THE IMPACT OF THE COVID CRISIS ON MACROECONOMIC INDICATORS OF EU MEMBER STATES

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OBJECTIVE

The Next Generation EU Recovery Fund represents a watershed moment in the EU's economic policy coordination. Member states must demonstrate how they propose to address the challenges mentioned in the European Semester's country-specific recommendations (CSRs) using its primary instrument, the Recovery and Resilience Facility (RRF). In the years before the outbreak of COVID-19, the Semester had been fading in popularity, with CSR implementation rates decreasing and public awareness waning (Bokhorst, 2022; Vanhercke & Verdun, 2022). The impact of the crisis has not affected all sectors of the EU27 economy equally. The tourism, transport, automotive and textile industries were the most affected, while the digital and healthcare industries performed well (De Vet et al., 2021).

The purpose of the paper is to try to answer research questions: 1) How the COVID pandemic affected the macroeconomic indicators of EU member states; 2) Is there a statistically significant difference in the value of indicators before and after the COVID pandemic; 3) Are there differences in the degree of impact on indicators and is it possible to group countries accordingly; 4) Have the economic policy measures taken by the national governments of the member states and the EU mitigated the consequences of the economic crisis?

METHODOLOGY

The macroeconomic indicators for the 27 EU member states in the period from 2015 to 2021 were analyzed. The following macroeconomic indicators were selected: GDP growth, inflation, unemployment rate and public debt. (IMF, 2022). Descriptive statistics, t-test, ANOVA and cluster analysis were applied to the mentioned data set. The period before and during the COVID crisis was analyzed separately, in order to examine the statistically significant impact on macroeconomic variables.

The obtained results were compared with similar studies on the impact of the COVID-19 crisis on the EU27 and the countries of the Western Balkans (Capello & Caragliu, 2021; Bodroža & Lazić, 2021).

RESULTS

GDP fell in 2020 compared to the previous period in all observed countries except Ireland. Inflation recorded the highest growth in 2021, while unemployment increased slightly compared to the period before the COVID pandemic. Public debt has a tendency to increase in 2020 and 2021. Based on these results, the time interval is divided into two subperiods: the period before the COVID pandemic from 2015 to 2018 and the period after the outbreak of the pandemic 2020 to 2021. Due to the discontinuity caused by the outbreak of the COVID pandemic, 2019, in which macroeconomic indicators have a similar tendency as in the years preceding it, was left out of the analysis.

Based on the average values for the two subperiods, the paired t-tests show a significant statistical difference in all observed variables. Based on the values of the variables, EU members can be divided into four groups of countries. As Greece showed the worst results among the observed countries, both before and after the outbreak of the pandemic, it is alone in one of the four identified clusters. At a higher level of hierarchical grouping, countries can be divided into two groups.

CONCLUSION

The COVID pandemic has affected the economies of all EU member states, as evidenced by the macroeconomic indicators presented. The economic measures taken both by the individual governments of the member states and at the EU level have partially alleviated the crisis in 2021. Due to trade relations with the EU, similar effects of the crisis are expected on the countries of the Western Balkans (Bulajić et al., 2010).The full effects of the current economic crisis will be seen in the years to come.

Keywords: *European Union, COVID, macroeconomic indicators, multivariate data analysis.*

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