All data in the edition are the last available data published as of 30 April 2020

The quoted data set in this report are the last available data, published in the official source's web sites. The sources are Ministry of Finance, Bulgarian National Bank, National Statistic Institute, National Employment Agency, Bulgarian Industrial Association. The electronic system used for collecting the data from the official sources is CEIC Data Manager.

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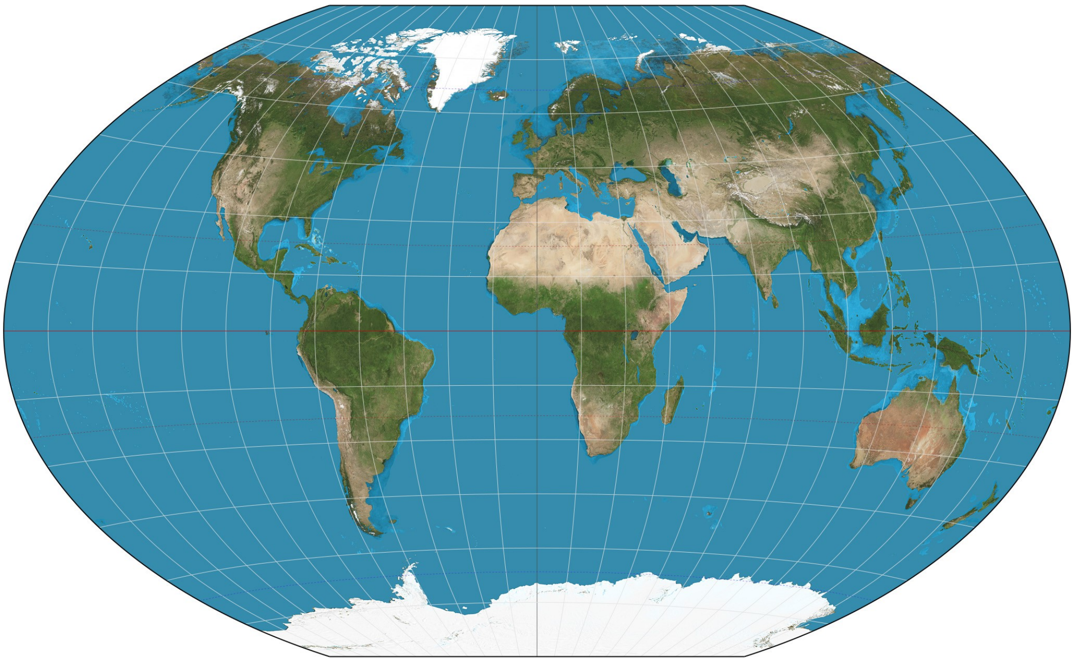
ОББ
Част от КВС Груп

HIGHLIGHTS AND FORECASTS

MONTHLY ECONOMIC REPORT



April , 2020

- The IHS Markit Eurozone Manufacturing PMI was revised lower to 44.5 in March 2020 from a preliminary estimate of 44.8, below February's one-year high of 49.2. The IHS Markit Eurozone Services PMI was revised lower to 26.4 in March 2020 from a preliminary estimate of 28.4 and well below February's 52.6. The latest reading pointed to the steepest month of contraction in the manufacturing sector since July 2012 as governments across Europe step up efforts to contain the rapid spread of Covid-19. The consumer confidence indicator in the Euro Area was confirmed at -11.6 in March 2020 from -6.6 in the previous month. The 5.0 point decline was the largest on record, led by an exceptionally strong fall in expectations concerning the general economic situation. Our base case scenario assumes that the current quarantine measures will continue in almost all European countries. The high human toll of the covid-19 virus makes it unlikely that governments will quickly relax precautionary measures. These assumptions about prevention policy have economic implications. The drastic decline in economic activity due to business closures, a sharp rise in (temporary) unemployment and disruptions in international and domestic production chains will continue for at least several more weeks. Specifically, our simulations assumes that economic activity will not recover until the third quarter. As a result, the corona crisis will lead to a very severe recession in the first half of the year. The decline in 2020 is historically strong. For the euro area, is expected a contraction of -11.3% in 2020. For different European countries figures range between -5% and -17%. For Germany the decline is -9.0%, for France is -9.5%, for Italy is -16.5% and for Spain is -16.6%. We expect strong recovery in euro area of 11% in 2021. For Germany the recovery is 10.8%, for France is 11.2%, for Italy and Spain the recovery is 10.9%.
- The IHS Markit Italy Manufacturing PM slumped to a record low of 40.3 in March 2020 from 48.7 in February, amid COVID-19 shutdowns. Production contracted at the sharpest rate in nearly 23 years of data collection. The IHS Markit Italy Services PMI slumped to 17.4 in March of 2020 from 52.1 in February. The reading pointed to a record contraction in the services sector due to emergency measures and shutdowns designed to restrict the COVID-19 outbreak. The consumer confidence index in Italy fell to 101 in March 2020 from a downwardly revised 110.9 in the previous month. It was the lowest reading since January 2015, as morale is hurt by the coronavirus outbreak. The Bank of Italy's Chief Supervisor and its head of Financial Stability called for the government to consider using public funds to ease mergers of smaller banks more at risk, in remarks prepared for a parliamentary hearing. Italy recorded a government debt equivalent to 134.80%of the country's Gross Domestic Product in 2019. For Italy, we expect a contraction of -16.5% in 2020 and a recovery of 10.9% in 2021.
- Britain's economy could contract as much as -35% in the second quarter of this year, the most since records began in 1956, amid efforts to contain the rapid spread of Covid-19, the Office for Budget Responsibility said on April 14th. The projection was based on the assumption that the shutdown lasts for three months followed by another three-month period during which restrictions are partially lifted. The IHS Markit/CIPS UK Manufacturing PMI was revised lower to 47.8 in March 2020 from a preliminary estimate of 48.0 and below February's final reading of 51.7. Output contracted by the most since July 2012 and new orders declined sharply, as the outbreak of COVID-19 led to lower demand from both domestic and overseas markets. The GfK consumer confidence in the United Kingdom fell further to -34 in late March 2020 from -7 in the previous month, its biggest fall in more than 45 years. We expect the British economy will continue to suffer from uncertainty related to the negotiations of the UK-EU trade agreement, as well as disruptions to supply capacity in the medium to longer run. The UK will suffer from the corona crisis like EU countries members. For the UK, we expect a contraction of -8.0% in 2020 and a recovery in UK of 6% in 2021.
- The IHS Markit US Manufacturing PMI was revised down to 48.5 in March of 2020 from a preliminary of 49.2 and below 50.7 in February. The reading pointed to the worst contraction in the manufacturing sector since August of 2009 amid weak domestic and foreign demand conditions following the outbreak of coronavirus. The IH S Markit US Services PMI plummeted to 39.8 in March 2020 from 49.4 in February 2020, signaling the steepest decline in output since data collection began in October 2009. New business contracted at a record pace, with exports also falling sharply, as the coronavirus pandemic led to business closures and sharply reduced client demand. The University of Michigan's consumer sentiment for the US fell to 71 in April of 2020 from 89.1 in March. It is the lowest reading since December of 2011 and the largest monthly decline ever recorded. The corona crisis is hitting the US economy hard in 2020. In the US, KBC expects growth to contract -8.0% in 2020. On the one hand, the policy response in terms of slowing the spread of the virus in the US has been particularly slow, with uncoordinated decisions related to quarantine measures being taken at the local rather than federal level. On the other hand, US policymakers have rapidly introduced enormous economic measures worth USD 2.2 trillion that should also contribute to a stronger recovery. Recovery will follow starting in Q4 2020 and in 2021. We expect a recovery in US of 6.5% in 2021.

- **The Bank of Japan's Tankan index for big manufacturers' sentiment fell to a seven-year low of -8 in the first quarter of 2020 from 0 in the prior period. The Jibun Bank Japan Manufacturing PMI was revised lower to 44.2 in March 2020 from a preliminary estimate of 44.8 and below February's final 47.8. The latest reading pointed to the steepest month of contraction in the sector since April 2009, amid a deepening virus crisis that stoke fears over a recession. The Jibun Bank Japan Services PMI was revised fell to 33.8 in March 2020, pointing to the steepest contraction in the sector since February 2009 as the rapid spread of COVID-19 led to a plummeting in tourism and to a cancellation of major events globally. The Consumer Confidence Index in Japan plunged to 30.9 in March of 2020 from 38.4 in the previous month, reaching the lowest level since March of 2009 due to the coronavirus outbreak. We expect growth in Japan to contract -8.0% in 2020. KBC expects a recovery in Japan of 4.0% in 2021.**
- **The Chinese economy contracted by a seasonally adjusted -9.8% qoq in the three months to March 2020, following a 1.5% growth in the previous quarter. This was the first quarterly contraction on record, as the coronavirus outbreak paralyzed production and activities. The Chinese economy shrank -6.8% yoy in the first quarter of 2020, after a 6% growth in the last three months of 2019. It is the first GDP contraction since records began in 1992, reflecting the severe damage caused by the COVID-19 outbreak after the authorities enforced a near two-month-long shutdown of all non-essential business activity. The industrial sector dropped -9.6%, services fell -5.2% and the primary sector went down -3.2%. Car production recorded the sharpest decline (-44.6%). In recent weeks, the number of new cases as well as Covid-19 casualties dropped substantially throughout China. Symbolically, social and economic life is restarting in Wuhan. The fact that economic life in China is restarting relatively fast after the start of the virus outbreak is hopeful news for the global economy. Despite these optimistic signals one has to be cautious. First, China remains vulnerable to the virus as a recent number of new cases indicate that people travelling from abroad may import the virus again into China. Second, the production and sales decline in the Chinese economy was sizeable, hence a full recovery may take a while and will be more difficult given the slowdown of the global economy. We expect Chinese real GDP growth to start to recover already in Q2, but growth in year-over-year terms will remain weak compared to China's previous growth path. This is because the threat of a new wave of Covid-19 cases is still a risk in China, the very weak growth is expected globally in Q2 will weigh on China's growth, and confidence will likely be slow to fully recover. Overall, we expect China to grow only 1.6% in 2020, compared to 6.1% growth in 2019. In 2021, however, we expect annual growth to recover to 6.3%.**

- **Turkey may experience a new currency crisis, as USD/TRY traded up to 6.93 by 17.04.2020., close to the psychological level of 7 USD/TRY. Turkey is on shaky ground and its currency depreciating as controversial monetary moves (interest rates cuts) and fast-rising coronavirus cases threaten to plunge an already fragile economy into much more danger. Unemployment in January was already 13.8% and it will probably increase greatly due to the foreclosures because of the coronavirus. Most non-essential businesses had closed and tourism had evaporated. Turkey began registering more than 3 000 new coronavirus cases per day after April 4 and has reported more than 4 000 per day since April 8, a sudden surge that's alarmed health experts. Cases are 86 30 on April 20 — the seventh-highest globally, after UK — with at least 2 017 deaths. European demand for Turkey's main exports is likely to be sharply reduced. This year external demand will collapse, which will fuel pressure on the twin deficits (budget deficit and current account deficit) and on the already fragile lira, which could lead to a new currency crisis. For Turkey, we expect a contraction of -6.5% and inflation of 9% in 2020 and recovery of 4.7% and inflation of 10% in 2021.**

- **Addendum on the decisions taken by the Governing Council of ECB on 18 March. In the fulfilment of its mandate, the Governing Council of ECB took the following decisions: 1. To launch a new temporary asset purchase programme of private and public sector securities to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the outbreak and escalating diffusion of COVID-19. This new pandemic emergency purchase programme (PEPP) will have an overall envelope of EUR 750 billion. Purchases will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase programme (APP). Purchases under the new PEPP will be conducted in a flexible manner. This allows for fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions. 2. To expand the range of eligible assets under the corporate sector purchase programme (CSPP) to non-financial commercial paper, making all commercial papers of sufficient credit quality eligible for purchase. 3. To ease the collateral standards by adjusting the main risk parameters of the collateral framework. We expect the ECB to maintain policy interest rates at the current negative level (-0.5% deposit rate, 0% refi rate) at least until the end of 2022. As recently announced, it will, like the Federal Reserve, buy up unlimited bonds. As a result, the ECB controls de facto the entire yield curve and the interest rate differentials between the Eurozone member states. As a result, long-term interest rates will also remain low, which will facilitate the financing of governments and companies.**

- **The Monetary Policy Committee of Bank of England at a special meeting on 19 March voted to cut Bank rate to 0.1% and increase its holdings of UK government and corporate bonds by GBP 200 billion. At its special meeting on 19 March, the MPC judged that a further package of measures was warranted to meet its statutory objectives. It therefore voted unanimously to increase the Bank of England's holdings of UK government bonds and sterling non-financial investment-grade corporate bonds by GBP 200 billion to a total of GBP 645 billion, financed by the issuance of central bank reserves, and to reduce Bank Rate by 15 basis points to 0.1% from 0.25%. The Committee also voted unanimously that the Bank of England should enlarge the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME scheme), financed by the issuance of central bank reserves.**
- **Federal Reserve announces extensive new measures to support the economy March 23, 2020. These actions include: 1.Support for critical market functioning. The FOMC had previously announced it would purchase at least USD 500 billion of Treasury securities and at least USD 200 billion of mortgage-backed securities. In addition, the FOMC will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases. 2. Supporting the flow of credit to employers, consumers, and businesses by establishing new programs that, taken together, will provide up to USD 300 billion in new financing. 3. Establishment of two facilities to support credit to large employers – the Primary Market Corporate Credit Facility (PMCCF) for new bond and loan issuance and the Secondary Market Corporate Credit Facility (SMCCF) to provide liquidity for outstanding corporate bonds. 4. Establishment of a third facility, the Term Asset-Backed Securities Loan Facility (TALF), to support the flow of credit to consumers and businesses. 5. Facilitating the flow of credit to municipalities by expanding the Money Market Mutual Fund Liquidity Facility (MMLF) to include a wider range of securities, including municipal variable rate demand notes (VRDNs) and bank certificates of deposit. KBC expects the Federal Reserve to maintain policy interest rates at the current level (0.125% middle target range rate) at least until the end of 2022.**
- **The Q1 of 2020 saw the Bank of Japan add a staggering JPY 30 trillion (USD 278 billion) of bonds, stocks and other assets to its balance sheet, on top of which it pumped JPY 35 trillion of liquidity into the financial system via operations such as repurchase agreements and dollar loans. Seven years of aggressive bond buying under Governor Haruhiko Kuroda has seen the Bank of Japan suck up 47% of Japan's sovereign debt as it fights to rekindle inflation. While the pace of purchases eased with yield-curve control in recent years, the central bank shifted up a gear again as the coronavirus outbreak cast a shadow over markets. The Bank of Japan in March doubled its annual target for buying exchange-traded funds of Japanese stocks to JPY 12 trillion. It has also pledged to buy as much as JPY 180 billion of Japanese real-estate investment trusts, helping to bolster the property market. The Bank of Japan also helps to shape the price of company debt and is ramping up buying through September to push its holdings of commercial paper to JPY.2 trillion and corporate bonds to JPY 4.2 trillion. The Bank of Japan will continue its aggressive policy of large quantitative easing and negative interest rates at least until the end of 2021. Now this policy is starting to serve as a model for other major central banks.**
- **The People's Bank of China (PBOC) reduced the interest rate on 7-day reverse repurchase agreements to 2.2% from 2.4%, according to a statement from the bank on 30.03.2020. . The People's Bank of China (PBOC) said it would cut the required reserve ratio for the banks on April 15 and May 15, releasing CNY 400 billion (USD 57 billion) in total and freeing up more money to lend to rural households and small businesses. Chinese banks pumped more than USD 1 trillion into the economy in the first quarter of the year, in an effort to stem the bleeding from the coronavirus pandemic. Quarterly lending reached an all-time high, even as the People's Bank of China showed no intention of following the US Federal Reserve's quantitative easing and very low interest rates, favoring targeted rate cuts and liquidity injections instead. Instead of all-out stimulus, the PBOC has pledged to support the most vulnerable part of the real economy, including small and private businesses, especially with China shifting its priority to preventing mass unemployment rather than pursuing economic growth targets. China's policy support is likely to remain limited given concerns about adding to the country's already high debt level and risks to financial instability. Major stimulus is distinctly unpopular in China currently.**
- **The measures taken to contain adverse effects of the global uncertainty led by the COVID-19 pandemic on the Turkish economy were announced on 30 March 2020. For the same purpose, the Turkish central bank introduces the following measures to (i) strengthen the monetary transmission mechanism by boosting the liquidity of the Government Domestic Debt Securities (GDDS) market, (ii) enhance banks' flexibility in Turkish lira and foreign exchange liquidity management, and (iii) secure uninterrupted credit flow to the corporate sector, and broadly support the goods and services exporting firms, which are affected by the pandemic, with an SME-focused approach. As a general feature, these measures represent various forms of quantitative easing. But this increase in money supply from the Turkish Central Bank may facilitate the emergence of a new currency crisis.**

- **The price of the two major sorts of oil continues to move in different directions, with Crude oil depreciating over 7% already. The Brent price increases 0.6 USD/BBL or 2.16% to 28.420 USD/BBL on April 17. For the period the decrease was -10.46%. The price of crude oil decreases -1.81 USD/BBL or -9.11% to 18.060 USD/BBL on Friday, April 17. For the week, the decrease was -9.41%. According to the forecasts of the Organization of Petroleum Exporting Countries, submitted on 16.04.2020, even full application of the redundancies will not prevent the creation of a surplus in the second quarter, when demand for the commodity is expected to fall to its lowest level in three decades. The collapse in oil prices has been particularly painful for Russia. The Treasury will invest less than USD 1 for each BBL of oil sold, according to Bloomberg calculations based on data from the Treasury. State-owned oil giant Saudi Aramco has announced that it will supply its customers with BBL 8.5 million a day from May 1 - nearly BBL 4 million below planned sales in April. For the time being, however, it remains unclear whether the Saudi Kingdom and its allies have a real desire for further cuts in production right now. The level of BBL 8.5 million per day is a minimum for Saudi production, because if production is further reduced, it will endanger the production of related gas extracted with oil.**
- **The pandemic has started to cause serious problems in the production and supply of grain to local and international markets. Logistics problems with the delivery of grain to export terminals are already coming to the fore in Europe. According to exporters and importers of grain, there are serious problems with the workforce and in the organization of storage and storage of grain in the EU. Experts note that supply disruption is not only about the direct impact of the disease on people's lives and well-being, but above all efforts to curb the spread of the virus, which in itself limits mobility. In the firs half of April 2020 the wheat in the United States returned to its old price, from USD 1.00 down to 240.00 USD / ton. Wheat in France remained unchanged at 206.00 EUR / ton. What is new is that the Black Sea countries have announced export restrictions, and in Romania it has stopped altogether. This was mainly reflected in the prices of Ukraine, where there was an increase from USD 11.00 to 228.00 USD / ton, and in Russia the price rose by plus USD 6.00 to 226.00 USD / ton. In the grain sub-circle of the Sofia Commodity Exchange AD bread wheat is demanded at 340.00-350.00 BGN / ton, the sellers announce 375.00 BGN / ton. Feed wheat is sought at 315.00-320.00 BGN / ton, supply is close to 330.00-340.00 BGN / ton.**

- **The Bulgarian government is ending the state of emergency after May 13 2020. The Court is up and running. Health and social measures remain. Bulgaria will contribute EUR 100,000 to the fight against coronavirus for the creation and global deployment of the COVID-19 vaccine.**
- **In February 2020, Bulgaria's current and capital account is in positive territory with EUR 785.8 million, compared to a surplus of EUR 338.3 million a year ago, an increase of over 132%. Funds from the European funds we receive as a new EU member state maintain a stable current account in February.**
- **In January-February 2019, direct investment in Bulgaria was positive at EUR 37.1 million (0.1% of GDP), down by EUR 4.6 million (11.1%) from January-February 2019. (positive flow of EUR 41.8 million, 0.1% of GDP). In February 2020, the flow was positive and amounted to EUR 24.3 million, compared to a positive flow of EUR 205.8 million for February 2019.**
- **In March 2020, BNB's international reserves amounted to BGN 51.8 billion (EUR 26.5 billion) and increased by 6.9% mom and by 5.7% yoy, maintaining the stability of the Currency Board in Bulgaria.**
- **In the context of state of emergency in Bulgaria in April 2020, the NSI business surveys indicate a deterioration of business conjuncture in all observed sectors. The total business climate indicator drops by 41.7 percentage points to -17.7 index points compared to its level from the previous month, which is with 37.0 percentage points below the long-term average for the last l0 years, and with 4.4 percentage points above the long-term minimum registered in February 1997.**
- **In March 2020, inflation in Bulgaria slowed sharply as a result of a sharp fall in energy prices. This may form expectations for the start of a possible development of a deflationary spiral, as strict quarantines and restrictions imposed by governments in response to the spread of the coronavirus will dramatically weaken economic activity and private and public consumption.**
- **In March 2020, registered unemployment in Bulgaria was 6.7%, rising by 0.5 percentage points on a monthly basis and by 0.8% percentage points on an annual basis. Measures to limit the spread of the coronavirus in the country and the state of emergency introduced on 13 March have a significant impact on the dynamics of unemployment.**
- **In the context of an unprecedented and dynamically changing situation and efforts to combat the spread of COVID-19 worldwide, Bulgaria has taken emergency and urgent measures in a number of areas, including the creation of the necessary conditions for the effective functioning of the two most important sectors in the current emergency situation - health and security services. There have also been a number of measures in place to support businesses and employees in order for the economy to continue to operate. According to the Ministry of Finance, the budget balance on the CFP on a cash basis as of March 2020 is positive at the amount of BGN 1 426,5 million and is formed by a surplus of revenues over the expenditures under the national budget of 1 059,8 million and by European funds in the amount of BGN 366.8 million. The size of the fiscal reserve as of 31.03.2020 is BGN 10.3 billion. The fiscal position of Bulgaria is stable.**
- **At the end of March 2020, the debt of the Central Government subsector amounted to BGN 23 547.9 million. Domestic liabilities amount to BGN 5,876.1 million and external liabilities amount to BGN 17 671.8 million. At the end of the reporting period, the debt ratio of the Central Government subsector to GDP amounted to 20.1%. In order to provide liquidity for the implementation of the COVID-19 safeguards, public debt is expected to increase to 28% of GDP in 2020, but will still be well below the 60% of GDP approved by the Maastricht criteria for sovereign debt.**
- **At the end of March 2020, the banking system's assets amounted to BGN 115.1 billion (90.8% of GDP) and increased by 0.3% on a monthly basis and 6.3% on an annual basis. Their relative share in the estimated GDP is 90.8%. Gross loans and advances from customers at the end of March 2020 amounted to BGN 67.0 billion and increased by 8.5% year on year against 0.1% monthly growth. Their relative share in GDP is 52.8%. Loans to non-financial corporations amount to BGN 66.9 billion and increase by 4.2% yoy, down by -0.2% on a monthly basis. Loans to other financial corporations amount to BGN 4.5 billion, increasing by 41.8% yoy, with a monthly decline of -0.2%. Household loans increased by 0.5% on a monthly basis and by 10.1% annually to BGN 24.7 billion. At the end of March 2020, the relative share of non-performing loans was 6.5%.**
- **In the situation of "state of emergency" and protection from COVID-19 banks in Bulgaria became involved actively and urgently changed their current model of work. Total of 12 credit institutions have declared their willingness to participate in the Bulgarian Development Bank guarantee program for providing non-interest loans up to BGN 4,500 to assist people deprived of the opportunity to work due to the pandemic of COVID-19 (employees on unpaid leave and self-insured persons). These are: Alliance Bank Bulgaria, DSK Bank, Investbank, International Asset Bank, United Bulgarian Bank, Municipal Bank, First Investment Bank, Raiffeisenbank, Commercial Bank D, UniCredit Bulbank, CCB, Eurobank Bulgaria.**

GLOBAL TRENDS

Advanced countries’ economies

Eurozone

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The IHS Markit Eurozone Manufacturing PMI was revised lower to 44.5 in March 2020 from a preliminary estimate of 44.8, below February's one-year high of 49.2. The latest reading pointed to the steepest month of contraction in the manufacturing sector since July 2012 as governments across Europe step up efforts to contain the rapid spread of Covid-19. Output, new orders and purchasing all fell sharply, whilst jobs were cut markedly, and supply-side constraints intensified at a record pace. Among the bloc's largest economies, Italy saw the sharpest deterioration in activity, followed by Greece, France, Ireland, Germany, Spain and Austria. The Netherlands was the only country posting a marginal increase in output. The IHS Markit Eurozone Services PMI was revised lower to 26.4 in March 2020 from a preliminary estimate of 28.4 and well below February's 52.6. The latest reading pointed to the steepest month of contraction in the sector on record as the COVID-19 pandemic forced many non-essential businesses to close. The consumer confidence indicator in the Euro Area was confirmed at -11.6 in March 2020 from -6.6 in the previous month. The 5.0 point decline was the largest on record, led by an exceptionally strong fall in expectations concerning the general economic situation. Households' views on their past and expected own financial conditions and their intentions to make major purchases also deteriorated. Our base case scenario assumes that the current quarantine measures will continue in almost all European countries. The high human toll of the covid-19 virus makes it unlikely that governments will quickly relax precautionary measures. After all, the search for large-scale tests to identify sick people is still in its infancy. Moreover, the search for a vaccine will most likely take much longer. For the time being, KBC also notices that society accepts government decisions at least in Europe, which are being clearly and openly advised by medical specialists. For these reasons, it seems to us necessary, but also plausible, that quarantine measures will continue for some time to come. However, the experience of some Asian countries suggest that with sufficient testing responsible easing can be implemented gradually. These assumptions about prevention policy have economic implications. The drastic decline in economic activity due to business closures, a sharp rise in (temporary) unemployment and disruptions in international and domestic production chains will continue for at least several more weeks. Specifically, the our simulations assume that economic activity will not recover until the third quarter. As a result, the corona crisis will lead to a very severe recession in the first half of the year, much stronger than the economists had predicted until recently. But at the same time, we also aware that the quarantine measures cannot last forever. KBC assumes that a period of three months (one quarter) will suffice to sufficiently control the epidemic and thus to restart the economic engine. Thanks to far-reaching government measures we expect the recovery to be very strong. Nevertheless, it is seeing differences across countries. The recession will affect all countries, but the speed of recovery will vary greatly. Countries from Western Europe with stronger fiscal clout, more automatic stabilizers (such as a strong social security system) and more active crisis policies will see a more pronounced recovery. In terms of economic policies the EU has more responsibilities, but unfortunately it lacks the automatic tools in scope as well as size to act fast and convincingly. There are no automatic fiscal stabilizers at the EU level. The common EU budget is much too small to deal with a major economic shock nor has it been designed for any role in such circumstances. Hence the EU can only provide support if new budgets and/or new instruments are created, similar to what happened after the global financial crisis and the European sovereign debt crisis. So far, negotiations in the Euro group and the European Council have not gone smoothly. Individual European governments clearly disagree as to the kind of support mechanisms that should be launched and in particular on how and to what extent financial solidarity should underpin such support. The latest compromise resulted in a measure of European support to small and medium sized enterprises as well as to temporarily unemployed people. The European Investment Bank as well as the European Stability Mechanism will be used to provide some fiscal support to countries in need. However, it is clear that these European initiatives will be insufficient to cope with the corona crisis. It remains to be seen whether additional European initiatives will be launched in the future. If not, there is a risk that the European economy will face a more difficult recovery period as well as longer-term negative consequences of this unfortunate economic shock. The decline in 2020 is historically strong. For the euro area, we expect a contraction of -11.3% in 2020. For different European countries figures range between -5% and -17%. For Germany the decline is -9.0%, for France is -9.5%, for Italy is -16.5% and for Spain is -16.6%. We expect strong recovery in euro area of 11% in 2021. For Germany the recovery is 10.8%, for France is 11.2%, for Italy and Spain the recovery is 10.9%.

Italy

The IHS Markit Italy Manufacturing PM slumped to a record low of 40.3 in March 2020 from 48.7 in February, amid COVID-19 shutdowns. Production contracted at the sharpest rate in nearly 23 years of data collection. The IHS Markit Italy Services PMI slumped to 17.4 in March of 2020 from 52.1 in February. The reading pointed to a record contraction in the services sector due to emergency measures and shutdowns designed to restrict the COVID-19 outbreak. The consumer confidence index in Italy fell to 101 in March 2020 from a downwardly revised 110.9 in the previous month. It was the lowest reading since January 2015, as morale is hurt by the coronavirus outbreak. The Bank of Italy's Chief Supervisor and its head of Financial Stability called for the government to consider using public funds to ease mergers of smaller banks more at risk, in remarks prepared for a parliamentary hearing. Italy recorded a government debt equivalent to 134.80%of the country's Gross Domestic Product in 2019. For Italy, we expect a contraction of -16.5% in 2020 and a recovery in Italy of 10.9% in 2021.

The IHS Markit Italy Manufacturing PM slumped to a record low of 40.3 in March 2020 from 48.7 in February, slightly below market expectations of 40.5, amid COVID-19 shutdowns. Production contracted at the sharpest rate in nearly 23 years of data collection, whilst the decline in order book volumes was the quickest since March 2009; and as new export orders decreased at the fastest rate since March 2009. Also, the rate of job shedding was the quickest since August 2012 and solid overall.

The IHS Markit Italy Services PMI slumped to 17.4 in March of 2020 from 52.1 in February and much worse than market expectations of 22. The reading pointed to a record contraction in the services sector due to emergency measures and shutdowns designed to restrict the COVID-19 outbreak. Record declines were also recorded in new business and employment while input prices fell the most since the series began. Also, business confidence collapsed and reached the lowest level on record amid substantial uncertainty relating to the coronavirus pandemic. The consumer confidence index in Italy fell to 101 in March 2020 from a downwardly revised 110.9 in the previous month and beating market expectations of 100.5. It was the lowest reading since January 2015, as morale is hurt by the coronavirus outbreak. The heavy deterioration affected all index components: future climate (94.8 vs 112.0 in February); current conditions (104.8 vs 110.6); economic climate (96.2 vs 121.9) and personal situation (102.4 vs 107.8). The Bank of Italy's Chief Supervisor and its head of Financial Stability called for the government to consider using public funds to ease mergers of smaller banks more at risk, in remarks prepared for a parliamentary hearing. "For banks that already had some elements of fragility, it is possible that government measures and supervisory actions are not enough to allow them to sustain the economic consequences of the pandemic," they said in the text of the speech. The Bank of Italy said the crisis could drive a significant increase in the share of bank loans turning sour. It also estimated at EUR 50 billion the additional financing needs of Italian businesses between March and July. Italy recorded a government debt equivalent to 134.80%of the country's Gross Domestic Product in 2019. For Italy, we expect a contraction of -16.5% in 2020 and expect a recovery in Italy of 10.9% in 2021.

Great Britain

Britain's economy could contract as much as -35% in the second quarter of this year, the most since records began in 1956, amid efforts to contain the rapid spread of Covid-19, the Office for Budget Responsibility said on April 14th. The projection was based on the assumption that the shutdown lasts for three months followed by another three-month period during which restrictions are partially lifted. The IHS Markit/CIPS UK Manufacturing PMI was revised lower to 47.8 in March 2020 from a preliminary estimate of 48.0 and below February's final reading of 51.7. Output contracted by the most since July 2012 and new orders declined sharply, as the outbreak of COVID-19 led to lower demand from both domestic and overseas markets. The GfK consumer confidence in the United Kingdom fell further to -34 in late March 2020 from -7 in the previous month, its biggest fall in more than 45 years. KBC expects the British economy will continue to suffer from uncertainty related to the negotiations of the UK-EU trade agreement, as well as disruptions to supply capacity in the medium to longer run. The UK will suffer from the corona crisis like EU countries members. For the UK, KBC expects a contraction of -8.0% in 2020. KBC expects a recovery in UK of 6% in 2021.

Britain's economy could contract as much as -35% in the second quarter of this year, the most since records began in 1956, amid efforts to contain the rapid spread of Covid-19, the Office for Budget Responsibility said on April 14th. The projection was based on the assumption that the shutdown lasts for three months followed by another three-month period during which restrictions are partially lifted. The country's independent budget forecasters also said that the country's budget deficit could hit GBP 273 billion, equivalent to 14% of GDP and the biggest since World War Two, while public sector net debt is seen exceeding 100% of GDP for the first time. The IHS Markit/CIPS UK Manufacturing PMI was revised lower to 47.8 in March 2020 from a preliminary estimate of 48.0 and below February's final reading of 51.7. Output contracted by the most since July 2012 and new orders declined sharply, as the outbreak of COVID-19 led to lower demand from both domestic and overseas markets. In addition, employment fell the most since July 2009, with firms citing redundancies, workforce restructuring, natural wastage and only replacing essential positions. The IHS Markit/CIPS UK Services PMI was revised lower to 34.5 in March 2020 from a preliminary estimate of 35.7, signaling the fastest downturn in service sector activity since the survey began in July 1996. New orders dropped at a record pace amid the Covid-19 pandemic, with new business from abroad falling even more due to international travel restrictions and widespread business closures across Europe. The GfK consumer confidence in the United Kingdom fell further to -34 in late March 2020 from -7 in the previous month, its biggest fall in more than 45 years, after GfK ran an extra poll at the end of the month. The index, that had dropped initially to -9 in early March, was revised to the lowest since February 2009 due to the negative impact of Covid-19. KBC expects the British economy will continue to suffer from uncertainty related to the negotiations of the UK-EU trade agreement, as well as disruptions to supply capacity in the medium to longer run. The UK will suffer from the corona crisis like EU countries members. For the UK, KBC expects a contraction of -8.0% in 2020. KBC expects a recovery in UK of 6% in 2021.

USA

The IHS Markit US Manufacturing PMI was revised down to 48.5 in March of 2020 from a preliminary of 49.2 and below 50.7 in February. The reading pointed to the worst contraction in the manufacturing sector since August of 2009 amid weak domestic and foreign demand conditions following the outbreak of coronavirus. The IH S Markit US Services PMI plummeted to 39.8 in March 2020 from 49.4 in February 2020, signaling the steepest decline in output since data collection began in October 2009. New business contracted at a record pace, with exports also falling sharply, as the coronavirus pandemic led to business closures and sharply reduced client demand. The University of Michigan's consumer sentiment for the US fell to 71 in April of 2020 from 89.1 in March. It is the lowest reading since December of 2011 and the largest monthly decline ever recorded. The corona crisis is hitting the US economy hard in 2020. In the US, KBC expects growth to contract -8.0% in 2020. On the one hand, the policy response in terms of slowing the spread of the virus in the US has been particularly slow, with uncoordinated decisions related to quarantine measures being taken at the local rather than federal level. On the other hand, US policymakers have rapidly introduced enormous economic measures worth USD 2.2 trillion that should also contribute to a stronger recovery. Recovery will follow starting in Q4 2020 and in 2021. We expect a recovery in US of 6.5% in 2021.

The IHS Markit US Manufacturing PMI was revised down to 48.5 in March of 2020 from a preliminary of 49.2 and below 50.7 in February. The reading pointed to the worst contraction in the manufacturing sector since August of 2009 amid weak domestic and foreign demand conditions following the outbreak of coronavirus. Output contracted solidly, dropping at the sharpest pace for over a decade as factories shutdown and client demand dropped sharply. New orders fell at the joint-fastest pace since June of 2009, commonly linked to demand slumping due to the virus, with firms also registering a solid downturn in new export orders. Manufacturers cut their workforce numbers at the sharpest rate since October of 2009 and input prices rose only slightly. Finally, fears surrounding the longevity of shutdowns and the slow recovery thereafter led to the lowest degree of confidence since data collection for the series began in July of 2012. The IHS Markit US Services PMI plummeted to 39.8 in March 2020 from 49.4 in February 2020, signaling the steepest decline in output since data collection began in October 2009. New business contracted at a record pace, with exports also falling sharply, as the coronavirus pandemic led to business closures and sharply reduced client demand. In addition, the pace of job shedding was the joint-fastest since December 2009 as lower activity resulted in redundancies and enforced hiring freezes, while the depletion of backlogs of work was the quickest in the series history. On the price front, input cost prices decreased for the first time since last September, while output charges fell the most on record as service providers sought to retain clients and attract new customers. Looking ahead, business confidence dropped to an all-time low due to uncertainty surrounding both the longevity of the outbreak of COVID-19 and the following economic recovery. The University of Michigan's consumer sentiment for the US fell to 71 in April of 2020 from 89.1 in March, missing market expectations of 75. It is the lowest reading since December of 2011 and the largest monthly decline ever recorded, preliminary estimates showed. Declines were seen for current conditions (72.4 from 103.7) and expectations (70 from 79.7). Inflation expectations for the year ahead dropped to 2.1% from 2.2% while the 5-year one increased to 2.5% from 2.3%. Data suggests that the free-fall in confidence would have been worse were it not for the expectation that the infection and death rates from Covid-19 would soon peak and allow the economy to restart. However, anticipating a quick and sustained economic expansion is likely to be a failed expectation, resulting in a renewed and deeper slump in confidence. While European countries are getting the covid-19 virus spread under control, the US is now the main battleground against the covid-19 virus. Several US states have been hit hard by the virus outbreak. The state of New York, and New York City in particular, is currently hit the hardest. There is clearly no uniform, nationwide approach to deal with the corona crisis. Differences across US states, in terms of lockdown measures, precautions as well as other policy initiatives, are substantial. Though the US healthcare system is clearly unable to cope with the covid-19 challenges, the US policy reaction to deal with the economic impact of the corona crisis has been much faster and far-reaching than in Europe. The US government, with the support of the Trump administration, the Senate and the House, launched a 2.2 trillion USD fiscal support package, which is roughly 10% of total US GDP. Apart from emergency budgets for the health care system, it includes financial support to companies as well as to US individuals and households. The latter includes an expansion of unemployment insurance as well as direct financial support, so-called helicopter money. All American citizens as well as US residents with a social security number will receive a cheque that will boost their consumption. Though the US policy reaction is far larger than in Europe, it was also more necessary as the US doesn't have similar automatic stabilizers as in most European countries due to their social security systems. The corona crisis is hitting the US economy hard in 2020. In the US, KBC expects growth to contract -8.0% in 2020. On the one hand, the policy response in terms of slowing the spread of the virus in the US has been particularly slow, with uncoordinated decisions related to quarantine measures being taken at the local rather than federal level. On the other hand, US policymakers have rapidly introduced enormous economic measures worth USD 2.2 trillion that should also contribute to a stronger recovery. Recovery will follow starting in Q4 2020 and in 2021. We expect a recovery in US of 6.5% in 2021. In the long run the fiscal stimulus measures are likely to increase public debt levels and depress growth.

Japan

The Bank of Japan's Tankan index for big manufacturers' sentiment fell to a seven-year low of -8 in the first quarter of 2020 from 0 in the prior period. The Jibun Bank Japan Manufacturing PMI was revised lower to 44.2 in March 2020 from a preliminary estimate of 44.8 and below February's final 47.8. The latest reading pointed to the steepest month of contraction in the sector since April 2009, amid a deepening virus crisis that stoke fears over a recession. The Jibun Bank Japan Services PMI was revised fell to 33.8 in March 2020, pointing to the steepest contraction in the sector since February 2009 as the rapid spread of COVID-19 led to a plummeting in tourism and to a cancellation of major events globally. The Consumer Confidence Index in Japan plunged to 30.9 in March of 2020 from 38.4 in the previous month, reaching the lowest level since March of 2009 due to the coronavirus outbreak. We expect growth in Japan to contract -8.0% in 2020 and a recovery of 4.0% in 2021.

The Bank of Japan's Tankan index for big manufacturers' sentiment fell to a seven-year low of -8 in the first quarter of 2020 from 0 in the prior period, but still came above market expectations of -10. Sentiment deteriorated particularly among firms in shipbuilding (-29 vs -7 in Q4), non-ferrous metals (-26 vs -15), and petroleum & coal products (-18 vs -12). In contrast, sentiment in food & beverages remained positive, but declined to 5 nonetheless (vs 10 in Q4). The Jibun Bank Japan Manufacturing PMI was revised lower to 44.2 in March 2020 from a preliminary estimate of 44.8 and below February's final 47.8. The latest reading pointed to the steepest month of contraction in the sector since April 2009, amid a deepening virus crisis that stoke fears over a recession. Output fell the most since the aftermath of the tsunami in April 2011 and new orders fell sharply amid reduced client demand across both domestic and external markets. Also, employment fell for the first time since September 2015 and vendor performance deteriorated at the quickest rate since May 2011. On the cost front, input costs were down due to lower oil, chemicals and some metals prices, while output charges fell at the strongest rate in three-and-a-half years. Looking ahead, manufacturers reported the most negative outlook for output over the coming 12 months since data began in July 2012. The Jibun Bank Japan Services PMI was revised fell to 33.8 in March 2020 from a preliminary estimate of 32.7, pointing to the steepest contraction in the sector since February 2009 as the rapid spread of COVID-19 led to a plummeting in tourism and to a cancellation of major events globally. Output fell at a near-record pace and new orders shrank the most since April 2011 which was the immediate aftermath of the tsunami, with exports falling at the strongest rate since the series started in September 2014. In addition, employment declined the most since July 2016, while backlogs of work dropped at the fastest rate in nearly nine years. The Consumer Confidence Index in Japan plunged to 30.9 in March of 2020 from 38.4 in the previous month, reaching the lowest level since March of 2009 due to the coronavirus outbreak. A deterioration was seen in all sub-indices: overall livelihood (down 7.5 points to 30); income growth assessment (down 4.9 points to 34.8); employment perceptions (down 11.6 points to 27.9); and willingness to buy durable goods (down 5.4 points to 31). We expect growth in Japan to contract -8.0% in 2020. KBC expects a recovery in Japan of 4.0% in 2021.

China

The Chinese economy contracted by a seasonally adjusted -9.8% qoq in the three months to March 2020, following a 1.5% growth in the previous quarter. This was the first quarterly contraction on record, as the coronavirus outbreak paralyzed production and activities. The Chinese economy shrank -6.8% yoy in the first quarter of 2020, after a 6% growth in the last three months of 2019. It is the first GDP contraction since records began in 1992, reflecting the severe damage caused by the COVID-19 outbreak after the authorities enforced a near two-month-long shutdown of all non-essential business activity. The industrial sector dropped -9.6%, services fell -5.2% and the primary sector went down -3.2%. Car production recorded the sharpest decline (-44.6%). In recent weeks, the number of new cases as well as Covid-19 casualties dropped substantially throughout China. Symbolically, social and economic life is restarting in Wuhan. The fact that economic life in China is restarting relatively fast after the start of the virus outbreak is hopeful news for the global economy. Despite these optimistic signals one has to be cautious. First, China remains vulnerable to the virus as a recent number of new cases indicate that people travelling from abroad may import the virus again into China. Second, the production and sales decline in the Chinese economy was sizeable, hence a full recovery may take a while and will be more difficult given the slowdown of the global economy. We expect Chinese real GDP growth to start to recover already in Q2, but growth in year-over-year terms will remain weak compared to China's previous growth path. This is because the threat of a new wave of Covid-19 cases is still a risk in China, the very weak growth we expect globally in Q2 will weigh on China's growth, and confidence will likely be slow to fully recover. Overall, we expect China to grow only 1.6% in 2020, compared to 6.1% growth in 2019. In 2021, however, we expect annual growth to recover to 6.3%.

The Chinese economy contracted by a seasonally adjusted -9.8% qoq in the three months to March 2020, following a 1.5% growth in the previous quarter and compared with market estimates of a -9.9% decrease. This was the first quarterly contraction on record, as the coronavirus outbreak paralyzed production and activities. The Chinese economy shrank -6.8% yoy in the first quarter of 2020, after a 6% growth in the last three months of 2019 and compared with market forecasts of a 6.5% decline. It is the first GDP contraction since records began in 1992, reflecting the severe damage caused by the COVID-19 outbreak after the authorities enforced a near two-month-long shutdown of all non-essential business activity. The industrial sector dropped -9.6%, services fell -5.2% and the primary sector went down -3.2%. Car production recorded the sharpest decline (-44.6%). Industrial production, a gauge of manufacturing, mining and utilities, fell by -1.1% last month, after a -13.5% decline over January and February. Manufacturing contracted by -10.2%, suggesting that even as factories reopen, headwinds remain. Retail sales fell by -15.8%, following a record -20.5% collapse in the first two months. Fixed asset investment, a gauge of expenditure over the year to date on items including infrastructure, property, machinery and equipment, fell by -16.1% over the first three months, from an all-time low of -20.5% in January-February. Earlier in the week, China's exports for March were revealed to have fallen by -6.6%. In recent weeks, the number of new cases as well as Covid-19 casualties dropped substantially throughout China. The Chinese city of Wuhan is considered the initial epicenter of the Covid-19pandemic. Symbolically, social and economic life is restarting in Wuhan. The fact that economic life in China is restarting relatively fast after the start of the virus outbreak is hopeful news for the global economy. Moreover, as a major economy, the Chinese recovery contributes to mitigating the economic shock in western economies. The Chinese demand for western goods as well as the Chinese supply of products will gradually recover. Despite these optimistic signals one has to be cautious. First, China remains vulnerable to the virus as a recent number of new cases indicate that people travelling from abroad may import the virus again into China. Second, the production and sales decline in the Chinese economy was sizeable, hence a full recovery may take a while and will be more difficult given the slowdown of the global economy. We expect Chinese real GDP growth to start to recover already in Q2, but growth in year-over-year terms will remain weak compared to China's previous growth path. This is because the threat of a new wave of Covid-19 cases is still a risk in China, the very weak growth is expected globally in Q2 will weigh on China's growth, and confidence will likely be slow to fully recover. Overall, we expect China to grow only 1.6% in 2020, compared to 6.1% growth in 2019. In 2021, however, we expect annual growth to recover to 6.3%.

Turkey

Turkey may experience a new currency crisis, as USD/TRY traded up to 6.93 by 17.04.2020., close to the psychological level of 7 USD/TRY. Turkey is on shaky ground and its currency depreciating as controversial monetary moves (interest rates cuts) and fast-rising coronavirus cases threaten to plunge an already fragile economy into much more danger. Unemployment in January was already 13.8% and it will probably increase greatly due to the foreclosures because of the coronavirus. Most non-essential businesses had closed and tourism had evaporated. Turkey began registering more than 3 000 new coronavirus cases per day after April 4 and has reported more than 4 000 per day since April 8, a sudden surge that's alarmed health experts. Cases are 86 30 on April 20 — the seventh-highest globally, after UK — with at least 2 017 deaths. European demand for Turkey's main exports is likely to be sharply reduced. This year external demand will collapse, which will fuel pressure on the twin deficits (budget deficit and current account deficit) and on the already fragile lira, which could lead to a new currency crisis. For Turkey, we expect a contraction of -6.5% and inflation of 9% in 2020 and a recovery in Turkey of 4.7% and inflation of 10% in 2021.

Turkey may experience a new currency crisis, as USD/TRY traded up to 6.93 by 17.04.2020, close to the psychological level of 7 USD/TRY. Turkey is on shaky ground and its currency depreciating as controversial monetary moves (interest rates cuts) and fast-rising coronavirus cases threaten to plunge an already fragile economy into much more danger. After nearly two years of a weakening currency, high debt, dwindling foreign reserves and growing unemployment, Turkey is in a particularly vulnerable to weather economic consequences of Covid-19 pandemic. There will be hard times ahead, because Turkey was already at a macro economically vulnerable position before the coronavirus hit. Unemployment in January was already 13.8% and it will probably increase greatly due to the foreclosures because of the coronavirus. Most non-essential businesses had closed and tourism had sharply decreased. Turkey began registering more than 3 000 new coronavirus cases per day after April 4 and has reported more than 4 000 per day since April 8, a sudden surge that's alarmed health experts. Cases are 86 30 on April 20 — the seventh -highest globally, after UK — with at least 2 017 deaths. There is tremendous pressure from markets and a growing number of business groups on the administration to cut a deal with IMF for a much needed forex infusion, but Ankara is unrepentant.European demand for Turkey's main exports is likely to be sharply reduced. Turkey's reliance on foreign direct investment and short-term finance from European sources will be affected by the EU's need to relaunch domestic industries and by the reluctance to invest in a Turkey that continues to see a decrease of its rule-of-law architecture. Gross foreign currency reserves have fallen rapidly in recent months to their lowest level since 2009 largely due to Turkish Central Bank, the CBRT, selling dollars to artificially prop up the lira. Turkey's foreign reserves, excluding gold, amounted to USD 77.4 billion at the end of February, according to the IMF; its financing requirements for 2020, by contrast, are estimated at USD 170 billion. Turkey has large external financing needs, and a private sector that is highly indebted in foreign currency, compounds these risks. This year external demand will collapse, which will fuel pressure on the twin deficits (budget deficit and current account deficit) and on the already fragile lira, which could lead to a new currency crisis. For Turkey, we expect a contraction of -6.5% and inflation of 9% in 2020 and a recovery of 4.7% and inflation of 10% in 2021.

Policy of the central banks

European Central Bank (ECB)

Addendum on the decisions taken by the Governing Council of ECB on 18 March. In the fulfilment of its mandate, the Governing Council of ECB took the following decisions: 1. To launch a new temporary asset purchase programme of private and public sector securities to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the outbreak and escalating diffusion of COVID-19. This new pandemic emergency purchase programme (PEPP) will have an overall envelope of EUR 750 billion. Purchases will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase programme (APP). Purchases under the new PEPP will be conducted in a flexible manner. This allows for fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions. 2. To expand the range of eligible assets under the corporate sector purchase programme (CSPP) to non-financial commercial paper, making all commercial papers of sufficient credit quality eligible for purchase. 3. To ease the collateral standards by adjusting the main risk parameters of the collateral framework. We expect the ECB to maintain policy interest rates at the current negative level (-0.5% deposit rate, 0% refi rate) at least until the end of 2022. As recently announced, it will, like the Federal Reserve, buy up unlimited bonds. As a result, the ECB controls de facto the entire yield curve and the interest rate differentials between the Eurozone member states. As a result, long-term interest rates will also remain low, which will facilitate the financing of governments and companies. Addendum on the decisions taken by the Governing Council of ECB on 18 March.

The coronavirus pandemic represents a collective public health emergency that has few precedents in recent history. It is also an extreme economic shock that requires an ambitious, coordinated and urgent policy reaction on all fronts. On 18 March, the Governing Council of ECB announced a new pandemic emergency purchase programme (PEPP) to address the unprecedented situation the euro area is facing. The programme is temporary and will allow the ECB to safeguard the transmission of monetary policy and ultimately its capacity to deliver price stability in the euro area. In particular, developments in financial markets had led to a tightening in financing conditions, in particular at the longer end of the maturity spectrum. The risk-free curve had moved up and the sovereign yield curves – which are key to the pricing of all assets – had increased everywhere and become more dispersed. In the fulfilment of its mandate, the Governing Council of ECB took the following decisions:

1. To launch a new temporary asset purchase programme of private and public sector securities to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the outbreak and escalating diffusion of COVID-19.

This new pandemic emergency purchase programme (PEPP) will have an overall envelope of EUR 750 billion. Purchases will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase programme (APP).

For the purchases of public sector securities, the benchmark allocation across jurisdictions will continue to be the capital key of the national central banks. At the same time, purchases under the new PEPP will be conducted in a flexible manner. This allows for fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions.

A waiver of the eligibility requirements for securities issued by the Greek government will be granted for purchases under PEPP. The Governing Council will terminate net asset purchases under PEPP once it judges that the coronavirus crisis phase is over, but in any case not before the end of the year.

2. To expand the range of eligible assets under the corporate sector purchase programme (CSPP) to non-financial commercial paper, making all commercial papers of sufficient credit quality eligible for purchase under the CSPP.

3. To ease the collateral standards by adjusting the main risk parameters of the collateral framework. In particular, we will expand the scope of Additional Credit Claims (ACC) to include claims related to the financing of the corporate sector. This will ensure that counterparties can continue to make full use of the Eurosystem's refinancing operations.

The Governing Council of the ECB is committed to playing its role in supporting all citizens of the euro area through this extremely challenging time. To that end, the ECB will ensure that all sectors of the economy can benefit from supportive financing conditions that enable them to absorb this shock. This applies equally to families, firms, banks and governments. The Governing Council will do everything necessary within its mandate. The Governing Council is fully prepared to increase the size of its asset purchase programmes and adjust their composition, by as much as necessary and for as long as needed. It will explore all options and all contingencies to support the economy through this shock.

To the extent that some self-imposed limits might hamper action that the ECB is required to take in order to fulfil its mandate, the Governing Council will consider revising them to the extent necessary to make its action proportionate to the risks that we face. The ECB will not tolerate any risks to the smooth transmission of its monetary policy in all jurisdictions of the euro area. As in normal in times of crisis, all central banks are playing a crucial role in mitigating the impact of the covid-19 pandemic.

They clearly learnt from previous crisis periods and acted rather quickly and aggressively. Wherever possible, interest rates were lowered fast, and massive liquidity was provided to the financial markets where the demand for cash surged due to uncertainty. Moreover, additional unconventional policy tools have been used which basically seek to control over the full yield curve. By using these instruments, central banks seek to ensure that additional debt creation will be possible at reasonable interest rates. Moreover, by purchasing government and corporate bonds in unlimited quantities, the Fed and ECB have effectively signalled that the financial costs resulting from the corona crisis can be financed in the future. Despite similar initiatives by all major central banks, it is clear that the ECB has not been as ambitious or as fast-moving in its reactions as the Fed. Initial missteps by the ECB led to a temporary upswing in long-term rates and intra-EMU spreads. It is clear that markets are nervous. A strong ECB commitment replicating Mario Draghi's famous promise to do 'whatever it takes' to keep the euro area together (again) and backed up by credible and far-reaching actions is needed to ease market tensions. However, scope for dramatic monetary actions is limited by the current low level of rates, by differences of opinion within the ECB and by the fact that the nature of the current crisis emphasises other forms of policy response beyond the competence of the ECB. Nevertheless, at this moment, by accident as much as design, the ECB is Europe's main line of defense against the financial impact of the corona crisis. We expect the ECB to maintain policy interest rates at the current negative level (-0.5% deposit rate, 0% refi rate) at least until the end of 2022. As recently announced, it will, like the Federal Reserve, buy up unlimited bonds. As a result, the ECB controls de facto the entire yield curve and the interest rate differentials between the Eurozone member states. As a result, long-term interest rates will also remain low, which will facilitate the financing of governments and companies.

Bank of England (BoE)

The Monetary Policy Committee of Bank of England at a special meeting on 19 March voted to cut Bank rate to 0.1% and increase its holdings of UK government and corporate bonds by GBP 200 billion. At its special meeting on 19 March, the MPC judged that a further package of measures was warranted to meet its statutory objectives. It therefore voted unanimously to increase the Bank of England's holdings of UK government bonds and sterling non-financial investment-grade corporate bonds by GBP 200 billion to a total of GBP 645 billion, financed by the issuance of central bank reserves, and to reduce Bank Rate by 15 basis points to 0.1% from 0.25%. The Committee also voted unanimously that the Bank of England should enlarge the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME scheme), financed by the issuance of central bank reserves.

The Monetary Policy Committee of Bank of England at a special meeting on 19 March voted to cut Bank rate to 0.1% and increase its holdings of UK government and corporate bonds by GBP 200 billion. The spread of Covid-19 and the measures being taken to contain the virus will result in an economic shock that could be sharp and large, but should be temporary. The role of the Bank of England is to help to meet the needs of UK businesses and households in dealing with the associated economic disruption. On 11 March, the Bank of England's three policy committees announced a package of measures to support UK businesses and households through this period. At its special meeting ending on 11 March 2020, the Monetary Policy Committee (MPC) voted unanimously to reduce Bank Rate by 50 basis points to 0.25%. In his Budget on the same day, the Chancellor of the Exchequer announced a number of fiscal measures with the same aim. On 17 March, this combined package of measures was complemented by the announcement by HM Treasury of the Covid 19 Corporate Financing Facility (CCFF), for which the Bank will act as HM Treasury's agent. By purchasing commercial paper, the CCFF will provide funding to non-financial businesses making a material contribution to the UK economy to support them in paying salaries, rents and suppliers while experiencing the likely disruption to cashflows associated with Covid-19. In light of actions to tackle the spread of the virus, and evidence relating to the global and domestic economy and financial markets, the Monetary Policy Committee (MPC) held an additional special meeting on 19 March. Over recent days, and in common with a number of other advanced economy bond markets, conditions in the UK gilt market have deteriorated as investors have sought shorter-dated instruments that are closer substitutes for highly liquid central bank reserves. As a consequence, UK and global financial conditions have tightened. At its special meeting on 19 March, the MPC judged that a further package of measures was warranted to meet its statutory objectives. It therefore voted unanimously to increase the Bank of England's holdings of UK government bonds and sterling non-financial investment-grade corporate bonds by GBP 200 billion to a total of GBP 645 billion, financed by the issuance of central bank reserves, and to reduce Bank Rate by 15 basis points to 0.1% from 0.25%. The Committee also voted unanimously that the Bank of England should enlarge the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME scheme), financed by the issuance of central bank reserves. The majority of additional asset purchases will comprise UK government bonds. The purchases announced today will be completed as soon as is operationally possible, consistent with improved market functioning.

USA Federal Reserve

Federal Reserve announces extensive new measures to support the economy March 23, 2020. These actions include: 1.Support for critical market functioning. The FOMC had previously announced it would purchase at least USD 500 billion of Treasury securities and at least USD 200 billion of mortgage-backed securities. In addition, the FOMC will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases. 2. Supporting the flow of credit to employers, consumers, and businesses by establishing new programs that, taken together, will provide up to USD 300 billion in new financing. 3. Establishment of two facilities to support credit to large employers – the Primary Market Corporate Credit Facility (PMCCF) for new bond and loan issuance and the Secondary Market Corporate Credit Facility (SMCCF) to provide liquidity for outstanding corporate bonds. 4. Establishment of a third facility, the Term Asset-Backed Securities Loan Facility (TALF), to support the flow of credit to consumers and businesses. 5. Facilitating the flow of credit to municipalities by expanding the Money Market Mutual Fund Liquidity Facility (MMLF) to include a wider range of securities, including municipal variable rate demand notes (VRDNs) and bank certificates of deposit. We expect the Federal Reserve to maintain policy interest rates at the current level (0.125% middle target range rate) at least until the end of 2022.

Federal Reserve announces extensive new measures to support the economy March 23, 2020
The Federal Reserve is committed to using its full range of tools to support households, businesses, and the U.S. economy overall in this challenging time. The coronavirus pandemic is causing tremendous hardship across the United States and around the world. Our nation's first priority is to care for those afflicted and to limit the further spread of the virus. While great uncertainty remains, it has become clear that our economy will face severe disruptions. Aggressive efforts must be taken across the public and private sectors to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate. The Federal Reserve's role is guided by its mandate from Congress to promote maximum employment and stable prices, along with its responsibilities to promote the stability of the financial system. In support of these goals, the Federal Reserve is using its full range of authorities to provide powerful support for the flow of credit to American families and businesses. These actions include:

- Support for critical market functioning. The Federal Open Market Committee (FOMC) will purchase Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions and the economy. The FOMC had previously announced it would purchase at least USD 500 billion of Treasury securities and at least USD 200 billion of mortgage-backed securities. In addition, the FOMC will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases.
- Supporting the flow of credit to employers, consumers, and businesses by establishing new programs that, taken together, will provide up to USD 300 billion in new financing. The Department of the Treasury, using the Exchange Stabilization Fund (ESF), will provide USD 30 billion in equity to these facilities.
- Establishment of two facilities to support credit to large employers – the Primary Market Corporate Credit Facility (PMCCF) for new bond and loan issuance and the Secondary Market Corporate Credit Facility (SMCCF) to provide liquidity for outstanding corporate bonds.
- Establishment of a third facility, the Term Asset-Backed Securities Loan Facility (TALF), to support the flow of credit to consumers and businesses. The TALF will enable the issuance of asset-backed securities (ABS) backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA), and certain other assets.
- Facilitating the flow of credit to municipalities by expanding the Money Market Mutual Fund Liquidity Facility (MMLF) to include a wider range of securities, including municipal variable rate demand notes (VRDNs) and bank certificates of deposit.
- Facilitating the flow of credit to municipalities by expanding the Commercial Paper Funding Facility (CPFF) to include high-quality, tax-exempt commercial paper as eligible securities. In addition, the pricing of the facility has been reduced.

In addition to the steps above, the Federal Reserve expects to announce soon the establishment of a Main Street Business Lending Program to support lending to eligible small-and-medium sized businesses, complementing efforts by the SBA.
The PMCCF will allow companies access to credit so that they are better able to maintain business operations and capacity during the period of dislocations related to the pandemic. This facility is open to investment grade companies and will provide bridge financing of four years. Borrowers may elect to defer interest and principal payments during the first six months of the loan, extendable at the Federal Reserve's discretion, in order to have additional cash on hand that can be used to pay employees and suppliers. The Federal Reserve will finance a special purpose vehicle (SPV) to make loans from the PMCCF to companies. The Treasury, using the ESF, will make an equity investment in the SPV.
The SMCCF will purchase in the secondary market corporate bonds issued by investment grade U.S. companies and U.S.-listed exchange-traded funds whose investment objective is to provide broad exposure to the market for U.S. investment grade corporate bonds. Treasury, using the ESF, will make an equity investment in the SPV established by the Federal Reserve for this facility.
Under the TALF, the Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated ABS backed by newly

and recently originated consumer and small business loans. The Federal Reserve will lend an amount equal to the market value of the ABS less a haircut and will be secured at all times by the ABS. Treasury, using the ESF, will also make an equity investment in the SPV established by the Federal Reserve for this facility. The TALF, PMCCF and SMCCF are established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary.
These actions augment the measures taken by the Federal Reserve over the past week to support the flow of credit to households and businesses. These include:

- The establishment of the CPFF, the MMLF, and the Primary Dealer Credit Facility;
- The expansion of central bank liquidity swap lines;
- Steps to enhance the availability and ease terms for borrowing at the discount window;
- The elimination of reserve requirements;
- Guidance encouraging banks to be flexible with customers experiencing financial challenges related to the coronavirus and to utilize their liquidity and capital buffers in doing so;
- Statements encouraging the use of daylight credit at the Federal Reserve.

Taken together, these actions will provide support to a wide range of markets and institutions, thereby supporting the flow of credit in the economy. The Federal Reserve will continue to use its full range of tools to support the flow of credit to households and businesses and thereby promote its maximum employment and price stability goals.
The Federal Reserve actions are more ambitious and fast moving than those of ECB both in terms of quantitative easing and interest rates cut. We expect the Federal Reserve to maintain policy interest rates at the current level (0.125% middle target range rate) at least until the end of 2022.

Bank of Japan (BoJ)

The Q1 of 2020 saw the Bank of Japan add a staggering JPY 30 trillion (USD 278 billion) of bonds, stocks and other assets to its balance sheet, on top of which it pumped JPY 35 trillion of liquidity into the financial system via operations such as repurchase agreements and dollar loans. Seven years of aggressive bond buying under Governor Haruhiko Kuroda has seen the Bank of Japan suck up 47% of Japan's sovereign debt as it fights to rekindle inflation. While the pace of purchases eased with yield-curve control in recent years, the central bank shifted up a gear again as the coronavirus outbreak cast a shadow over markets. The Bank of Japan in March doubled its annual target for buying exchange-traded funds of Japanese stocks to JPY 12 trillion. It has also pledged to buy as much as JPY 180 billion of Japanese real-estate investment trusts, helping to bolster the property market. The Bank of Japan also helps to shape the price of company debt and is ramping up buying through September to push its holdings of commercial paper to JPY.2 trillion and corporate bonds to JPY 4.2 trillion. The Bank of Japan will continue its aggressive policy of large quantitative easing and negative interest rates at least until the end of 2021. Now this policy is starting to serve as a model for other major central banks.

The Q1 of 2020 saw the Bank of Japan add a staggering JPY 30 trillion (USD 278 billion) of bonds, stocks and other assets to its balance sheet, on top of which it pumped JPY 35 trillion of liquidity into the financial system via operations such as repurchase agreements and dollar loans.Seven years of aggressive bond buying under Governor Haruhiko Kuroda has seen the Bank of Japan suck up 47% of Japan's sovereign debt as it fights to rekindle inflation. While the pace of purchases eased with yield-curve control in recent years, the central bank shifted up a gear again as the coronavirus outbreak cast a shadow over markets. It shows no sign of abandoning a guideline to increase Japanese government bonds holdings by JPY 80 trillion a year, even though it added just under JPY 16 trillion worth in 2019. Through a foreign-exchange swap with the Federal Reserve, the Bank of Japan lends billions of dollars at low rates to Japanese financial institutions, who typically offer up Japanese government bonds and blue-chip corporate debt as collateral. The Bank of Japan had USD 192 billion in swap borrowing outstanding as of April 9, the largest of any central bank, based on operations undertaken, according to Bloomberg calculations. The Bank of Japan also offers huge amounts of collateralized yen loans. In March, supply totaled JPY 2.11 trillion with an average term of 14 days. The Bank of Japan in March doubled its annual target for buying exchange-traded funds of Japanese stocks to JPY 12 trillion. It has also pledged to buy as much as JPY 180 billion of Japanese real-estate investment trusts, helping to bolster the property market. The Bank of Japan also helps to shape the price of company debt and is ramping up buying through September to push its holdings of commercial paper to JPY.2 trillion and corporate bonds to JPY 4.2 trillion. It is doing this through monthly purchase plans similar to its Japanese government bonds operations. The Bank of Japan will continue its aggressive policy of large quantitative easing and negative interest rates at least until the end of 2021. Now this policy is starting to serve as a model for other major central banks.

PBoC

The People's Bank of China (PBOC) reduced the interest rate on 7-day reverse repurchase agreements to 2.2% from 2.4%, according to a statement from the bank on 30.03.2020. . The People's Bank of China (PBOC) said it would cut the required reserve ratio for the banks on April 15 and May 15, releasing CNY 400 billion (USD 57 billion) in total and freeing up more money to lend to rural households and small businesses. Chinese banks pumped more than USD 1 trillion into the economy in the first quarter of the year, in an effort to stem the bleeding from the coronavirus pandemic. Quarterly lending reached an all-time high, even as the People's Bank of China showed no intention of following the US Federal Reserve's quantitative easing and very low interest rates, favoring targeted rate cuts and liquidity injections instead. Instead of all-out stimulus, the PBOC has pledged to support the most vulnerable part of the real economy, including small and private businesses, especially with China shifting its priority to preventing mass unemployment rather than pursuing economic growth targets. China's policy support is likely to remain limited given concerns about adding to the country's already high debt level and risks to financial instability. Major stimulus is distinctly unpopular in China currently.

The People's Bank of China (PBOC) on 30.03.2020 cut the interest rate it charges on loans to banks by the biggest amount since 2015 as authority ramp up their response to the worsening economic impact from the coronavirus pandemic. The People's Bank of China (PBOC) reduced the interest rate on 7-day reverse repurchase agreements to 2.2% from 2.4%, according to a statement from the bank on 30.03.2020. The PBOC said this would keep liquidity sufficient to help the real economy. China's central bank on 03.04.2020 said it would pump two rounds of funds into rural and regional lenders in the latest "targeted" measure to help the economy amid the coronavirus outbreak. The People's Bank of China (PBOC) said it would cut the required reserve ratio for the banks on April 15 and May 15, releasing CNY 400 billion (USD 57 billion) in total and freeing up more money to lend to rural households and small businesses. The central bank also said it would adjust down the interest rates on additional reserves – excess money stored at the central bank by commercial lenders – to 0.35% from 0.72%, effective on April 7, so that China's banks would be more willing to lend. Chinese banks pumped more than USD 1 trillion into the economy in the first quarter of the year, in an effort to stem the bleeding from the coronavirus pandemic. Quarterly lending reached an all-time high, even as the People's Bank of China showed no intention of following the US Federal Reserve's quantitative easing and very low interest rates, favoring targeted rate cuts and liquidity injections instead. At a press conference in Beijing on 10.04.2020, a senior central banker claimed "China's targeted approach was 10 time more efficient than the Federal Reserve. Each yuan injected into the money supply generated 3.5 yuan worth of bank loans," said Sun Guofeng, director general of monetary policy at the PBOC. The PBOC, for its part, make clear that it felt its monetary policy moves to date were the right ones. "Our internal assessment showed the amount of liquidity injection since January is overall appropriate and ample," said Zhou Xuedong, a PBOC spokesman, at briefing on 10.04.2020. "Too much liquidity may bring a series of problems, such as overcapacity and the rise of regional financial risks." Instead of all-out stimulus, the PBOC has pledged to support the most vulnerable part of the real economy, including small and private businesses, especially with China shifting its priority to preventing mass unemployment rather than pursuing economic growth targets. China's policy support is likely to remain limited given concerns about adding to the country's already high debt level and risks to financial instability. Major stimulus is distinctly unpopular in China currently.

Central Bank of Turkey

The measures taken to contain adverse effects of the global uncertainty led by the coronavirus (COVID-19) pandemic on the Turkish economy were announced on 30 March 2020. For the same purpose, the Turkish central bank introduces the following measures to (i) strengthen the monetary transmission mechanism by boosting the liquidity of the Government Domestic Debt Securities (GDDS) market, (ii) enhance banks' flexibility in Turkish lira and foreign exchange liquidity management, and (iii) secure uninterrupted credit flow to the corporate sector, and broadly support the goods and services exporting firms, which are affected by the pandemic, with an SME-focused approach. As a general feature, these measures represent various forms of quantitative easing. But this increase in money supply from the Turkish Central Bank may facilitate the emergence of a new currency crisis.

Measures Taken against the Economic and Financial Impacts of the Coronavirus (2020-21) 30.03.2020

The measures taken to contain adverse effects of the global uncertainty led by the coronavirus (COVID-19) pandemic on the Turkish economy were announced on 30 March 2020. For the same purpose, the Turkish central bank introduces the following additional measures to (i) strengthen the monetary transmission mechanism by boosting the liquidity of the Government Domestic Debt Securities (GDDS) market, (ii) enhance banks' flexibility in Turkish lira and foreign exchange liquidity management, and (iii) secure uninterrupted credit flow to the corporate sector, and broadly support the goods and services exporting firms, which are affected by the pandemic, with an SME-focused approach:

1. Outright purchase operations under the Open Market Operations (OMO) portfolio, which are conducted within the limits identified at the Monetary and Exchange Rate Policy for 2020 text, can be carried out in a front-loaded manner and these limits may be revised depending on the market conditions. These operations are intended to enhance the effectiveness of the monetary transmission mechanism via increasing the market depth, enabling sound asset pricing and providing banks with flexibility in liquidity management.
2. For a temporary period, the Primary Dealer banks, will be able to sell the GDDS that they have bought from the Unemployment Insurance Fund to the CBRT under the terms and limits set by the CBRT, or will be able to increase at certain ratios the liquidity facility offered under OMO in the scope of the Primary Dealership system. This aims at supporting financial stability by containing the likely impacts of the liquidity need of the Unemployment Insurance Fund on market functioning. These GDDS purchases will be out of the scope of the limits set for the OMO portfolio. The related parties will be provided with detailed information and criteria for these operations.
3. Under the Turkish lira and foreign exchange operations conducted at the CBRT, asset-backed securities and mortgage-backed securities have been included in the collateral pool. Accepting these securities as collateral will contribute to increasing the liquidity of similar securities issuances and to deepening the capital markets, and also enhance banks' flexibility in Turkish lira and foreign exchange market liquidity management. Banks will be further informed about the criteria for securities to be accepted as collateral and the limits for this facility.
4. The limits for the targeted additional liquidity facilities offered to secure uninterrupted credit flow to the corporate sector will be increased. In addition to the targeted liquidity facilities of repo auctions with maturities up to 91 days and Turkish lira currency swaps with a maturity of one year, the CBRT will also hold Turkish lira currency swap auctions with a maturity of six months. Through these swap auctions with six-month maturity, related banks will be provided with Turkish lira liquidity against US dollars, euros or gold, at an interest rate 125 basis points lower than the one-week repo rate, i.e. the CBRT's policy rate.
5. To facilitate goods and services exporting firms' access to finance and support sustainability of employment, Turkish lira-denominated rediscount credits for export and foreign exchange earning services will be extended. Turkish lira-denominated rediscount credits will be extended based on the following principles:

a. A total limit of TRY 60 billion has been defined for the credits.
b. Of this limit, TRY 20 billion has been allocated for credit utilization via Türk Eximbank, TRY 30 billion for credit utilization via public banks, and TRY 10 billion for credit utilization via other banks.
c. Minimum 70% of the credits to be extended via banks other than Eximbank will be allocated to SMEs.
d. On a firm basis, the maximum amounts of credits have been set at TRY 25 million for SMEs and TRY 50 million for other firms.
e. Firms that can obtain FX rediscount credits, overseas contracting companies, and firms participating in international fairs will be able to benefit from this credit facility.
f. The interest rate for these credits will be 150 basis points lower than the one-week repo rate, i.e. the CBRT's policy rate.
g. The maximum commission rate of intermediary banks will be 150 basis points.
h. The credits will have a maximum maturity of 360 days, and will be extended on condition that the export or foreign exchange earning services commitment as well as the employment level as of 1 March 2020 are maintained throughout the credit period.

As a general feature, these measures represent various forms of quantitative easing. But this increase in money supply from the Turkish Central Bank may facilitate the emergence of a new currency crisis.

International commodity prices

The price of the two major sorts of oil continues to move in different directions, with Crude oil depreciating over 7% already. The Brent price increases 0.6 USD/BBL or 2.16% to 28.420 USD/BBL on Friday, April 17.

For the week, the decrease was -10.46%. The price of crude oil decreases -1.81 USD/BBL or -9.11% to 18.060 USD/BBL on Friday, April 17. For the week, the decrease was -9.41%. According to the forecasts of the Organization of Petroleum Exporting Countries, submitted on 16.04.2020, even full application of the redundancies will not prevent the creation of a surplus in the second quarter, when demand for the commodity is expected to fall to its lowest level in three decades. The collapse in oil prices has been particularly painful for Russia. The Treasury will invest less than USD 1 for each BBL of oil sold, according to Bloomberg calculations based on data from the Treasury. State-owned oil giant Saudi Aramco has announced that it will supply its customers with BBL 8.5 million a day from May 1 - nearly BBL 4 million below planned sales in April. For the time being, however, it remains unclear whether the Saudi Kingdom and its allies have a real desire for further cuts in production right now. The level of BBL 8.5 million per day is a minimum for Saudi production, because if production is further reduced, it will endanger the production of related gas extracted with oil.

Saudi Arabia and Russia have signaled that they are ready for a new drop in oil production, since OPEC +'s latest deal cannot sufficiently curb commodity depreciation. The two countries will "continue to closely monitor the oil market and are ready to take additional measures jointly with OPEC + and other producers if they are deemed necessary". This was stated by Russian Energy Minister Alexander Novak and his Saudi counterpart Prince Abdulazis bin Salman in a joint statement issued after a telephone conversation between the two, Bloomberg reported. The joint statement from Moscow and Riyadh reiterated the position of Bin Salman, who earlier said his country was ready to further reduce production, if necessary, at the next OPEC + meeting in June. The collapse in oil prices has been particularly painful for Russia. The Treasury will invest less than USD 1 for each BBL of oil sold, according to Bloomberg calculations based on data from the Treasury. Riyadh signaled on Friday that it was quick to implement the contractual cuts on Sunday. State-owned oil giant Saudi Aramco has announced that it will supply its customers with BBL 8.5 million a day from May 1 - nearly BBL 4 million below planned sales in April. For the time being, however, it remains unclear whether the Saudi Kingdom and its allies have a real desire for further cuts in production right now. OPEC countries often try to support "black gold" prices by signaling readiness for market intervention. The level of BBL 8.5 million per day is a minimum for Saudi production, because if production is further reduced, it will endanger the production of related gas extracted with oil. Demand for domestic gas has increased significantly in recent years. The Saudi authorities will not be willing to fall below that level because of the desire to keep their gas production.

The pandemic has started to cause serious problems in the production and supply of grain to local and international markets. Logistics problems with the delivery of grain to export terminals are already coming to the fore in Europe. According to exporters and importers of grain, there are serious problems with the workforce and in the organization of storage and storage of grain in the EU. Experts note that supply disruption is not only about the direct impact of the disease on people's lives and well-being, but above all efforts to curb the spread of the virus, which in itself limits mobility. In the first half of April 2020 the wheat in the United States returned to its old price, from USD 1.00 down to 240.00 USD / ton. Wheat in France remained unchanged at 206.00 EUR / ton. What is new is that the Black Sea countries have announced export restrictions, and in Romania it has stopped altogether. This was mainly reflected in the prices of Ukraine, where there was an increase from USD 11.00 to 228.00 USD / ton, and in Russia the price rose by plus USD 6.00 to 226.00 USD / ton. In the grain sub-circle of the Sofia Commodity Exchange AD bread wheat is demanded at 340.00-350.00 BGN / ton, the sellers announce 375.00 BGN / ton. Feed wheat is sought at 315.00-320.00 BGN / ton, supply is close to 330.00-340.00 BGN / ton. Sofia Commodity Exchange Review 14-16.04.2020.

II.BULGARIA: ACCENTS AND PROJECTIONS

LEADING NEWS

The Bulgarian government is ending the state of emergency after May 13 2020. The Court is up and running. Health and social measures remain. Bulgaria will contribute EUR 100,000 to the fight against coronavirus for the creation and global deployment of the COVID-19 vaccine.

The Government in Bulgaria has prepared a Bill amending and supplementing the Health Act, and there will be texts in the transitional and final provisions to supplement the Emergency Act. It will rely on the support of coalition partners and parties in support of power, so that the law can be approved by Parliament by 13 May 2020. The main proposals in the following directions:

Emergency Law

- The state of emergency in Bulgaria has disappeared after May 13 2020, but much of the health and social measures remain. Bulgaria is moving towards a gradual recovery of socio-economic life after the pandemic. The principle is to retain all measures that have a significant impact on economic life, social programs, restrictions on business turnover, and certain rules that allow a smoother transition through the epidemic. Some of the measures will continue until the end of the year, others will last until September 30.
- The Court is set to work, and the procedural deadlines suspended because of the crisis will start running again after May 13. With respect to the amendments to the Law on Measures and Actions during a State of Emergency, Art. 5 with respect to the imposition of the possibility or inability to impose liens on claims against creditors.

Health Act

The main amendments to the Health Act are related to:

- Articles 61 and 63, which will allow some of the measures to be applied after the lifting of the state of emergency.
- The Minister of Health will determine with an ordinance the conditions and procedure for the isolation of patients with communicable diseases, infectious agents, quarantine of contact persons and persons who have come to the country from other countries.
- The Minister of Health is empowered to declare with an order an emergency epidemic situation, providing for anti-epidemic measures in the country or its regions in order to protect the life and health of Bulgarian citizens.
- Specific measures are envisaged to be determined by an act of the Minister of Health at the proposal of the Chief State Health Inspector or the Director of the Health Insurance Fund.

Law on Preschool and School Education

The Government's measures against the COVID-19 pandemic require education assessments in the following directions:

- After the beginning of the academic year 2020-2021, it will become clear whether the students have coped. The reason is that during the 2019-2020 academic year, at the end of the fourth and tenth grades, no National External Assessment under Art. 119, para. 3 of the Pre-school and School Education Act to determine the degree of competence attainment at the relevant stage.
- The degree of achievement of competences for the relevant stage of students by decision of the Minister of Education and Science can be established after the beginning of the academic year 2020-2021
- Admission of students from the unified schools in the 11th grade for this school year is done only on the basis of the final grades but subjects, from the certificate for the completion of the first high school stage of secondary education.

Bulgaria's participation in the global fight against COVID-19

We are in a pandemic, in a situation that the world does not know after the Second World War. Our medical systems are being tested, thousands are human victims. A crisis of this dimension requires a strong, coordinated, broad-based and coherent global response. Bulgaria supports the work of the UN and all international institutions currently operating. Bulgaria will contribute EUR 100,000 to the fight against coronavirus for the creation and global deployment of the COVID-19 vaccine. Through this activity, the EC and the G20 are demonstrating more political and financial support for coping with the spread and socio-economic effects of the coronavirus.

EXTERNAL SECTOR

In February 2020, Bulgaria's current and capital account is in positive territory with EUR 785.8 million, compared to a surplus of EUR 338.3 million a year ago, an increase of over 132%. Funds from the European funds we receive as a new EU member state maintain a stable current account in February. In March 2020, BNB's international reserves amounted to BGN 51.8 billion (EUR 26.5 billion) and increased by 6.9% mom and by 5.7% yoy, maintaining the stability of the Currency Board in Bulgaria.

According to preliminary data of the Bulgarian National Bank (BNB), in the first two months of this year the balance of payments came to a plus of EUR 923.7 million, while for the same period last year the surplus amounted to EUR 406.7 million. For February 2020 alone, the current account balance is positive and amounts to EUR 571.6 million, compared to a surplus of EUR 247.5 million a year ago. It is positive for two months and amounts to EUR 666.4 million, while for the period in 2019 the surplus was EUR 255.1 million. In February 2020, a current account surplus of EUR 208 million was reported. Indeed, the trade balance is negative at over EUR 25 million, but in the column services / transport, travel, etc. / we reach EUR 70 million surplus. More important, however, are the current transfers of € 180 million, namely € 274 million of credit compared to 93 million of debit. The trade balance for February 2020 was negative at EUR 68.6 million compared to a deficit of EUR 177.1 million a year ago. In the first two months of this year it was down by EUR 146.5 million, against a deficit of EUR 211.8 million in the same period last year. Exports of Bulgarian goods in February amounted to EUR 2,444 billion, an increase of 5.9% (EUR 136.7 million) on an annual basis. In January-February, exports amounted to EUR 4.864 billion, an increase of 4.9% (EUR 228.6 million) compared to the same period in 2019. For January and February 2019 annual growth was 12.3%. In February, imports of goods amounted to EUR 2,513 billion, an increase of 1.1% (EUR 28.2 million) on an annual basis. For the first two months of this year, it amounted to EUR 5.011 billion, growing by 3.4% (EUR 163.4 million) in one year. In January and February 2019, imports increased by 7.5% yoy. The services balance was positive at EUR 135.2 million compared to a positive balance of EUR 120.3 million in February last year. For the two months of this year, it was positive at EUR 297.9 million, up from a year ago by plus EUR 259.1 million. The primary income balance (which includes income related to factors of production (labor, capital or land), taxes on production and imports and subsidies) is positive at EUR 4.4 million, with a negative balance of EUR 128.5 million for February 2019 For the period January - February 2020, it was positive at EUR 5.9 million, down from 256.9 million a year ago. The secondary income balance (reflecting income redistribution) was positive at EUR 500.6 million, compared to a positive balance of EUR 432.8 million for February 2019. For January and February, it increased by plus EUR 509.1 million, and again a year ago came to positive territory with EUR 464.7 million. For the last 12 months to the end of February, the credit for current transfers exceeds EUR 2 billion, while the flow is EUR 557 million. Current balance of payments transfers are all financial resources provided free of charge from one economy to another. Therefore, the EU funds we receive as a new EU member state maintain a stable current account in February. For the last 12 months to the end of February, the credit for current transfers exceeds EUR 2 billion, while the flow is EUR 557 million. Current balance of payments transfers are all financial resources provided free of charge from one economy to another. Therefore, the EU funds we receive as a new EU member state maintain a stable current account in February. The capital account is plus by EUR 214.3 million against a positive value of EUR 90.8 million for February 2019. For January and February this year it is up by EUR 257.2 million from a positive value of 151.6 million EUR for the same period last year. The financial account for February 2020 was positive at EUR 505.7 million, compared to a positive value of EUR 516 million for February 2019. For the first two months of this year it was plus by EUR 502.7 million, after plus for the same period last year by EUR 391.8 million. The direct investment balance was negative at EUR 23.4 million against a negative balance of EUR 187.9 million in February 2019. In two months it was down by EUR 33.6 million at a negative balance of EUR 45,3 million for the same period in 2019. This means that foreign companies that have invested in our country have withdrawn their money. Such a development for an open economy like the Bulgarian economy is one of the worst-case scenarios that could happen to it. Direct investment - assets increased by EUR 18.8 million compared to an increase of EUR 31 million in February 2019. In January - February they increased by EUR 28.6 million, a decrease of EUR 39.8 million over the same period last year. Direct investment liabilities increased by EUR 42.2 million compared to an increase of EUR 218.9 million a year ago. In January and February alone they increased by EUR 62.1 million, an increase of EUR 5.5 million over the same period last year. The portfolio investment balance was negative at EUR 49.7 million, compared to a positive value of EUR 76.2 million in February 2019. From January to February it was up by EUR 193.7 million against a positive balance of EUR 35.2 million for the same period in 2019. Portfolio investment - assets for February decreased by EUR 72.8 million with an increase of 75 , EUR 5 million for February 2019. For January - February, they increased by EUR 246.3 million, an increase of EUR 43.5 million over the same period in 2019. Liabilities in February 2020 decreased by EUR 23.1 million compared to a decrease of EUR 0.7 million in February 2019. In January - February 2020 they increased by EUR 52.6 million with an increase by EUR 8.3 million over the same period in 2019. The balance on the item Other investments is positive of EUR 357.4 million, compared to a positive balance of EUR 269.2 million for February 2019. For January - February 2020 it is plus by EUR 544.7 million, over the same period last year it was still in positive territory by EUR 794.4 million. The balance on Other investments - assets increased by EUR 221.4 million, an increase of EUR 316.6 million in February 2019. In January - February, they increased by EUR 365.2 million, an increase of EUR 840.5 million. Other investments - liabilities for February 2020 decreased by EUR 136 million compared to an increase of EUR 47.4 million in February 2019. In two months they decreased by EUR 179.5 million an increase of EUR 46.1 million over the same period in 2019. BNB reserve assets rose by EUR 214 million in February, up from EUR 350.4 million a year ago. In January - February they decreased by EUR 227.8 million, down from EUR 364.8 million in the same period in 2019.

Bulgaria: Balance of payments	February 2019	February 2020	Change in EUR million	January - February 2019	January - February 2020	Change in EUR million
Current and capital account	338.3	785.8	447.5	406.7	923.7	516.9
Current account	247.5	571.6	324.1	255.1	666.4	411.3
Trade balance	-177.1	-68.6	108.6	-211.8	-146.5	65.3
Services, net	120.3	135.2	14.9	259.1	297.9	38.8
Primary income, net	-128.5	4.4	132.8	-256.9	5.9	262.9
Secondary income, net	432.8	500.6	67.7	464.7	509.1	44.3
Capital account	90.8	214.3	123.4	151.6	257.2	105.6
Capital transfers, net	87.7	176.1	88.5	130.7	183.2	52.5
Financial account	516.0	505.7	-10.4	391.8	502.7	110.9
Source: BNB						

Foreign direct investments

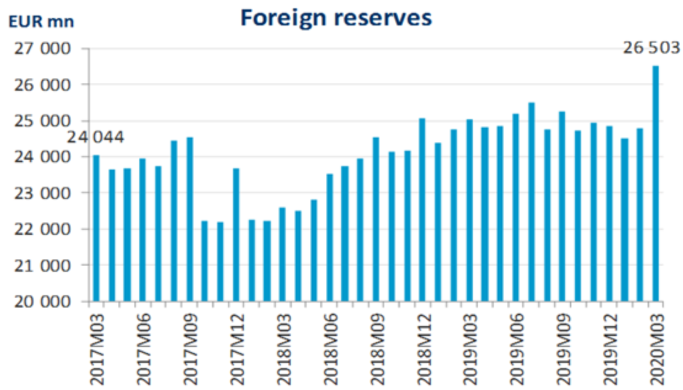
In January-February 2019, direct investment in Bulgaria was positive at EUR 37.1 million (0.1% of GDP), down by EUR 4.6 million (11.1%) from January-February 2019. (positive flow of EUR 41.8 million, 0.1% of GDP). In February 2020, the flow was positive and amounted to EUR 24.3 million, compared to a positive flow of EUR 205.8 million for February 2019.

According to BNB preliminary data, the net flow of foreign direct investment in the country for January - February 2020, recorded in accordance with the principle of initial investment direction, was positive at EUR 37.1 million (0.1% of GDP), less by EUR 4.6 million (11.1%) from January-February 2019 (positive flow of EUR 41.8 million, 0.1% of GDP). In February 2020, the flow was positive and amounted to EUR 24.3 million, compared to a positive flow of EUR 205.8 million in February 2019. Share capital (transferred / withdrawn cash and in-kind contributions from non-residents to / from the capital and reserves of Bulgarian companies, as well as real estate receipts / payments in the country) is positive, amounting to EUR 5.1 million for January - February 2020. It is higher by EUR 557.2 million than in January - February 2019, which is negative by EUR 552.1 million. The net inflow of foreign investment in real estate is negative at EUR 0.3 million, compared to a positive net flow of EUR 1.5 million for January - February 2019. The net flow of debt instruments (the change in net liabilities between foreign-owned companies and foreign direct investors in financial, bond and trade credits) amounted to EUR 32 million, against a positive value of EUR 428.6 million in January-February 2019. The largest net FDI inflows in the country in January - February 2020 came from Israel (EUR 43.3 million), the Netherlands (EUR 17.2 million) and Turkey (EUR 14.3 million). According to preliminary data, the net flow of foreign direct investment in January - February 2020 amounted to EUR 3.6 million (0.01% of GDP), compared to a negative flow of EUR 3.5 million (0.01% of GDP) in January to February 2019. In February 2020, the net flow was positive and amounted to EUR 0.9 million, compared to EUR 17.9 million in February 2019. According to preliminary data, the direct investment in the country as of the fourth quarter of 2019 is EUR 46 160 million. , at EUR 44 002 million at the end of 2018. The Sub-total equity and profit reinvestment amounted to EUR 36 345.2 million, increasing by EUR 1561.4 million compared to December 2018 (EUR 34 783.8 million). Debt instruments amounted to EUR 9814.8 million and increased by EUR 596.6 million compared to December 2018 (EUR 9218.2 million).

Bulgaria: Direct investments	February 2019	February 2020	January - February 2019	January - February 2020	Change in EUR million, mom	Channge in EUR million, yoy
Direct investments, net	**-187.9**	**-23.4**	**-45.3**	**-33.6**	**164.5**	**11.7**
Direct investments in abroad	**17.9**	**0.9**	**-3.0**	**3.6**	**164.5**	**6.6**
Equity	2.1	0.0	8.6	1.0	164.5	-7.6
Reinvestments of earnings	-5.5	0.0	-12.8	0.0	164.5	12.8
Debt investments	21.3	0.9	0.7	2.5	164.5	1.8
Direct investments in a country	**205.8**	**24.3**	**41.8**	**37.1**	**164.5**	**-4.7**
Equity	-36.8	1.4	-552.1	5.1	164.5	557.2
Reinvestments of earnings	114.5	0.0	165.3	0.0	164.5	-165.3
Debt investments	128.1	22.9	428.6	32.0	164.5	-396.6
Source: BNB						

International reserves

In March 2020, BNB's international reserves amounted to BGN 51.8 billion (EUR 26.5 billion) and increased by 6.9% mom and by 5.7% yoy, maintaining the stability of the Currency Board in Bulgaria. Bulgaria's international liquidity position, calculated as a ratio of international reserves to short-term external debt, increased to 300.2% at the end of January 2020, compared to 295.0% in the previous month.



REAL SECTOR

In the context of state of emergency in Bulgaria in April 2020, the NSI business surveys indicate a deterioration of business conjuncture in all observed sectors. The total business climate indicator drops by 41.7 percentage points to -17.7 index points compared to its level from the previous month, which is with 37.0 percentage points below the long-term average for the last l0 years, and with 4.4 percentage points above the long-term minimum registered in February 1997.

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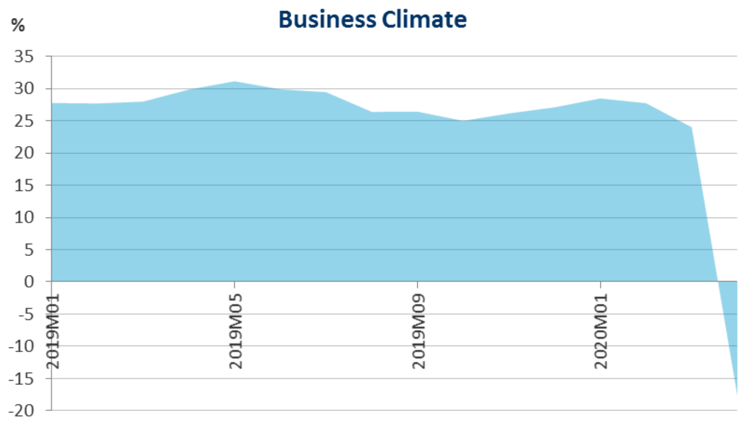
Industry. The composite indicator 'business climate in industry' decreases by 31.8 percentage points to -24.6 index points, which is due to the pessimistic industrial entrepreneurs' assessments and expectations about the business situation of the enterprises. Their forecasts for both export and production activity over the next 3 months are more negative. In the same direction are also the changes in the expectations about personnel' movement. In the period January - April 2020 the average capacity utilization decreases by 10.1 percentage points and it reaches 67.9%. According the managers' opinions for these 3 months the competitive position of enterprises, both on domestic and foreign market inside and outside of European Union's countries is also deteriorated. The uncertain economic environment continues to limit with most extent the activity of the enterprises. The last inquiry also reports a growth in the unfavorable impact of the factors 'other', 'insufficient domestic demand' and 'insufficient foreign demand'. As regards the selling prices in industry, certain expectations for a decrease are registered, although the majority of the managers foresee preservation of their level over the next 3 months.

Construction. In April 2020 the composite indicator 'business climate in construction' drops by 45.6 percentage points to -13.4 index points as a result of the worsened construction entrepreneurs' assessments and expectations about the business situation of the enterprises. According to them, the present construction activity is decreased in comparison with the previous month, as their forecasts about the next 3 months are more reserved. The inquiry registers an increase of the number of clients with delay in payments. At the same time, the production assurance with orders is reduced, and the expectation over the next 6 months are that decline to continue. As regards the employed, the forecasts are also in a direction of a decrease. In the last month, the negative influence of the factors 'uncertain economic environment' and 'others'1 is strengthened, which shift to the third place the difficulties of the enterprises connected with the shortage of labor. Concerning the selling prices, most of the managers do not foresee a change, although the share of them who expect a reduction over the next 3 months is increased.

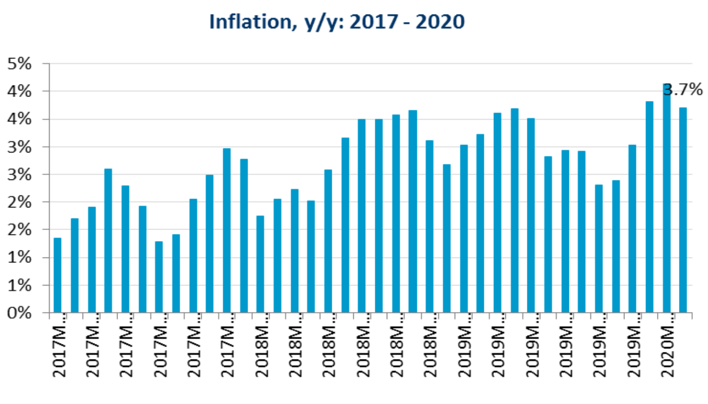
Retail trade. The composite indicator 'business climate in retail trade' decreases by 52.0 percentage points which is due to the growing pessimism in retailers' assessments and expectation about the business situation of the enterprises. Their forecasts about both the volume of sales and orders placed with suppliers over the next 3 months are also more negative. At the same time, their expectations about the personnel are also unfavorable. The main obstacles for the development of the activity in the sector are connected with the uncertain economic environment, competition in the branch and insufficient demand, as in the last month strengthen of the negative impact of the first factor is observed. As regards the selling prices, the balance of the expectations is negative, as the managers, who foresee a reduction are more than those whose attitudes are for an increase.

Service sector. In April, the composite indicator 'business climate in service sector' drops by 47.1 percentage points to -36.8 index points as a result of the worsened managers' assessments and expectations about the business situation of the enterprises. Their opinions about the present and expected demand for services are also negative, which according to them will lead to personnel reduction over the next 3 months. The uncertain economic environment, factor 'others', competition in the branch and insufficient demand are the most serious problems, limiting the business, as only in the third factor is observed weakening of its unfavorable influence. The managers foresee certain decrease of the selling prices in the service sector, although the majority of them do not expect a change over the next 3 months.



In March 2020, inflation in Bulgaria slowed sharply as a result of a sharp fall in energy prices. This may form expectations for the start of a possible development of a deflationary spiral, as strict quarantines and restrictions imposed by governments in response to the spread of the coronavirus will dramatically weaken economic activity and private and public consumption.

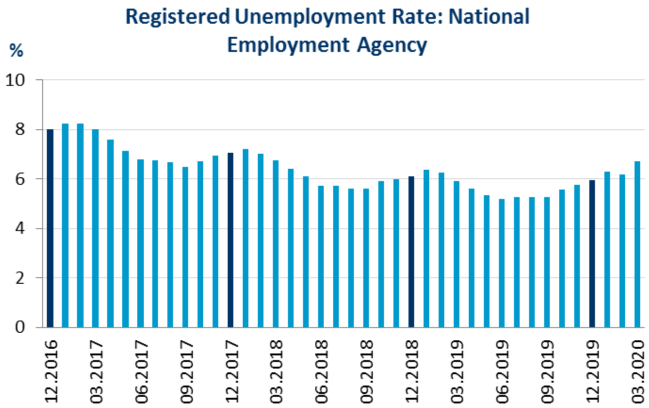
According to NSI data, in March 2020. the consumer price index for March 2020 compared to February 2020 was 99.4%, ie monthly inflation was minus 0.6%. The inflation since the beginning of the year (March 2020 compared to December 2019) is 0.4%, while the annual inflation for March 2020 compared to March 2019 is 3.0%. The average annual inflation for the period April 2019 - March 2020 compared to the period April 2018 - March 2019 is 3.2%. The harmonized index of consumer prices for March 2020 compared to February 2020 is 99.5%, ie monthly inflation is minus 0.5%. The inflation since the beginning of the year (March 2020 compared to December 2019) is 0.0%, while the annual inflation for March 2020 compared to March 2019 is 2.4%. The average annual inflation for the period April 2019 - March 2020 compared to the period April 2018 - March 2019 is 2.6%. The slowdown in inflation this month is the result of a 2.7% drop in transport prices on a monthly basis and -1.3% yoy due to the dramatic fall in oil prices to 18-year lows. After the introduction of the state of emergency, fuel consumption decreased, gasoline consumption decreased by 35.5% compared to the same period last year, and diesel by 23.7%. They reduce the prices of messages by -1.3% on a monthly basis and by -3.2% on an annual basis. Culture and entertainment prices also fell by 3.9% on a monthly basis. Food prices increased by 0.1% on a monthly basis and by 2.6% on an annual basis. The main consumer price index (excluding volatile prices for food, tobacco and energy) rose in March by 2.6 on an annual basis. The counteracting factor for higher inflation will be reduced consumption and lower energy costs. However, the price war in the oil markets between Saudi Arabia and Russia will have a greater impact on inflation expectations in the euro area. The lower oil price is expected to have a temporary positive effect on economic growth. Expectations for the growth of inflation in Bulgaria are -0.5% for 2020 and 2.5% for 2021 and 2% for 2022.



LABOR SECTOR

In March 2020, registered unemployment in Bulgaria was 6.7%, rising by 0.5 percentage points on a monthly basis and by 0.8% percentage points on an annual basis. Measures to limit the spread of the coronavirus in the country and the state of emergency introduced on 13 March have a significant impact on the dynamics of unemployment.

According to the Employment Agency, the registered unemployment rate in Bulgaria is 6.7%. The comparison on a monthly basis shows an increase of 0.5 points, and on an annual basis the increase is by 0.8 percentage points. Measures to limit the spread of the coronavirus in the country and the state of emergency introduced on 13 March have a significant impact on the dynamics of unemployment. The total number of unemployed in the labor offices at the end of the month was 220 072, compared to February the number of unemployed persons was 17 572 more. An increase of 25 469 persons was also observed in comparison with the same month of 2019. 38 869 unemployed persons registered for use of the mediation and services of the Labor Offices, 26 266 of them in the period after the introduction of the state of emergency. The number of newly registered persons who dropped out of employment during the month was 23 673, with 14 466 of them citing the coronavirus crisis as the cause. Among the newly registered unemployed in March, the largest share was recorded by those exempted from the hotel and restaurant sector (46.4%), followed by trade (18.8%) and manufacturing (11.3%). The number of unemployed persons who were employed during the month was 16,835, with 92.7% of them being employed in the real economy. Since the introduction of the state of emergency, 6,598 persons have started work. During the month, another 458 jobseekers from the group of pensioners, students and employees also found their new jobs through the Labor Offices. In March, 1 222 persons from the risk groups started their work in subsidized jobs - 736 under programs and measures for training and employment and 486 - under schemes of the Operational Program "Human Resources Development". The jobs announced in the primary labor market during the month were 14 757, with 86.2% of them in the private sector. The largest share of job vacancies was reported in hotels and restaurants (21.1%), manufacturing (21.0%), trade, repair of motor vehicles and motorcycles (12.5%), agriculture, forestry and fisheries (8.6%) and administrative and ancillary activities (8.5%). After 13 March and the introduction of the state of emergency, the number of job vacancies in the labor offices was 5 757, with those for staff caring for people (babysitters, caregivers, orderlies, personal and health assistants) prevailing. Tourism staff (staff serving hotels, housekeepers, landscapers, kitchen workers) is still being sought, with the start of the hiring announced after May 15. More specialists in the field of information and communication technologies are being sought, serving call centers, cashiers and sellers in grocery stores, as well as waste collection and treatment workers.

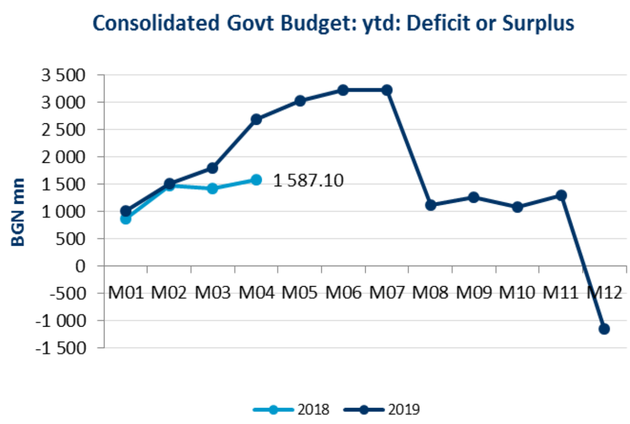


FISCAL SECTOR

In the context of an unprecedented and dynamically changing situation and efforts to combat the spread of COVID-19 worldwide, Bulgaria has taken emergency and urgent measures in a number of areas, including the creation of the necessary conditions for the effective functioning of the two most important sectors in the current emergency situation - health and security services. There have also been a number of measures in place to support businesses and employees in order for the economy to continue to operate. According to the Ministry of Finance, the budget balance on the CFP on a cash basis as of March 2020 is positive at the amount of BGN 1 426,5 million and is formed by a surplus of revenues over the expenditures under the national budget of 1 059,8 million and by European funds in the amount of BGN 366.8 million. The size of the fiscal reserve as of 31.03.2020 is BGN 10.3 billion. The fiscal position of Bulgaria is stable.

According MF data the CFP budget balance on a cash basis for March 2020 is negative, amounting to BGN 1,426.5 million. It is formed by the excess of national budget revenues over expenditures of BGN 1,059.8 million and of EU funds of BGN 366.8 million. Based on the monthly data on cash execution of first-level spending units, CFP revenues, grants and donations as of March 2020 amount to BGN 10,977.0 million, or 23.4% of the annual estimates. Compared to the same period of the previous year, they grow by BGN 119.0 million in nominal terms.

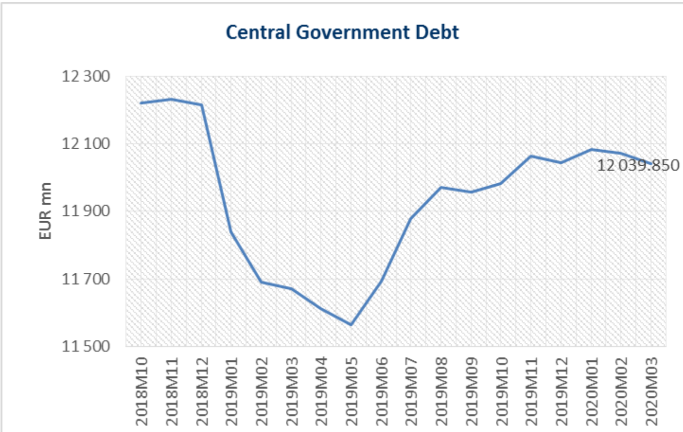
Tax and non-tax proceeds register a drop by BGN 153.6 million (1.5%), and grant and donation proceeds (mostly EU programme and fund grants) are by BGN 272.6 million, or 48.5%, more than at end-March 2020. It should be taken into account that the negative effects on the revenue side caused by the measures aimed to fight the pandemic will be seen in the budget implementation parameters with some delay. In this sense, the revenue parameters as of end-March are not yet influenced considerably by the coronavirus crisis and reflect the most immediate implications of the measures taken and the altered macroeconomic environment. In structural terms, as far as direct taxes are concerned, the greatest impact comes from extending the deadlines under the Corporate Income Tax Law, which postpones a substantial part of the proceeds usually collected in March for June, while indirect taxes report a delay in VAT-on-imports revenues, excise duty revenues, etc. Tax proceeds, including revenues from social security contributions, total BGN 8,580.6 million, which accounts for 23.0% of the tax revenues planned for the year. Direct tax revenues amount to BGN 1,308.6 million, or 18.2% of those planned for the year. The performance of corporate income revenues in this group is lower as a result of extending the 2020 deadlines under the Corporate Income Tax Law with the Law on the Measures and Actions in a State of Emergency which was declared by a decision of the National Assembly of 13 March 2020. Indirect tax revenues amount to BGN 4,328.2 million, which accounts for 24.4% of the annual estimates. VAT proceeds amount to BGN 2,940.9 million, or 25.1 % of those planned. The state of emergency declared in the country has not yet influenced considerably the VAT proceeds at the end of Q1 of 2020. The deteriorated macroeconomic indicators for consumption, imports and exports and the oil prices are expected to have an adverse impact on the revenues from this type of tax in the coming months. Excise duty revenues amount to BGN 1,320.6 million, or 23.2% of the annual estimates. As far as excise duties are concerned, the COVID-19 crisis is expected to have an impact mostly on the consumption of fuels and alcoholic beverages, which will influence the proceeds in the following reporting periods. Customs duty proceeds amount to BGN 54.6 million, or 23.0% of the annual estimates. Proceeds from other taxes, including property and other taxes under the Corporate Income Tax Law, amount to BGN 294.7 million, or 24.0% of the annual estimates. Revenues from social security and health insurance contributions are BGN 2,649.1 million, which accounts for 23.6% of the estimates for the year. Non-tax revenues amount to BGN 1,561.9 million, or 23.0% of the annual estimates. Grant and donation proceeds amount to BGN 834.4 million. CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for March 2020, amount to BGN 9,550.4 million, which accounts for 20.4% of the annual estimates. For comparison, the CFP expenditures as of March 2019 amount to BGN 9,053.5 million. Compared to the same period of the previous year, the nominal increase is mainly due to the higher amount of social payments (a baseline effect from the pension increase in July 2019) and the higher maintenance expenditures, staff costs, capital expenditures, etc. As regards the measures implementing the Law on the Measures and Actions in a State of Emergency declared by a decision of the National Assembly of 13 March 2020, healthcare expenditures were mostly financed in the reporting period. The most urgent expenditures related to securing protective garment, disinfectants, medical products, etc., for the medical staff at the front of the fight with the contagion. The majority of these costs were provided within the first-level spending unit budgets. Non-interest expenditures amount to BGN 8,857.0 million, which accounts for 19.9% of the annual estimates. Non-interest current expenditures as of March 2020 amount to BGN 8,280.2 million, capital expenditures (including net increment of state reserve) amount to BGN 569.1 million. The current and capital transfers to other countries amount to BGN 7.7 million. Interest payments amount to BGN 319.8 million, or 48.8% of those planned for 2020. The part of Bulgaria's contribution to the EU budget, as paid from the central budget as of 31.03.2020, amounts to BGN 373.6 million, which complies with the existing legislation in the area of EU own resources, i.e. Council Decision 2014/335/EU on the system of own resources of the European Union. As of 31.03.2020, the fiscal reserve amounts to BGN 10.3 billion, including BGN 9.9 billion of fiscal reserve deposits in the BNB and in banks and BGN 0.4 billion of receivables under the EU Funds for certified expenditure, advance payments, etc.



Based on preliminary data and estimates, by April 2020, the excess of revenues over expenditures under the Consolidated Fiscal Program (CFP) is expected to amount to BGN 1 587,1 million (1.4% of projected GDP). For comparison, the reported excess of revenue over expenditure in the same period of 2019 was BGN 2 699.8 million (2.3% of GDP), which means that in comparison with 2019 the budget balance deteriorates in nominal terms with BGN 1.1 billion. Revenue delays are reported due to the negative effects of the crisis, as well as the extension of the terms of the CITA and the Local Taxes and Fees Act in relation to the measures to curb and combat Covid-19 in Bulgaria and the worldwide pandemic. Compared to the first four months of 2019, tax and non-tax revenues under the consolidated fiscal program as of April 2020 contracted by BGN 875.8 million, while aid receipts increased by BGN 358.5 million. The negative trend is expected to continue over the next few months.

At the end of March 2020, the debt of the Central Government subsector amounted to BGN 23 547.9 million (EUR 12139.8 million). Domestic liabilities amount to BGN 5,876.1 million and external liabilities amount to BGN 17 671.8 million. At the end of the reporting period, the debt ratio of the Central Government subsector to GDP amounted to 20.1%. In order to provide liquidity for the implementation of the COVID-19 safeguards, public debt is expected to increase to 28% of GDP in 2020, but will still be well below the 60% of GDP approved by the Maastricht criteria for sovereign debt.

According MF data as at end-March 2020, central government debt stands at BGN 23,547.9 million (EUR 12139.8 million). Domestic debt amounts to BGN 5,876.1 million and external debt – to BGN 17,671.8 million. At the end of the reporting period the central government debt-to-GDP ratio is 20.1%, with the share of domestic debt being 5.0% and of external debt – 15.1% of GDP. In the central government debt structure, at the end of the period domestic debt amounts to 25.0%, and external debt – to 75.0%. As of 31 March 2020, central government guaranteed debt amounts to BGN 128.2 million. Domestic guarantees amount to BGN 65.1 million and external guarantees – to BGN 63.1 million. The central government guaranteed debt/GDP ratio is 0.1%. According to the official register of government and government guaranteed debt kept by the Ministry of Finance on the grounds of Article 38(1) of the Government Debt Law, at the end of March 2020 government debt reaches BGN 22,086.9 million, or 18.8% of GDP. Domestic debt amounts to BGN 5,556.8 million and external debt – to BGN 16,530.1 million. Government guaranteed debt amounts to BGN 1,707.8 million in March 2020, domestic guarantees amount to BGN 65.1 million, with the government guaranteed debt-to-GDP ratio being 1.5%.



Fiscal measures of the Bulgarian government

The fiscal measures of the Bulgarian government related to the negative impact of COVID-19 were determined by the Ministry of Finance on the basis of the expected decrease in revenues, increase of expenditures by BGN 1.070 billion and provision of a funding limit in case additional fiscal buffers are required.

On the basis of this macroeconomic scenario, the annual revenue forecasts are estimated to be in the total amount of about BGN 2.44 billion, and the main taxes - VAT, excise duties, corporate taxes, personal income tax, social security contributions, etc. will be affected. The magnitude of the expected negative bias in revenue estimates necessitates an update of the annual budget balance target for 2020.

The expenditure side should be provided with the necessary funds for the implementation of the measures of the Law on Measures and Actions during the Emergency Situation, announced by the decision of the National Assembly of March 13, 2020, which require changes in the cost parameters.

In addition to the urgent cost of preventing the spread of COVID-19, measures to support the economy and the employed are a priority. To preserve jobs in the country, the government proposed and after discussion at the Tripartite Cooperation Council, the so-called "60/40" measure was adopted, consisting in the state taking over 60 percent of the insurance income of employees in enterprises, whose business has been hit hardest by the extraordinary measures put in place to control the spread of the COVID-19 infection.

To provide the necessary resource under the State Social Insurance (SSI) budget for the Unemployment Fund, it is proposed to increase the transfer from the state budget to the State Budget for the amount of BGN 1.43 billion, incl. BGN 1 billion for additional expenditures and BGN 430 million for offsetting the expected non-fulfillment of revenues under the budget of the SSI.

Another measure to support the economy and those most affected by the crisis is the projected capital increase of the Bulgarian Development Bank (BDB) by BGN 700 million.

The proposed changes in revenues and expenditures also change the balance of the state budget, suggesting it to be a deficit of BGN 3.45 billion (2.9% of projected GDP). These estimates also change the forecast balance of the consolidated fiscal program for 2020, projecting it to be a deficit of BGN 3.51 billion (3.0% of projected GDP).

With a view to financing the estimated deficit of BGN 3.5 billion, the acquisition of a resource for the implementation of the measures through additional capitalization of BDB with BGN 700 million and following a conservative approach to provide additional buffer in case of negative development of The crisis and the need for available liquidity also suggest a change in the sovereign debt limit for 2020. It is proposed to increase the maximum amount of new government debt that can be absorbed in 2020 from BGN 2.2 billion to BGN 10 billion, which is an increase of BGN 7.8 billion. to cover the deficit and capital increase of BDB provided for in the update is BGN 4.2 billion, the remaining amount will be absorbed only in a negative scenario and will serve as an additional buffer in the high level of uncertainty in which prepared calculations on the proposed BDA of the BDAB for 2020.

In addition to changes in the state budget, amendments to the state budget are reciprocally proposed, adjusting the revenue side by BGN 430 million, as well as additional expenses amounting to BGN 1 billion under the budget of the Unemployment Fund of the state social security fund.

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The Government approves a draft Law amending and supplementing the State Budget of Bulgaria Act 2020. The necessity for the drafting of the bill stems from the outlined inability to achieve the set fiscal targets with the 2020 budget estimates. The reasons for this are, on the one hand, the need to provide additional costs in implementation of the Law on Measures and Actions during the Emergency Situation and, on the other, the forecasted deterioration of budget revenue parameters at the moment. Bulgaria raises its debt limit from BGN 2.2 billion to BGN 10 billion.

BANKING SECTOR

At the end of March 2020, the banking system's assets amounted to BGN 115.1 billion (90.8% of GDP) and increased by 0.3% on a monthly basis and 6.3% on an annual basis. Their relative share in the estimated GDP is 90.8%. Gross loans and advances from customers at the end of March 2020 amounted to BGN 67.0 billion and increased by 8.5% year on year against 0.1% monthly growth. Their relative share in GDP is 52.8%. Loans to non-financial corporations amount to BGN 66.9 billion and increase by 4.2% yoy, down by -0.2% on a monthly basis. Loans to other financial corporations amount to BGN 4.5 billion, increasing by 41.8% yoy, with a monthly decline of -0.2%. Household loans increased by 0.5% on a monthly basis and by 10.1% annually to BGN 24.7 billion. At the end of March 2020, the relative share of non-performing loans was 6.5%.

According to BNB data, the net aggregate profit of the banking system in Bulgaria as of March 31, 2020 is BGN 296 million, which is by BGN 13 million (4.2%) less than in the first three months of 2019. Impairment losses on financial assets that are not carried at fair value through profit or loss at the end of March 2020 amount to BGN 153 million (against BGN 86 million a year earlier).

Indicator (BGN"000)	31.03.2019	31.03.2020	Y/Y (%)
Interest Income	755 830	765 576	6.2
Interest Expence	70 485	76 406	2.1
Net interest Income	**685 345**	**689 170**	**6.7**
Impairment	86 439	152 900	43.7
Fee and commission income	312 272	314 309	11.6
Fee and commission expenses	47 697	52 658	34.4
Net fee and commission income	**264 575**	**261 651**	**7.9**
Administration costs	402 641	417 757	0.6
Personal cost	219 279	229 957	12.7
Total operating income, net	902 496	949 433	11.4
Net Profit	**309 041**	**296 146**	**10.8**

Source: BNB, UBB's Calculations

At the end of March 2020, the banking system's assets amounted to BGN 115.1 billion (90.8% of GDP), falling 0.3% on a monthly basis and 6.3% year on year. Their relative share in the estimated GDP is 90.8%. In March 2020 the position of money, cash balances with central banks and other sight deposits, as well as debt securities increased, while loans and advances decreased. As a result of the dynamics, the share of the balance sheet of loans and advances in total assets at the end of March decreased to 62.2%, that of money, balances with central banks and other sight deposits increased to 18.7%, and the share of portfolios with securities reached 13.4%.

Bulgaria Intermediation Indicators	31.03.2019 BGN'000	31.12.2019 BGN'000	29.02.2020 BGN'000	31.03.2020 BGN'000	Change m/m (%)	Change y/y (%)	Change yend (%)	Share in GDP (%)
BANKING SYSTEM TOTAL ASSETS	**108 246 637**	**114 201 141**	**114 767 779**	**115 118 210**	**0.3**	**6.3**	**0.8**	**90.8**
Loans to central governments	771 480	932 642	931 956	950 093	1.9	23.2	1.9	0.7
Loans to non-financial corporations	**35 376 593**	**36 572 986**	**36 968 472**	**36 879 536**	**-0.2**	**4.2**	**0.8**	**29.1**
Loans to financial corporrations	3 194 804	4 594 445	4 540 320	4 531 720	-0.2	41.8	-1.4	3.6
Retail loans, incl.:	**22 421 345**	**24 193 012**	**24 545 254**	**24 670 633**	**0.5**	**10.0**	**2.0**	**19.5**
Mortgage loans	11 263 669	12 486 585	12 651 389	12 763 657	0.9	13.3	2.2	10.1
Consumer loans	10 545 027	12 427 283	12 595 419	12 613 159	0.1	19.6	1.5	9.9
Micro credits and other loans	612 649	-720 856	-701 554	-706 183	0.7	-215.3	-2.0	-0.6
TOTAL LOANS	**61 764 222**	**66 293 085**	**66 986 002**	**67 031 982**	**0.1**	**8.5**	**1.1**	**52.9**
ATRACTED SOURCES FROM CLIENTS, incl.:	**85 922 199**	**91 853 230**	**91 752 820**	**92 244 808**	**0.5**	**7.4**	**0.4**	**72.8**
Local government deposits	2 773 421	2 665 018	2 833 828	2 898 388	2.3	4.5	8.8	2.3
Non-financial corporations deposits	25 292 066	**28 150 012**	27 539 522	27 560 671	**0.1**	**9.0**	**-2.1**	**21.7**
Financial corporations deposits	3 574 612	3 422 053	3 147 682	3 625 664	15.2	1.4	5.9	2.9
Households and NPISHs deposits	**54 282 100**	**57 616 147**	**58 231 788**	**58 160 085**	**-0.1**	**7.1**	**0.9**	**45.9**
Equity	14 160 988	14 396 914	14 505 787	14 605 975	0.7	3.1	1.5	11.5
Net profit (annualised)	309 041	1 674 983	154 927	296 146		**-4.2**		
BANKING INDICATORS (%)								
ROE	13.1	11.6	6.4	8.1	1.7	-5.0	-3.5	
ROA	1.7	1.5	0.8	1.0	0.2	-0.7	-5.2	
Capital adequacy	19.2	20.2	n.a.	n.a.				
Liquidity	289.1	269.9	264.6	261.0	-3.6	-28.1	-5.2	
NPL	7.4	6.5	n.a.	6.5		-0.90	0.00	
GDP, BGN '000	115 437 000	115 437 000	126 769 000	126 769 000				
EUR/BGN	1.95583	1.95583	1.95583	1.95583				

Source: BNB, MF, UBB Calculations

Gross loans and advances from customers at the end of March 2020 amounted to BGN 67.0 billion and increased by 8.5% year on year against 0.1% monthly growth. Their relative share in GDP is 52.8%. Loans to non-financial corporations amount to BGN 66.9 billion and increase by 4.2% yoy, down by -0.2% on a monthly basis. Loans to other financial corporations amount to BGN 4.5 billion, increasing by 41.8% yoy, with a monthly decline of -0.2%. Household loans increased by 0.5% on a monthly basis and by 10.1% annually to BGN 24.7 billion.

At the end of March 2020, deposits from customers in the banking system amounted to BGN 92.4 billion and increased by 0.2% on a monthly basis and by 7.4% on an annual basis. Their relative share in GDP is 72.8%. Government sector deposits amounted to BGN 2.9 billion and increased by 2.3% on a monthly basis and by 4.5% on an annual basis. Deposits of non-financial corporations amounted to BGN 27.6 billion and increased by 0.1% on a monthly basis and by 9% on an annual basis. Household deposits increased by 7.1% yoy to BGN 58.23 billion.

The gross amount of non-performing loans and advances at the end of March was BGN 6.0 billion (against BGN 6.1 billion at the end of December 2019), and their share in the total amount of gross loans and advances was 6.5% at 6.5% by the end of 2019 and 7.2% by the end of March 2019.

	Gross book value / nominal value					Cumulative impairment, accumulated negative changes in fair value due to credit risk and provisions	Non-performing loans	Relative share of non-performing loans (%)
		Performed	Non-performed				> 90 days	
Non-performing loans Total			Unlikely to be repaid, without arrears or overdue ≤ 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days			
Loans and Advances	**94 454 735**	**88 334 418**	**2 185 552**	**454 544**	**3 480 221**	**-3 567 935**	**6 120 317**	**6.5**
Central banks	13 469 256	13 469 256	0	0	0	-188	0	0.0
General governments	932 642	926 385	923	97	5 237	-8 125	6 257	0.7
Credit Institutions	14 688 236	14 688 236	0	0	0	-9 004	0	0.0
Other financial corporations	4 594 445	4 433 771	1 981	1	158 692	-72 748	160 674	3.5
Non-financial corporations	36 577 144	32 398 562	1 691 108	302 967	2 184 507	-2 132 359	4 178 582	11.4
Retail Exposures, including	24 193 012	22 418 208	491 540	151 479	1 131 785	-1 345 511	1 774 804	7.3
Of which: Loans secured by residential property	12 486 586	11 716 361	273 359	55 108	441 758	-373 639	770 225	6.2
Of which Consumer Loans	12 427 281	11 359 225	283 629	101 456	682 971	-954 232	1 068 056	8.6

The liquidity coverage ratio remained well above the regulatory requirement and stood at 261.0% at the end of March (against 269.9% three months earlier). At the end of the reporting month, the liquidity buffer was BGN 28.9 billion and the net outflows were BGN 11.1 billion. The balance sheet capital of the banking system at the end of March amounted to BGN 14.6 billion and increased by BGN 209 million (1.5%) in the first quarter, with the main contribution of the realized profit for the period.

BNB measures in relation to the COVID - 19 pandemic

On March 19, 2020 the BNB has implemented, within its mandate, a package of measures of BGN 9.3 billion in connection with the COVID 19. pandemic. the pandemic, for citizens and businesses. The main measures aim to further strengthen banks' capital and liquidity as follows:

1) Capitalization of the full volume of profit in the banking system in the amount of BGN 1.6 billion;

2) Repeal of the planned increase of the countercyclical capital buffer for the years 2020 and 2021 with effect of BGN 0.7 billion;

3) Increasing the liquidity of the banking system by BGN 7 billion by reducing foreign exposures to commercial banks.

In addition, the BNB applies additional measures to ensure the smooth functioning of the currency board, cash circulation, payment systems and banking supervision. The BNB is in constant and active contact within the European System of Central Banks and the European Banking Authority to coordinate the adaptation and implementation of the pan-European banking regulatory framework.

On April 10, 2020, the Governing Council of the Bulgarian National Bank approved the draft Order of the Bank of Bulgaria (ABB) to defer and settle required liabilities to banks and their subsidiaries - financial institutions in connection with the state of emergency introduced by National Assembly on March 13, 2020. Once approved, the document constitutes a private moratorium within the meaning of the European Banking Authority's (EBA) Guidelines on legislative and private moratoriums on credit payments related to COVID-19 (EBA / GL / 2020/02). The EBA Guidelines were adopted for compliance with a decision of the BNB Governing Council of 3 April 2020 and published on the EBA website.Commercial banks, which have agreed to apply the approved debt deferral order, will announce publicly the offered reliefs on their website, in bank lounges and in another appropriate manner. The approved private moratorium provides for changes in the repayment schedule of principal and/or interest rates, without changing key parameters of the credit agreement, such as the interest rates already agreed. Liabilities may be deferred for up to 6 months, ending on 31 December 2020. Deferred payments must have been regularly serviced or with a default of no more than 90 days by 1 March 2020.

Customers must explicitly state to their servicing bank that they wish to benefit from the facilities offered. Three standardized mechanisms are envisaged:

- Mechanism No. 1 - deferral of principal and interest for up to 6 months;
- Mechanism No. 2 - deferral of principal for up to 6 months;
- Mechanism No. 3 applicable to revolving products.

The respective mechanism will be chosen by mutual agreement between the banks and their clients.
Banks may negotiate with their customers other individual deferral or relief schemes other than those provided for in this order. In such cases, banks will not be able to benefit from the provisional principle introduced by the approved moratorium and following EBA guidelines that deferral or relief does not lead to reclassification of exposures in the form of restructuring or default.

On 22 April 2020, the European Central Bank and the Bulgarian National Bank agreed to enter into a foreign exchange safeguard agreement (swap line) in order to provide euro liquidity. The swap line will remain in force until December 31, 2020, or as long as necessary. The size of the swap line is set at EUR 2 billion. Under the new swap line, the Bulgarian National Bank will be able to raise up to 2 billion euros in exchange for Bulgarian levs. The maximum maturity for each withdrawn amount will be three months.

Bulgaria is preparing to participate in the currency facility (ERM II), which is a prerequisite for a Member State to join the euro area.

Measures by ABB and commercial banks

BNB has approved rules for deferring bank loans to individuals and businesses. Thousands of bank customers affected by the economic crisis caused by the COVID-19 pandemic are expected to benefit from this opportunity. The deferral rules were developed by the Banking Association of Bulgaria (ABB). The practical options that these rules give are as follows:

1. The proposed by the ABB and approved by the BNB Order for deferral and settlement of outstanding liabilities to banks and their financial institutions subsidiaries in connection with the state of emergency introduced by the National Assembly on March 13, 2020 (Deferral Order), points out that deferrals of up to 6 months may expire until 31 December 2020. The appropriate mechanism, which could be implemented, shall be chosen by mutual agreement between the banks and their clients.
2. Any deferred or anticipated COVID-19 pandemic client can benefit from the Deferral Order. The client should have repaid its loan regularly and not be in arrears for more than 90 days as of March 1, 2020.
3. The debt deferral order is linked to the COVID-19 pandemic, as are the requirements of the European Banking Authority (EBA) on which the ABB-developed and BNB-approved document is based. Deferral of credit installments is only applicable to loans made before March 31, 2020. Item 1 of the Order specifies the conditions that customers must fulfill in order to benefit from the Deferred Debt Order, as one of the the three necessary conditions are for the client to be affected by COVID-19. The client must also have expressed an explicit desire for the bank to take advantage of the reliefs provided in the Order. Banks will advise their customers what documents they need to submit to prove that customers have or expect to have difficulty repaying loans stemming from the COVID-19 pandemic.
4. The banks' websites contain additional information on the options, ways of applying the BNB approved Deferred Order Terms and conditions for different products (loans, credit cards, overdrafts, etc.). In connection with the implementation of Reda, banks have disclosed on their web pages information about remote customer contacts, including email and telephone. In this way, remote communication with citizens and businesses can be carried out on issues related to the Order and their application and will help to reduce the number of visits to banking offices, if not desired by the clients. They are expected to make the most of these remote communication methods, further specifying with their servicing bank whether it is necessary and when they should make an on-site visit to a banking office.
5. The Deferred Debt Order provides for rescheduling mechanisms, including credit cards. The choice of a deferral mechanism is made by mutual agreement between the bank and its client.
6. The request for renegotiation of obligations arising from the declaration of a state of emergency in the context of a COVID-19 pandemic and / or accompanied by its direct consequences, shall be submitted by means of a declaration, to prove the reasons declared, at their discretion, by the banks. may require additional documents. In principle, any request for credit/renegotiation or change of conditions is accompanied by the documents required for the relevant analyzes and judgments in the credit process.
7. The period to which customers can express their explicit desire to use preferential terms to service their bank is sufficiently long (June 2020). We also assume that most bank customers will not need to take advantage of the Deferral Order and will continue to service their loans as agreed with the bank.
8. The announced programs of the Bulgarian Development Bank (BDB) are under development, and in the course of the consultations ABB and its members are contributing to finalizing the details on them, with the aim of faster launch and more efficient delivery. to enter into agreements with banks in order to launch the implementation of the program for individuals.

In the situation of "state of emergency" and protection from COVID-19 banks in Bulgaria became involved actively and urgently changed their current model of work. Total of 12 credit institutions have declared their willingness to participate in the Bulgarian Development Bank guarantee program for providing non-interest loans up to BGN 4,500 to assist people deprived of the opportunity to work due to the pandemic of COVID-19 (employees on unpaid leave and self-insured persons). These are: Alliance Bank Bulgaria, DSK Bank, Investbank, International Asset Bank, United Bulgarian Bank, Municipal Bank, First Investment Bank, Raiffeisenbank, Commercial Bank D, UniCredit Bulbank, CCB, Eurobank Bulgaria.