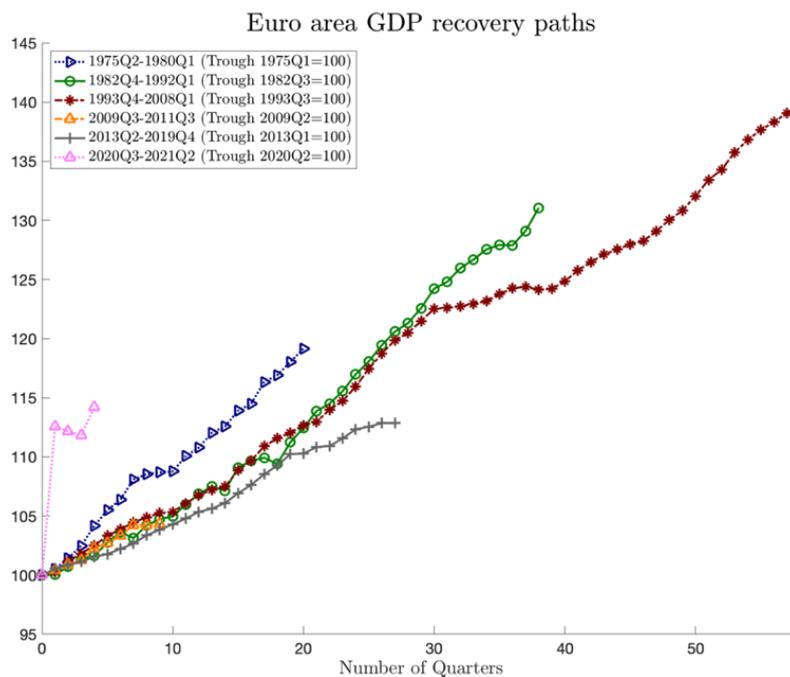


Figure 11. Euro area GDP recovery paths. The figure shows the evolution of GDP in the euro area after a recession period dated by the Committee. All lines represent the evolution of GDP expressed as quantity index with base year and quarter equal to the last quarter of the preceding recession period. On the x-axis the number of quarters after the troughs are shown. For the last two recovery paths (2009Q2-2011Q3 and 2013Q1-2019Q4), we use GDP data for the euro area, changing composition. The other recovery paths have been computed using GDP data for euro area 19, fixed composition. *Source:* Eurostat and AWM database

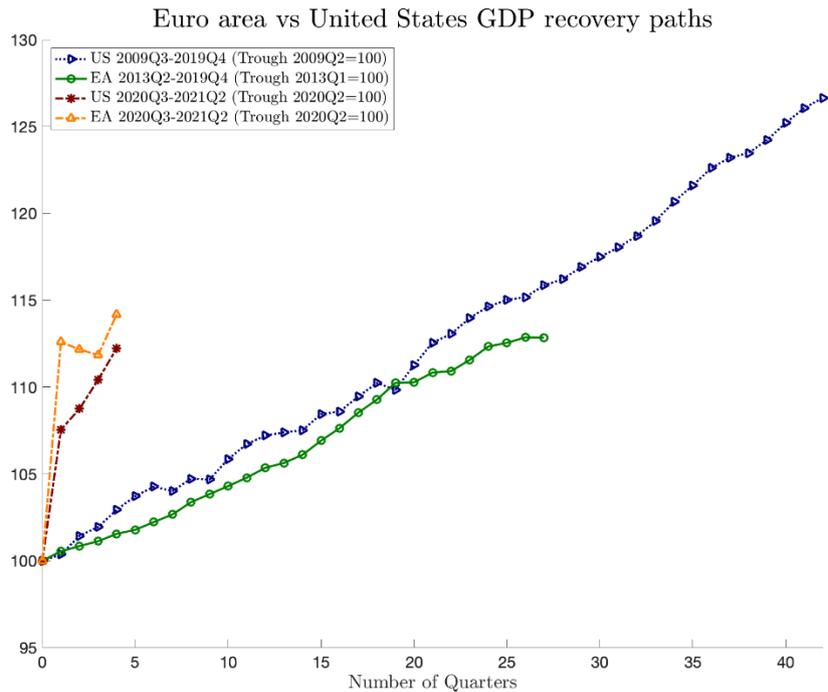


Figure 12. Euro area vs United States GDP Recovery Paths. The figure shows the evolution of GDP in the euro area and United States after the last quarter of the preceding recession period dated by the EA Business Cycle Dating Committee and NBER Business Cycle Dating Committee, respectively. All lines represent the evolution of GDP expressed as quantity index with base year and quarter equal to the last recession quarter of the preceding recession period. On the x-axis the number of quarters after the troughs are shown. For the last two recovery paths (2009Q2-2011Q3 and 2013Q1-2019Q4), we use GDP data for the euro area changing composition. *Sources:* Eurostat and Fred Database