Responding to the Coronavirus Crisis
Update on Hungary (18/05/20)

Key short-term priorities
Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals

EBRD Policy Comparator

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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

**EBRD GDP growth outlook (May 2020)**
2020: -3.5%
2021: 4%

**Economic sentiment**
April ESI 75.4
(April 2020): (down 27.4 points m/m)

**Purchasing Managers Index**
33.6
(April 2020) (up 4.5 points m/m)

**Budapest BUX stock market**
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

**Total size of package**
18-22% of GDP

**Wage subsidies**
80% of wages, up to EUR 880 per month

**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

To learn more about EBRD’s support to Hungary visit: [https://www.ebrd.com/shareholders/hungary.html](https://www.ebrd.com/shareholders/hungary.html)

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