JVI WEBINAR

ON MACROFINANCIAL CONSIDERATIONS FOR ASSESSING THE IMPACT OF THE COVID-19 PANDEMIC

Alexander Morozov

Head of Research&Forecasting Department
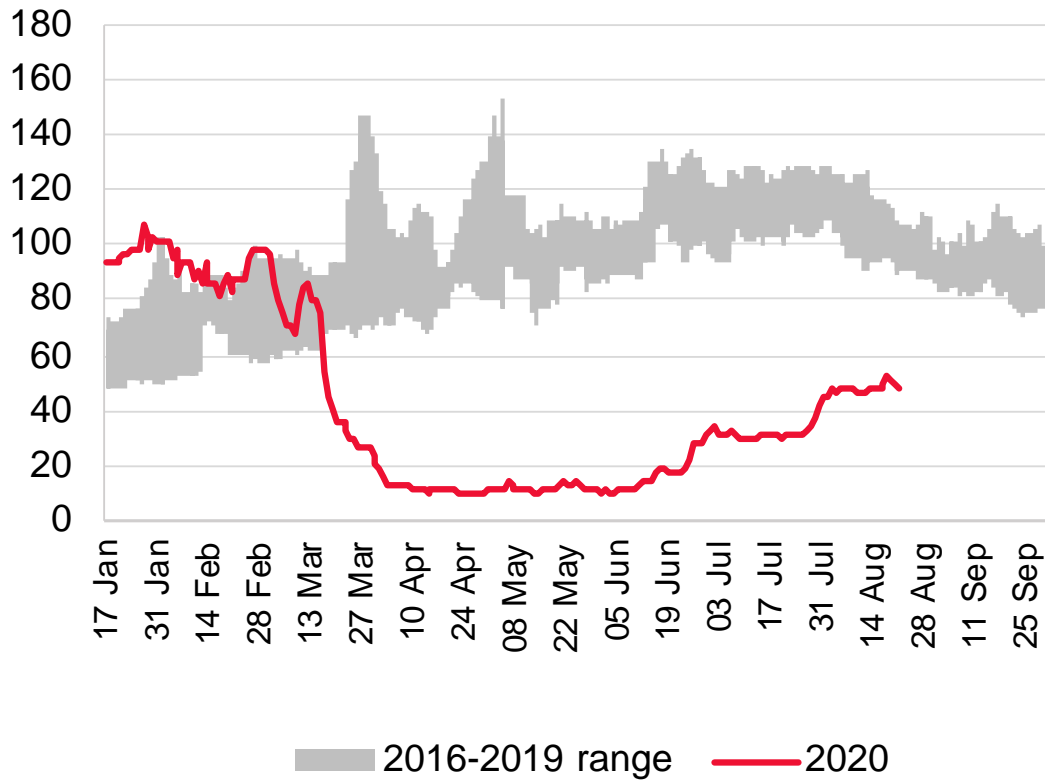
The Bank of Russia
August 26, 2020

Three assessments

- ➢ **Real time assessment** of economic activity (timely diagnostics)

- ➢ Assessing the **size** of a combined shock and its **persistence**
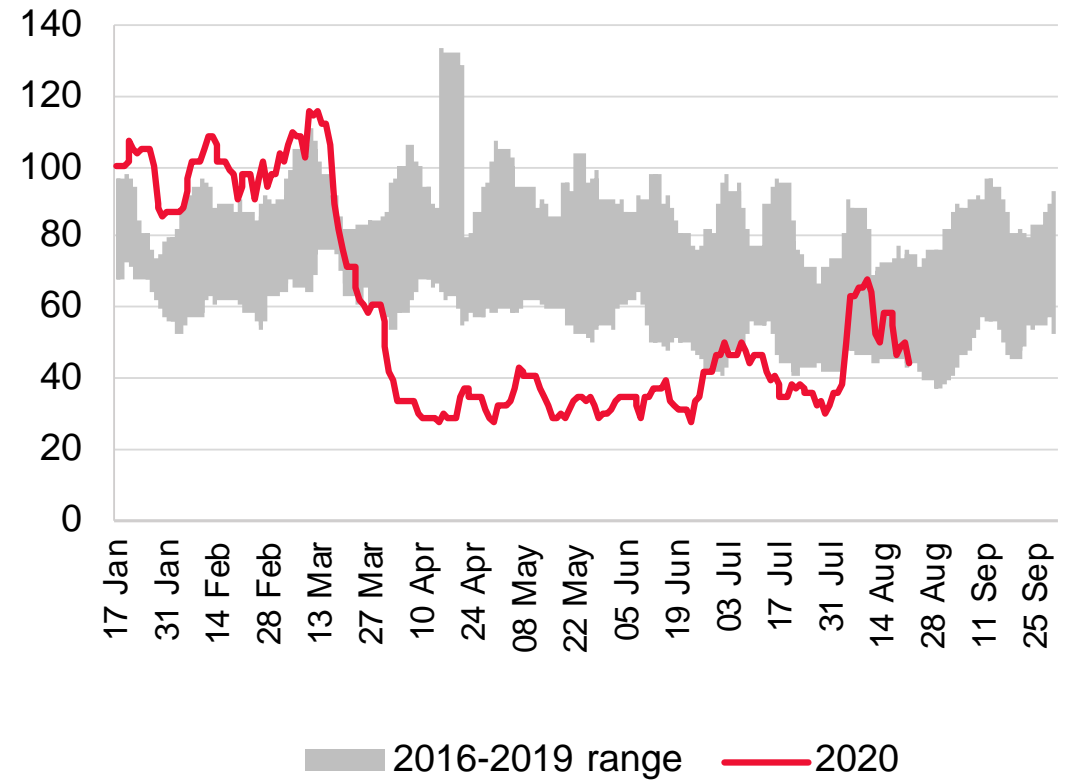
- ➢ Assessing output gap and a loss of potential output

Hardest-hit sectors: travel and leisure

Daily incoming payments to **travel agencies**,
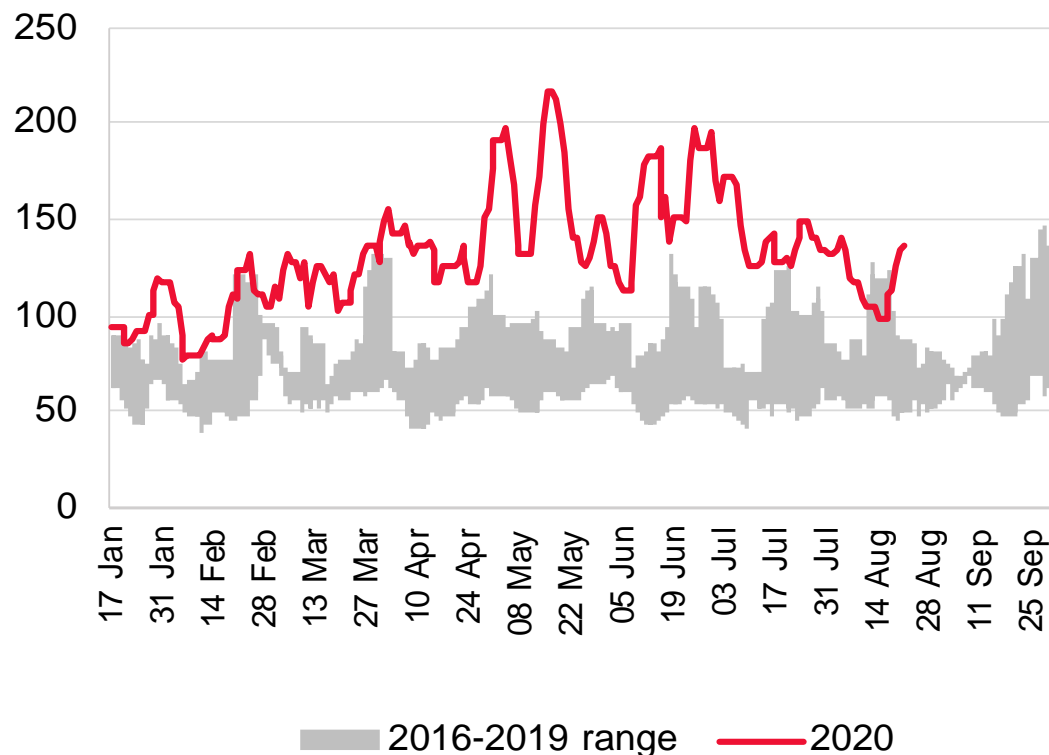% to average 2019 daily incoming payment

Daily incoming payments to **creative and
entertainment activities and arts**, % to average 2019

2016-2019 range ——— 2020

2016-2019 range ——— 2020

Source: the Bank of Russia

Winner sectors

Daily incoming payments to production of basic pharmaceuticals, % to average 2019 daily incoming payments

2016-2019 range — 2020
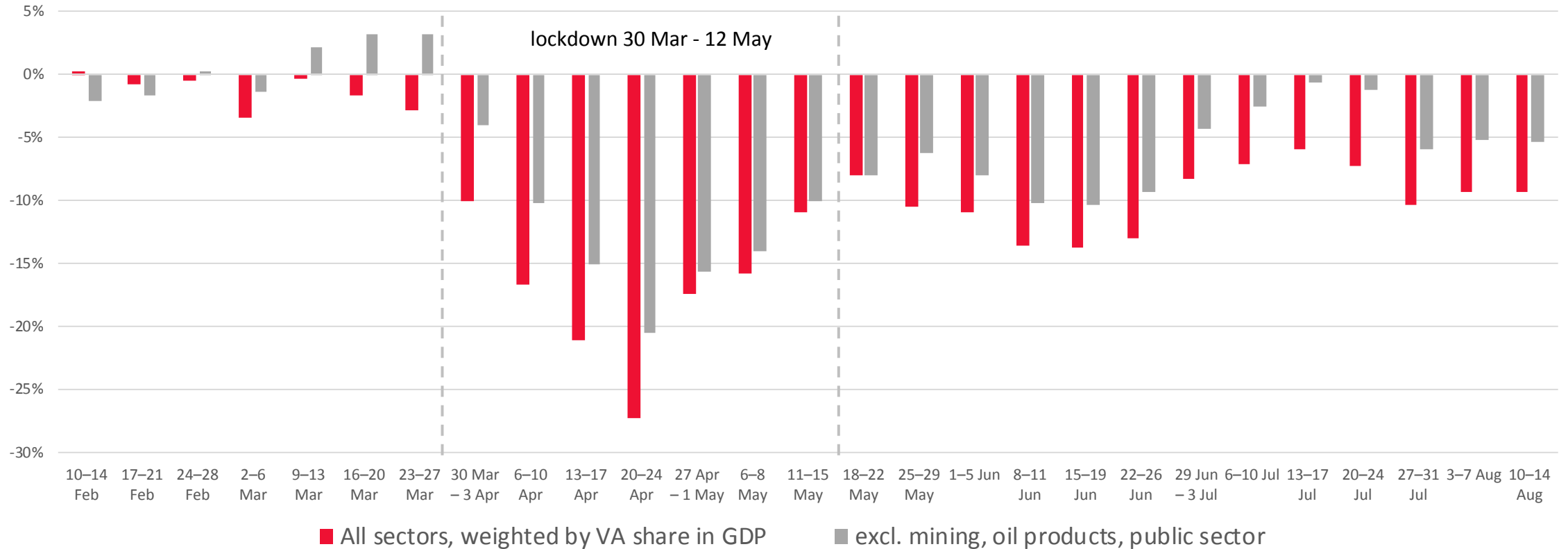
Daily incoming payments to textiles production, % to average 2019 daily incoming payments

2016-2019 range — 2020
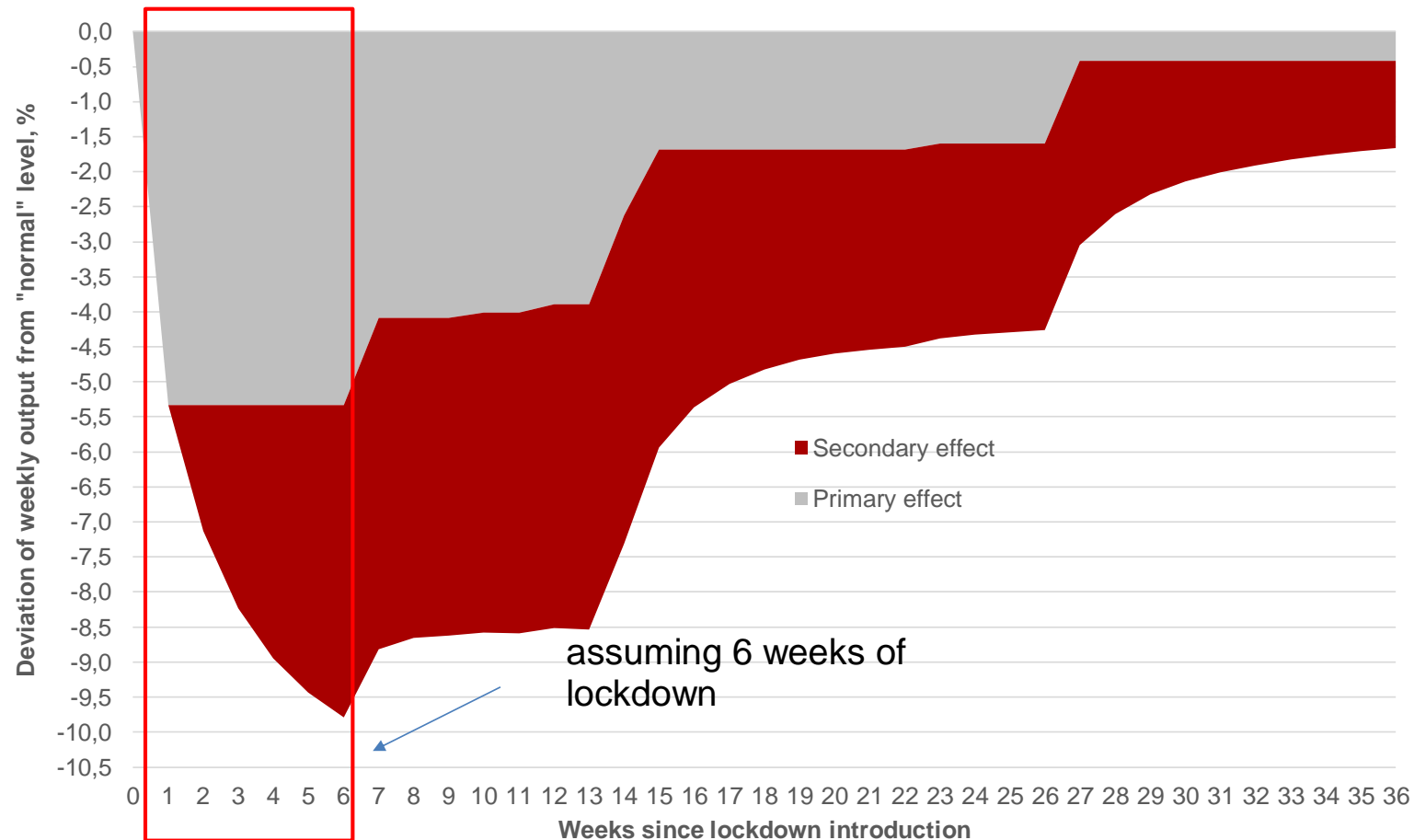
Source: the Bank of Russia
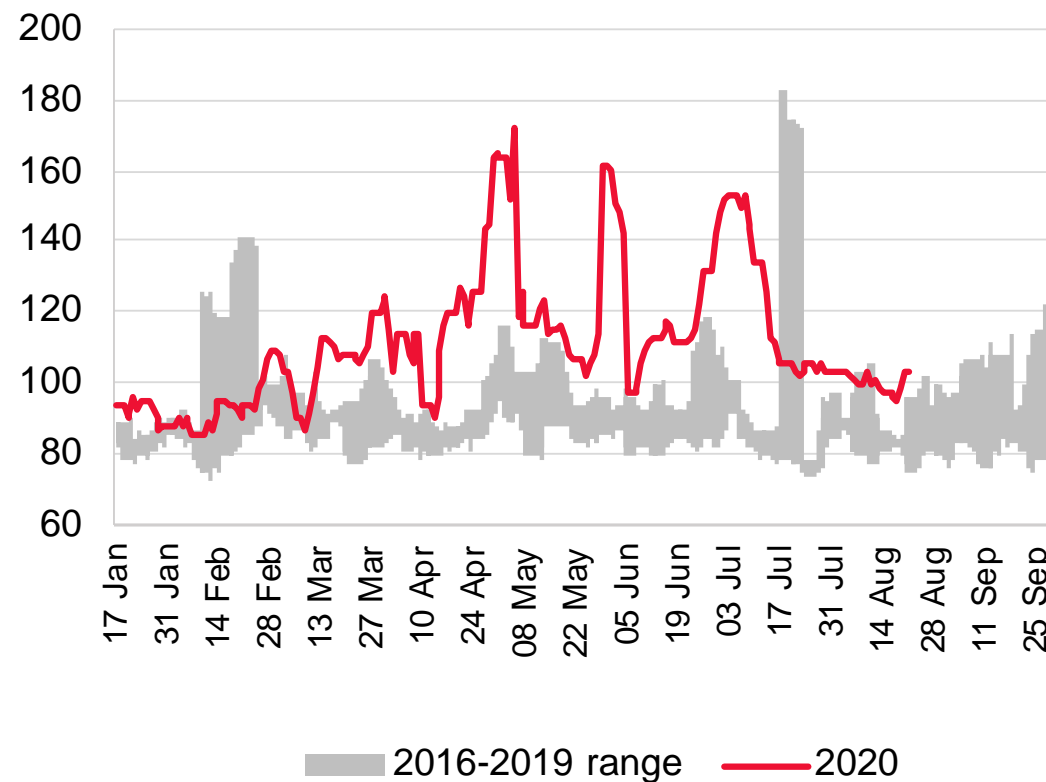
Aggregate indicators of financial flows: unstable pace of recovery

Deviation of weekly averages of incoming payments from average weekly volume at the beginning of 2020 (Jan 24th – March 19th), 4-week moving average


lockdown 30 Mar - 12 May

Legend:
- All sectors, weighted by VA share in GDP
- excl. mining, oil products, public sector

Source: the Bank of Russia

Банк России

Second-round shock effects amplify and prolong shocks

Output deviation from the norm, % (by week)

assuming 6 weeks of lockdown

■ Secondary effect
■ Primary effect
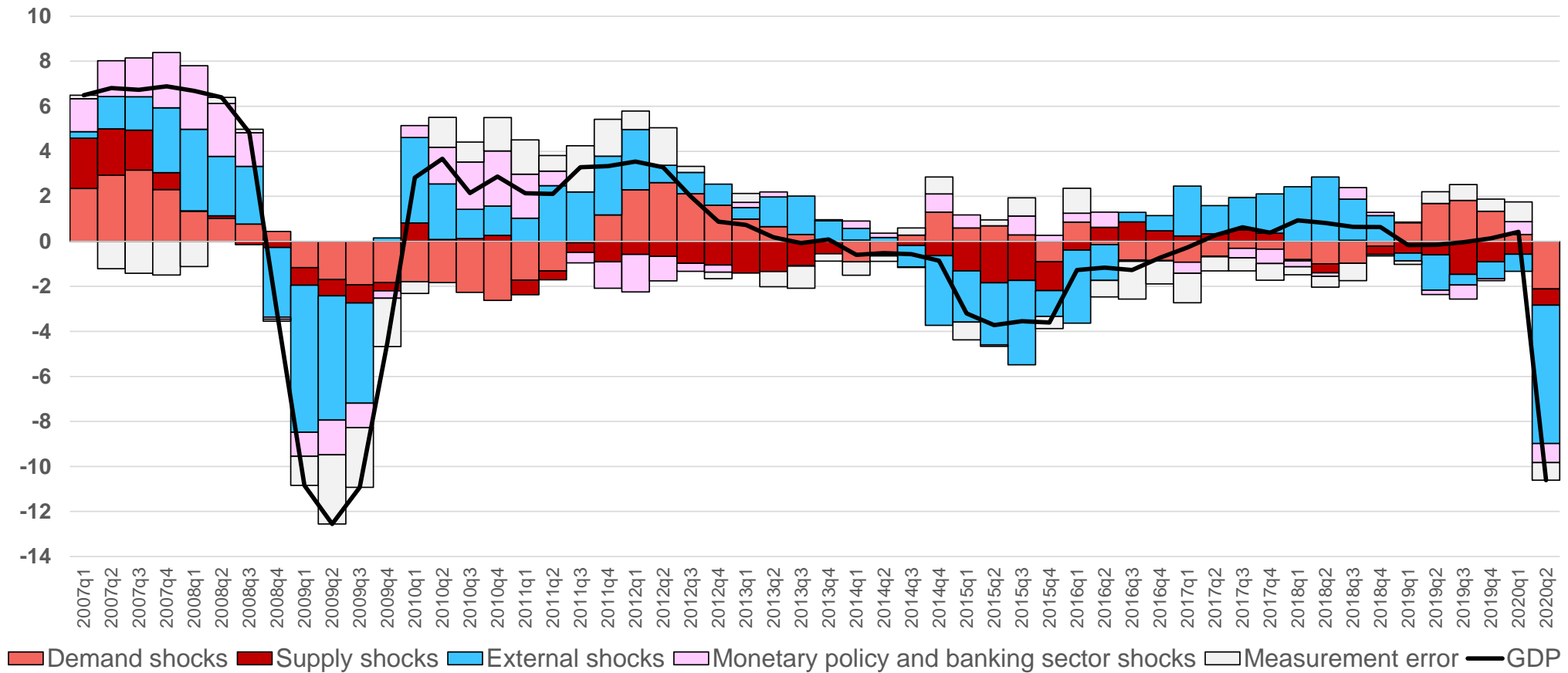
Source: the Bank of Russia

Demand shock explains less than half of GDP contraction

GDP y/y growth decomposition (deviation from a steady-state) from DSGE model without the banking sector

Source: the Bank of Russia
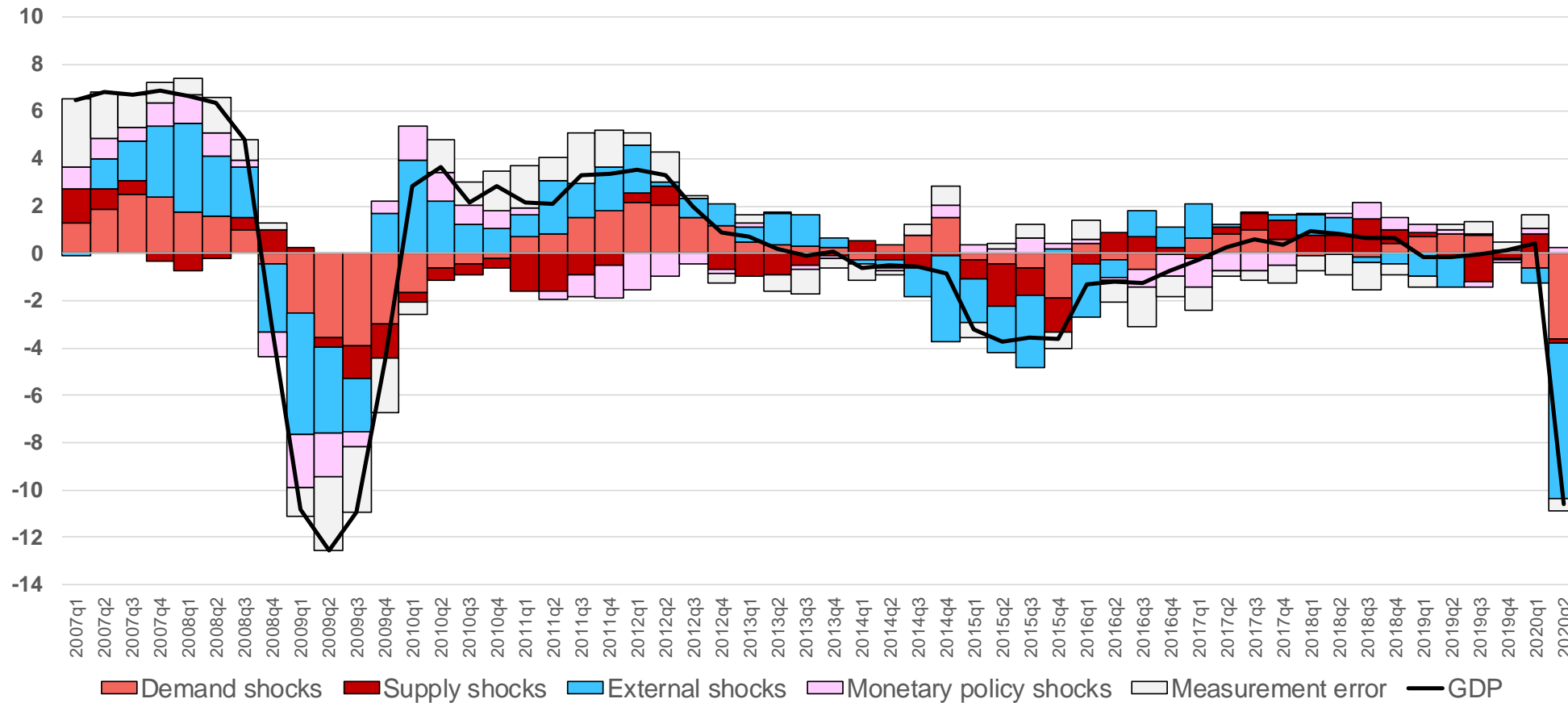
Output gap appears much less than output fall

GDP y/y growth decomposition (deviation from a steady-state) from DSGE model with the banking sector

Demand shocks ■ Supply shocks ■ External shocks ■ Monetary policy and banking sector shocks □ Measurement error ▬ GDP

Source: the Bank of Russia

WANTED! An extra assessment

➢ Assessing Effective Lower Bound (ELB) in EME

    ✓ Financial stability aspect

    ✓ Monetary policy transmission aspect