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Abstract

With the help of growth forecasts and a simple structural model, we build a likely forward-looking account of the depth, length and shape of the recession as well as of the demand and supply shocks that may be driving it. The results point to an approximately –8 percent deep, V-shaped recession with partial recovery in advanced economies and an approximately –9 percent deep, L-shaped recession in emerging and developing economies. In addition, the projected shapes likely involve, in advanced economies, an output level shock and in emerging and developing economies, an output growth shock. In light of the forecast performance during the 2008 global financial crisis, growth forecasts might be informative about the depth of the recession as soon as 6 months after the beginning of the recession and, in advanced economies, might be informative about the shape of the recession about 12 months after the beginning of the recession. The depth and shape of the recession are important for monetary and fiscal policy analysis. The simple structural model does not have the problem of univariate filters that can misleadingly attribute to demand shocks a large part of output variability that is actually originated in supply shocks.