Responding to the Coronavirus Crisis
Update on Bulgaria (06/04/20)

### Key short-term priorities

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

### Economic channels of disruption

#### Private consumption, goods exports, tourism
- Containment measures (schools and all non-essential businesses closed) 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 crisis is likely to postpone the country’s entry to the ERM (according to the National Bank of Bulgaria).

#### Selected crisis impact indicators

| Economic sentiment (March 2020): March ESI 95.9 (down 2.4 points m/m) | Industry sentiment (March 2020) -4.7 (ESI), (down 1.6 points m/m) |
| Business activity (since March 13) 12% of firms have halted operations | SOFIX (April 01 2020) 418, (down 26% since January 02) |
| Unemployment indicator 16% growth m/m, March |

#### Crisis response measures to date

Support for firms, healthcare, individuals, and banking sector
- Coverage of majority of salary costs in affected sectors for 3 months (0.8% GDP).
- Deferral of the payment of corporate taxes until June 30 (ca. 0.5% GDP).
- Extra remuneration in ministries of health, interior and defence (0.4% GDP).
- Capital increase of the Bulgarian Development Bank (BDB) by BGN 700 million (0.6% GDP): BGN 200 million n for interest-free loans to employees on unpaid leave and BGN 500 million for portfolio guarantees to banks for corporate lending.
- Capitalization of 2019 profit in banking system (BGN 1.6 billion, 1.3% GDP).
- Increase in liquidity (BGN 7 billion by reducing banks’ FX exposures).
- Cancellation of the increase of the countercyclical capital buffer with effect amounting to BGN 0.7 billion (0.6% GDP).

#### Selected crisis response indicators

- Crisis response package (% of GDP) ca. 3%
- Support to employee salaries (% of GDP) 0.8%
- Amount of normal salary covered (% of salary) 60%
- Payment holidays for taxes (months) 3 (only corporate tax)
- Banking sector liquidity injection (% of GDP) ca. 8% (including FX exposures)
- Committed external assistance EUR 1.4bn (EU CRRI and unused ESIF)