**Responding to the Coronavirus Crisis**  
**Update on Bulgaria (15/05/20)**

### Key short-term priorities
- Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable individuals affected by the crisis

### Economic channels of disruption

**Private consumption, goods exports, tourism**
- Containment measures (a state of emergency was declared on 13 March) will hit domestic consumption, especially spending on social categories and durables (36% of consumption and 23% of GDP).
- Goods exports (50% of GDP), will be affected by the Eurozone slowdown and disruptions in supply chains and global trade.
- Services exports, especially tourism sector (11% of GDP) will be heavily affected.
- Investment (20% of GDP) is expected to be postponed amid increased uncertainty to at least the second half of 2020.
- The country’s entry to the ERM2, which seemed likely at first to face a further delay, is now scheduled for July 2020.

**Selected crisis impact indicators**

- **EBRD GDP growth outlook** 2020: -5%; 2021: 4%
- **Q1 GDP growth** 2.4% y/y (preliminary data)
- **Economic sentiment** (March 2020) ESI 58.3 (down 37.6 points m/m)
- **Retail sales** (March 2020) -14.6% y/y
- **Industrial output** (March 2020) -6.9% y/y
- **Issued building permits** (Q1 2020) -42.5% y/y
- **Unemployment rate** (March 2020) 0.5pp increase m/m to 6.7%

### Crisis response measures to date

**Support for firms, healthcare, individuals, and banking sector**
- Coverage of 60% of salary costs in affected sectors for 3 months (1.2% GDP).
- Deferral of the payment of corporate taxes until June 30 (ca. 0.5% GDP) and decrease of VAT rate for restaurants from 20% to 8% from 2021.
- Deferral of loan payments for up to 6 m for impacted firms and individuals.
- Additional remuneration in min. of health, interior and defence (0.4% GDP).
- Capital increase of the Bulgarian Development Bank (BDB) by BGN 700mn (0.6% GDP): BGN 200 mn for interest-free loans to employees on unpaid leave and BGN 500 mn for portfolio guarantees to banks for corporate lending.
- Capitalization of 2019 profit in the banking system (BGN 1.6 bn, 1.3% GDP).
- Increase in liquidity by reducing FX exposures of banks (BGN 7bn, 5.7% GDP).
- Cancellation of the increase of the countercyclical capital buffer with effect amounting to BGN 0.7 bn (0.6% GDP).
- The BNB agreed a swap line of EUR 2 bn with the ECB for liquidity support.

**Selected crisis response indicators**

- **Crisis response package** (% of GDP) Ca. 3%
- **Amount of normal salary covered** (% of salary) 60%
- **Payment holidays for taxes** 3 (only corporate tax)
- **Payment holidays for loans** Up to 6 months
- **Banking sector liquidity injection** (% of GDP) ca. 8% (including FX exposures)
- **Committed external assistance** EUR 1.4 bn (EU CRII and unused ESIF)

To learn more about EBRD’s support to Bulgaria visit: [https://www.ebrd.com/bulgaria.html](https://www.ebrd.com/bulgaria.html)

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