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

EBRD Policy Comparator

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Economic channels of disruption
Global value chains, retail services and tourism
- Severe lockdown (schools and all non-essential businesses closed) causing sharp halt to the steady economic recovery
- Closures of all four car plants will significantly weigh on short-term GDP growth and employment. (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.

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.
- More vulnerable sectors, such as tourism, hospitality, entertainment and passenger transport, are exempted from the obligation to pay social security and health insurance contributions until mid-2020.
- Tax reliefs to vulnerable businesses, especially small businesses, are also provided.

Selected crisis impact indicators
- **EBRD GDP growth outlook (April 2020)**
  - 2020: mild recession
  - [new forecasts out on May 13 2020]
  - 2021: robust recovery
- **Economic sentiment**
  - March ESI 102.8
  - (March 2020): down 2.1 points m/m
- **Purchasing Managers Index**
  - 29.06
  - (March 2020) down 21.2 points m/m
- **Budapest BUX stock market**
  - 3,3134.9
  - (end-March 2020) down 17.6% m/m

Selected crisis response indicators
- **Total size of package**
  - 18-22% of GDP
- **Wage subsidies**
  - 70% of companies’ wage costs
- **Health**
  - Additional 0.4% of GDP for bonuses and 20% salary increases for healthcare workers
- **Cap on interest rate on personal loans**
  - Base rate plus 5pps
- **Economic re-start and epidemic protection funds**
  - 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.