Responding to the Coronavirus Crisis
Update on Bulgaria (23/11/20)

EBRD Policy Comparator

<table>
<thead>
<tr>
<th>Economic channels of disruption</th>
<th>Private consumption, goods exports, tourism</th>
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<tbody>
<tr>
<td>• After a relatively well-managed first wave in spring, Bulgaria is facing a much larger wave of infections since October, exacerbating the economic impact.</td>
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<td>• Containment measures (a state of emergency was declared on 13 March until 15 July, and an extraordinary epidemic situation declared until end-November) have affected domestic demand to a lesser extent compared to regional peers (final consumption fell by 2.2% in Q2 2020).</td>
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<td>• Investment (20% of GDP) fell by ca. 10% y/y in Q1 and 12% in Q2 amid increased uncertainty and bearish market sentiment.</td>
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<td>• Goods exports (50% of GDP) have been significantly affected amid Eurozone recession and disruptions in global trade (-19% y/y in Q2 and -22% in Q2).</td>
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<td>• Services exports, especially tourism sector (11% of GDP) is heavily affected. Foreign arrivals have failed to recover during summer months (-68% y/y in August).</td>
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Selected crisis impact indicators
EBRD GDP growth outlook (Sep 2020) 2020: -6%; 2021: 3%
GDP growth y/y, sa (Q1/Q2/Q3 flash) 2.3%, -8.6%, -5.2%
Economic sentiment (ESI) (Oct 2020) 79 (73.8 in Aug and 58.3 in Apr)
Retail sales (Sep/Aug/Apr 2020) -7.9% y/y, -13.3% y/y, -18.9% y/y
Industrial output (Sep/Aug/Apr 2020) -2.6% y/y, -5.9% y/y, -15.9% y/y
Unemployment rate (Sep/Aug/Apr 2020) 6.2%, 5.6%
CPI Inflation (Sep 2020) 0.9% y/y

Crisis response measures to date
Support for firms, healthcare, individuals, and banking sector
• Coverage of 60% of wages in affected sectors until September (1.2% GDP). |
• Decrease of VAT rate for hotels and restaurants from 20% to 9% until end-2021. |
• Deferral of loan payments for up to 6 m for impacted firms and individuals. |
• Capital increase of the Bulgarian Development Bank (BDB) by BGN 700mn (0.6% GDP). |
• Coverage of min. wage for every hired registered unemployed for 3 m as of 1 July (BGN 160 mn, 0.1% GDP). |
• Grant scheme for medium-sized firms (BGN 200 mn, 0.2% GDP) and state credit guarantee schemes to SMEs through the Fund of Funds (BGN 384 mn, 0.3% GDP). |
• 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 11.7 bn from the next EU budget

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

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

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