

# Responding to the Coronavirus Crisis

## Update on Hungary (18/05/20)



### 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)
	*	*	*	*	*	*		*	*			*								*	

### Economic channels of disruption

#### Global value chains, retail services and tourism

- Easing lockdown (curfew restrictions lifted in countryside, open-air restaurants, cafes, spas to open, shops to work with unlimited working time, business trips allowed for residents of six foreign countries)
- Temporary closures of all four car plants will significantly weigh on GDP growth and employment in 2020. (A one-month closure of the car plants is estimated to cost 0.4% of GDP.)
- Large exposure to global trade (more than 190% of GDP) aggravates vulnerability to disruptions to global supply chains.

#### Selected crisis impact indicators

<b>EBRD GDP growth outlook (May 2020)</b>	2020: -3.5%
	2021: 4%
<b>Economic sentiment</b>	April ESI 75.4
	(April 2020): (down 27.4 points m/m)
<b>Purchasing Managers Index</b>	33.6
	(April 2020) (up 4.5 points m/m)
<b>Budapest BUX stock market</b>	35,180.9
	(end-April 2020) (up 6.2% m/m)

### Crisis response measures to date

#### Support for employment and business liquidity

- Domestic banks were ordered to soften loan repayment conditions for all borrowers, individual and businesses. Interest and amortisation payments on loans are suspended until end-2020, short-term loans extended and interest rates on consumer loans capped at 5% above the base rate.
- Central bank launched quantitative easing, targeting mainly government bonds with at least three years to maturity. Capital requirements were lowered.
- Businesses that suffered more than 40% drop in revenues are able to delay payroll deductions for their staff and advance CIT payments
- Employers and compulsory insured self-employed persons who saw their turnover or income fall by 40% or more are able to pay the due social security contributions, unemployment and health insurance payments until Jul 31.

#### Selected crisis response indicators

<b>Total size of package</b>	18-22% of GDP
<b>Wage subsidies</b>	80% of wages, up to EUR 880 per month
<b>Health</b>	Additional 0.4% of GDP for bonuses and 20% salary increases for healthcare workers
<b>Cap on interest rate on personal loans</b>	Base rate plus 5pps
<b>Economic re-start and epidemic protection funds</b>	2.9% and 1.4% of GDP, respectively

### Key short-term priorities

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