



High Frequency Model for Eurozone

Monthly rates of economic activity

SUMMARY

Second wave triggers a double-dip in the last quarter

In a couple of weeks, Eurostat will publish the flash estimate for Eurozone's GDP growth rate in the fourth quarter, and it seems unavoidable that it draws a double-dip path during the last quarter for 2020. The increasing number of contagious and deaths during the so called "second wave" between November and December forced the European authorities to impose new social distancing measures, that according to Stringency Index elaborated by the Blavatnik

School of Government at the Oxford University, could have increase from an average of 46 points in the third quarter to 63 in the last one. As a result of this strengthening in social distance measures, including new lockdowns in many countries, the economic indicators have broken the recovery trends started in summer months, leading the GDP growth rates estimated by our High Frequency Model to lower yoy values than previous months,

"New restriction provokes fall downs in the indicators' recovery paths"

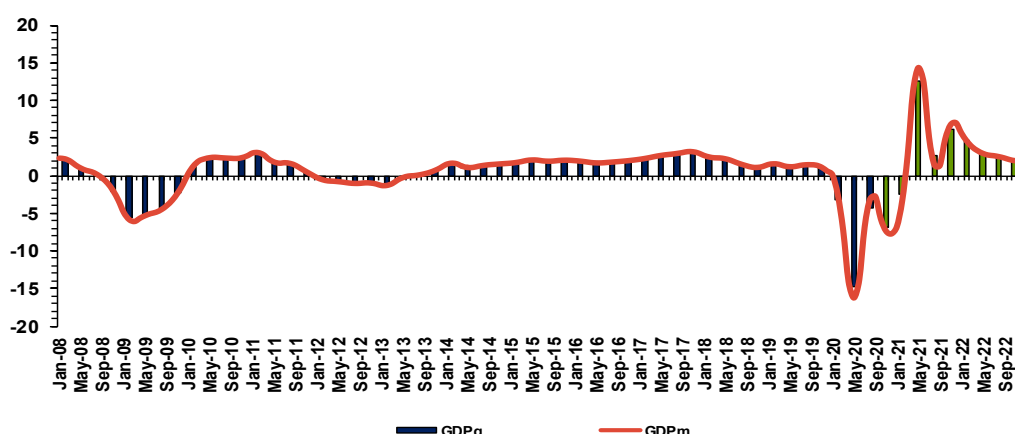
drawing some kind of "double-dip" during the last quarter although less intensive than in second one. All in all, annual growth rates estimated for the whole year falls down to -7,3% for 2020 while the estimated recovery for 2021 would remain below 5%.

Jan 2021

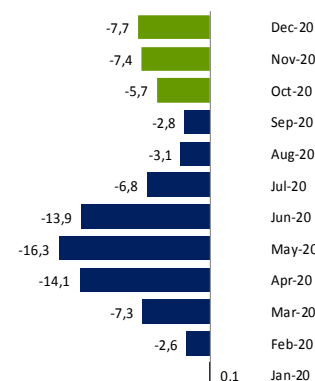
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Euro Area GDP growth rate (yoy)
Euren/CEPREDE High Frequency Model



GDP growth (yoy)



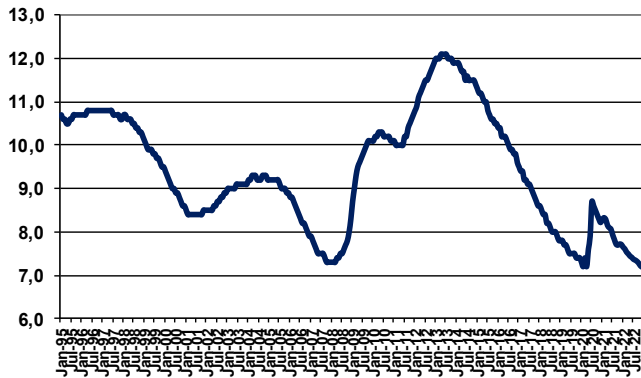
Source: CEPREDE. Jan-2021

The High Frequency Model analyses the main trends shared by a group of selected business indicators which recent evolution is displayed in following tables and graphs.

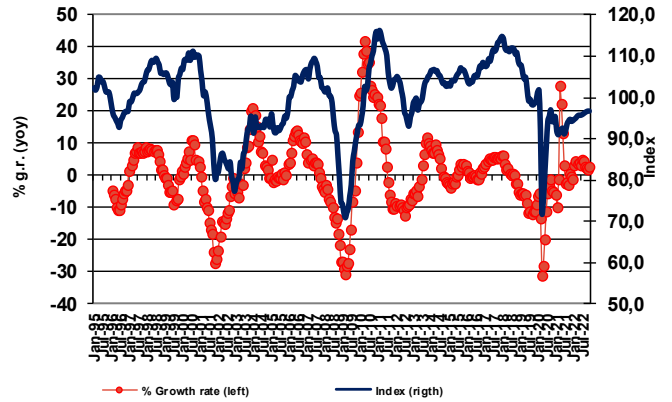
Those common trends are extracted through Principal component analysis and the extracted factors are forecasted with automatic ARIMA models.

After that, those forecasts are used both, to get specific forecasts on individual indicators (Dynamic Factor analysis), and to get a monthly GDP growth rate through temporal desegregation techniques (Chow-Lin).

Harmonised Unemployment Rate



Economic Sentiment Indicator: Germany



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Upcoming relevant data	Euro Area
Jan 28	Economic Sentiment Indicator & Business Climate Indicator. January 2021
Feb 01	Unemployment. December 2020
Feb 02	Preliminary Flash Estimate GDP - EU and euro area. Q4/2020
Feb 03	Flash Estimate inflation euro area. January 2021
Feb 12	Industrial production. December 2020

The programming publications High Frequency Model for Eurozone during this year is included in the table at right.

Closing date: Jan 19, 2021

Publication date in 2021	
January 25	July 19
February 22	September 20
March 21	October 25
April 26	November 22
May 24	December 20
June 21	

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