

Abstract

Not only does the COVID-19 pandemic threaten the health of millions of people worldwide, it has also thrown the global economy into a recession. Moreover, differences in the expected decline of countries' economic output exist. Thus, the objective of this thesis is to identify the cross-country determinants of the economic downturn caused by the pandemic. An extensive dataset of 34 explanatory variables describing the characteristics of 145 countries is analyzed. To address the inherent model uncertainty present in the cross-country analysis of such magnitude, we apply the econometric method of Bayesian Model Averaging (BMA). Consequently, we have identified the best regression model, which includes five explanatory variables with reasonable interpretations. To our knowledge, this thesis is the first work studying the cross-country differences in the output decline caused by the coronavirus pandemic. However, a more detailed analysis of the effects of policy measures on the duration of a recession and the speed and size of the expected future recovery is suggested, once data is available.