

[The Economic Impact of Recession Announcements](#)

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The media convention of announcing a recession after two consecutive quarters of negative GDP growth provides an unusual opportunity to investigate whether positive or negative media coverage affects economic outcomes, independent of fundamentals. In cases where growth is close to zero, the difference in fundamentals between being in a recession or not is arbitrary, even though the message from the media is not. A growth rate of -0.01% triggers an avalanche of headlines proclaiming a recession; a growth rate of 0.00% does not. We exploit this binary distinction to measure the impact of recession announcements on economic outcomes. We find that news of a recession leads to a discontinuous fall in consumer confidence, consumption growth and final estimates of GDP growth. The results suggest that consumers do not pay full attention to readily-available information about economic fundamentals.