Responding to the Coronavirus Crisis
Update on Hungary (06/05/20)

EBRD Policy Comparator

<table>
<thead>
<tr>
<th>Economic channels of disruption</th>
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<tr>
<td><strong>Global value chains, retail services and tourism</strong></td>
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<td>• Severe lockdown (schools and all non-essential businesses closed) causing sharp halt to the steady economic recovery</td>
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<td>• Temporary 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.)</td>
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<td>• From May 4, the Government started to implement gradual exit from restrictions; process to be reviewed every two weeks</td>
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<td>• Large exposure to global trade (more than 190% of GDP) aggravates vulnerability to disruptions to global supply chains.</td>
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**Selected crisis impact indicators**

**EBRD GDP growth outlook (May 2020)**
- 2020: mild recession
- [new forecasts out on May 13 2020]
- 2021: robust recovery

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

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

**Budapest BUX stock market**
(end-April 2020) 35,180.9 (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

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

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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