

Responding to the Coronavirus Crisis

Update on Bulgaria (15/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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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)

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable individuals affected by the crisis