1. Title
COVID-19-induced economic sentiments spreads: Evidence from the European Union

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3. Abstract
According to the European Commission, In April 2020, the Economic Sentiment Indicator (ESI) crashed in both the euro area (−27.2 points down to 67.0) and the European Union (EU) (−28.8 down to 65.8 points). This was the strongest monthly decline in the ESI on record (since 1985), and the indicator is now far below its long-term average of 100 and very close to the lowest levels registered during the Great Recession in March 2009. In the euro area, the collapse in the ESI resulted from an exceptionally strong fall in confidence among consumers and all the business sectors. The crash was particularly marked in services and retail trade; the fall in construction confidence, although the strongest on record, was less marked than in the other sectors. Amongst the largest euro-area economies, the ESI crashed in the Netherlands (−32.6), Spain (−26.0), Germany (−19.9), and France (−16.3), while no data could be collected in Italy due to the strict confinement measures.

In this context, the objective of this project is to assess the impact of the COVID-19 pandemic in the transmission of economic sentiments in the European Union (EU). To that end, we will collect data on EU business and consumer surveys in order to explore the time-varying Granger-causality relationships between them using both aggregated data and sector data to gauge how firms’ expectations evolve and spread between countries and sectors, aiming to identify episodes of significant increase in Granger-causality that can be associated to contagion.

4. Data description
We will use data from the regular harmonised business and consumer surveys conducted by the Directorate General for Economic and Financial Affairs (DG ECFIN) for the EU economies. This surveys are addressed to representatives of the industry (manufacturing), services, retail trade and construction sectors, allowing comparisons among different countries' business cycles and facilitating the monitoring of the evolution of the EU and the euro area economies.

5. JEL codes for the project
C32, C53, C83, D81, D84, E27, E32

6. Keywords