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Debt Advice in Times of the COVID-19 Pandemic

ecdn
european consumer debt network

Message from the President

The rapid spread of COVID-19 across the world shows that the virus has no nationality, it does not stop at the border! The ECDN has created different responses to the financial depression, which Europe and the world faces – one of them being this issue of Money Matters with focus on the economic impact of COVID-19 on European countries.

Unfortunately, the conclusions from the 18 papers, created by some of the top minds in their field, are overwhelming; Europe faces an economic depression within the end of 2020. Already now, over a million Europeans have lost their jobs, and many more fears what COVID-19 will mean for their health and their economic well-being.

We must act now! We must be ready to help the people in financial stress all over Europe before it's too late. If we are not ready, we will be hit by a tsunami of debt and over-indebtedness which will threaten the economic and social fabric of Europe for generations to come.

My deepest respect and thanks to the members of the COVID-19 and Debt Scientific Group (CoDeS), who works with collecting important and valid data on COVID-19's economic impact, for making this important issue of Money Matters possible – together we are strongest!

Sandy W. Madar
President of the ECDN

Editorial

In December 2019, the new, aggressive virus SARS-CoV-2 was identified in the Chinese city of Wuhan. Three months later, on March 11, the WHO announced the COVID-19 outbreak as a pandemic. By mid-March 2020, the WHO European Region had already become the epicentre of the pandemic. As a direct result, almost all European governments have adopted drastic measures to protect their populations from the spread of COVID-19. The most important measures in18 European countries are described in this issue of Money Matters.

Above all, the shutdown of many service companies, the introduction of short-time work, the cancellation of cultural and major events have caused economic hardship for many companies and people. Across Europe, the scenarios for the development of national GDP and unemployment paint a very negative picture.

The catalogues of measures to mitigate the consequences of the Europe-wide shutdown are similar. However, they cannot prevent the COVID-19 crisis from putting social groups into financial precariousness that were not at risk from over-indebtedness in the pre-Corona period.

The authors of the individual country sections in this issue report about the short-term and possible long-term impact of the crisis and the significant effects on the well-being of the population and the challenges for debt advice services. They deserve great credit for this.

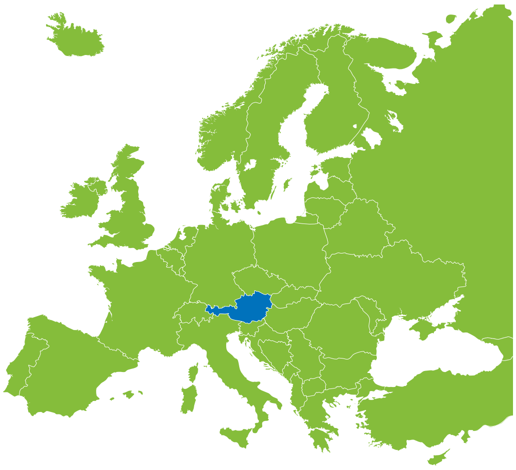
As of the editorial deadline on May 19, **1 317 267 diagnosed COVID-19 cases and 157.312 deaths** due to/with Sars-Corona virus have been reported in the EU/EEA and the UK by the ECDC. Fortunately, since the peak of the infection rate on April 4, infection and death rates have been falling continuously.

However, the financial and personal consequences of the Covid-19 crisis will remain visible for a long time to come. The analyses in this issue serve a multiple purpose: they provide scientific information, knowledge and evaluation, and serve as a basis for recommendations to stakeholders and the political arena.

Dieter Korczak
Editor

COVID-19 in Austria.

A SHORT OVERVIEW ON POLICY MEASURES AND IMPACT



by:
Stefan Angel[1]

1. Macroeconomic impact and unemployment

As of April 23, 2020, the Austrian Institute of Economic Research (WIFO) expects a negative real GDP growth of at least 5.25 percent for 2020 which could grow to a loss of 7.5 percent in a more pessimistic scenario. This will increase the unemployment rate to 8.75 percent. The public budget deficit is estimated to be 7.5 percent of GDP in 2020. For 2021, the models predict a rebound and a real growth rate of +3.5 percent.[1] The Institute for Advanced Studies (IHS) currently estimates a loss of 2 bn per 2 weeks of economic shutdown. The latest projection of the HIS forecasts a negative real GDP growth of 8.16 percent (or 32.5 bn Euro) for 2020.[2]

2. National policies

Overview. The sum of all economic policy measures undertaken by the federal government of Austria amounts to 38 bn Euro (roughly 9.5 percent of nominal GDP 2019). Broadly speaking, policy measures comprise in-kind transfers (e.g. taxi vouchers for older people in Vienna, laptops for disadvantaged children), short-time work and cash transfers. Moreover, the federal government introduced various measures for private households and entrepreneurs to avoid liquidity problems. These polices come in the form of public guarantees for company credits, regulations allowing for a temporary deferral of debt repayments (private households and companies), a temporary ban of evictions due rent arrears. There are additional policies by state governments in place.[4 5]

Bridge-Finance-Guarantees due to the Corona Virus Crisis. Practical procedures are managed by the promotional bank „Austria Wirtschaftsservice GmbH". Through that organization the government offers guarantees for bridge financings. The aim is to facilitate the financing of working capital loans from companies whose sales and earnings development is impaired by order, delivery or other market changes due to the corona virus crisis. Target groups are commercial and industrial SMEs (no companies in the tourism and leisure industry) according to EU definition. Companies are excluded from a guarantee. Short-term loan financing (less than 6 months) is excluded from a guarantee. As of mid-April 2020, it was announced that guarantees will also be offered to companies with a workforce of 250 or more.[6]

Guarantees and debt-related measures for private households comprise a) a regulation that temporarily (until May 2020) forbids to be cut-off from electricity and heating due to arrears; b) an option for payment deferrals until the end of 2020 for credits payments due in April, May, June 2020. This is only valid for credit contracts signed before March 15, 2020; c) a regulation that forbids further arrears fees (e.g. reminder fees) between

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2 https://www.wifo.ac.at/en/news/economic_development_under_the_impact_of_the_covid-19_crisis
3 https://irihs.ihs.ac.at/id/eprint/5303/1/ihs-policy-brief-2020-czypionka-schnabl-et-al-wirtschaftliche-folgen-coronavirus-update-2020-04-21.pdf
4 https://www.wifo.ac.at/news/auswirkungen_der_corona-krise_auf_die_oeffentlichen_haushalte
5 https://www.fwp.at/en/bridging-periods-of-insolvency/
6 https://www.aws.at/en/aws-guarantee/bridge-finance-guarantees-due-to-the-corona-virus-crisis/9

April 2020 and June 2020; d) a regulation that forbids the termination of rental contracts due to rent arrears during April, May, June 2020.[7]

3. Effects on tourism

In general, most experts in Austria agree that the federal government and state level governments reacted quickly and generous to compensate economic losses due to the Corona shutdown. What will be crucial in the future is to find the right balance between shutdown intensity and the speed of releasing shutdown measures. Tourism is particularly affected. For 2020, the IATA global aviation association expects the loss of 485,000 jobs in air travel and tourism.[8] The WIFO calculates a large decrease in the number of overnight stays from 24 percent (most optimistic scenario) to 31 percent (most pessimistic scenario) compared to 2019.[9] Tourism in Austria which significantly contributes to national GDP (around 8 percent and to 17 percent together with the leisure industry) and where many people in Western Austria work might also suffer from a longterm impact of the crisis. Longterm perspectives for tourism, however, are yet hardly discussed by the Austrian government.

4. Vulnerable groups and social effects of the shutdown

In general, the COVID-19 crisis has deepened economic and social vulnerability of groups that were already deprived before the crisis. In addition, artists and smaller entrepreneurs are more affected now than before.

· Single-parent households

· Households with small dwellings

· Children from parents with low education

· Employees and entrepreneurs in the tourism industry

· More general, households with low incomes and low levels of buffer stock savings

· Small entrepreneurs that provide direct services to their clients, particularly those which require close personal contact (e. g. health services, personal trainers)

· Artists who are restricted from performing live in big venues

Concerning the broader economic and social impacts of COVID-19, data collection activities (most of them online surveys) are primary undertaken by individual researchers or academic research groups (e. g. the „Austrian Corona Panel Project by researchers from the University of Vienna"). These online surveys focus on various special topics (e. g. home office and share of

7 https://www.schuldenberatung.at/downloads/schuldnerinnen/asb_Infoblatt_Corona_Massnahmen_2020_EndV2.pdf?m=1586416542&
8 https://kurier.at/wirtschaft/in-oesterreich-sind-485000-luftfahrt-und-tourismusjobs-in-gefahr/400822061
9 https://www.wifo.ac.at/news/corona-shutdown_szenarienrechnung_belegt_massive_auswirkungen_auf_den_tourismus

homework between partners, feelings of loneliness). Beyond these activities, there is no public largescale study in Austria. More scientific studies are necessary to investigate changes in actual living conditions and to identify groups that suffered the most (and those that were resilient).

Results from the Austrian Corona Panel Project survey (N=1,500) reveal that COVID-19 makes Austria more unequal across multiple domains. Those with lower education levels have been hit much harder by layoffs and reductions in their working hours: One in seven people with no more than nine years of schooling have lost their job in the previous month. Those with very low incomes before Corona have less money now. Additionally, negative feelings such as anxiety, anger, and loneliness are particularly common among the unemployed, recipients of social assistance transfers and those on disability benefits. Among households that do not have access to outside areas such as a garden or a balcony, those with lower incomes and in urban areas are overrepresented. Domestic conflicts and problems with childcare are more likely if you live with children, particularly among single parents and families with two or more children. [10] [11]

5. Over-indebtedness and debt advice

In 2019, the Austrian debt services agencies served around 60,500 clients (0.7 percent of the population). Around 9,500 private bankruptcy procedures were newly opened in 2019. In the first quarter of 2020, 1,909 private bankruptcy procedures have been newly opened. This is 22.7 percent less than in the first quarter of 2019. Debt services argue that this decrease is due to the temporary reduction of work capacities in the legal system due to Corona. [12] It is likely that the number of new insolvency procedures will jump once these capacities will be used at regular scale.

As of April 2020, debt counseling can only be done by telephone. This makes it more difficult to motivate and to keep good contact with clients (particularly those with psychosocial problems). Before the crisis, the two main reasons for private bankruptcy in Austria were job loss and failed entrepreneurship. Particularly small entrepreneurs are now hit by the economic effects of the shutdown.

Debt advice services in Austria expect a strong increase of clients after the crisis which will likely not meet their current capacities. Thus, debt advice organizations ask for increased financial support by the government to meet this demand. The head of the Austrian debt counseling services expects a surge in bankruptcies in the summer, after completion of cases that could not been handled due to Corona since March. The overall increase is estimated to be around 40 percent for 2020 (summing up to a total of 13,500) compared to 2019 (total of 9,500). [13] The head of the Austrian KSV 1870 creditor association expects an increase too. [14]

Thomas Url from the Austrian Institute of Economic Research WIFO is slightly less pessimistic. [15] He expects a moderate increase in private insolvencies due to compensating effects from short-term work and government financial transfers. However, small entrepreneurs are likely not be allowed for corporate insolvency due to lack of minimum capital. This group may then end up in applying for private bankruptcy. Still, this is expected to be reflected in private bankruptcy figures not before the end of this year.

10 https://viecer.univie.ac.at/coronapanel/austrian-corona-panel-data/method-report/
11 https://medium.com/@bprainsack/covid-19-affects-us-all-unequally-lessons-from-austria-faf8398fddc1
12 https://www.schuldenberatung.at/fachpublikum/news/2020/04/PK_Q1_2020.php
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The impact of COVID-19 on Bulgarian economy

by:
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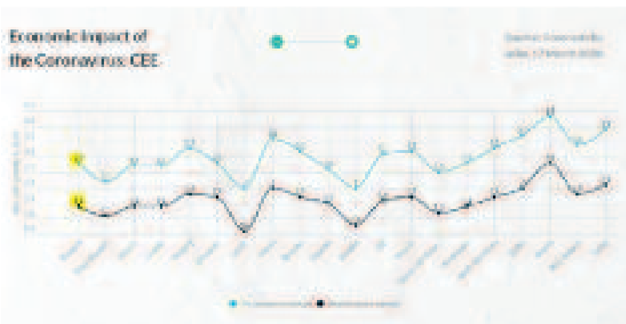
1. Development of the GDP

On March 13, the Dutch bank ING lowered its forecast for economic growth in the Balkans in 2020. The previous forecast for Bulgaria was 3.1 percent, while the bank now forecasts 2.1 percent GDP growth.

According to the possible scenarios, the Vienna Institute for International Economics estimates that the growth in real GDP of Bulgaria for this year will range from 2.8 (pre-crisis forecast), to 2.5 (weak effect) and 2.1 (average effect) to 1.4 percent in the scenario of the severe effects of the crisis.



Source: Veinna Institute for International Economics, 17 March 2020, Trending Topics

The Institute for Market Economy (Bulgaria) published GDP forecasts with a softer scenario, in which the effect would be a 1 percent drop in GDP and a more likely, critical scenario, with a fall of 4 to 5 percent.

Tourism and transport are the most affected industries in Bulgaria. In Bulgaria, tourism accounts for about 10-13 percent of GDP in related industries. Deleting this 13 percent of GDP will be detrimental to the Bulgarian economy. Most of the Bulgarian employees are employed there – i. e. one can expect an increase in unemployment, a decrease in income growth, etc. A certain drop of the investment flows is expected as well.

2. Measures to fight the consequences of the COVID-19

Under the emergency rules schools, universities and kindergartens will remain closed until May 13 and visits to gyms, cinemas, bars, restaurants and shops except for supermarkets and pharmacies will be banned. Businesses are encouraged to allow employees to work remotely while students will take classes online. The State Budget update envisages an increase of funds for the State and Social Insurance Fund by 700 Million Euro.

The government's anti-unemployment plan, now popularly referred to as the 60/40 plan, provides for the state to pay 60 percent of the workers' and employees' insurance income in companies from certain hardest hit sectors of the economy for

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3 months. It is estimated that around 300,000 people will be able to benefit from these measures.

The bailout package also provides for interest-free quick bank loans of 750 Euro for individuals sent on unpaid leave due to the COVID-19 crisis, with a repayment period of up to 24 months. Recipients will also have a grace period of 6 to 12 months, during which they will not have to make a return contribution. Estimates suggest that around 130,000 people will be able to benefit from these loans. The terms for paying some of the taxes have been extended.

4. Damages of the COVID-19 epidemic

There are 1300 people registered in Bureaus of Labour every day, according to Money.bg. Before the crisis, the number of newly registered unemployed was half that number. The Finance Minister expressed expectations for an increase in unemployment in Bulgaria by 2 percent.

A survey conducted by the Bulgarian Chamber of Commerce shows that only 8 percent of employers are willing to take advantage of the „60/40" measure, which is the main tool in the government's anti-unemployment plan. A study by the Confederation of Independent Trade Unions confirms the 78 percent tendency of affected companies to place workers on paid leave and 24 percent on unpaid leave. 13 percent resort to redundancies. Unions estimate that by the end of the year 300,000 Bulgarians will remain out of work, out of a total of 2 320,000 employed in the country.

5. New and old vulnerable groups

Bulgaria traditionally reports low levels of household debt and it ranks among the countries with the lowest debt in Europe (28.6 percent of GDP in 2018), according to the International Monetary Fund. At the same time, Bulgaria has relatively high levels of non-financial corporate debt (172.4 percent of GDP).

A factor that potentially increases the risk to the Bulgarian economy is the large number of small and medium-sized enterprises (SMEs) expected to be most affected by the crisis – over 98 percent of all companies in the country. Many of them are firing their personnel because they have to close down.

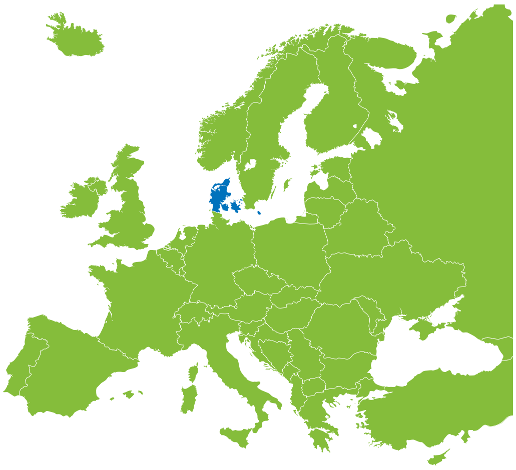
According to the last data provided by the World Bank (16 April 2020) poverty is projected to increase, given the job losses and rising vulnerabilities associated with the crisis and the possible negative impact of rising minimum wages on employment among the unskilled. The poor are more vulnerable to health shocks because they often have less access to health care and lower savings to protect them from a financial catastrophe. Additionally, they are more likely to suffer from income losses as a result of quarantines and/or disruptions in economic activity.

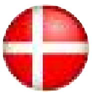
6. Anxieties

According to the Gallup International study people worry about their health as much as they do about their jobs, income, and opportunities to lead a normal life. Despite the problems and inconveniences due to the state of emergency, more than ¾ of citizens approve the government's anti-crisis measures.

A study conducted by Trend Agency shows increased concern about the socio-economic impact of the COVID-19 situation, with people at risk of unemployment in the first place. Only 25 percent of respondents do not expect the crisis to affect their work. The same survey shows that 43 percent expect their income to decline because of COVID-19. These trends are also confirmed by the sociological agency Afis, according to which 31 percent of Bulgarians in the current crisis are catastrophic and expect to lose a large percentage of their income. 37 percent expect to be partially impoverished.

The financial consequences of COVID-19 in Denmark





by:
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Thanks to Bjarne A. Jensen, Professor, CBS, Denmark

1. Reduction of GDP and development of unemployment figures 2020

Like most countries, Denmark started an extensive shutdown of the entire country in the middle of March. New legislation was introduced which limited public gatherings at first to a maximum of 100 people, later limited to 10 people. The government also closed the countries' borders, sent home all nonessential public employees, and closed all public institutions e.g. schools, universities, libraries, kindergartens etc. Simultaneously, new rules were introduced for the private sector. This involved a close down of all large malls and shopping centres, public swimming pools and sports facilities etc. Finally, the government requested that all people employed in the private sector if possible should work from home as well (Frandsen 2020).

Although we are now in a slowly progressing process of reopening society, the COVID-19 shutdown has already led to a sharp increase in unemployment. The latest numbers show an increase of 13.400 new people registered as unemployed in March, increasing the unemployment rate from 3,7 percent in February to 4,1percent (DST.dk 2020a). The Danish Ministry of Finance works with three scenarios for how COVID-19 will affect unemployment in the near future. In the most optimistic case, they expect an increase of 30.000 full time positions, in the most pessimistic case this increase is expected to be 56.000 (FM 2020). An increase in unemployment of 0,4 percent may not seem like much, but it needs to be seen in its context, where unemployment has been decreasing steadily, with only minor increases, for the past eight years (DST.dk 2020a). One of the reasons that the spike is relatively modest is probably due to the Danish labour market model, and the Danish Salaried Employees Act which ensures employees between three and six months' notice when they are being fired (Retsinformation 2017), meaning that most Danes who have been fired since the start of shutdown effectively have between three and six months with full salary, before they register as unemployed.

There is no official prognosis for where the Danish economy is headed, but the Danish Ministry of Finance estimates a drop in GDP between 3 and 6 percent by the end of 2020 (FM 2020). The Danish Central Bank works with three scenarios: A mild scenario where GDP will drop by c. 3 percent and quickly bounce back, a central scenario where GDP will drop by c. 5 percent and gradually return, and a severe scenario where GDP will drop by 10 percent and only slowly climb back up (Nationalbanken 2020).

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2. Activities and measures by the government/states/ institutions to help and support the people/population

The Danish government has acted quickly to mitigate the worst effects of COVID-19 on the Danish economy. Already before the shutdown had begun, the government had decided to postpone companies' payment of VAT and taxes to increase their liquidity (Bendtsen & Boddum 2020). All nonessential public employees who were sent home, even those who would not be able to work from home, have received full salary for the duration of the shutdown, all privately employed people who were sent home, have also received full salary for the duration of the shutdown. This is due to the Danish labour market model, where the parties, the employees represented by trade unions and the employer organisations, negotiate a collective agreement deciding rules for salaries, holidays, workers rights etc. There are different collective agreements for each sector of the Danish workforce, but none the less, the system have ensured that all employees covered by them have received full pay for the duration of the shutdown.

The Government has suspended several rules originally meant to restrict access to unemployment benefits, to ensure that the newly unemployed would have access to said benefits. The Government covers up to 80 percent of a company's fixed costs such as rent and insurance for companies who have lost at least 40 percent in turnover; for companies who are forcibly closed during the shutdown such as barbers, hairdressers and dentists, the state covers 100 percent of the fixed costs (EM 2020a). The government has also given back billions of DKK to companies who have already paid their VAT and taxes as a no interest loan to help the companies increase their liquidity (EM 2020b).

This was followed up by the creation of temporary „aid" packages meant to substitute lost income and pay between 75 and 90 percent of employees' wages for companies to encourage them not to fire their employees. This was first introduced to freelancers and self-employed but were later expanded to the rest of the private sector companies, provided they show a significant loss in income (min. 30 to 40 percent). The latest development is that Danish authorities has opened for considering COVID-19 as work related injury (BM 2020). Danish Students above the age of 18 are entitled to the State Education Fund which is about 720 Euro/month this can be supplemented by a low interest loan, both the size of the fund and the loan depends whether the student has a job while studying and how much the student earns. The students' access to these loans have been expanded to help them supplement their income, and students who work in the essential positions e.g. hospitals, police etc. will be able to earn more, without it affecting the size of their fund and/or loans (SU 2020).

Finally, the Danish Government has started re-opening the country, though from a precautionary principle, where they do not want to open too fast risking a new spike in COVID-19 cases. The second round has seen small shops and service businesses as well as shopping centres re-open.

3. Negative effects of crisis, the shutdown or the taken measures on people

Already in the first month of the shutdown 13.400 people registered as unemployed (DST.dk 2020a), the unemployment benefit offices who are in charge of paying the unemployment benefit from the state have said that since March 11th a total of 45.000 new people have registered themselves for unemployment benefits (Pedersen & Grunnet-Lauridsen 2020). The difference from the Danish Statistical Office and the numbers of the Unemployment benefit offices are probably due to the fact that most of those, who have registered as unemployed were employed on an hourly pay, as they are not covered by the same rights as their full time colleagues as mentioned earlier.

The number of companies that declared bankruptcy in April 2020 was 494, c. 200 more than March, but still lower than the number of bankruptcies in January; a rather significant fall from the 966 bankruptcies in April of 2019. The industries that have experienced the largest increase in bankruptcies are „Trade & Transport", where the number of bankruptcies increased by 93 from March to April, and „Other" which increased by 66 (DST.dk 2020b).

The low number is probably due to the aid packages provided by the government, but economists still fear that this will only be the beginning, and that we will see more bankruptcies if the economic situation does not change (Mortensen 2020).

On May 11th numbers on the Danish import and export were published by the Danish statistical bureau, they showed that Danish export had fallen with 5,1 percent in March and that Danish imports had fallen with 4,5 percent (DST.dk 2020c). Stramer (2020) considers this fall in export to be relatively modest considering the circumstances of a world in shutdown, but stresses that this may be due to the current export being based on older contracts drawn before the outbreak of COVID-19. Stramer furthermore states that this is probably just the bulk of it, as historically when we have expected a fall in GDP, we have also seen a corresponding drop in exports.

4. New and old vulnerable groups

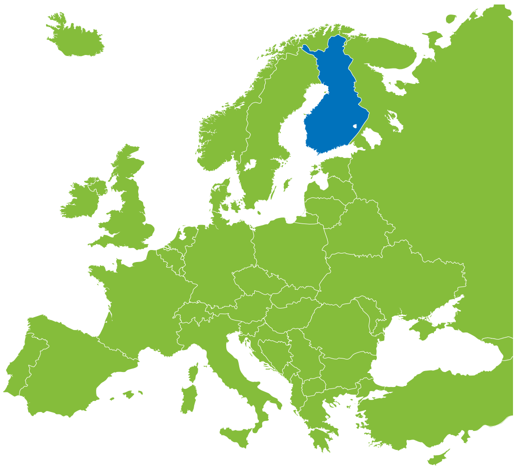
The most exposed groups are the socially vulnerable. Due to the extensive shutdown of all public and many private institutions many of these people have not been able to receive the help they desperately need. Most debt advice services in Denmark have been physically closed and have not been able to help the people who need it. People with psychological issues have not been able to visit their psychologist, and in the early faces of shutdown people with diseases that were considered non-lethal had their scheduled treatment/operation at the hospitals postponed to ensure the capacity of the hospitals to take care of COVID-19 patients. As the country is gradually starting to re-open many of these measures are back in function. Most of the measures implemented by the Danish government have been focused on companies rather than the individuals employed at them. There have been no measures which e.g. changes the rules for payment of rent, insurance, electricity, water, heat etc. for private individuals.

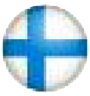
5. Effects of the crisis on debt advice

As many debt advice organisations have been closed completely or partially during the shutdown, this in turn means that many new cases have been stacking up and will need to be taken care of in the coming months and even years. Before the COVID-19 came to Denmark there had been a lot of talk on how free debt advice should be funded, and there were talks of expanding public funding, but these talks have more or less ceased following the outbreak of COVID-19. To help debt advice organisations, and ensure that debt advice organisations have the capacity to help not only the socially vulnerable, but also the thousands of people who are getting unemployed due to COVID-19, the public and private funding of free and qualified debt advice needs to be increased.

References are available upon request.

COVID-19 and household debts in Finland





by:
Heikki Hiilamo [1]

1. Reduction of GDP and development of unemployment figures 2020

In April 16,2020 the Ministry of Finance estimated that the economy in Finland will contract by 5.5 percent in 2020 and unemployment would increase to 8 percent. These figures were from an optimistic scenario. The corresponding figures for a pessimistic scenario were –12 percent and 11,2 percent. [2]

In May, working group consisting of four leading economists in Finland estimated in its report on the economic impact of the COVID-19 crisis to the Ministry of Economic Affairs and Employment and the Ministry of Finance that GDP would decrease by 9 percent in 2020 and unemployment rate would reach 9 percent.

2. Activities and measures to help and support the people/population

Unemployment insurance was extended to entrepreneurs and free lancers (no longer need to file for bankruptcy before getting the benefit). Easier access to unemployment benefits for laid off workers.

Income disregard in unemployment benefits has been increased from 300 to 500 Euro, which means that unemployed persons may earn as much as 500 Euro per month without losing any amount of unemployment benefit.

There are special loans, guarantees and subsidies for companies. The aim of these policies has been to ensure that the companies would not need to file for bankruptcy in the absence of liquid funds. The government has also suspended payment of some taxes and employer contributions. The state civil servants pension fund has bought Finnish companies' bonds. A special governmental corporate finance institution (Business Finland) has issues special subsidies for companies to develop their activities.

In 2019 Finland set a limit of 20 percent on interest rate charges for smaller loans (payday loans) and following implementation of the newly-announced law, the limit will be 10 percent. Payday lenders will also be banned from using direct marketing methods, such as sending potential borrowers SMS messages or letters. The measures will be in place until the end of the year.

Temporary amendment to debt collection legislation which means stricter rules for creditors to start debt collection measures. Temporary amendment to bankruptcy legislation which means stricter rules to file for bankruptcy (more difficult for creditors to push a company into bankruptcy).

In May 8, 2020 the Government decided on third supplementary budget proposal for 2020 focusing in particular on easing the financial situation of businesses and covering the costs of

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2 http://julkaisut.valtioneuvosto.fi/handle/10024/162180

managing the virus situation and combating the effects.[3] Government decided to continue support for financial situation of businesses continues by proposing an additional 700 million Euro for share acquisitions in state ownership steering. The appropriation may also be used for arrangements to increase the capital of state majority-owned companies and state associated companies. Due to the virus crisis, the unemployment security expenditure for which the Employment Fund is responsible is increasing significantly. The Fund requires debt financing to cover the deficit and ensure its liquidity. To secure the availability of funding, the Government proposed that a government guarantee be granted for a proposed maximum loan principal of 800 million Euro. An appropriation of 123 million Euro was proposed for supporting food and beverage service businesses, to be used for compensating these businesses for the restrictions imposed on their activities, and to support the re-employment of their staff.

So far, the government has issued no other public guarantees for households stopping payments for utility, for loans, for mortgages, for rent. There are only recommendations for stopping payments for rents and mortgages.

3. Effects of crisis on people

According to a recent assessment by the Finnish Institute for Health and Welfare (THL), the COVID-19 epidemic and related restrictions have significant impacts on the well-being of the population and the need for social and health care services.[4] The assessment found that the longer the situation continues, the more service needs will accumulate. Reducing queues will be difficult and increase the need for resources. The number of visits to primary and oral health care has decreased significantly due to the epidemic, and the increased use of remote services does not compensate for this decrease. The pressure on the service system increases as the queues increase. Preparations to reduce queues after a crisis situation should be made carefully.

As elsewhere, the restrictions imposed by the government have constricted economic activity in Finland.[5] Many businesses have suspended their activities entirely and some have cut down their operations. Until March 15th there was not much of a difference in the onset of unemployment and furlough (temporary lay-offs spells covered through unemployment insurance) between 2019 and 2020. On March 18th educational institutions were closed and events with more than 10 participants banned. On April 1st temporary changes in labour laws were implemented, allowing employers, for example, to furlough on a shorter notice as well as terminate contracts of trial period employees more easily. The restaurants were closed on April 4th. During the crisis women have been furloughed more often than men, while the age distribution of the unemployed does not markedly differ from the previous year. The furloughed are younger than normal (compared to the furloughed of the previous year). Unemployment and furloughs have become more common at all levels of education. The amount of job losses is exceptionally high in all industries, with the very highest numbers recorded in accommodation and food services, trade, and administrative and support services. Relatively few jobs have been lost in public administration and construction.

3 https://vnk.fi/en/article/-/asset_publisher/hallitus-paatti-vuoden-2020-kolmannesta-lisatalousarvioesityksesta
4 https://thl.fi/en/web/thlfi-en/-/far-reaching-impacts-of-the-covid-19-epidemic-on-people-s-well-being-and-social-and-health-care-services
5 https://www.helsinkigse.fi/corona/incidence-of-unemployment-caused- by-the-coronavirus-crisis/

In Finland, the number of entrepreneurs that have registered as unemployed in 2020 is tenfold compared to 2019.[6] This development is partly driven by the decision of the Finnish government to allow entrepreneurs to register as unemployed without having to close their business. Also the public sector has started to furlough employees; something it did not resort to almost at all in 2019. In contrast, the number of public sector employees registering as unemployed has not changed much from 2019. The fraction of newly unemployed or furloughed employees is highest in Hotels and Logistics, Recreation, Support services, Logistics and Trade. The variation in the share and number of unemployed and furloughed workers varies greatly across different manufacturing sectors. In April, the number of unemployed and furloughed individuals was highest in Trade, Manufacturing and Hotels and restaurants. In terms of share, Motor vehicles, Other manufacturing and Leather products record the highest numbers. In terms of headcounts, Machinery, Motor vehicles, and Metal products are leading.

4. New and old vulnerable groups

An analysis conducted by Finnish Institute for Health and Welfare experts highlights groups of people whose daily lives are particularly affected by the epidemic and its attendant restrictions.[7] They include the elderly, who are at particularly vulnerable to the virus. In addition, they include people with mental health and substance abuse problems as well as the homeless, who depend on many forms of group and interactive support in their daily lives. The report also emphasizes that many families with children are also in a stressful situation, which is further exacerbated by mounting income difficulties. In particular, families who have had problems in the past or were beginning to experience difficulties are particularly vulnerable. The report also analyzes the mood of the population during the epidemic. According to the report the reactions to reporting on the epidemic ranged from fear and grief to interest and compassion. Negative emotions and mental strain seem to be most common among those suffering from health problems before the epidemic.

5. Effects of the crisis on debt advice

During the first quarter of the year 2020 there were 389.500 people with bad credit reports. The number is expected to increase considerably towards the end of the year. There are a large number of people who are laid off. The leading credit rating agency Asiakastieto predicts that the number will increase by tens of thousands. That may not happen in the second quarter but during the third and fourth quarter. The people with payment difficulties will not get bad credit report before two months of payment neglect. During the first months of the pandemic the creditors may take a more lenient attitude towards debtors which will also delay the development. However, as time goes by and as many laid off workers will eventually lose their jobs completely, the payment problems will accumulate towards the end of the year.

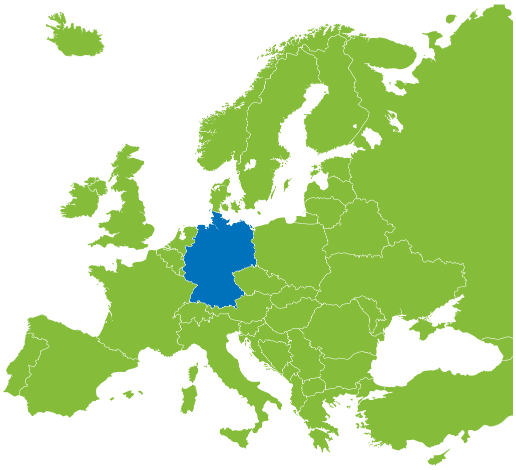
It is estimated that there will be a huge increase in demand for debt advice. Ministry of Justice will hire 24 new debt advisors (adds to 170 people currently working in the field).

There is a legislation on social credit given by the municipalities but municipalities struggling with financial problems are less likely to give credit.

There is an urgent need to introduce personal bankruptcy legislation which would make complete debt discharge possible. The Ministry of Justice has established a working group to propose legislative amendments on the basis of Directive (EU) 2019/1023.[8] Overhanging debts will need to be written off in large scale. Otherwise domestic consumption will remain low and the recession will last a long time.

6 https://www.helsinkigse.fi/corona/firms-and-the-public-sector-in-the-coronavirus-crisis/
7 https://thl.fi/en/web/thlfi-en/-/far-reaching-impacts-of-the-covid-19-epidemic-on-people-s-well-being-and-social-and-health-care-services
8 https://oikeusministerio.fi/hanke?tunnus=OM028:00/2017

The effects of the COVID-19 epidemic for private households in Germany



by:
Dieter Korczak[1]

Economic situation – Forecasts

The forecasts for the economic situation in Germany in 2020 are gloomy. The joint forecast of the leading economic institutes in Germany estimates that the gross domestic product (GDP) will collapse by 9.8percent in the second quarter of 2020 as a result of the shutdown. That means that the GDP is expected to shrink by 4.2 percent overall in 2020. The recession is leaving clear traces on the labour market and the national budget.[2]

The German government's Council of Economic Experts anticipates a higher decline in GDP (-5.4 percent).[3] The Federal Government (-6.3 percent)[4], the Nuremberg Institute for Labor Market and Occupational Research (-8.4 percent) and the Allianz Group (-8.9 percent) are expecting an even greater slump.

Table 1: Development of the GDP (price adjusted)

Change to previous year (in percent)	2019	2020	2021
GDP	0,6	-6,3	5,2
Consumption of private households	1,6	-7,4	6,5
domestic demand	1	-4,5	4,6
Exports	0,9	-11,6	7,6
Imports	1,9	-8,2	6,5
Employed persons	45,3 Mio.	44,9 Mio.	45,0 Mio.
Unemployed	2,27 Mio.	2,62 Mio.	2,46 Mio.

Source: https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html

Compared to the previous year, the number of unemployed will rise by almost a quarter of a million to 2.64 million (unemployment rate 5.8 percent). The number of short-time workers skyrocket already to 10 million.[5]

This year, the fiscal policy stabilization measures will lead to a record deficit in the overall national budget of 159 bn Euro. The forecasts for tax revenues alone indicate that they will fall from 799.3 bn Euro (2019) to 717.8 bn Euro (2020) as a result of lower profits, a decline in sales and short-time working.[6]

Activities and measures to help and support the people/population

With the shutdown of social contacts on 10 March, many services in particular were restricted and private consumption was greatly reduced.The collapse of international supply chains and social distance restrictions led to lost sales and production restrictions for many companies. In some service sectors they even led to a total loss of revenue. The massive shutdown lasted about 2 months. The restaurants and hotels may reopen from 11-18 May. Large events are still prohibited.

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2 http://gemeinschaftsdiagnose.de/wp-content/uploads/2020/04/iwh-press-release_2020-05_Gemeinschaftsdiagnose_1-20_de.pdf
3 https://www.sachverstaendigenrat-wirtschaft.de/sondergutachten-2020.html
4 https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html
5 https://www.tagesschau.de/wirtschaft/corona-kurzarbeit-arbeitslosigkeit-101.html
6 https://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2020/05/2020-05-14-157-steuerschaetzung.html

Table 2: Chronology of policy measures

March, 10	Introduction of social distancing and contact restrictions, ban of large-scale events (>1.000)
March, 17	Closure of theatres, bars, restaurants, clubs, cinemas, museums, schools, retail shops
March, 23	Gatherings of more than 2 persons (with the exception of families and household members) are banned in all Federal states. Restaurants and businesses concerned with body care were closed. In public spaces, all persons must maintain a distance of 1.5 metres to other individuals
April, 15	Contact restrictions extended until May 3
April, 20	Shops with a sales area up to 800 square metres may reopen, along with car dealers, bicycle shops and book shops irrespective of their sales areas
May, 4	Schools are to reopen gradually
May,6	Opening of outdoor sports and visits to hospitals and care facilities. Emergency care for day-care centre children is to be expanded in stages from 11 May. Recurring visits by a selected person are possible in hospitals, nursing homes, homes for the elderly and disabled.relatives from two different households will be able to stay together in public areas. In addition, all shops can open independently of the sales area. Open-air mass and leisure sports will also be permitted again. Further gradual openings of cinemas, theatres, restaurants, hotels or beauty and hairdresser shops will be regulated by the federal states. The restrictions on contact will be extended until 5 June.

Source: https://www.bundesregierung.de/breg-de/themen/coronavirus/bund-laender-beschluss-1750766

The Federal Government and the federal states reacted with a series of measures for companies and citizens in order to mitigate the financial consequences of the state-imposed shutdown. The measures include:

- KfW Quick Loan for companies with 10 or more employees without any further risk test up to 800.000 Euro depending on numer of employees [7]

- Corona emergency aid for micro-enterprises and self-employed persons. To ensure their liquidity, they receive a one-off payment for three months - depending on the size of the company up to 9,000 Euro (up to five employees/full-time equivalents) and up to 15,000 Euro (up to ten employees/full-time equivalents). The one-off payments do not have to be repaid. [8]

- Short-time working allowance.The short-time working allowance is calculated on the basis of the net loss of earnings. Employees on short-time work generally receive 60 or 67 percent of their flat-rate net remuneration. Temporary loss of work can be compensated (in parts) for up to 12 months. [9]

So far however, solo self-employed persons can only claim living costs in Baden-Württemberg, up to 1,180 Euro per month for three months. Northrhine-Westfalia pays artists an amount of 2,000 Euro for living costs for March to April via immediate assistance. [10]

- Event tickets. Customers receive vouchers for all tickets and usage authorisations purchased before 08.03.2008, which are limited until the end of 2021. [11]

- Insolvency procedures. The suspension of the obligation to file for insolvency gives companies in distress the necessary scope to apply for state aid and to press ahead with restructuring efforts. The regulations apply retroactively to 1 March 2020. The possibility of creditors to enforce insolvency proceedings by filing for bankruptcy will be restricted for three months. [12]

- For consumer loan agreements concluded before 15 March 2020, interest and principal payments may be suspended for the period 1 April 2020 to 30 June 2020. [13]

- Landlords cannot terminate the lease if a tenant fails to pay a rent due in the period between 1 April 2020 and 30 June 2020 and the delay in payment is due to the effects of the Corona pandemic. Customers also receive a temporary right to refuse to pay electricity, gas, water and telephone bills. [14]

- Tax regulations. If companies are unable to make tax payments due this year due to the economic consequences of the Corona pandemic, these payments should be deferred on request for a limited period of time and in principle without interest. Companies, the self-employed and freelan-

7 www.kfw.de/coronahilfe
8 https://www.bmwi.de/Redaktion/DE/Downloads/E/eckpunkte-corona-soforthilfe.pdf?__blob=publicationFile&v=4
9 https://www.arbeitsagentur.de/m/corona-kurzarbeit
10 https://www.bbk-bundesverband.de/aktuelles/corona-pandemie/
11 https://www.bundesregierung.de/breg-de/aktuelles/pressemitteilungen/gutscheinloesung-fuer-abgesagte-kulturveranstaltungen-1742434
12 https://www.bmjv.de/SharedDocs/Pressemitteilungen/DE/2020/032820_Insolvenz.html
13 https://www.dsgv.de/newsroom/presse/200325_PM_Tilgungsaussetzung_23.html
14 https://www.bmjv.de/DE/Themen/FokusThemen/Corona/Miete/Corona_Miete_node.html

cers can also have the amount of their advance payments adjusted for income and corporation tax.

- According to the Savings Banks and Giro Association (DSGV), the savings banks have so far suspended interest and redemption payments from 80,000 borrowers. At Commerzbank, 1.5 percent of the total portfolio of consumer loans has so far been deferred (cut-off date April 6).[15]

Effects of the crisis, the shut-down or the taken measures on people

At the beginning of April, 93 percent of the respondents in a representative survey say that their income has reduced already. 12 percent lost their income completely, 23 percent have around the half of their former income, 57 percent have a reduction less than half.[16] These data reflect the immediate effect on personal and household income of the citizens. Other representative surveys demonstrate that the negative financial effects increase from March to April, not only in Germany but even more in other European states. The measures to prevent the spread of the virus, however, do not only extend to the financial situation of people in Germany, but also affect their constitutionally guaranteed basic rights such as the general freedom of action (Article 2 GG), freedom of religion (Article 4 GG), freedom of assembly (Article 8 GG), freedom to travel (Article 11 GG), freedom of occupation (Article 12 GG) and the inviolability of the home (Article 13 GG). These massive restrictions are covered by the Protection against Infection Act. The effects of social distancing on social life and the quality of life, on the cultural offer and its exercise, on tourism, gastronomy, the field of work and training, on protest demonstrations as well as on sports events can hardly be predicted. Each third hotel and restaurant is in danger to become insolvent (total: 70.000). The loss of turnover is estimated to be 10 bn Euro.[17] There is a danger that in future social interaction will lose its warmth, impartiality and exuberance. Closeness is existential for the human community. On the long run, social distancing may increase the risk of suicide. Economic downturns are usually associated with higher suicide rates compared with periods of relative prosperity. The suicide rate increased by 3,3 percent after the financial crisis in 2008.[17a] From a suicide prevention perspective, it is concerning that the most critical public health strategy for the COVID-19 crisis is social distancing To the extent that these strategies increase social isolation and loneliness, they may increase suicide risk.[18]

New and old vulnerable groups

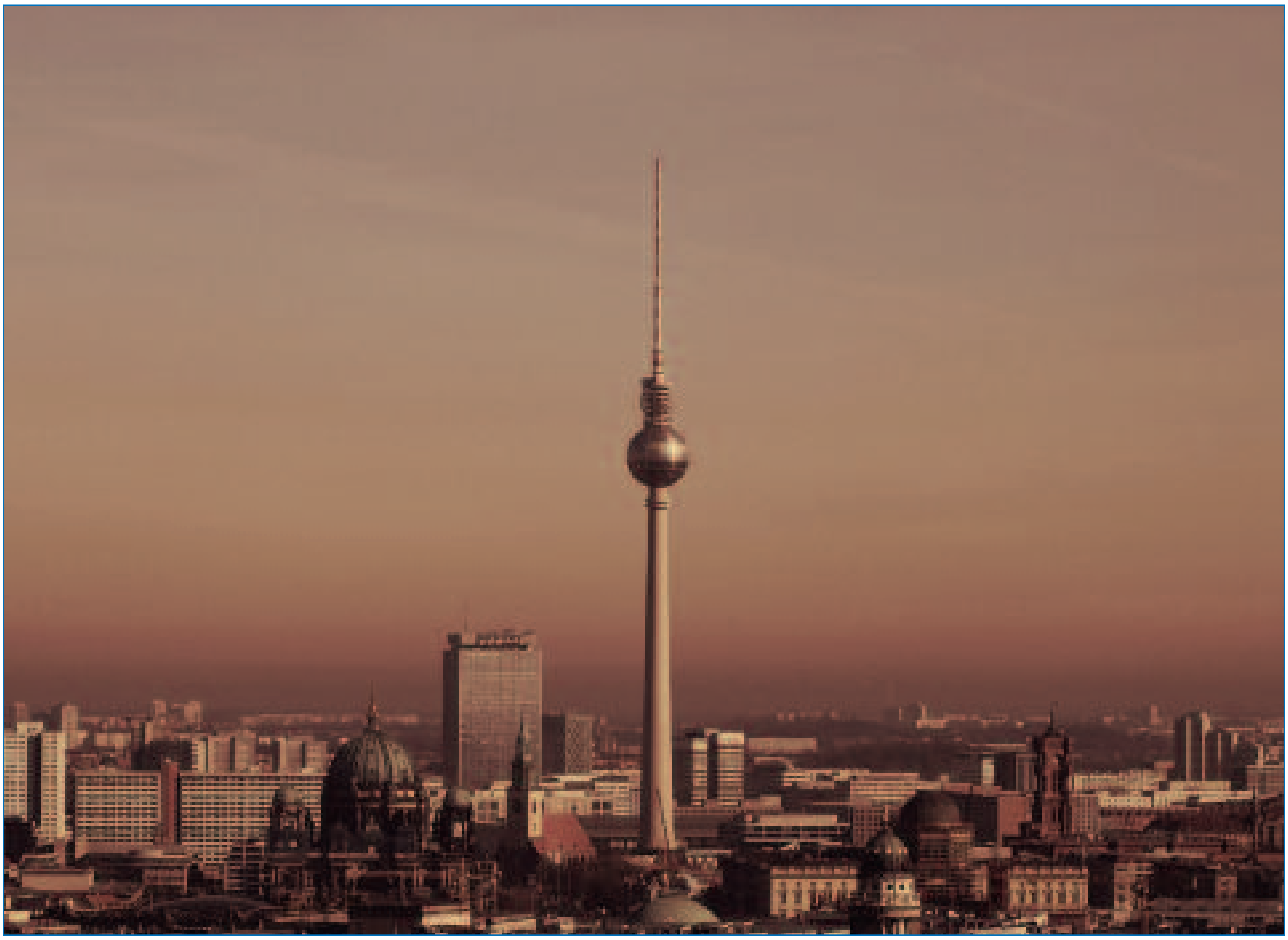
As early as 2019, 10 percent of the adult population in Germany was over-indebted, i.e. 6.9 million people over 18 years of age or 3.5 million households. They were unable to meet their financial obligations. The average amount of debt is 29,600 Euro.[19] 15.8 percents of adults have an installment credit with an average term of four years and an average remaining debt of 12,000 Euro. If these borrowers become unemployed or receive 60 or 67 percent of their pre-Corona net income in short-time work or fall into the Hartz4 bracket, then many of them will have a financial problem. Consequently, the credit agency Crif-Bürgel expects a 10 percent increase in private insolvencies in

Table 3: Effect of the COVID-18 epidemic on personal income (in percent)

IPSOS	March, 12-14							
	I	F	D	UK	I	F	D	UK
The Corona virus will have a strongly/ somewhat financial effect on me and my family	75	54	40	58	n. a. *	n. a. *	n. a. *	n. a. *
KANTAR	March, 19-21				April, 9-13			
	I	F	D	UK	I	F	D	UK
The virus has already affected my personal income	37	22	18	n. a. *	45	31	24	32
I expect negative effects on my personal income for the future	47	44	36	n. a. *	40	39	34	35
Total	84	66	54	n. a. *	85	70	58	68

* n.a. = This question has not been asked
Source: https://www.ipsos.com/sites/default/files/ct/news/documents/2020-03/coronavirus-ipsos-wave3-report_0.pdf
https://www.kantardeutschland.de/g7-studie-zu-corona-aus-buergersicht-jetzt-nicht-nachlassen-sonst-gilt-zu-frueh-gefreut/

15 https://www.tagesschau.de/wirtschaft/zahlungsaufschub-101.html
16 https://www.kantardeutschland.de/g7-studie-zu-corona-aus-buergersicht-jetzt-nicht-nachlassen-sonst-gilt-zu-frueh-gefreut/
17 https://www.sueddeutsche.de/wirtschaft/coronavirus-wirtschaft-aktuell-1.4869377
17 a Chang et al., BMJ 2013;347:f5239 doi: 10.1136/bmj.f5239 (Published 17 September 2013)
18 Reger et al 2020, JAMA Psychiatry. Published online April 10, 2020. doi:10.1001/jamapsychiatry.2020.1060
19 Creditreform, Schuldneratlas 2019, Neuss 2019



2020 due to the corona pandemic.[20] Over the past 20 years, a number of people have already proven to be particularly vulnerable to falling into over-indebtedness. These are single-parents households, alone living men, divorcees, low income households, unemployed persons.

But it can be justifiably assumed that, in addition to the groups mentioned above, new groups will become over-indebted. Especially the gastronomy, tourism, leisure, sports and cultural service providers and employees will suffer particularly from the temporary drop in demand. Depending on the duration of the lockdown, their annual sales may be 30 to 40 percent lower.

Another group are the mini self-employed, the solo self-employed and free-lancers in the music business, film business, bookmarket and market for art and performing art. They are particularly hard hit. It is estimated that they will have average income reductions of 35 to 75 percent. The annual turnover of mini-self-employed is less than 17.500 Euro.[21]

Effects of the crisis on the provision of debt advice

The measures adopted have a major impact on the work of the debt counselling services. The counselling centres have suspended personal contacts with people seeking advice until further notice, but can still be reached by telephone and e-mail and are of course available in emergencies (P-account certificates, legal remedies, etc.) by appointment.

It can be supposed that the resources of the 1.450 debt advice centers in Germany will not be sufficient for the coming increase of over-indebted persons.

Thus, the following problem areas:

· improvement of the financing of debt counselling services

· expansion of access to counselling,

· renunciation of new seizures, energy cuts and forced evictions,

· protection of benefits from corona aid packages against seizures

· require a quick and yet viable solution in the opinion of the German Working Group of Debt Counselling Associations[22]

20 https://www.crifbuergel.de/de/aktuelles/studien/schuldenbarometer-2019
21 https://www.kulturrat.de/presse/pressemitteilung/erste-prognosen-kulturwirtschaft-stark-von-umsatzverlusten-durch-corona-pandemie-betroffen/
22 http://www.schuldnerberatung-sh.de/fileadmin/download/Corona/2020-03-31_AG_SBV_Position_COVID-19-Pandemie.pdf

Some factors of the economic and social situation in Hungary

by:
Judit Simon [1]

Introduction

The lockdown measurements are led by Operational Group lead by the PM Viktor Orbán, nominated by the government. When the shutdown has been introduced at March 16, Hungary closed its borders for all passenger transport and only Hungarian citizens were allowed to enter. Throughout the country, hospitals suspended elective surgeries and examinations due to the COVID-19 epidemic; only emergency interventions have been carried out. Movement restrictions were introduced as well. At the end of March the Parliament passed the law on the coronavirus containment effort. During the state of emergency, the government is authorised to adopt extraordinary measures in departure from the provisions of law in the interest of people's health, legal security and the stability of the economy.

The shutdown of the economy means:

· almost all the non-food stores are closed

· the car factories have been closed for 4 weeks, they started to reopen at the end of April,

· the hotels and restaurants are closed

· many companies are in crisis, closed and fired their employees.

1. Economic situation – forecasts

As Hungary is an open economy, the impact of the turndown of the world economy and the shutdown in the own country can be significant. The forecasting of the impacts and of the expected economic crisis can be done only on a very uncertain and rapidly changing basis. So there are more different estimations, changing in time and by research institutions.

The official forecast, made by the Ministry of Finance, expects -3 percent for the growth rate of GDP in 2020. Some research instituts are providing different numbers. We present the estimation of GKI Economic Research Co., that defines an optimistic scenario. The expected unemployment rate forecasted to 2020 is 10 percent. [2]

Table 1: Forecasts of macroeconomic measures (in percent)

	Scenario A	Scenario B
GDP	-3	-7
Industry	-5	-10
Investment	-8	-10
Consumption	-1	-4
Inflation rate	4	4

Source: GKI Economic Research Co

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2 GKI report on April 19

2. Measures which have been taken so far to fight the COVID-19 epidemic

The government announced an „Action plan", consisting of 3 phases: „the main goal is to create so many jobs as are destroyed by the virus". The action plan's three phases will reallocate a total of 18 to 20 percent of GDP, including programs launched by the Central Bank.

The budget has to be modified, increasing the budget deficit from 1 percent to 2.7 percent.

The government is setting up a HUF 663 billion (EUR 1.8bn) fund to combat the COVID-19 epidemic and a HUF 1,345 billion (EUR 3.6bn) fund aimed at protecting and restarting the economy.

Measurements for job-preservation:

- For the duration of the suspension of work, the state agrees to pay 70 percent of wages for a period of 3 months; however, the government would like employees to do useful jobs in the interest of their employers also during this period.

- There is a 40 percent wage support available for 3 months in relation to persons in research and development jobs

- Calls for proposals with an allocation of hundreds of billions of forints will be released for companies retaining their work force for the purposes of technological developments, environmental protection and energy efficiency projects.

- In response to company shutdowns, online training will be organised for workers.

- The state agrees to cover 95 per cent of training fees, while job-seekers are entitled to interest-free adult training student loans.

Measurements for job-creation:

- Supporting business: sectors to relaunch: tourism, the health industry, the food industry, agriculture, construction, transport, the film industry and creative industries.

- Funding for businesses: Hungarian businesses will be provided with a total HUF 2,000 billion in loans with subsidies on interest and guarantees

Measurements for protecting business:

- The health industry will receive more significant support than ever so that the products of Hungarian pharmaceutical

companies and medical supplies manufacturers appear in Hungarian health care in a higher percentage. Both university and corporate research institutes will receive funding; an Agency for Health Industry Innovation is being set up

· Sectors most affected by the virus and industries with extensive traditions in Hungary will get extra funding: tourism, transport, construction, logistics, creative indusrries, the health industry and food industry.

Measurements for direct support of people:

„Protection program for families and pensioners": reintroduce the „13th month's pension", it will be done in four installments: in February 2021 pensioners will receive an extra week's pension in addition to the normal amount for January. This will be repeated in 2022, 2023 and 2024.

The list of public guarantees covers:

· reductions in social security contributions

· tax reductions for the self-employed

· suspension of repayments of bank loans for private individuals and for businesses, until the end of the year.

· the interest rate on all new consumer loan is regulated, currently the maximum interest rate is fixed at 5.9 percent

· Central Bank offers Funding for Growth Scheme Go! for SMEs with favourable conditions

3. Impacts and effects of the taken measures

The unemployment rate before COVID-19 was rather low, but since March about 5000 people are loosing the jobs daily. According to estimations about 7 percent of the active employees lost the job until now and about 15 percent are suspended.

For March 2020 the Hungarian Central Statistical Office published 281.000 people as unemployed, but according to estimations the number of not registered unemployed or suspended people is rather high, so the total number of people with job loss is significantly higher. The time of the registration is very long, it can take even 1 month. The registration is available only online, the most vulnerable persons might have no access to online registration. There are no data published about the situation of the families loosing the job, but according to previous estimation 2/3 of the households do not have financial reserves for more than 1 month.The uneployment benefit is low and will be payed only for 3 months! An extra problem is the unemployment of employees working abroad: they worked mainly in hotels and restaurants, they lost the jobs also abroad!

4. Reactions to the situation and measurements

There are political reactions from the opposition in the Parliament and from trade unions, but all these institutions are rather week and have no tools to press or force the government! The most important request is the extension of the period delivering the unemployment benefit from 3 months to 9 months! There are reactions of economists, independent researchers, letters and interviews have been published. The summary of the opinions is that the government should support the people and families with transferring money to them because they do not have reserves for this situation! The government should support them directly, because the indirect support through funding the companies is not satisfactory in this pandemic and economic situation!

The requirements are:

· Invest into the healthcare system!

· There are more measures required for the preservation of jobs!

· Support people in difficult situations!

· Support financial markets work!

· The most important thing is to act as soon as possible so that it is not too late!

5. The rate of debtedness of the households

For the distribution of the debts according to the income categories of families there are not many data available. In the table 2 the distribution data in 2016 are presented.

Table 2: Distribution of loans in the income categories (in percent)

2016	Percentage of the households
income category	mortgage
1. fifth (lowest)	20,6
2. fifth	25,5
3. fifth	20,7
4. fifth	16,4
5. fifth	17,2

Source: Boldizsár et a., 2016.

The rate of debtedness has increased in the last years, but in 2019 there was an exceptional jump: the amont of the mortgage and personal loans totally increased by 48 percent. One reason of the increase was the introduction of a new loan type for the support of families: loans for those expecting a baby (HUF 10 million interest-free, free-use loan for young married couples, which does not have to be paid back if the couple have three children).

One indicator of overdebtedness is the percentage of persons with a delay in repayment of loans more than 90 days. In 2019, this was the case for 23,1percent of the total loans.

The biggest problem have the poor households, which have a big burden of personal loans.[3] A good description of the situation of poor households is given by a study of the Central Bank.

„In the lower income deciles it is much more typical that debtors borrow from financial corporations, which often charge higher interest rates. This is primarily visible in the market of consumer loans, where debtors in the relatively poor regions – partly as a result of the higher credit risk – have access to funding only at much higher interest rates on average. All of this, however, may also be attributable to the lower coverage with bank branches observed in some regions. In addition to the above, special attention also needs to be paid to households which – due to lack of sufficient income – are crowded out of the formal credit market and may potentially turn to usury lending. For lack of relevant data, only the magnitude of the number of such households can be estimated: the share of households exposed to usury may be between 3 and 13 per cent, and may primarily be concentrated in the counties in the Northern Great Plain and Northern Hungary."[4]

6. The most vulnerable groups affected by the COVID-19 epidemic

· poor and overdepted households and persons

· one-parent families, usual mother with child/children

· unemployed or suspended people

· women, because:
  - the schools and kindergarten are closed, in the most families the women have to care the children and in the same time have to work in home office, if they have job
  - if somebody in the family was sent home from hospital, in most families the women care the sick member of the family as well (the hospitals had to prepare with free beds for a much higher number of infected people, therefore many people were sent home who should have stayed in hospital).

7. Debt advice in Hungary

The Central Bank provides financial consulting services free of charge, which is available in offices in Budapest, other big cities and in some small cities. In the pandemic situation most offices are closed, so the availability of this services is very limited. The system of the private debt advice services is underdeveloped.

A good support for individuals and families which have lost their job and income would be to deliver direct financial support to them. The amount of unemployment benefit should be increased and the access should be extended (to 9 months instead of 3 months) there should be 9 months) as well as for the regular family benefit.

3 Boldizsár A., Kékesi Z., Kóczián B., Sisak B. (2016): A magyar háztartások vagyoni helyzete a HFCS felmérés alapján Hitelintézeti Szemle, 15. évf. 4. szám, december, pp. 115–150.
4 MNB Financial Stability Report, December 2019, p. 31

COVID-19 and the financial consequences in Ireland

by:
Stuart Stamp[1] **& Paul Joyce**[2]

Introduction

The unprecedented Irish credit boom that preceded the 2008/9 Global Financial Crisis (GFC) was largely driven by a combination of economic growth, market forces and non-intrusive regulation, which together resulted in the financialisation of large swathes of Irish society and the marginalisation of those deemed less-profitable. Post-Crash, the over-indebtedness burden that resulted - primarily from force majeure factors - was not, however, equally shared and indeed disproportionately carried by those least able to bear it (i.e. Irish households), with a moral dimension emerging in social discourse. The policy approach to the post-GFC problem centred essentially on cleaning up distressed bank balance sheets, while indirectly assisting those over-indebted through helping people to help themselves by way of state-funded debt advice services and the creation of frameworks of engagement through new codes of conduct and personal insolvency legislation. The inherent power imbalance in favour of creditors has not altered, however, hence when COVID-19 first visited our shores in February, a substantial number (albeit a minority) of households were still dealing with the fallout from the previous crisis. This is the backdrop to the analysis that follows.

1. Reduction in GDP and development of unemployment figures, 2020

The economic forecasts are bleak, with GDP likely to shrink by between 7.4 percent and 10 percent according to the Minister for Finance, depending on what happens in terms of virus related restrictions, a shutdown having been in place since mid-March. The unemployment rate is estimated to peak at between 22 percent and 25 percent in the coming months, averaging out at around 14 percent for the year according to recent media reports. Over half a million jobs have been lost within a very short period and although many of these may be temporary, the Minister estimates that approximately 220,000 jobs will be lost when the dust settles. The forecasted deficit in the public finances this year is likely to exceed 20 billion Euro, down from an expected surplus of 2.2 bn Euro, with the reduction in economic output being greater than at any year during the financial crisis. Although a gradual recovery is predicted for the second half of the year (again depending on the speed with which health restrictions can be lifted), the expectation is that economic activity will not reach pre-crisis levels until 2022. Areas of the economy most affected to date include service industries such as restaurants, pubs, hotels and tourism.

2. Institutional activities and measures to support people

Rather than describing the full range of these and their nuances, we focus here on two core themes identifiable, namely the policy prioritisation of income and essential service protection, coupled with a continuing emphasis on a case-by-case approach to repayment difficulties.

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Income and essential service protection

In comparison to the institutional emphasis that characterised government policy following the GFC, a much more household-protective approach has so far emerged in response to COVID-19. Indicative here is the rapid introduction of three new income support payments as part of a substantial aid package to ease the fallout, namely a Pandemic Unemployment Payment (almost 600,000 claimants to date), a Wage Subsidy Scheme (around 337,000 claimants) and an Illness Benefit payment for COVID-19 related self-isolation (just over 36,000 claimants). Hence a considerable proportion of the total workforce – which stood at 2.3 million in the run up to the pandemic – is now fully or partially dependent on the State for income support. These and other COVID-19 welfare measures have been broadly welcomed, but the Minister for Finance has recently warned that such supports may have to be tapered (from June) given limits to their sustainability for budgetary and borrowing reasons.

The household-protective approach is also reflected in terms of essential services, with legislation enacted to protect tenants by way of a moratorium on evictions and rent increases for a period of three months, extendable if the Government thinks necessary. In conjunction with the associated regulator, utility suppliers have agreed and now extended a moratorium on domestic electricity and gas disconnections to 16th June, and further measures have been agreed in relation to emergency credit for those with prepayment meters. Similarly, telecommunications' providers (again in conjunction with the relevant regulator) have given commitments regarding access to online services deemed essential to those now working or living remotely.

Case-by-case approach to repayment difficulties continues

Political and regulatory pressure has also been applied to various sections of the broader credit industry resulting in widespread agreement to offer payment breaks for those encountering financial difficulty as a result of COVID-19; the Banking and Payments Federation Ireland (BPFI) for example has recently announced an extension of this period from three to up to six months. However, amid the welter of related offers, promises and commitments from various parties (including banks, credit-servicing firms, local authorities, credit unions, utility and telecommunications providers), two things are noticeably missing. First there is no blanket moratorium with respect to any type of payment, and frequent references are made with regard to the importance of maintaining payments wherever possible to maintain debt discipline. Furthermore, there is no right to defer payments as advocated by BEUC (the European Consumer Organisation), nor to have accruing interest charges waived; indeed, as some have pointed out, the capitalisation of such charges will cost borrowers more in the long run. More positively, in terms of related credit rating issues, the Central Bank has confirmed that agreed payment break missed payments should not be registered as such on its Central Credit Register.

Although case-by-case advocates – principally the credit industry – frequently emphasise the importance of an approach tailored to individual borrowers, in our experience it has certain disadvantages. Firstly, it tends to lead to variations in creditor policy and practice, which can benefit some borrowers but disadvantage others, and there is already evidence of this emerging in terms of the practices of certain mortgage lenders and loan purchasers. Secondly, it bolsters the already in-built power disadvantage between individual atomised borrowers and much better resourced institutions. Finally, it is predicated on the borrower/user coming forward to engage, again placing the burden disproportionately on the party with the fewest resources. Notably, this approach also appears to inform statutory processes, with the Insolvency Service of Ireland, the body that oversees various personal insolvency options, advising debtors in difficulty with related payments to make contact on a case by case basis.

3. Negative effects of the Crisis

Our sense in terms of over-indebtedness is that we are currently in a „truce“ or „treading water“ phase – both in terms of the current Crisis and the carry over from the previous one – as a result of the various measures outlined above and the suspension of most court-related business. This state of affairs is likely to continue until shutdown measures begin to be unwound, associated supports start to taper, and forbearance comes to an end in the coming months (in all likelihood, intermittently). We are, however, beginning to see evidence of the effects of the Crisis in terms of increased concerns around domestic violence as a result of restrictions, and on people's mental health.

A Behaviour and Attitudes Survey conducted just a few weeks ago reveals worryingly high levels of anxiety across Irish society. Nearly all respondents (97 percent) are worried about the economic impact of the pandemic, with 42 percent reportedly „extremely concerned“. The vast majority (91 percent) feel that the economy will be worse off this time next year, while around 3 in 10 (29 percent) are worried about job security, rising to 38 percent of those working part-time, and just over 40 percent expect their salary to reduce this year. These findings are cause for concern, given what we already know about the adverse health and well-being consequences of over-indebtedness itself, and one mental health charity has recently reported a 420 percent increase in the numbers accessing information and support. There is also a possible evidence deficit dimension to the Crisis in that it is unclear at the time of writing whether annual enquiries encompassing aspects of financial difficulty will continue where these are face-to-face based.

4. New and old vulnerable groups

The groups most affected by over-indebtedness historically in Ireland are people in poverty/on low income (including those who are social welfare dependent), social housing tenants, lone parents, people with an illness or disability and, precarious workers i.e. those in fragile employment. People who have suffered an income shock, for example through job loss or redundancy are also particularly at risk, as are those with already high „income to repayment" ratios or burdens, both in terms of mortgage and non-mortgage debt. Other groups known to disproportionately experience debt problems and financial difficulty are Travellers and people experiencing homelessness, the latter phenomenon having increased substantially in recent years, particularly in terms of families.

There is much cross over of course between these groups, but what links them most strongly in our view is that each lacks what might be termed resilience to external shocks such as COVID-19. The sheer scale of the pandemic and the response is likely to increase over-indebtedness among people now classed as non-essential workers, such as those involved in the restaurant, pub, hotel and tourism industries. Hence, many people who never conceived of being so categorised or experiencing debt problems may shortly be faced with the latter, perhaps in many cases for the first time. Hence, there is likely to be a much bigger and more diverse pool of debtors – and therefore potential debt advice users – than heretofore.

5. Effects of the crisis on debt advice

Publicly-funded Money Advice and Budgeting Services (MABS) are well established in Ireland, with a national network dating back to the mid-90s now restructured on a regional basis and supported by a MABS Helpline. In recent years, the network has become the hub of the wheel in terms of the State's response to the post-GFC mortgage arrears and personal debt crisis, which still continues to play out as mentioned earlier primarily in the form of deep mortgage arrears and often-related personal insolvency. MABS services habitually deal with around 20,000 clients per annum, with its Helpline arm responding to in the region of 25,000 calls each year.

In the post-GFC period from 2009 to 2011, client numbers increased by 17 percent while callers to the MABS Helpline rose by almost 20 percent, largely as a result of an influx of mortgage arrears borrowers, indicative perhaps of what might be facing MABS services in the near future. Waiting lists developed, longer in certain locations than others, and extra funding (albeit belatedly) was made available with additional responsibilities assigned in terms of mortgage arrears and personal insolvency specifically. Our sense is that this time around, a more diverse pool of potential clients will emerge, probably within a much shorter period of time. A further challenge to MABS services is that the traditional face to face dimension – a fundamental component of the long established community-based, casework model – has been suspended as a result of the pandemic, and is unlikely to be re-instated in the foreseeable future. Providing such a service remotely is thus likely to present an additional challenge.

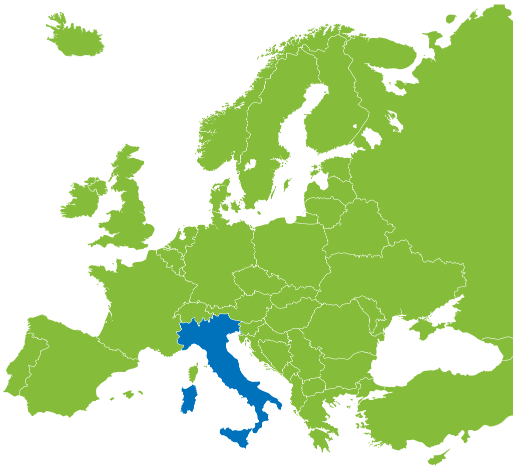
Conclusion

Economic downturn, uncertainty and unemployment are unfortunately likely to be with us for the foreseeable future. Against this backdrop, key going forward from a debtor perspective is to build on the positives associated with the policy response to date, namely an emphasis on household welfare and absence of moral blame, while addressing its deficiencies, principally an over-reliance on institutional goodwill and absence of rights.

A larger and more diverse group of debtors than ever before will likely emerge as a consequence of the pandemic, and we must use the current truce period to think strategically about addressing associated issues such as financial exclusion, and to make sure that debt advice services, insolvency provisions and legal frameworks are ready for the challenges ahead. We also need to ensure that lessons from the past are learned and that those most able to carry the bulk of the burden - namely the State and major creditor institutions – do so this time around. As we enter a new normal, the environmental concept of „just transition" would be a useful guide in enabling society to find a safe and just space for those adversely impacted financially by these unforeseen and pernicious events.

References are available on request

Debt Advice in Times of the COVID-19 Pandemic in Italy



by:
Germana Giombini [1] & Giorgio Calcagnini [2]

1. Reduction of GDP and development of unemployment figures 2020

The spread of the Corona virus in Italy let to nationwide shutdown measures, including production shutdowns at the beginning of March. The first data of the impact of COVID-19 on the Italian economy are provided by ISTAT (2020a). On the supply side, the activities of 2.2 million businesses stopped (49 percent of the total, and 65 percent of the exporting companies). The shutdown involved 7.4 million workers (44.3 percent of the total) of which 4.9 million employees (42.1 percent of the total). With an inevitable impact on the demand side: uncertainty increased and consumer confidence further collapsed. As a result, real output is forecast to shrink by about 18 percent in the first half of 2020. In the second half of 2020, income support measures and low inflation are expected to support household expenditure so that consumer spending is forecast to bounce back. Assuming that economic activity starts to resume in May and gradually return to normal, output growth is estimated to recover, fostered by policy support. As shown in Table 1, real GDP is set to fall by 9.5 percent in 2020, as a consequence of a deep reduction in private consumption (-10 percent), in fixed investments (-14.2 percent) and exports, with tourism among the hardest-hit sectors (-13 percent) (EU, 2020). The production shutdowns imply a substantial reduction of employment of -7.5 percent in 2020, but it is estimated to recover in 2021. The unemployment rate will increase to 11.8 percent. In 2020, the Corona virus pandemic is expected to lift the government deficit up to 11 percent of GDP as a result of declining government revenues and increasing government spending. The public debt-to-GDP ratio is expected to rise to 159 percent in 2020.

Support for working parents

(a) Bonus for purchasing baby sitting services up to a maximum of 600 Euro.

(b) Parental leave for 15 additional days to 50 percent of the remuneration

(c) Digital school: the resources for 2020 of the Fund for digital innovation and laboratory teaching are increased by 85 million Euro.

(d) Increase in paid leave days covered by law 104 for the assistance of disabled family members.

Income protection

(a) The Fondo Gasparrini for mortgages for the purchase of the first home are extended for nine months also to self-employed workers and freelancers who have suffered a drop in turnover of more than 33 percent compared to the last quarter of 2019.

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Table 1: Economic figures forecasts (European Union, 2020)

2018			Annual percentage change	
	Current price (bn E)	percent GDP	2019	2020
GDP	1766.2	100.0	0.3	-9.5
Private Consumption	1065.5	60.3	0.4	-10.9
Public Consumption	334.8	19.0	-0.4	2.6
Gross Fixed Capital Formation	315.1	17.8	1.4	-14.2
of which: Equipment	120.6	6.8	0.3	-20.7
Exports (goods and services)	555.5	31.5	1.2	-13.0
Imports (goods and services)	513.2	29.1	-0.4	-13.6
Contribution to GDP growth	Domestic Demand		0.4	-8.7
	Inventories		-0.6	-0.6
	Net Export		0.5	-0.3
Employment			0.3	-7.5
Unemployment rate (a)			10.0	11.8
Saving Rate of the Households (b)			10.2	16.5
Inflation			0.6	-0.3
General government Balance (c)			-1.6	-11.1
Cyclically adjusted budget balance (d)			-1.5	-6.1
General government gross debt (c)			134.8	158.9

Source: European Union (2020) (a) as a percent of total labour force; (b) gross saving divided by adjusted gross disposable income; (c) as a percent of GDP.

(b) Suspension of dismissal procedures started after 23 February 2020: regardless of the number of employees, the employer cannot withdraw from the contract for justified objective reason, including dismissal for economic reasons.

(c) Wage supplementation schemes (Cassa integrazione) is extended for the entire national territory, for all employees, of all production sectors, with a total allocation of 4 bn Euro for a maximum duration of 9 weeks.

(d) Rewards to employees with a gross annual income of up to 40,000 Euro who perform their work in the workplace in the month of March (not in smart working) are granted an incentive of 100 Euro (in proportion to the days worked).

(e) Overtime increase for healthcare personnel

(f) Compensation of 600 Euro for self-employed workers and VAT numbers: The compensation goes to an audience of almost 5 million people

(g) Fund of last resort income for all those excluded from the 600 Euro compensation for a total of 500,000 people

(h) Unconditional Access to Citizenship Income

Tax support

The deferral of deadlines and the suspension of tax and social security contributions are established for all small businesses, professionals and self-employed workers; the collection and dispatch of the tax collection files; of assessment documents and payments due for the various tax amnesty measures.

3. Effects of crisis, the shut-down or the taken measures on people

From a first examination that involved 5,069 municipalities the total deaths between March 1 and April 4 of 2020 was, in overall, 41 percent higher than that observed for the same period of 2019 (ISTA, 2020b). A large group is identified (48 cases) in which the frequency of deaths has increased by at least ten times compared to the value of last year, and there are many others (140 cases) in which this frequency was at least five times higher.

The objective problem of the „Corona virus" becomes a subjective problem in relation to the psychological experience, to the emotions and fears that the theme arouses in different people.

In this vein, a recent survey (Carrieri et al., 2020) on Italian university students investigates their state of psycho-physical well-being in the shutdown period. About 30 percent of those who participated in the survey say they experience concentration problems, 35 percent eating disorders, 38 percent sleep disturbances, 30 percent have little interest .

Moreover, the COVID-19 emergency has dramatic consequences for all those who have other pathologies, especially cancer and heart disease patients, who had seen planned interventions or fundamental visits postponed.

A survey carried out by Unipolis (2020) on a sample of 1028 individuals, finds that nearly all respondents (91 percent) agree to legal restrictions on citizens' freedoms to ensure everyone's safety. The same survey finds that in March the economic fears, compared to the month of January, of all the main concerns, from those relating to the future of the children, to those of job loss, to the loss of savings increased.

Uncertainty and concerns on future are leading to a change in consumer behaviour implying higher precautionary savings (EU, 2020). Indeed, a recent analysis on 500 households (CERVED, 2020) shows that the crisis is causing serious consequences in the households.

(a) One out of five families (21.2 percent) is suffering a huge impact on income, and this share rises to 32.2 percent in the less wealthy segment. Almost half of the families (47.8 percent) had to make a reduction in savings, and 18.6 percent did so consistently.

(b) The confidence for the immediate future is low: 37 percent of households fear (very or very much) the closure of the company or the loss of work, 43.6 percent fear strong loss of income while maintaining their job, 44.9 percent are seriously afraid that they cannot keep their savings. Expectations are even more negative for next year. Families who fear losing their jobs rise to 41 percent and those who expect to suffer heavy income losses to percent.

(c) The most affected segment is that of families with self-employed income, among whom 31 percent had a very negative or dramatic impact on income, and 34.9 percent had to significantly reduce their savings. These households also have a more negative vision of the future.

4. New and old vulnerable groups

Elderly citizen

An almost-natural experiment has been carried out in the city of Vo' (Veneto Region). All 3300 inhabitants were tested, and most cases were among asymptomatic young people. Older populations are at greater risk. The Italian population has a larger share of the elderly that have more interactions with young people compared to other countries (Surico and Galeotti, 2020).

Women

The shutdown triggered by COVID-19 is taking a huge loss on women in the labour market, as the sectors with high rates of female employment are experiencing heavier job contractions while increased childcare needs during school closures exert additional work on mothers (Titan et al., 2020). From a survey carried out on a sample of university students from Southern Italy (about 2000 respondents), however, it would seem that women suffer the current emergency most regardless of the employment situation and the presence of children. It is not surprising to find that 63 percent of students say they feel nervous, 54 percent are concerned about their health and 91 percent are concerned about their loved ones. Women show greater concern and nervousness than men (Carrieri et al., 2020).

Children

6 percent of all Italian students do not access any type of online teaching. According to Istat data, 12.3 percent of children between 6 and 17 years of age (850 thousand in absolute terms) do not have a computer or tablet at home. Half of those who do not have one are in the South, where the problem affects almost 20 percent of the boys. Furthermore, 57 percent of those who own one must share it with others (Saraceno, 2020).

Immigrants

Phase 2 could penalize migrant workers. They carry out tasks that expose them more to the risk of contagion. At the same time, the risk of poverty increases and that of losing the right to a residence permit (Campa et al, 2020).

5. Effects of the crisis on debt advice

In Italy, debt advice to families in over-indebtness is usually offered by lawyers or consumer associations. With the exception of state entities and small undertakings, the Italian Bankruptcy Law applies to all entrepreneurs and only to them. As a result, non-entrepreneur individuals cannot be declared bankrupt.

However, in 2012 it was introduced the process of debt relief (esdebitazione), which is a mechanism that allows the private citizen and consumer to offer creditors a repayment plan to cancel their debts.

It was introduced by the law of 27 January 2012, no. 3 entitled „Provisions on usury and extortion, as well as the composition of the over-indebtedness crises“ giving the possibility also to private individuals to gradually get rid of any residual debt allowing a complete „economic and financial rehabilitation“ to the individual that makes use of it.

The high and increasing public debt levels and a possible rise in the banking sector's stock of non-performing loans may impact financing conditions. A recent survey on the effects of COVID-19 on Italian consumers (Altroconsumo, 2020) estimates that the average loss of wealth for families is 479 Euro (for a total of 12.3 bn Euro), largely due to the loss of labour income (30 percent), travel cancellation (18 percent) or investment losses (15 percent).

References are available on request

A view on the effects of COVID-19 in Latvia

by:
Inna Romanova [1]

Modern economic development is typically characterized by the cyclical nature, and economic crises have become an integral part of economic development of any country. The recent economic crisis of 2009 had a global nature revealing high degree of interdependence between the countries. Later, due to the interdependence and interconnectedness between the countries the pandemic outbreak of coronavirus (COVID-19) in 2020 spread very quickly globally. It has resulted in a shutdown of economies and severe economic downturn around the world requiring unprecedented support measures.

1. Gross Domestic Product and Unemployment in Latvia

After the accession to the European Union (EU) in 2004 Latvia had one of the highest GDP growth rates in Europe. According to Eurostat data, over the period of 2004–2007 Latvia has experienced an average annual GDP growth rate of 10.4 percent (2.7 percent in the EU). The following global crisis of 2009 had an extremely negative impact on the economy of Latvia. The country has experienced double-digit contraction of GDP (-18 percent) leading to significant cuts of spending and wages, and as a result, the internal devaluation. Then, only five years later, in 2014 Latvia has managed not only to recover its economy, but has also joined the European Economic and Monetary Union (EMU) complying with all Maastricht convergence criteria.

According to the data of the Central Statistical Bureau of Latvia, in 2018 and 2019 Latvian economy continued its steady development with 4.3 percent and 2.2 percent annual real GDP growth accordingly. Besides, the unemployment rates were kept relatively low: 7.4 percent in 2018 and 6.3 percent in 2019 (see Table 1).

Table 1: Key macroeconomic indicators of Latvia, 2018-2020

	2018	2019	2020 forecast (26.03.2020)*	2020 forecast (24.04.2020)**
Inflation	+2.5%	+2.8%	+0,5%	+0.4%
Wages	+8.4%	+7.2%	+0.2%	-3.0%
Real GDP growth	+4.3%	+2.2%	-6.5%	-7.0%
Unemployment rate	7.4%	6.3%	7.3%	11.2%

Source: Central Statistical Bureau of Latvia, Bank of Latvia*, Ministry of Finance**

The COVID-19 outbreak and the following shutdown of economy have deteriorated the prospects of future development of the country. Due to the pandemic Latvia has declared the state of emergency on the 12th of March 2020 having only few active cases of COVID-19 infected people. It has helped to keep the number of cases at adequate level [2]. The state of emergency was first declared till 14th of April, then extended till 12th May and 9th of June 2020.

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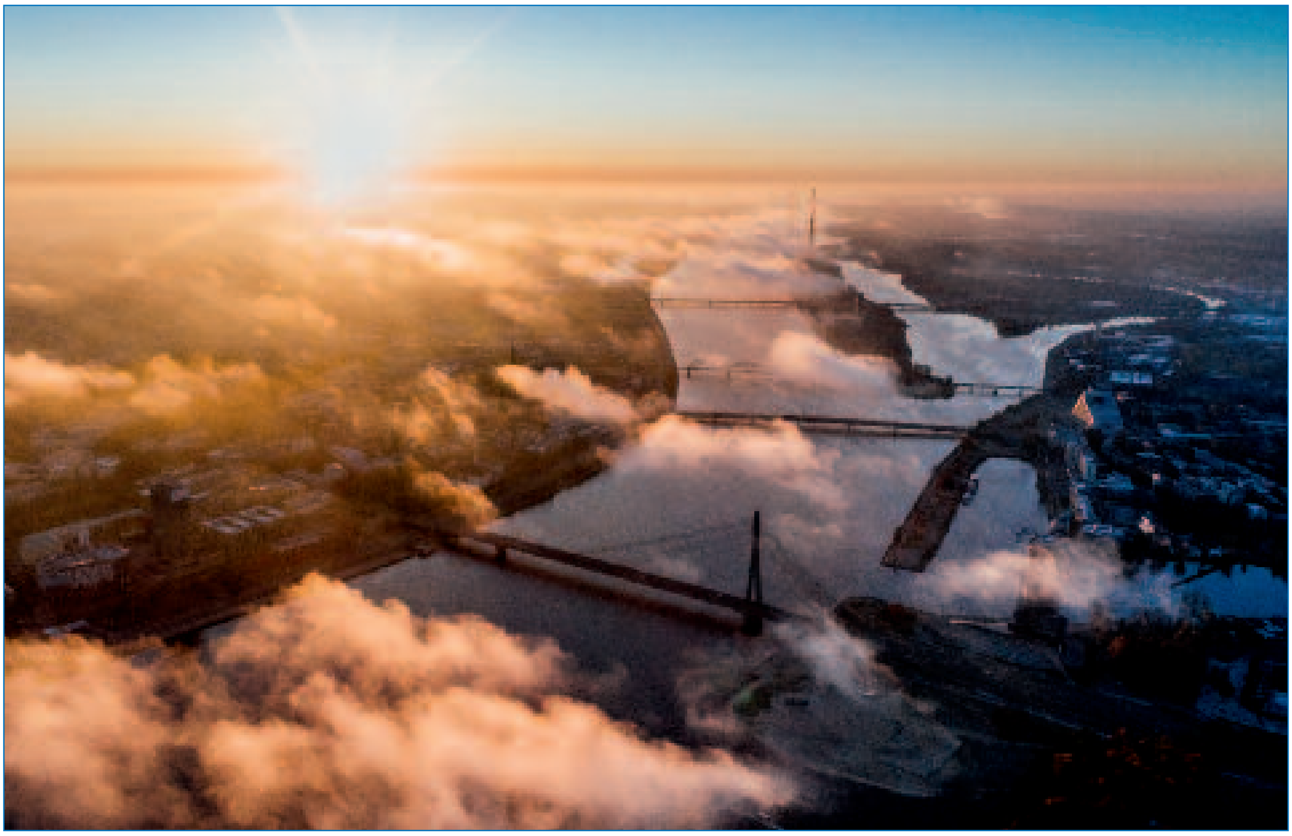
2 As of 8th May, 2020: 928 Covid-19 cases (of total ca.1.9 mln. inhabitants).



Due to the shutdown of economy the key macroeconomic indicators were revised (see Table 1). According to the forecasts published by the Ministry of Finance on the 24th of April, in 2020 a 7 percent drop of real GDP is expected, with the largest drop being in the services sectors, while the manufacturing sector is expected to have slightly positive development figures. The most severe downturn is expected in sectors such as the transport, the accommodation, the catering industry, and the tourism as well as other service sectors, including art, culture, sports events, and marketing (Ministry of Finance, 2020).

Downturn of economic activity will consequently push the unemployment figures. The unemployment rate in Latvia is expected to reach 11.2 percent in 2020 compared to 6.3 percent in 2019. It is projected that gross wages will fall by 3 percent in 2020. However, as the epidemiological situation in the world and in Latvia is improving relatively slowly and its further development is uncertain, the economy can experience an even sharper downturn if the economy shutdown conditions should continue or even become stricter.

Currently, according to the forecasts of the International Monetary Fund (IMF), global pandemic outbreak of COVID-19 will lead to the decline of global economy by 3 percent in 2020 (World Economic Outlook, 2020). Timely measures taken by the countries may decrease this number; however, in case of lacking governmental support measures the outcome can be even worse.

2. Measures Taken in Latvia to Fight the Consequences of COVID-19

The state of emergency declared on the 12th of March 2020 in Latvia brought a number of restrictions, including immediate interruption of face-to-face education process, public events, e.g., cultural and sport events, limitation of healthcare services, social distancing etc. As a result, a significant number of people couldn't continue to work and experienced a sharp decrease or stop of income. In order to mitigate the consequences of the virus outbreak and to support the economy and people, already during the first week of economy shutdown the Cabinet of Ministers of Latvia has ratified a set of targeted support measures. The total value of these measures is projected to be about 1 bn Euro. The set of economy support measures includes support mechanisms for both, companies and private individuals (Ministry of Finance, 2020).

For companies the set of support measure provide the possibility to:

- apply for the extension of the tax payment term;
- reschedule or postpone the delayed tax payments for a period of up to three years;

3 According to the data of the Central Statistical Bureau of Latvia, the minimum wage in Latvia is 430 Euro, average gross wage 1076 Euro (in 2019).

· use quicker procedure of repayment of VAT overpayment;

· access additional loan guarantees, short-term and long-term loans for crisis resolution from the State Development Finance Institution Altum;

· apply for the bank loan grace period;

· get exemption or reduction of rent payments in case the property is owned by state or local government institutions and state-capital companies;

· in case of idle time, apply for compensation of employee remuneration – up to 75 percent of the average salary of the last 6 months, but not exceeding 700 Euro per calendar month[3].

Self-employed are also eligible to apply for apply for compensation in case of idle time – 75 percent of average income of two previous quarters, but not exceeding 700 Euro per calendar month.

The set of measures are also targeted to support private individuals, providing additional social benefits to those who have suffered from the consequences of economy shutdown as well as to protect the most vulnerable groups of population (Ministry of Welfare, 2020):

· crisis benefit can be granted by the municipality in case the family (person) has no income due to the emergency situation; the family (person) has incurred additional expenses that cannot be covered due to mandatory self-isolation as well as in case the family (person) is or has been in quarantine and has no means of subsistence;

· supplement of 50 Euro for each dependent child under the age of 24 for employees receiving a company idle time employee renumeration;

· people with disabilities can receive an assistant to support the needs during the state of emergency;

· housing subsidies in case the family (person) is unable to cover rent/utility payments;

· temporary public work opportunity for the unemployed people;

· state-paid sick leave in COVID-related cases starting with the second day;

· postponement of tax payments.

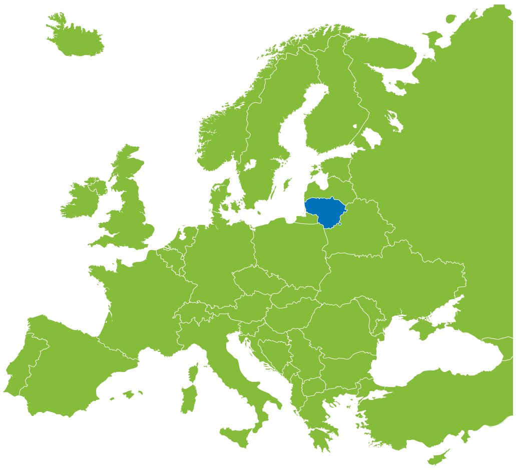
Following the pandemic outbreak, in March Latvia has declared the state of emergency introducing a number of restrictions for public events, businesses and educational institutions. But taking into account positive pandemic trends, the restrictions were eased or even lifted starting from the 12th of May 2020, e.g., allowing public events and sports training up to 25 people as well as gradual reopening of museums, libraries, concert halls and cinemas under the condition of two meters distance between people. Moreover, some tourism services were allowed as tourism was permitted within the three Baltic States (LSM, 2020). Nevertheless, to mitigate the COVID-19 consequences and enable compliance with the restrictions, the fines for violating restrictions were introduced (Saeima, 2020): fines for failing to observe epidemiological requirements and breach of restrictions from 10 Euro to 2000 Euro for private persons and from 140 Euro to 5000 Euro for legal persons. Fines are also set for the provision of false information to obtain the idle time benefits (up to 1500 Euro and in some cases revoking the right of the board member to take certain positions in companies).

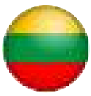
The new reality after the pandemic outbreak is a challenge for many people. According to the Luminor bank data, over the period of two months (March-April 2020) the lifestyle has changed significantly and people have sharply reduced their spending – on average by 34 percent since the beginning of March (Finance Latvia Association, 2020). Moreover, the COVID-19 related economic shutdown and the following restrictions have significantly affected the most vulnerable groups: unemployed people (including those who have lost their job due to the COVID-19), low income receivers, people with disabilities, pensioners. Besides, COVID-19 means a significant challenge for borrowers making them more vulnerable. According to the Finance Latvia Association data, the repayment of bank loans in Latvian banks has been postponed for 8248 agreements (for private debtors) with the total amount of ca.274 million Euro (till 30th of April, 2020).

The expected COVID-19 impact on the economy of Latvia is significant – a drop of GDP by 7 percent is projected for 2020. But the measures taken in Latvia to mitigate the consequences of economy shutdown fundamentally differ from the measures taken during the crisis 2009, allowing the necessary financial support of economy. This was possible due to the high fiscal discipline and relatively low sovereign debt of the country, allowing borrowing in international financial markets. Taking into account the recent developments and the measures taken, for 2021 Fitch ratings expects an economic growth of 5.2 percent in Latvia (Fitch Rating Latvia, 2020).

References are available upon request

Lithuania in Times of COVID-19





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Daiva Skuciene [1]

1. Effects of COVID-19 on GDP

Lithuanian government in the middle of March announced the quarantine due to COVID-19 health crisis in the country. The public and private sectors of economy were restricted. The distance work in public sector as well as in the private became the compulsory in every area possible. All cultural and sport events were forbidden. The work of restaurants, cafes, shops, hotels, hairdressers was stopped. The movement restrictions among countries had a huge impact on the tourism sector, as well as on some delays of the provision of stocks necessary for the domestic production. Therefore, these measures that were necessary in order to suppress pandemic, had a huge impact on Lithuanian economy. According to the economic projections of Bank of Lithuania the decline of GDP will be more than 11 percent and unemployment rate will be more than 12 percent in 2020 (see. Table1). The next year (2021) according to the projections of Bank of Lithuania should be more optimistic with the GDP growth of about 10 percent and the decline of unemployment of about 3 percent in comparison with 2020. Moreover, the slight growth of wages is expected (see. Table 1).

2. Action against the effects

Lithuanian government had prepared measures to support population during the loss of employment and the main source of income after the quarantine restrictions will be reduced. In order to save employees workplaces during the quarantine, Lithuanian Parliament had accepted the revisions of Labour Code, Employment and Social enterprises Laws confirming the new subsidy model during the idle time. According to the previous model, during the idle time the employer had to guarantee the employees no lower than minimum wage remuneration partly subsidized by the state. After the new corrections, the increase of the ceiling of subsidy for the workplace has been increased up to 1.5 minimum wages. Currently, the minimum monthly salary is 607 Euro „on paper" or 437 Euro „in hands" in Lithuania.

Table 1: Relevant economic projections of Lithuania (in percent)

	2020	2021
Inflation	0.4	+ 1.5
Wages	- 2.6	2
GDP	- 11.4	+ 9.7
Unemployment rate	12,5	9,11

Source: Bank of Lithuania, projection March 2020

The new subsidy amounts:

- 70 percent previous wage of employee, but not more than 910.5 gross (1.5 minimal wage)
- 90 percent previous wage, but no more than 607 gross (up to 1 minimal wage)

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The employer subsidizing for the wage have to save no less than 50 percent of workplaces for 3 months after the subsidize payment ended. The amounts of subsidy can be chosen by the employer. If the employer chooses to pay larger than minimal part of the wage, the state subsidy is accordingly bigger.

The amount of 257 Euro per month was confirmed for the self-employees in Lithuania. This amount is equal to the minimum consumption standard for the current year.The benefit will be available through the Employment Service but will not be paid to self-employed people who work under an employment contract. Only self-employed who have paid social security contributions for at least 3 months during the last year, are entitled to receive government's support. Moreover, self-employees can postpone their taxes and social insurance contributions according to the schedule.

In the event of an emergency or quarantine closing of schools and kindergartens, sick leave and sickness benefit will last for more than 14 calendar days – that is, until the end of the emergency or quarantine. The benefit is 65.94 percent from salary „on paper".

The new plan of coping with the consequences of COVID-19 provided by the Ministry of Social Security and Labour of Lithuania includes measures for activation, wage subsidy, child benefit, social assistance and housing. These measures are yet under the public discussion. However it is clear that the plan is strongly orientated towards the forthcoming elections in the autumn. It is noticeable due to such benefits as the foreseen lump sum amount (200 Euro) for the retirees and other pension beneficiaries and more flexible rules that are set for the provision of the social assistance benefits. However the amount of social assistance benefits remains low, despite the added 50 Euro. The wage subsidy after quarantine is projected to prolong to up to 6 months.

Alongside with the measures to save workplaces and to ensure better access to social benefits, the measures to manage credits were also confirmed. The Bank of Lithuania has prepared the benchmarks informing inhabitants of Lithuania about the possibility to postpone the mortgage and other consumption credits. The new revisions of the Credit law have defined the possibility to postpone the payments for up to 3 months. The postponement of the credit is allowed in the cases when the credit contribution is higher than 40 percent of income as well as in the case of loss of employment.

The postponement of utility payments recommendation had been prepared for the municipalities to apply during the quarantine and during the first month after the quarantine. If the consumer has larger debts, it is possible to pay the debt during one year.

3. Effects on the people and vulnerable groups

Despite the steps taken of the Government of Lithuania to reduce the consequences of COVID-19 on economy, the social protection had weak capacities to protect people from poverty, because the funding of the system was lower almost twice than an average of EU before financial crisis in 2008 and had remained up to COVID-19 crisis. Moreover, during the discussed period of time, Lithuania had exposed a high level of poverty, with the rate of poverty being 22.9 percent in Lithuania in 2018 (source: Eurostat). The risk of poverty for the unemployed was as high as 62.3 percent in 2018, for the retired 47 percent and for other inactive persons 31.3 percent (source: Eurostat). Beside social benefit beneficiaries extremely high at risk of poverty was 42,5 percent for single person with dependents, 40,8 percent for persons with less than primary and lower education. The persistent at risk of poverty was 35.9 percent (source: Eurostat). The measures to mitigate the consequences of the crisis do not solve these problems, because there has not been made an increase in the size of benefits, which was an essen-

tial step in order to reduce the negative outcomes. Moreover, as a consequence of the crisis, the size of vulnerable groups will keep growing. Due to the growing unemployment, growing number of social assistance beneficiaries as well as the growing number of people who have debts in mortgage and consumer credits, in the case of unemployment or reduced wage, the at the risk of poverty rate will be higher.

Yet in 2016 the analysis of Lithuanian Antipoverty Network found that the main debts are of housing utilities, fast credits and penalties. During this crisis the utilities debts and fast credits altogether with other credits might become the highest burden for the Lithuanian population. Especially when it is seen that 39 percent of inhabitants feel the impairment of financial situation, according to the representative survey of "Baltijos tyrimai" implemented on March 24th-26th. The credit has become a very high burden and has been indicated as a burden by 25 percent of households in 2018. (Source: Statistics of Lithuania). In the case of loss of an income in the household, the family could survive on its savings for no more than one month, according to 26 percent of respondents. 12.3 percent of respondents had noted that they could survive no more than a week and 25,9 percent noted that they could survive no longer than 3 months (Source: The survey of Bank of Lithuania in 2019).

The government's support for self-employees at the line of absolute poverty is very low and payment duration only during the quarantine could also push many of these people to the poverty.

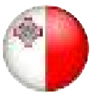
4. Debt advice

The growth of poverty in a country can be managed in two ways: first of all, the formulas of benefits for unemployment, social assistance and pensions should be revised for the improvement of their adequacy and second, the public help for the people in debts should be ensured. It is especially important in Lithuania, where the financial literacy is average (basic), according to the findings of the research of the Association of Lithuanian Banks (2019). It means that people do not know how to save for their future, how to plan their financial resources.

Nowadays financial advice is only provided in the private sector – recommendations related to the financial literacy are provided by the Bank of Lithuania and other commercial banks in Lithuania. For the vulnerable groups such as people with addictions and people who have previously been imprisoned are advised by the NGOs that belong to the Antipoverty Network of Lithuania. However the effectiveness and coverage of this aid is yet unclear, especially in regions of the country. Thus the institutional help did not exist before financial crisis in 2008/2009 and up to COVID-19. It is important to note that aid to manage consumer debts is not included in the Government's package for coping with the COVID-19 consequences in Lithuania.

In the majority of negotiation cases, the over debt person is in a weaker position compared to credit institutions. Thus advocacy, mediation and negotiation are important as an aid in this sense. The high burden of administrative taxes of bailiffs and high deductions from wages demotivate these people to work due to the legal framework and lack of debts management skills that pushes them to rely on benefits or to work rather illegally. Therefore, the state should be taking responsibility for the adequate institutional aid during the crisis. The aid should be organized in each municipality of the country. The debt advice service could be implemented in the Social Services Law and provided by the Social Services Centres located in municipalities. The information and dissemination about such aid should be exposed to the public, especially during the crisis.

Impact of COVID-19 on Malta and its Economy



by:
Simon Grima [1] **& Rebecca Dalli** [2]

1. Gross Domestic Product and Employment

As noted in the article by Fabri, et al. (2020), a crises as defined by the Greek work „krisis" marks a transitional period for a „decisive turning point". It is a period where countries and states need to work together to ensure sustainability and embrace opportunities while mitigating catastrophes proactively.

Malta, like all other countries has been and will continue to be adversely impacted by this pandemic (COVID-19). Especially for some sectors of the economy the impact is devastating. Although in some sectors of the economy there is no alternative route or limited alternatives some have managed to continue operations using alternative methods and at the same time using protective measure to avoid the spreading of the pandemic. Also, the recent favourable performance of the Maltese economy has allowed room for government intervention.

A snapshot of Malta's economic performance of the last 12 years (between 2008 and 2019) in terms of percentage year on year change in Gross Domestic Product (GDP) as compared to the European Union – 27 countries (from 2020), the European Union – 28 countries (2013-2020) and similar EU small states (i.e. with a population of less than 3 million), specifically Estonia, Latvia, Lithuania, Slovenia, Cyprus and Luxembourg, can be seen in figure 1 and 2 below (Eurostat, 2020).

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According to official data from the World Bank and projections from Trading Economics, the (GDP) in Malta, in 2019, was worth US$ 15.10 bn; representing a GDP value of 0.01 percent of the world economy. The expectations are that this will reach US$ 15.90 bn by the end of 2020. In the long-term, the Malta GDP is projected to trend around US$ 17.50 bn in 2021 (Trading Economics, 2020).

The headlines of an article in the Times of Malta of the 14th April, 2020, quotes the International Monetary Fund (IMF) as stating that Malta's economy is likely to shrink by 2.8 percent due to the pandemic, with an expected rebound in 2021 of a strong 7 percent. Moreover, in a subheading it also quotes the World Economic Outlook to have projected a 7.5 percent decline across the Eurozone (Times of Malta, 2020) (World Economic Outlook, 202 0).

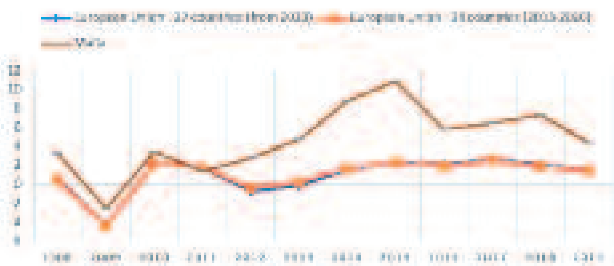
The article in the Times continues to quote the IMF as highlighting the expectation of a rise in 5 percent unemployment in 2020 from last figures in 2019 which hovered around 3.4 percent, which will decrease slightly to 4.4 percent in 2021 (Times of Malta, 2020) (World Economic Outlook, 2020). In an article in FocusEconomics, Bassetti (2020) corroborates this and notes that Malta together with Netherlands and Germany are the Eurozone countries with the lowest March 2020 unemployment rates of 3.5 percent, 2.9 percent and 3.5 percent respectively.

These projections indicate that Malta is expected to suffer a smaller economic impact than those in other countries and regions.

2. Composition of the Maltese Economy (2019) in Gross Value Added (GVA)

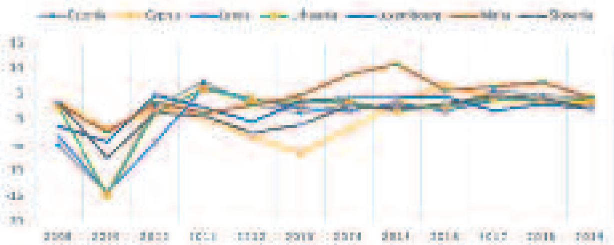
The total percent GVA as at the end of December last year was of Euro 11,715,404,000 and split up as shown in Figure 3 below. The highest percentage contributors to the GVA of Malta are the wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities (20.87 percent), followed closely by the Public administration and defense; compulsory social security; education; human health and social work activities (16.8 percent), the Professional, scientific and technical activities; administrative and support service activities (15.48 percent) and the Arts, entertainment and recreation, repair of household goods and other services (15.26 percent). All other sectors contribution was less than 7 percent (NSO, 2020a).

Figure 1: Real GDP: Year on year percentage change



Source: adapted from Eurostat, 2020

Figure 2: Real GDP: Year on year percentage change



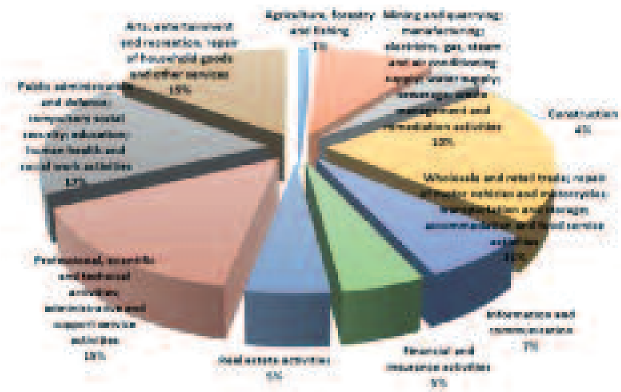
Source: adapted from Eurostat, 2020

The total gainfully employed as at October 2019 stood at 223,078 and is split up as shown in Figure 4, with the largest employers being Wholesale and retail trade; repair of motor vehicles and motorcycles (12.19 percent), mainly the Retail and Wholesale Trade, excluding motor vehicles and motorcycles (90 percent) (NSO, 2020b). However, as noted above one needs also to consider the cascading effects of certain industries due to an infectious pandemic onto other sectors as noted by Santos et al. (2009). It creates large-scale disruptions in the normal way of life and working sector, leading to further stress with the consequence of fear, illnesses, and mortalities caused by the cascading effects.

Most, if not all economic sectors are dependent in some way (directly or indirectly) on the workforce. Therefore, interdependency is a key component in determining the cascading effects of disruptions on economic productivity. Models can be used to model interdependencies across various sectors of a specific regional economy and measure their cascading impact amongst sectors of an economy pursuant to a disruption, therefore determining the exposure and enabling an informed decision.

Once a key indicator is flagged, the associated risks are analysed and mitigation/ management measures are put in place. Firstly, one needs to determine the possible impact of the disruption and the likelihood of it, the preparedness and controls in place to manage/mitigate and ensure continuity with an acceptable remaining residual risk (Kaplan et al., 1981).

Figure 3: Percentage Gross Value Adding per Sector of the Economy as at December 2019.



Source: National Statistics Office (NSO), 2020a

3. Mandatory Mitigation Measures

Schools and educational institutions will remain closed until the end of June, which is the end of the current scholastic year. All students will continue with their learning and studies through online means.

With effect from Tuesday 17th March, all bars (excluding take-away), restaurants (excluding deliveries), gymnasiums, clubs, cinemas and tombola halls are to close.

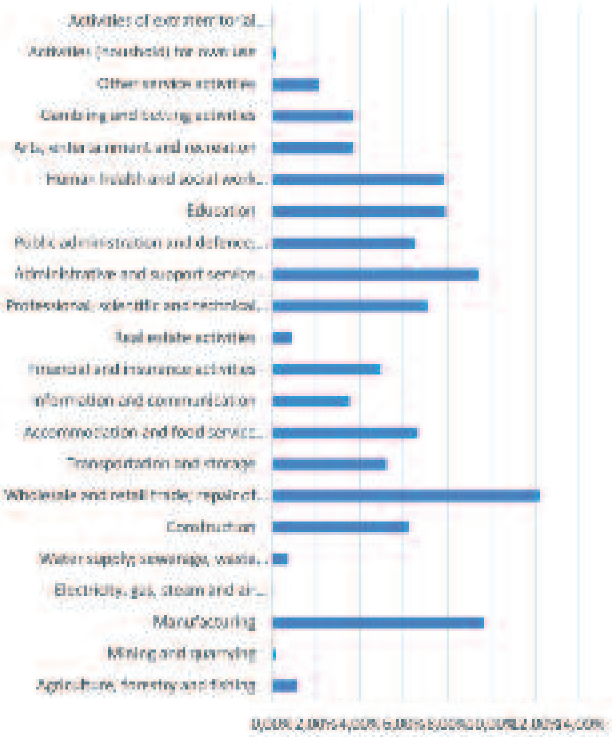
Closure of Malta International Airport and all passenger flights inbound to Malta will be temporarily suspended after 23.59hrs of the 20th March 2020.

As from the 23 March 2020, all shops whereby their principal business relates to the selling of the so call non-essential services are to close (whether operating in shopping malls and/or elsewhere). However, these shops may still sell and provide delivery services of their products in the community.

Moreover, with effect from this date and time outlets providing non-essential services, namely hairdressers, barbers, beauticians, spas, nail artists, nail technicians and tattooists, are also to be closed.

Fines of 3000 will be imposed each time these new measures are breached (covid19malta, 2020).

Figure 4: Full-time employment classified as at October 2019 and by economic activity



Source: National Statistics Office (NSO), 2020b

4. Fiscal Measures

As highlighted in the press release PR200520 dated 18th March, 2020, cited on doi.gov.mt, the Prime Minister of Malta, the Minister for Finance and Financial Services and the Minister for the Economy, Investment and Small Business announced the following measures to soften the impact on some sectors of the economy due to the COVID-19 pandemic and support those members of the population that are unable to continue working due to this pandemic. The collective value of this economic package is of circa 1.81 bn (an amount equal to 12.9 percent of Malta's GDP in 2019). A summary of the most salient points as highlighted on this press release and in the government website servizz.gov.mt on April 7th 2020, are as follows:

4.1 Person with Disability Benefit – employed in the in the private sector cannot go to work on medical advice and are not able to work from home, may apply for benefit (a), (b) and (c).

4.2 Additional Unemployment Benefit – to workers who after the 8th of March, 2020, due to this pandemic have lost their job lose their job in the private sector can apply for (a) to (f) below.

4.3 Medical Benefit – to workers who after the 27th of March, 2020, due to this pandemic are not going to work due to an order of the Superintendent of Public Health of Malta, are not allowed to leave their home, are not able to work from home and are not being paid by their employer during their absence from work, may benefit from (a) to (f) below the during their absence from work.

4.4 Family Friendly Measures, (Parent Benefit) – to those employed in the private sector with children under 16 years of age cannot go to work on medical advice, are not able to work from home, and who **do not** work or provide an essential service in a Government department or entity may apply for (a), (b), (c), (d) and (g).

a) a direct payment of 166,15 Euro per week if you work full-time or 103,85 Euro per week if you work part-time;

b) the payment of their Social Security Contribution and future contributory pension rights safeguarded;

c) the entitlement to any Disability Assistances without deductions.

d) an adjustment to the children's allowance (if one is entitled to it) will have its rate adjusted in line with their new income earned up to a ceiling rate of 24,08 Euro per week per child;

e) any in work benefit will continue to be received without deductions;

f) any supplementary allowances will have the rate adjusted in line with the new income earned up to a ceiling rate of 4,57 Euro per week for single persons and 12,54 Euro per week for couples.

g) any Tapering of Benefits received without deductions;

About 12,000 families with children who have both parents/guardians working in the private sector will benefit from this measure.

4.5 Tax Deferrals – of dues in respect of income tax, VAT and social security and maternity fund contributions by employers and the self-employed persons for the months of March and April will be postponed. This measure is expected to cost the Government between 400 million Euro and 700 million Euro.

4.6 Bank Guarantees – utilized to support the provision of soft loans or temporary moratoriums on personal and business loans are extended for up to 900 million Euro. These guarantees are expected to result in an additional access to credit of circa 4.5 bn Euro, if fully utilized.

4.7 Direct Capital Injection – of around 210 Euro (1.5 percent GDP) million in the Maltese economy with around 35 million Euro allocated to the Health Authorities to fight the COVID-19.

4.8 Financial Aid, Quarantine Leave – A sum of 350 Euro will be granted to employers for each employee under quarantine leave.

4.9 Further Efforts to Assist Businesses by government:

· to cover 2 days of an employee wages per week (based on a maximum wage of 800 Euro per month) for enterprises suffering from a complete suspension of operations (including providers of accommodation, food and beverage services, language schools and entertainment venues). This is expected to benefit between 20,000 – 44,000 employees;

· to cover 2 days of income per week (based on maximum income of 800 Euro per month) for the self-employed suffering a complete suspension of operations (including providers of accommodation, food and beverage services, language schools and entertainment venues). This is expected to benefit circa 5,700 self-employed persons. Government coverage will increase to 3 days in the case of self-employed individuals who employ others;

· to cover 1 day of employee wages per week (based on a maximum wage of 800 Euro per month) for enterprises whose operations decreased at least by 25 percent. This is expected to benefit circa 47,500 employees;

· to cover 1 day of income per week (based on maximum income of 800 Euro per month) for the self-employed whose operations decreased by at least 25 percent. This is expected to benefit circa 9,600 self-employed persons. Government coverage will increase to 2 days in the case of self-employed individuals who employ others. (doi.mt, 2020)

4.10 Housing Subsidies – to those families that benefited from government housing subsidies and have lost their jobs will be eligible for an increased subsidy.

4.11 Third Country Nationals – are not allowed to replace employees dismissed. Applications for work permits for new third-country nationals will no longer be accepted (an exception will be made for highly skilled workers). However, the Government will seek to assist all third-country nationals who are presently in Malta and have their employment terminated to find an alternative employment.

References are available upon request

The Netherlands and COVID-19 virus

by:
Marcel Warnaar [1]

Just as in other European-countries, the effects of the COVID-19 crisis on the financial situation of a lot of households in the Netherlands will be tough. Although the shutdown in the Netherlands was not as severe as in other countries, it already had an immediate effect on the incomes of 20 procent of the households. The outlook of the indirect effects is still open, depending on the duration of the limitations.

1. Reduction of GDP and development of unemployment figures 2020

The Central Planning Bureau, which is the official adviser to the government on economic matters published at the end of March four scenario's [2]. The scenarios were set up along different duration of the shutdown of parts of the economy and along the prevalence of possible severe problems within the financial sector and within world trade. In the first scenario, the measures to prevent physical contact lasts for 3 months. The production capacity stays at its original level because of the government support. Already in the second half of 2020, recovery starts. Government support is able to limit the number of lay-offs. In the second scenario, these measures last for 6 months. The industry gets a severe blow and world trade will be much lower. Recovery starts in 2021. Unemployment rises, because temporary contracts are not renewed and starters have difficulties finding a job. In the third scenario, these measures also last for 6 months. However, severe problems in the world economy and in the financial system lead to a longer and deeper recession, with a slow recovery in 2021. Firms will not be able to keep all their employees. In the fourth scenario, the measures last for 12 months. This causes a recession for 1.5 years, also because of problems in the financial sector and abroad, without recovery in 2021. The effects of these four scenarios on GDP and unemployment can be seen in the table 1 (scenarios). The latest EU-outlook (May 2020) expects a decrease in Dutch GDP of 6,8 percent in 2020 and an increase in 2021 of 5,0 percent and a peak in unemployment of 5.9 percent. This is somewhere between the second and third scenario.The EU-Outlook expects the recovery in 2021 to be larger than the national figures suggest.

Scenario	GDP 2020	GDP 2021	Unemploy-
1	-1.2 %	+ 3.5 %	4,5 %
2	- 5.0 %	+3,8 %	5,3 %
3	- 7.7 %	+ 2.0 %	8,4 %
4	-7.3 %	- 2.7 %	9,4 %

2. Activities and measures to help and support the people

The government issued all kinds of encouragements and regulations to keep the virus from spreading and to lower the pressure on the health system:

- People were advised to stay at home, and to work from home as much as possible;
- To stop shaking hands, to stay at a distance of 1.5 meter to each other. Firms and institutions have to prepare themselves on the „1.5-meter-society" which will occur when the lockdown is partly removed;
- To forbid nearly all public gatherings. Large public gatherings are forbidden until September 1. This includes summer festivals, professional football and theatres;
- To discourage tourism;
- Schools, restaurants, hairdressers and the like were also closed, but it is expected that they will be allowed to open during the month May, if they are able to keep the safe distance of 1.5 meters;
- To increase intensive care units and to order all kinds of protective measures;

It goes without saying that these measures have a dramatic impact on the possibility to earn the same labor income as before for a large part of the population. That is why the government started a massive support program to keep firms and households from bankruptcy:

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2 https://www.cpb.nl/sites/default/files/omnidownload/CPB-Infographic-Economische-scenarios-corona-26mrt2020.pdf

- Self-employed can get money as a gift at the level of social minimum for three months. Different from the ordinary support, this is done without thorough checking of household or financial status. Furthermore, they can get a credit for acute liquidity problems;
- Small and medium entrepreneurs (max. 250 employees) can get a 4.000 Euro support when their turn-out will decrease by more than 4.000 Euro between March and June
- All entrepreneurs can postpone their taxes for 3 months
- Government takes over wage payments up to 90 percent for firms coming into problems under the condition that they don't fire employees. The percentage of wage payment is dependent on the loss of turnover. The maximum of 90 percent is only for those firms that lose all their turnover
- Government takes over more guarantees for exporting products

This first wave of support was introduced with speed as the main factor. It is expected that a second wave will be done with more conditions to the firms, like the absence of bonuses for management and/or dividend payments to the shareholders. Also in the private sector, measures were taken to reduce the effects. Among these:

- Mortgage creditors have decided not to bring houses to auctions until at least July,1. Housing companies will not evict people.

In a coordinated action, all mortgage creditors grant postponements of interest and repayments for at least 3 months without a thorough check. The extra repayments can be spread out over the remainder of the duration without negative fiscal consequences. This postponement is not registered in the Credit Registration Office

- Food banks (private initiative to supply food to poor households) get extra financial support from the government
- Incasso companies will be lenient in their approach to people and accept postponements more easily. This is especially done by incasso from debts to the government (= one of the main creditors)

3. Effects of crisis, the shutdown or the taken measures

Nibud asked in the beginning of April a representative sample of Dutchmen about the financial consequences of the crisis in their households[3]. It is planned to repeat this research in the coming months. The survey data show that about 20 percent of the respondents already experience a fall in income in March and April. This is larger for self-employed (46 percent), flexible workers (43 percent) and for younger workers (18-30 years) as a lot of them don't have steady jobs. We see two waves of financial problems. The first one is the direct one for people who immediately see their incomes going down. It looks like that most creditors/landlords are willing to accept less payments for the time being and/or that the income support from the government may be working. This is short-term oriented. The second wave may be that forms go bankrupt and much more people lose their jobs. In that case over-indebtedness may grow fast. A lot of people don't have any financial buffer. From our research we see that 29 percent does not have enough savings to cover two months without income. They will not be able to cope with a long period without income.

4. New and old vulnerable groups

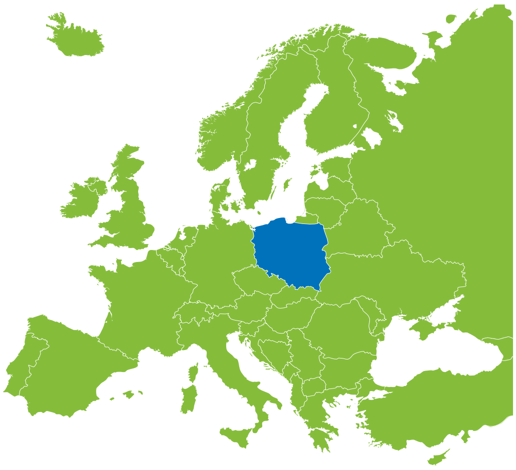
The Dutch have built a rather large layer of flexible work in the past decades. Over 1 million are more or less self-employed. This is more than 10 percent of the labor force. Especially in seasonal work (like tourism) and in the cultural sector, this has lead to a direct blow for employment for these flexible workers. They may be able to stay out of financial problems when the crisis is short and government support is renewed. However, especially in those branches, recovery will not come shortly, as the work is connected with large gatherings. Perhaps different from other countries, the Dutch have a basic income for retired. Aged over 66 years, they are guaranteed the social minimum. The crisis does not hit them hard financially.

5. Effects of the crisis on debt advice

In 2018, 86.200 people in the Netherlands asked for debt help. However we know that about 1/3 of the Dutch population has in any way financial problems. We may expect a rise in this. As there are already queues for debt advice before the crisis, it may lead to people having to wait longer in stressful situations. Add to this, that debt advice and debt settlement for self-employed is more difficult, as it also has to do with the firm's creditors and more juridical consequences. This is work, normally done by specialists. There will be a large need for debt advisers. On the other hand, self-employed and flexible workers may be able to find new working fields. There are also branches with more work than before, such as delivery services and the health sector. And the crisis might also lead to a paradigm-shift and gives more space to hair-cuts and writing-off loans. And we may also face other ways of debt advice, like more online-counseling. In the first week of May, still a lot is unknown. We appear to be more fragile than we expected. And the world around has much more interdependence than we know of. If all these chains keep on functioning, we could climb out pretty soon without a lot of (financial) lasting damage. If, however, some of these chains will stop functioning, things could turn out much worse.

3 https://www.nibud.nl/consumenten/nibud-een-vijfde-van-de-nederlanders-ervaart-inkomensterugval/

Impact of COVID-19 in Polish society



by:
Beata Świecka [1]

1. Reduction of GDP

According to European Commission estimates [2] (6/05/2020), GDP in Poland in 2020 will fall by 4.3 percent due to business disruptions caused by the shutdown and an unprecedented decline in external demand. In 2021, GDP should bounce back and increase by approximately 4 percent due to a strong recovery in household consumption. The data are also confirmed in the Information Bulletin of the Chancellery of the Prime Minister of the Council of Ministers (KPRM) of 6.05.2020. According to KPRM, in Q2 Poland's GDP will fall by 4.3 percent and it will be the lowest fall in GDP in the European Union (Spring Forecast Prediction European Commission). [3]

2. Policy measures to fight the consequences of the COVID-19

Activities supporting Polish society are conducted in many directions [4].

A. First, these are government actions through the introduction of the so-called Anti-crisis shield. After the Anti-crisis Shield version 1.0 (March 2020), the Anti-crisis Shield 2.0 (April 2020) gives a much broader support for the labour market and entrepreneurs. Under the Anti-Crisis Shield are covered: self-employed persons, micro-enterprises, small, medium and large companies. It is also addressed to persons performing civil law contracts (mandate, work and agency contracts), non-governmental organizations and social cooperatives whose turnover or revenues decreased due to the COVID-19 pandemic. Support will also be obtained, among others parents, people with disabilities, farmers, artists, cultural institutions, athletes, foreigners or drivers.

The Government's activities to support employees and employers include:

a. Co-financing the salaries of employees affected by economic downtime [5], the maximum amount of co-financing per employee will be PLN 1,533.09 (gross), including social security contributions due from the employer on a full-time basis (assuming an accident insurance contribution of 1.67 percent). The employer pays remuneration reduced by no more than 50 percent and not lower than the minimum (including working time), co-financing is granted to the remuneration of all employees, including those employed under civil law contracts.

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2 European Economic For ecast Spring 2020, Institutional Paper 125, European Commission Directorate-General for Economic and Financial Affairs, May 2020. https://ec.europa.eu/info/sites/info/files/economy-finance/ip125_en.pdf.

3 Biuletyn informacyjny Centrum Analiz Strategicznych, Kancelaria Prezesa Rady Ministrów, Warszawa 6.05.2020 (Information Bulletin of the Strategic Analysis Center, Chancellery of the Prime Minister, Warsaw 6.05.2020., https://www.premier.gov.pl/files/biuletyn_07.05.pdf

4 Ustawa z dnia 16 kwietnia 2020 r.o szczególnych instrumentach wsparcia w związku z rozprzestrzenianiem się wirusa SARS-CoV-2, Dz.U. 2020 poz. 695, Kancelaria Sejmu, Warszawa 16 kwietnia 2020 (Act of 16 April 2020 on specific support instruments in connection with the spread of SARS-CoV-2 virus, Journal of Laws Dz.U. 2020 poz. 695 , Chancellery of the Sejm, 16 April 2020) http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20200000695/T/D20200695L.pdf

5 Economic downtime is the period when an employee does not perform work for reasons not related to the employee who is ready to work; Anti-crisis shield. What entrepreneurs can use, Employers of the Republic of Poland, Warsaw 2 April 2020. https://pracarzeniarp.pl/upload/files/2020/04/tarcza-1-1.pdf

b. „Waiting payment" – the benefit is 80 percent of the minimum wage, i. e. PLN 2080, when the sum of revenues from civil law contracts obtained in the month preceding the month in which the application for the parking benefit was submitted is less than 50 percent of the minimum wage in 2020, the parking benefit is payable in the amount of the sum of remuneration for the performance of these civil law contracts.

c. The Industrial Development Agency will offer entrepreneurs support for maintaining financial liquidity.

d. Social cooperatives will be exempt from the contributions of all payers, regardless of the number of employees.

e. All entrepreneurs, regardless of their size, will have the opportunity to renegotiate the terms of the bank loan (the final solutions will be the result of negotiating the parties to the loan agreement).

f. Farmers and the household members working with them will receive an allowance of 50 percent minimum remuneration for work.

The cost of the proposed solutions is estimated at over 2.5 billion Euro.

B. There are many activities concerning commercial banks[6], e. g. postponing (suspending) repayment of principal and interest instalments for a period of up to 3 months, no charge of any fees or commissions for suspensions, providing access to short-term credit .

According to the Polish Government (April 8, 2020), PLN 100 billion will go to Polish companies. These funds are intended to protect jobs under the Financial Shield. Even 670,000 Polish companies will benefit from a new program targeted at enterprises that have suffered as a result of a coronavirus pandemic. Nearly PLN 100 billion will go to micro-enterprises, SMEs and large enterprises – of which up to PLN 60 billion are non-returnable funds.

Financing for micro-enterprises in the form of subsidies is directed to enterprises (PLN 25 billion):

a. employing from 1 to 9 employees (excluding self-employed) whose annual turnover or balance sheet total does not exceed EUR 2 million;

b. which has experienced a decrease in revenues of at least 25 percent in any month after 1 February 2020 compared to the previous month or corresponding month last year in connection with COVID-19;

c. subject to an operating ban due to sanitary restrictions.

SME sector – PLN 50 billion

Financing the SME sector by PLN 50 billion is directed to the following companies:

a. employing from 10 to 249 employees,

b. whose annual turnover does not exceed EUR 50 million or the balance sheet total does not exceed EUR 43 million.

Its basic principles are similar to those to which micro enterprises are subject (at least a 25 percent decrease in revenues, return after 3 years). The main differences are the maximum amount of the subsidy, which represents 4 percent, 6 percent or 8 percent of annual sales depending on the scale of sales decline to a maximum of PLN 3.5 million (PLN 1.9 million on average).

The maximum value of the program for large companies is PLN 25 billion, while the assumed amount of non-returnable funds may reach the value of PLN 12 billion. In addition to the above measures to protect the labour market, policy measures include in-kind transfers for local governments to buy laptops for children from poorer families to enable online lessons.

4. Reactions and effects of the measures

At the end of April 2020, 67 percent of companies surveyed by the Polish Institute of Economics (PIE) recorded a decrease in revenues, including 10 percent did not have funds for survival. At the turn of April and May 2020, 10 percent of companies experiencing a decrease in revenues came, but the percentage of companies without funds for survival decreased by 8 points percent. At the same time, 38 percent of companies declared that they would survive over three months with current resources. Micro-enterprises had the biggest problems, 74 percent of which recorded a decrease in revenues. Large companies fared best, of which 56 percent experienced a decline in revenues, and 52 percent had funds to survive for at least three months. The most difficult situation was in trade, where revenues of 74 percent of companies fell (by 3 percentage points more than a month earlier), and the best, but worsening, in production (62 percent; + 9 percent points)[7]

6 Komunikat ZBP nr 1 w sprawie działań pomocowych podejmowanych przez banki w związku z pandemią koronawirusa COVID-19 (Communique 1 of the Polish Bank Association on aid measures taken by banks in connection with the COVID 19 coronavirus pandemic, Polish Bank Association, Warsaw, 16 March 2020); https://www.zbp.pl/Aktualnosci/Wydarzenia/Komunikat-ZBP-w-sprawie-dzialan-pomocowych-podejmowanych-przez-banki.

7 Trudna sytuacja finansowa przedsiębiorstw nie wzmaga planów zwolnień i obniżek płac, Polski Instytut Ekonomiczny, 20 kwietnia 2020 (The difficult financial situation of enterprises does not increase the plans of dismissals and wage reductions, Polish Economic Institute, 20 April 2020) http://pie.net.pl/trudna-sytuacja-finansowa-przedsiebiorstw-nie-wzmaga-planow-zwolnien-i-obnizek-plac.

According to the data of the Polish Bank Association, as at April 30, 2020, the total number of applications from consumers for postponement of loan instalments slightly exceeded 800,000, of which 675,000 were approved (approx. 85 percent). In the last two weeks of April, approximately 180,000 have been received by banks. new applications. Entrepreneurs have submitted almost 112,000 applications to banks, just over 30,000 in the last two weeks of April. Less than 97,000 were considered positive (approx. 87 percent). The number of complaints (to 7.8 thousand) lodged with banks increased slightly, but it is still a negligible number compared to the total number of applications[8].

6. Most vulnerable groups affected by the consequences of the COVID-19 measures

The most vulnerable groups affected by the consequences of the COVID-19 are:

· Household without any savings

· Employees and entrepreneurs in the tourism industry

· Households with low incomes and low savings.

· Single parent households

· Small entrepreneurs that provide direct services to their clients, particularly those which require close personal contact (e.g. beautician, personal trainers)

7. Consequences for the provision of debt advice services

Debt advice services expect a strong increase of clients after therefore prevention of over-indebtedness is very much needed.

Preventive (preventive) activities consist of two forms[9]:

a. Primary prevention (in other words preventive measures) covering comprehensive, multi-faceted actions preventing the occurrence of insolvency. These are actions occurring before the appearance of symptoms, warning signals, indicating the threat of insolvency.

b. Secondary prevention applied when signals indicating an emerging threat of insolvency are detected. Their purpose is to contain the deteriorating financial situation and to eliminate or mitigate the causes of insolvency.

Preventive measures can be used both by the government, the state and financial institutions, as well as the least-interested households. Government activities include, for example, liberalization in the Act on Consumer Bankruptcy Act, which was introduced (after liberalisation) on 20 March 2020. The first Consumer Bankruptcy Act in Poland was install in 2009.

References on request

9 Świecka B. (2009), Niewypłacalność gospodarstw domowych. Przyczyny – skutki – przeciwdziałanie, Difin, Warszawa 2009 (8. Świecka B. (2009), Household insolvency. Causes – effects – counteraction, Difin, Warsaw 2009).

Protection of the individual debtor in Romania during the COVID-19 pandemic

by:
Rodica Diana Apan [1]

Introduction

In the current economic situation generated by the effect s of the pandemic due to the infection with COVID-19 measures to protect the individual debtor have been adopted in Romania. It should be taken into account that the economic situation in Romania, in 2019 and the prospects for 2020, at the time of the adoption of these measures, are characterized by the following:

- in 2019, the population had a debt to banks of 160.7 bn LEI (34 bn Euro) , most are mortgages, representing about 16 percent of GDP. [2]

- in 2020, Romanian GDP is expected to fall sharply by 0.9 percent from an increase of 4.1 percent in 2019 and a budget deficit of over 5 percent [3].

The suspension of the obligation to pay the outstanding installments on the loans, granted to certain categories of debtors, is regulated by Emergency Ordinance No. 37/2020 [4] and detailed in the Implementing Rules, in force from April 8, 2020 [5]. The ordinance was adopted because the state is obliged to take measures to combat the negative effects that impact the economic situation of certain categories of debtors and constitute emergency and extraordinary situations. It is also indicated in the preamble of the Ordinance, that according to the information issued by the National Bank of Romania, the current regulations allow creditors, whether banking or non-banking institutions, to postpone the payment of installments for any natural person affected by the COVID-19 pandemic, without applying the conditions stipulated of the Regulation of the National Bank of Romania no. 17/2012 regarding certain credit conditions, as subsequently amended, on the degree of indebtedness, the limitation of the loan according to the value of the guarantee and the maximum duration of the consumer credit.

I. The scope and subjects of the Ordinance

The creditors are, within the meaning of the Ordinance, credit institutions, non-banking financial institutions, as well as branches of foreign credit institutions and non-banking financial institutions that operate in Romania.

II. The facility granted to natural person debtors as regulated by the Ordinance, for other loans than mortgages

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2 35 percent of the mortgage loan stock was granted to debtors in the Bucharest-Ilfov area, this being followed at an important distance by Cluj (6 percent), Timiş (6 percent) and Constanţa (5 percent) , https://www.zf.ro/banci-si-asigurari/populatia-avea-2019-datorie-banci-160-7-mld-lei-reprezentand-circa-16-pib-cea-mare-parte-creditele-ipotecare-35-stocul-credit-ipotecar-acordat-debitorilor-zona-bucuresti-ilfov-aceasta-fiind-urmata-18746703
3 even if the increase in pensions by 40 percent, scheduled for September 1, would be postponed, https://www.zf.ro/banci-si-asigurari/previziuni-economia-romaniei-se-va-restrange-cu-0-9-in-2020-iar-deficitul-bugetar-va-sari-de-5-din-pib-chiar-si-cu-amanarea-majorarii-pensiilor-18998945
4 published in the Official Journal of Romania on 30 March 2020 and entered into force on 30.03.2020.
5 published in the Official Journal of Romania on 6. April 2020.

The essence of the facility granted to the debtors according to the content of this regulation is that, it can be suspended at their request, for up to 9 months, but not more than 31.12.2020, the payment obligation undertaken according to the contracts concluded with the creditors, of the outstanding credit installments, representing interest rates, capital, and commissions, granted to the debtors by the creditors, until the date of entry into force of the Ordinance, 30.03.2020.

In order for the suspension to be operable, the Ordinance stipulates the obligation to comply with some prerequisites and to carry out a procedure.

A. The prerequisites are the following :

(i) the suspension is granted exclusively to the debtors whose incomes have been directly or indirectly affected by the serious situation generated by the COVID-19 pandemic, according to the rules of application of the present emergency ordinance. Therefore it is obvious that the debtors must make proof of the „direct" or „indirect" impact on their revenues generated by the COVID-19 pandemic. The debtor, the natural person, is unable to honor the payment obligations related to the credit as a result of the intervention of one/more of the following causes, without being limited to them:

· the entry of the debtor/his family members into technical unemployment as an effect of the closure/restriction of the employer's activity;

· dismissal of the debtor/his family members;

· reduction of the salary of the debtor/his family members;

· placing the debtor in institutionalized quarantine or isolation at home, illness with COVID-19, etc.

(ii) The second prerequisite results from the factual and legal situation of the credit. Therefore, the suspension can be granted only for the credits that do not register arrears on the date of the establishment of the state of emergency in the territory of Romania, namely 15.03.2020 or if the debtors made the payment of these arrears until the date on which they apply for the suspension of the payment obligation.

In order to be able to apply for the suspension, the loan must not register any arrears on 15.03.2020 – 1st scenario. Or if the loan has registered any arrears, they will have to be paid prior to the applying for the suspension - scenario II. Both are crushing scenarios for consumer protection so we will take a deeper look into each in the following lines. The first scenario leaves outside the scope of the ordinance those debtors who register outstanding debts on 15.03.2020. Therefore, the debtors who have arrears and to whom the suspension is applicable will be those who have an outstanding installment, the anticipated maturity has not been declared prior to March 30,2020, and this outstanding installment is paid before the date the debtor applies for suspension. In this way, the debtor who is excluded from the scope of the ordinance according to scenario 1 will fit into scenario 2.

Any conditioning of the applicability of the Ordinance to the payment of an outstanding loan is of no effect, because the debtor's/debtor's family possibilities of repayment are diminished anyway as a result of the pandemic. In accordance with those indicated in point (i), if the debtors with arrears whether small or large, for which the creditor has declared the anticipated maturity of the loan, the Ordinance really does not establish any protection measure.

(iii) The third condition that appears to be favourable, but which has a dramatic effect of limiting the applicability of the provisions of the Ordinance, is that the loans must have been granted to the debtors by the creditors until the date of entry into force of the Ordinance, respectively 30.03.2020. Hence, for the credits that will be granted after this date, to the extent that the debtors will qualify to be credited, having the incomes affected by the pandemic, the obligation of repayment rests with the debtors according to the contracts concluded between the parties. If these debtors will be late on payments then they will not be able to apply for the suspension of the payment obligation through the effect of the Ordinance, but only suspension, rescheduling, based on the request (possibly) approved by the creditors.

(iv). The fourth condition refers to the concept of „maturity" of the credit. The provisions of the Ordinance in scenario 1 are applicable, namely the contract for obtaining a credit that has not

reached maturity. Scenario 2 with reference to the concept of „maturity", is more of a procedural limitation, which sends to the impossibility of prolonging the maturity of the credits over the age limit provided by the regulations of the creditors on granting the loans. In this second scenario, the creditors can suspend the obligation to pay the credit instalments, but they will restructure the credits with the classification in the age limit.

B. Procedural aspects on granting the facility

The procedure to be followed for suspending the reimbursement of installments, interests and commissions is the following:

(1) the debtors send a request to the creditors in this regard no later than 45 days from the entry into force of the ordinance.

(2) the duration for which the debtors can request to suspend the obligation to pay the outstanding installments related to the loan is between one month and nine months, but the duration will not exceed December 31, 2020.

(3) the creditor analyzes the request and approves it according to the conditions provided under the norms of application of the Ordinance

(4) within 30 days from receiving the request to suspend the payment obligation, the creditor notifies the debtor on the contractual clauses

(5) the modification of the credit agreements is produced by the operation of the law, without the conclusion of additional acts. The extension of the duration of the credit agreement produces effects from the date the debtors communicate the suspension request to the creditors, of course in the case in which the requests are approved by the latter.

C. The effects of granting the facility by creditors

Effects on the interest rate – the interest due by the debtors corresponding to the outstanding amounts whose payment is suspended shall be capitalized on the balance of the existing loan at the end of the suspension period. The capital thus increased shall be paid in installments for the remaining period until the new maturity of the loans, after the period of suspension.

IV. Conclusions

A brief analysis of the number of applications submitted by debtors reveals the following:

- till 10.04.2020, banks have received about 150,000 requests for suspension of loan rates, only from individuals[6]

- till 27.04.2020, The Romanian Association of Banks (ARB) shows that 270,000 were received by banks from individual and legal clients for the suspension of payment obligations from credit agreements and 175,000 requests were resolved, the rest being in progress.

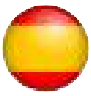
Of these, about 260,000 applications are submitted by individuals, which represents 17 percent of loans to consumers and about 10,000 by companies, which is less than 10 percent of total loans to legal entities.[7]

If from April 8, 2020 the norms were applied and the applications were submitted in 19 days, their number reaches 260,000 applications submitted by individuals and the applications can continue to be submitted until May 14. It is premature to conclude on the situation of these requests, but obviously, the attitude of creditors should be proactive in relation to the requests of over-indebted persons.[8]

Regardless of the attitude of creditors, it is important increasing the information of (over) indebted persons regarding their rights during this period and develop the association to provide free and independent counseling. It will need to be developed in Romania in the near future! (Over) indebted persons need this kind of advice to move ahead.

6 https://www.zf.ro/banci-si-asigurari/bancile-au-primit-aproximativ-150-000-solicitari-suspendarea-ratelor-19063481
7 https://www.bursa.ro/circa-270000-de-cereri-pentru-suspendarea-platilor-peste-65-procente-din-solicitarile-de-amanare-a-ratelor-solutionate-de-banci-41374937
8 There is another vulnerable groups in Romania in this time toghether to (over) indebted persons: Romanians emigrating to other EU Member States, Romania being the country with the most emigrants from the EU;medical staff infected with Covid-19, 1031 till 18.04.2020 http://www.ms.ro/2020/04/18/cadre-medicale-infectate-cu-noul-coronavirus-2/; elderly people in establishments.

Impact of COVID-19 in Spain



by:
Carlos Javier Zarco Pleguezuelos [1]

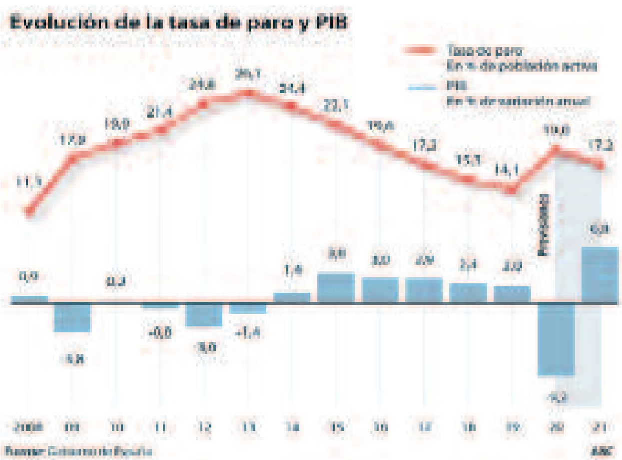
1. Reduction of GDP and development of unemployment figures 2020

According to the Economist General Spanish Council (CGE), the Spanish GDP would be – 10,8 percent during year 2020, and + 3,5 percent in 2021. Public deficit will scale up to 14 percent and public debt up to 120 percent of GDP.

The Bank of Spain has projected three different scenarios, ranging from GDP – 6,6 (better scenario), -8,7 (intermediate) to -13,6 percent (the worst).

A third projection is coming from the Stability Plan submitted by the Spanish Government to the EU Commission ranging the GDP in 2020 from – 9,2 percent to -14,3 percent. It also foresees + 6,8 percent by 2021. Estimated public debt for 2020 is 115,5 percent, estimated public deficit 10,3 percent.

The unemployment rate will be 22 percent in 2020 and 17 percent in 2021 according to the CGE. The governmental projections forecast a rise from 14 percent (before the COVID-19 crisis) up to 19 percent during 2020, reducing to 17,2 percent in 2021. In addition, more unemployed people would be added to mentioned figures in case that 4 million workers- (which are currently subject to temporary work suspension schemes „ERTES") – finally would not recover their jobs. Thus, 31 percent of the currently employed population could be unemployed, provided the worst scenario occurred.



2. Activities and measures to help and support the people

Spain is one of the most devastated countries by the COVID-19 pandemic. The number of confirmed cases is 228.030, and deaths caused by the virus is currently 27.000 cases, according to the official figures.

As a result of the pandemic´s declaration by WHO on 11 March, the Spanish Government passed the Royal Decree 463/2020 on March 14, 2020 declaring a state of emergency, trying to avoid the collapse of the Spanish Health System and to reduce the spread of COVID-19 diagnosed cases. Since then, other extraordinary regulations have been passed in order to address the social and economic impact of COVID-19, and to support the

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economy and employment. As a result of this governmental and economic effort, the number of daily deaths has gone decreasing from 800/day at the beginning of April to currently 130/day (date: May 8th).

The Royal Decree declared the State of Alarm and put the whole country under a shutdown. Travelling and walking in the street was prohibited. The Spanish borders were closed up, any social public or private events were cancelled or postponed, limitations have been imposed to the attendance to religious ceremonies and schools, cinemas, theatres, exhibitions centres, universities and any shop which is not considered of basic need were forced to temporarily close down. Exceptions to leave one's home were reduced to buy basic products such as food and medicines, as well as caring for the elderly, minors, and vulnerable people. Post offices and banks remained open.

During two weeks in April, labour activities have been only allowed for services/products considered „basic“ for the subsistence. In order to limit the movement of persons as much as possible and thus limiting the spread of the disease. The extraordinary measure that has had the greatest public impact to date, was to establish a compulsory leave. This measure was set out in RDL 10/2020 and suspended all non-essential economic activity in Spain. Workers in so-called „non-essential“ public and private companies and institutions had to take recoverable paid leave. The leave applied from 30 March to 9 April 2020.

The referred shutdown measures came into force on the 15th March and have been extended up to the 24th May, for the time being. The end of the shutdown seems to be closer now that the measures in force have been eased off, starting the 11th May in several regions, designing a „different region-zones unlocking approach“ from phase 0 to 3. Phase 0, which started 26th April for the whole nation, is a total shutdown, with an hour walking or individual sporting possibility (just an hour and 1 km near their house). Only children under 12 years old were authorized to go for a daily walk with their parents. Elderly people were allowed too with different timetables. On May 11th , the less impacted regions have just passed from phase 0 to phase 1 (where retail shopping and hairdresser´s are attending in a „prior appointment“, and a „one to one“ basis. In addition, coffee-shops and bars are allowed to attend only to the 50 percent, of the tables located at terraces). Phases during unlocking period will range from the initial 0 to a final 3, and it is envisaged that every fortnight the Government will reconsider the measures.

Under RDL 8/2020 and RDL 11/2020, and RDL 18/2020, a wide range of extraordinary measures have been implemented to try to mitigate the economic and social consequences and to prevent its economic effects from extending beyond the duration of the health crisis. Apart from trying to address the current difficulties affecting different areas or sectors (e.g. corporate law, insolvency, consumer contracts, etc.), the aim of these measures is threefold:

(A) In order to protect families and vulnerable groups, a wide range of measures relating to the lease of a main residence have been implemented. This programme aims to alleviate the financial burden on tenants of main residences who are in a vulnerable financial situation and are struggling to pay rent or repay the temporary funding to pay rent to which they are entitled as a result of the crisis. Other measures regarding main residence leases are also noteworthy, such as the suspension of evictions for persons who have no alternative housing, the extraordinary extension of leases and moratoriums or reductions for large property owners and companies or public housing entities. Provisions to facilitate the termination of contracts have been also implemented as well as the suspension of fee payments in continuing-performance contracts. Specific remedies were regulated, such a three-month mortgage moratorium (which economic requisites are so hard to be fulfilled by borrowers that – as a result – only 10 percent of all applicants are being covered by it).

(B) To support production and maintain employment, measures were implemented aiming to enhance flexibility and putting in place systems to enable temporary job adjustment, while increasing the cover available for workers and reducing the burden of social security costs for companies that meet the job continuity objectives. A moratorium on social security contributions has also been approved.

(C) To temporarily support companies suffering from liquidity problems as a result of the discontinuance or reduction of their activity, measures are e.g.:

(i) Alternatives to promote financing, including Government-backed guarantee facilities of up to 100 bn Euro; the net borrowing capacity of the Official Credit Institute („ICO“ for its Spanish acronym) will be increased, mainly to provide financing for small and medium-sized companies („SMEs“) and for the self-employed, together with the protection of the Export Credit Insurance („CESCE“), which has been boosted to increase its Government-backed guarantees,

(ii) Tax measures to relax the time periods applicable to various tax obligations and procedures, and

(iii) a special regime to suspend public contracts, which prohibits their termination with a view to averting any negative impact on employment and the business viability.

(iv) A moratorium on the payment of rents related to non-residential leases in favour of self-employed workers and SMEs who have been forced to suspend their activities, or whose income has dropped significantly.

3. Effects of the crisis, the shut-down, and/or the taken measures on people

Several administrative actions have been lodged at court against the Spanish Government, on the grounds of having failed to anticipate the confinement and preventive measures, allegedly putting its political interests prevailing to people health.

Medical organisations are also claiming the lack of protective equipment and tests-(PCR) for themselves, and for people. As a result, some legal actions have been lodged at court by medical organizations.

Mortgage loans 3 months no interest moratorium put in place, is benefiting only to 10 percent of families due to the very stringent legal pre-requisite of being a „very much vulnerable consumer". The banking sector is applying other additional sectorial moratorium to the other 90 percent, which are increasing costs to borrowers, because they have to pay interests.

Undoubtedly, the social and economic impact of the spread of the epidemic and the measures taken to bring it under control is vast and affects several major production sectors, among others, the tourist industry, the services sector (particularly, restaurants, leisure and entertainment) and the industrial and manufacturing sectors. By the end of April, one million of self-employed people have dropped out their businesses in the official register, and have asked to receive the unemployment benefit. In addition, the unemployed people has increased up to a total of 3,8 million. Finally, 250.000 SMEs have submitted an ERTE (temporary employment reduction scheme), which are affecting to 3.889.000 workers.

Consumers have reported internet provider's misbehaviour, trying to take advantage of the confinement at home, joined to the temporary prohibition of the changing of Internet provider, by way of harassing and blackmailing them to pay some alleged debts, as a pre-requisite to update routers and install them a better speed Internet connection.

Large queues of people in need are reappearing-(worse than the ones at the financial 2008-15 financial crisis), at the food banks, and at charities, in big cities.

4. New and old vulnerable groups

According to a Eurofound research report (2019), the rate of people aged 18+ at risk of over-indebtedness, arrears, or difficulties in 2016, was affecting to 22 percent of Spanish citizens. But it is sure mentioned figure is going to have an enormous increase this year, affecting to an estimated 33 percent of people of all conditions and status.

The most vulnerable groups affected by the consequences of the COVID-19 measures are:

- Low income families: The Spanish Government has announced to put in place, in June, a new monthly subsidy scheme (500,00 Euro).

- Self-employed and freelance professionals, due to a collapsed economy, but- still – they have to front facing professional and family expenses, without the provision of any income. Notwithstanding, it seems that some town-halls would set up subsidies to attend needed people of mentioned groups.

- Typical over-indebted persons, e.g. single men, single women, single parents: The Government is studying to include them in the mentioned national subsidy- 500,00 Euro- scheme.

- People working in tourist industry, which is the 15 percent of Spanish GDP.

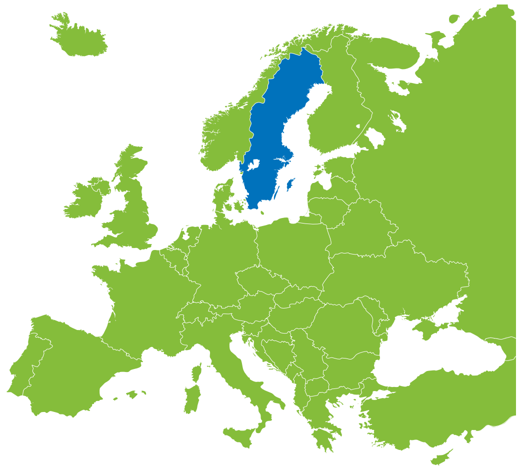
5. Effects of the crisis on debt advice

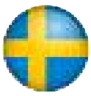
Debt advice services expect a strong increase of clients after the crisis which will likely not meet their current capacities. Thus, debt advice organisations ask for increased financial support by the government to meet this demand.

Law societies are technically updating lawyers' knowledge and setting up with regional governments support, legal free-aid schemes, available for people in need of lodging individual voluntary arrangements and bankruptcies proceedings at court.

What will be crucial is to find the right balance between shutdown intensity and the velocity of releasing shutdown measures. However, as tourism in Spain is a very important industry, which significantly contributes to the national GDP, and car factories too, thus many people might suffer from a long-term impact of the COVID-19 crisis.

The situation in Sweden





by:
Richard Ahlström[1] & Annika Creutzer[2]

1. Reduction of GDP and development of unemployment figures 2020

According to the Swedish government, the GDP growth in in Sweden was 1,2 percent in 2019. The expected GDP in 2020 is in the range -4,2 percent to -10 percent. The official unemployment figures were 6,8 percent in 2019 and in 2020 the expectancy is in the range 10,2 – 13,5 percent.

2. Activities and measures to help and support the people/population

This is a selection of the most important measures that affect households and small businesses. There is also other kind of support directed to, for example, the authorities', i. e. GO's, own activities and to larger companies in need in support for large credits.

· Support for short-term work/short-term leave

Short-term permits can be used when companies are affected by temporary financial problems as a result of something unexpected like the corona crisis. The purpose is that companies should not be forced to terminate the workforce in companies that normally go well economically. The employee goes into working hours and the state goes in with financial support for the company. Now, support has increased and the state is accounting for three quarters of the costs. The maximum monthly salary for the support is 44,000 SEK (One Swedish Crown equals 0.09 Euro). Support can be provided for family members, during 2020. However, the support cannot be given to individual traders.

Figure 1: Cost allocation for the reduction in working hours (in percent)

Level	Worktime reduction	Salary decrement	Employer	Government Employe	decreased wage cost
1	20	4	1	15	19
2	40	6	4	30	36
3	60	7,5	7,5	45	53
4	80	12	8	60	72

· Abandoned pending deduction

In the case of illness, deductions are until now made for 20 percent of the first week's salary, which corresponds to one day's income for the person who works five-day week. This deduction has now been taken away.

· The state will pay sick-leave pay

The employer pays sick pay for the first two weeks of an employee's sick pay period. This cost is now covered by the state for two months. This is also positive for self-employed persons who receive a cost cover on sick leave that they otherwise do not have.

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· Repealed requirements for medical certificates during the sick pay period

After a week, the employee needs to show a medical certificate. The limit now applies for two weeks, which reduces the pressure on doctors of other medical centers and other clinics.

· Easier to get unemployment benefits

A number of measures to give more people the opportunity to sign up for unemployment support. The A-fund (A-kassan) is a state/private supplement to the basic amount for the unemployed. Approximately 17 percent of paid out unemployment insurance funds come from membership fees in the unions.

The measures are:

· Changed membership terms for the a-kassan. The membership requirement can now be achieved in three months instead of twelve.

· Relief in the working conditions and in the lowest level of the basic amount. An applicant now only needs to work 60 hours a month for six months or 420 hours for six consecutive months and then at least 40 hours per month. Ordinary rules are 80 hours a month for six months or 480 hours for six consecutive six months and then at least 50 hours per month.

· High basic amount. Those who do not qualify for unemployment insurance fund, if the working condition is met, receive a basic allowance. A minimum amount of 255 SEK per day is introduced. The maximum amount per day is raised from 365 to 510 SEK. This gives a maximum of 11,220 SEK per month before tax against ordinary 8,030 SEK.

· Increased a-kassa compensation. The highest compensation per day is increased from 910 to 1,200 SEK. This means that those who are entitled to the highest compensation, who have an income of 33,000 SEK, will receive 26,400 SEK per month before tax against ordinary 20,020 SEK.

· An entrepreneur can receive unemployment benefits if the company is put to rest. According to ordinary rules, it can be done at most every five years. Now the „five-year rule“ is being abolished in 2020 and possibly in the future.

Within occupational groups that were first hit by unemployment – tourism, restaurant and shop – the degree of connection to the unemployed funds is usually low. In addition, wages are low and many are part-time workers. No measurements have yet been made, but many people probably only receive the new lowest compensation of 255 SEK per day. The shorter qualification period will help many. During March-April there has been a rush to the unemployment funds, which means that they will be eligible for unemployment benefits during the summer of 2020.

6. Ability to apply for mortgage repayment mortgages

In order to reduce the large housing loans of Swedish households, and thus reduce the macroeconomic risks, amortization requirements have been introduced in a number of steps. If, for example, is higher than 70 percent of the value of the home and more than 4.5 times the gross income, the borrower must repay three percent of the debt each year. The possibility of amortization for a period only applies to unemployment, long-term illness and divorce.

In April, the Government gave the banks more freedom to grant amortization. The purpose of the Swedish Financial Supervisory Authority was primarily to give households a financial respite. A median household amortizes 3,200 SEK/ month. By the end of April, over 70,000 households had been granted amortization under the new rules.

7. Slacked free amount in study funds

If a student who has full tuition, has an income of more than 100,000 SEK per semester, the ceiling for tuition is lowered. By temporarily removing the roof, the government hopes that many, especially medical students, will work extra and strengthen the healthcare sector. Judging from the media coverage, the measure has had the intended effect. Many college students have taken up assignments in healthcare. Many other students also contribute in other areas.

8. Reduced employer contribution

The employer's contribution will be reduced from 31.42 to 10.61 percent (retirement pension only) for four months. Applies to the first 30 employees of a company and on a monthly salary up to 25,000 SEK a month. This is a relief for many small businesses. A corresponding reduction is also given to self-employed persons. A tax credit of up to 5,300 SEK per employee.

9. Reduced rental costs for business owners

Landlords have the opportunity to get back up to half the reduction in the rental cost, in practice up to 25 percent of the rental cost. This reform has been criticized because the support goes to the property owner and not to the exposed company. In addition, many small business owners do not have premises but rather vehicles for their operations, such as many craftsmen, taxis and other transport companies. No support for car leasing costs has yet been discussed.

Other support sources:

10. More money for labor market measures.

11. Opportunity for companies to get more favorable loans.

12. Opportunity for entrepreneurs to postpone tax payments, etc.

13. Increased number of university places in autumn 2020 and other educational efforts.

14. Support for culture and sport.

All government decisions are listed on the government's website.[3] In addition to these sources of support, the government gives an extra support to municipalities and regions corresponding to 28 bn Swedish Crowns.

The compilation contains measures that also need to be approved by Parliament in order for them to be formally valid. But there is largely agreement between the parties on the measures. Most of them are also rooted in the support parties Center and Liberals and often presented together with these parties.

3. Negative effects of the crisis on people

More and more people are active in the so-called gig economy. They do not have permanent employment, but take on different assignments which can be as seen as temporary employment. None of the support is directly tailored to these people.

In the first line, people were primarily affected by travel industries, hotels, restaurants, trade and passenger transport. In these industries, there are often more than in other industries that have different forms of fixed-term employment, part-time work and are involuntary entrepreneurs in that they have to have an individual business activity in order to have a job. They can thus lose the job during the day, without any notice period or opportunities for changeover support or the like. According to the Swedish Enforcement Authority, one out of five households is now facing severe economic problems.

Many of the efforts made by the government affect these people to a lesser extent than those who, for example, have permanent positions at larger companies. One discussion that is being conducted is to strengthen the whistle blower protection. Those who work in the public sector are protected by the Constitution's reporting provider. But the protection of private employees is poorer.

4. New and old vulnerable groups

People with poorer opportunities in the Swedish labor market will experience it even more difficult, in particular immigrants, the low-skilled and those with disabilities. But now even people who are not usually unemployed lose their jobs. For many, the restaurant industry has been for long an opportunity to enter the labor market. The industry also has given extra jobs next to studies and an opportunity to replenish hours for part-time work in others sectors. Other service sectors, which have had steady growth for many years, were also strongly affected in the beginning of the pandemic, such as the tourism industry and passenger transport. In other words, there is a great risk that people with weak or no connection to the job market will not have a job in a couple of years, or will never get a job. Highly educated employees in the industry have recently been notified of dismissal, for example at Volvo Cars and SAS airlines. Many will quickly be able to return to the labor market at one turnaround, but it will be more difficult for those who are approaching retirement and those who have not seen to stay up the level of competence at an attractive level.

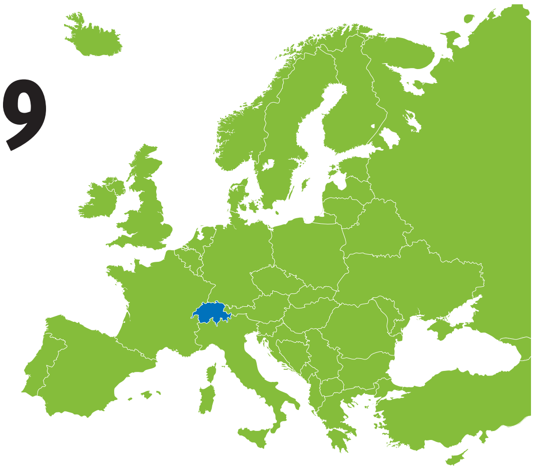
Pensioners will not be affected to a greater extent since the pensions are guaranteed since the pensions are separated from the Government's central budget.

5. Effects of the crisis on debt advice

The COVID-19 pandemic has caused major problems for employers around Sweden. As a result of a decrease in demand for goods and services, staff have been laid off and given notice of redundancy. This, in turn, increased the need for financial advice and debt management. Since mid-April, the Swedish Consumer Agency's website, konsumentverket.se, has been providing a website with collected personal financial information aimed at individuals who have received or are at risk of reduced income as a result of the pandemic. The information originates from a variety of authorities, and also provides contact information for local budget and debt advisers. Information about the website has been disseminated to the public via online campaigns, local budget and debt advisers, who in turn have been informed about the page via texts on the Portal, the Consumer Agency's internal website for budget and debt and consumer advisers. Konsumentverket, together with 20 other authorities, gives direct support to Swedish consumer via telephone, e-mail, chat and web. The website www.hallakonsument.se include, among other things, information aimed at consumers in financial vulnerable situation. This information is marketed via social media.

3 https://www.regeringen.se/regeringens-politik/regeringens-arbete-med-anleden-of-nya-corona virus/

Effects of COVID-19 in Switzerland



by:
Urezza Caviezel[1] & Christoph Mattes[2]

1. Reduction of GDP by the spread of the COVID-19

It is difficult to forecast the consequences of the new virus for the Swiss economy and society. On the one hand, the extent of the economic slump since March is difficult to estimate, as little „hard“ economic data is available. On the other hand, the further course of the economy depends on the epidemiological situation and the accompanying health and economic policy measures.

However, the latest data and analyses indicate that the health policy measures taken are likely to have a much stronger impact on the real economy than predicted so far.The State Secretariat for Economic Affairs has published two possible forecasts with short-term and long-term effects on the economy. In the first scenario, the production losses during this period amount to around 25 percent of total economic value added and the GDP decline for 2020 as a whole will be around 7 percent. The forecast is under the assumption that mass layoffs, company bankruptcies or large numbers of credit defaults will not happen. In the second half of 2020 a rapid economic recovery will set in, resulting in growth in the region of +8 percent for 2021. Nevertheless, relative to the December forecast, the GDP loss by the end of 2021 will be around 90 bn CHF (nominal). In the second and worse scenario, there is only a weak recovery in various service sectors and in export business. GDP falls by around -10 percent in 2020. As a result, production will only start to rise again in the course of 2021, and GDP growth will be only about 3 percent in 2021. Unemployment could rise up to around 7 percent and the GDP loss (nominal) amounts to around 170 bn CHF.

2. Policy measures to fight the consequences of COVID-19 epidemic

The Federal Council has approved a comprehensive package of measures totaling over 60 bn CHF to mitigate the economic consequences of the spread of the virus. This includes liquidity support for companies in the form of guaranteed COVID-19 bridging loans, deferred payment of social security contributions and the possibility of extending payment deadlines for direct taxes. It also includes the extension and simplification of short-time working and the compensation for loss of earnings for self-employed persons and employees. Parents who have to interrupt their employment due to school closures in order to care for their children are like-wise entitled to compensation.

3. Public guarantees which have been given

The Federal Council is providing liquidity assistance totaling 20 bn CHF to companies in Switzerland.

- Loans of up to 500’000 CHF are disbursed unbureaucratically within a short period of time and 100 percent secured by the Confederation. The interest rate on these bridging loans is currently zero percent.

- Bridging loans exceeding the amount of 500’000 CHF are 85 percent secured by the Confederation. The lending bank contributes 15 percent of the loan. Such loans can amount to up to 20 million CHF (less 500,000 CHF from COVID-19 credit) per company and therefore require a more comprehensive bank audit. For these loans, the interest rate is currently 0.5 percent on the loan secured by the Confederation.

- The Federal Council is providing 280 million CHF Swiss Francs in emergency aid and compensation for losses to cultural enterprises and cultural workers:

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- Non-profit cultural enterprises can receive repayable interest-free loans to ensure their liquidity and cultural workers can claim non-repayable emergency aid to cover their immediate living costs.

- Cultural enterprises and cultural workers may seek compensation for financial losses, in particular those resulting from the cancellation or postponement of events or the closure of businesses. The cancellation compensation covers a maximum of 80 percent of the financial loss.

· In order to prevent massive damage to the structures of the Swiss sports landscape, the Federal Council is providing the following financial support:

- 50 million CHF in the form of repayable loans to bridge liquidity shortfalls for organisations that operate in professional competitive sport

- 50 million CHF as subsidies in the event of existential threats to organisations based on voluntary work and mainly promoting mass sport

4. Effects of the measures

There are currently no official estimates of the effects of the corona crisis and the measures taken. The Federal Council ordered a legal standstill from 19 April to 4 March, with the consequence that debt collection documents can neither be initiated nor advanced. Court hearings will only take place in exceptional cases. Expulsions from apartments will not be carried out. In Switzerland, there are cantons that maintain a black list of persons with outstanding insurance premiums. These people will subsequently only receive emergency medical treatment. During the corona crisis, the cantons decided to suspend this benefit block.

5. Over-indebtedness and vulnerable groups

The most recent debt figures for the Swiss population are based on the Statistics on Income and Living Conditions from 2017, which indicate the percentage of the population living in a household with one or more types of debt, taking into account only the existence of debt and not the amount:

· 1 out of 20 people live in a household with at least one debt enforcement event in the last 12 months

· Nearly 20 percent of the population live in a household with at least one vehicle purchased on credit

· 1 person in 10 lives in a household that has had tax debts in the last 12 months

· Overall, 8.8 percent of the population live in a household with at least one overdrawn bank or post office account or one unpaid credit card bill.

· More than 40 percent of the population live in a household with at least one type of debt, 8 percent in a household with at least three different types of debt.

· 1 in 4 people live in a household where none of the members have a credit card.

By international comparison, the indebtedness of private households in Switzerland through bank loans has always been low. The main problems are unpaid taxes and health insurance con-tributions. We expect a small reduction in credit debt, but a significant increase in tax and health insurance debt. We also expect this for self-employed persons. The Federal Council ordered a legal standstill from 19 April to 4 March, with the consequence that debt collection documents can neither be initiated nor advanced. Court hearings will only take place in exceptional cases. Expulsions from apartments will not be carried out. Most affected are low paid, temporary or fixed-term employees, self-employed and job seekers, people in apprenticeship or training

7. Consequences for the provision of debt advice services

Despite the corona virus, debt counseling is still being provided in Switzerland. For people who are already in counseling, the rule is to do as much as possible in writing or by telephone. Only in urgent cases and on invitation will a personal consultation be held on site. For the time being, new people seeking advice will only be advised by telephone. Telephone advice has been reinforced and the opening hours of the hotlines extended. Budgetberatung Schweiz (www.budgetberatung.ch) is currently drawing up recommendations and will implement them through its members in the counseling of the people who are affected:

· to contact a counseling center

· not to take up loans

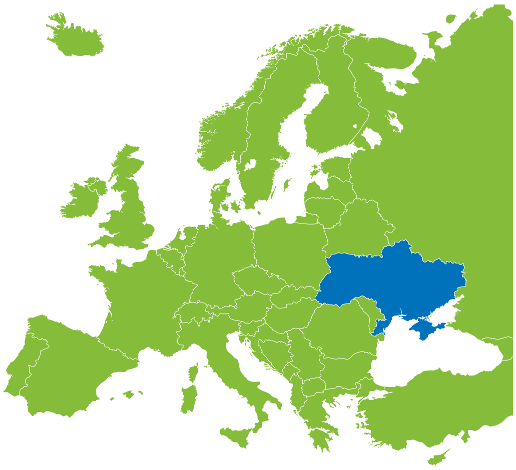
· not to overdraw credit cards and accounts

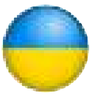
· to use scarce financial resources consistently only for current living requirements (food, rent, etc.)

· to check whether one is entitled to unemployment benefit or social assistance

· submit tax return despite Corona

Ukraine, Debt and COVID-19





by:
Olga Nosova[1]

1. Reduction of GDP and development of unemployment figures 2020

According to the results of the second quarter of 2020, Ukraine's GDP will fall by 11 percent compared to the same period of the previous year.[2] The IMF predicts a drop in Ukraine's GDP by 7.7 percent in 2020. An increase in unemployment will drop to 12 percent in seasonally adjusted terms and a suspension of wage growth. The public finance deficit will reach 8 percent GDP in 2020. A recovery in wage growth and a reduction in unemployment to pre-crisis by 8–9 percent will be in 2021.

The National Bank predicts that the Ukrainian economy will begin to recover as early as July 2020. It is noted that the recovery will occur unevenly by sectors of the economy. Given the present uncertainty in Ukraine, estimates of the economic impact of COVID-19 differ greatly. According to multiple recent estimations, Ukraine's 2020 GDP may decline from the earlier predicted growth of 3.2 percent to 0.5 percent and could even fall to -4 percent. The by now very optimistic scenario of low growth assumes that the shutdown will not be prolonged beyond 24 April and that the Ukrainian economy will regain some of its positions during the second half of 2020. Meanwhile, a prolongation of the shutdown and the widely anticipated global economic recession may result in a very negative scenario; one similar to the economic crises of 2008-2009 and 2014-2015, with the GDP plummeting by as much as 20 percent.

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2 Inflation report of the National Bank of Ukraine, 2020

2. Measures to help and support the people/ population

More than 1.8 bn UAH (623 million Euro) of budget funds have already been directed to curbing the spread of COVID-19. The Ministry of Finance constantly monitors budget expenditures for the purchase by budget managers (recipients) of budget funds for goods needed to implement measures to combat the epidemic

The Government has approved measures to be taken to prevent the spread of COVID-19, and has decided to allocate 100 million UAH for the purchase of personal protection gear for the current needs of ministries, departments and services, as well as for replenishment of the state reserve as priority measures. Simultaneously, in order to ensure the implementation of this decision, to prohibit export of anti-epidemic goods until June 1 to guarantee the provision of population with the necessary protection means. The Cabinet of Ministers has decided to impose restrictions on conducting mass events in which 200 or more people are planned to participate.

The Decree No. 306 from April 22, 2020 approved the procedure for providing and returning funds aimed at financing partial unemployment benefits for the period of quarantine established by the Cabinet of Ministers of Ukraine in order to prevent the spread of COVID-19 in Ukraine.

1) Employees may take unpaid leave for the whole duration of quarantine measures, subject to their consent (instead of previous maximum duration of 15 days per year).

Parliament – relief for borrowers under consumer loans by amendments to the Law of Ukraine „On Consumer Loans", the Parliament:

· released the borrowers under consumer loans from liability for the failure to comply with their obligations under the loan agreement during the period from 1 March 2020 till 30 April 2020;

· prohibited increasing interest rate or applying default interest for the failure to comply with the obligations under consumer loans during the period from 1 March 2020 till 31 May 2020.

2) Exemption from

· land payment due for the month of March, including land tax and rent for state and communal property – lease payment. Tenants are relieved from lease payments for time during which the property could not be used from the start of quarantine until its end;

· from tax on real estate due for the month of March for land payment. Including land tax and rent for state and communal property. The land payment for April 2020 will be due by 30 June 2020 with no penalties charged.

For private individuals: · Extension (not optional) for filing of an annual income tax return and payment of income tax and military levy for year 2019. The new filing deadline is 1 July and the tax shall be paid by 1 October 2020.

3) In Ukraine, at the time of quarantine, the minimum unemployment assistance will amount to 1.000 UAH, according to the State Employment Service. The Ukrainian Government approved the Resolution „On allocation of funds for providing financial assistance in case of unemployment to the Compulsory State Social Insurance Fund of Ukraine" on April 24 2020.

Thus, there was allotted 6 bn UAH to the Fund and approved the procedure for using the aforesaid funding. The basic goals are to provide real help to those people who, unfortunately, have already lost their jobs, and to help employers pay their employees' salaries and thus prevent dismissal, save job.

The allotted resource will be directed to the following payments:

· unemployment assistance - 1.277 bn UAH;

· raising the minimum amount of unemployment benefit from 650 up to 1000 UAH;

· assistance to those on voluntary resignation starting from day 1, instead of starting from the 91-st day as it was before;

· payment to all unemployed from the 1-st day of registration, not from the 7-th as it was before;

· partial unemployment assistance – 4.723 bn UAH

· payments to small and medium-sized enterprises for the quarantine period to cover wage costs for workers for whom working hours have been cut.

The Ministry of Social Policy has introduced the online help platform "Help is near" to provide targeted assistance to vulnerable groups during the quarantine period. Users of "Help is near" service identified structural units for the social protection of the population of the regional, Kiev city state administrations, Donetsk and Lugansk regional civil-military administrations. Minimum unemployment benefit increased: - for those who, during the 12 months preceding registration with the employment service, have an insurance experience of less than 6 months or who were dismissed from their last job for negative reasons;

· for young people who have completed or stopped studying in secondary and higher educational institutions, have quite their military service and require assistance in finding jobs in the first job;

· for internally displaced persons who cannot document their periods of employment.

Social assistance payments that were previously granted will be extended for the period of quarantine and 30 days thereafter without the person applying to the relevant institutions.

· Microcredit services, the so-called "money to paycheck", are becoming increasingly popular in Ukraine. In these organizations, you can quickly borrow up to 25 000 UAH without providing a certificate of income and without collateral.

3. Negative effects of crisis and the shutdown measures

Negative effects of Ukrainian economy can be seen due to the stagnation of international markets, decrease demand for Ukrainian exports, not least agricultural products and metals. For another, if the exchange rate drops by more than 15 percent, almost all Ukrainian banks will need additional capital. Furthermore, a significant amount of national debt payments (i.e. almost 13 bn Euro) – some 40 percent of the national budget – is planned for 2020. In the event of expanding deficit, there will be an urgent need for the government to start a dialogue on debt restructuring with the International Monetary Fund and private owners of national bonds.

The Cabinet of Ministers has also announced that it will create a stabilization fund of some 30 million Euro to support its citizens and businesses. Despite these efforts, Ukraine will continue to need assistance from international donors.

In Ukraine, in March-April, out of 30000 restaurants across the country 12000 went bankrupt because of the quarantine.

Currently, it is too early to anticipate which way the situation will go. Moreover, there are several other factors which are difficult to predict, such as how the population will spend its 'savings', how the shadow economy will behave, and how economic actors will react to breaks in the global production and supply chains.

4. New and old vulnerable groups

Ukraine has had 18,616 confirmed cases of COVID-19, 535 deaths, and 5,276 recovered patients, as of May 18, 2020. From 12 March to 22 May 2020 Ukraine has introduced the quarantine all over the country.

The most vulnerable groups are Small and Medium entrepreneurs and hired workers in selected sectors of economy.

The coronavirus pandemic has markedly affected the situation of vulnerable groups in society, including Roma families living in natural settlements. Due to social unrest, the vast majority of Roma families from compact settlements cannot provide themselves with the necessary means of protection, food and medicine.[3]

5. Effects of the crisis on debt advice

From the introduction of the quarantine, the services sector, retail trade, and transport will lose the most. After quarantine ends, these sectors will partially recover, but will still suffer from a slow recovery in population incomes. Tourism and related aviation services will fully resume only next year. Key export sectors will also be affected: metallurgy production and exports will decline due to falling demand, and grain exports will fall due to lower yields due to weather conditions.

The procedure for determining the size of creditors' claims and the order of their satisfaction in the event of bankruptcy of an insurance organization is carried out in accordance with applicable law.

First, insurance payments are made to persons injured as a result of injuries to life or health, in the second – payment of severance pay and wages of employees and payment of remuneration under copyright agreements, in the third – payments to other creditors.

Code of Ukraine on bankruptcy procedures was adopted 12 October 2019. This Code establishes the conditions and procedure for restoring the solvency of a debtor – a legal entity or declaring it bankrupt in order to satisfy creditors' claims, as well as restoring the solvency of an individual.

The attention is drawn to the norm stipulating that the institution of bankruptcy of an individual can only be initiated by his own application (part 1 of article 115).

Within five years after the recognition of an individual as bankrupt, such a person is obliged to conclude written insolvency to other parties to such agreements before concluding loan agreements, loan agreements, surety agreements or pledge agreements. By decision of the court or the bankruptcy trustee, the debtor may be temporarily prohibited from traveling abroad during the bankruptcy proceedings.

The Cabinet of Ministers of Ukraine adopted a decree on April 8 to simplify the provision of state social assistance during quarantine. Social assistance payments that were previously granted will be extended for the period of quarantine and 30 days thereafter without the person applying to the relevant institutions. Beneficiaries who have missed the revision period will not have their payments suspended until the quarantine expires.

The Ukrainian economy will experience the greatest shock in the second quarter of 2020. According to the National Bank Ukraine forecast, in April-June the economy will shrink by 11 percent, the unemployment rate will rise to about 12 percent in seasonally adjusted terms, and wage growth will stop. The National Bank of Ukraine has set the rate on long-term bank refinancing loans at the discount rate, which now stands at 8 percent.[4]

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