

Challenges to the economy during the Covid-19 pandemic and digital transformation

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Abstract. The study focuses on the measures and policies implemented during the Covid-19 pandemic and analyses how effectiveness is in the EU compared to Bulgaria. The new reality is a serious challenge because the country is still dealing with the historical heritage and the challenges of the EU membership and the ERM II. Alternatively, the effect of the pandemic on the economy is analyzed in analogy with the 2008 global economic crisis, by comparing the dynamics of the main indicators during the two periods, of crisis and of pandemic. In this way, the influence of the pandemic on the economic system is objectively outlined not only through a change in the basic values of the indicators in a pre-pandemic order, but also through a comparison with another crisis period.

1 Introduction

Globalization and urbanization have transformed the coronavirus pandemic into a global threat which requires urgent collective action for taking preventive measures and mitigating the negative effects. The health crisis has changed the world economy and politics significantly, having the most serious impact on health, employment, trade, tourism and research.

COVID-19 poses serious challenges not only to the health system, but also to the overall development of the economic and social structures worldwide. The adverse impact of the coronavirus pandemic on the macroeconomic stability is seen in the deterioration of some key macro-framework indicators such as real GDP; incomes; unemployment rate; productivity, and even in the elimination of entire sectors such as tourism, etc.

The pandemic also leaves a deep mark on the functioning and development of the labor market, which in turn puts strong pressure on the social system.

All this requires, on the one hand, an analysis of the impact of the pandemic on the dynamics and state of the economic system and the labor market, and on the other hand, an assessment of the influence of the pandemic on the economic system.

In order to achieve the goals, set in the present study, the effect of the pandemic impact on the economy of Bulgaria and the EU is evaluated by comparing the projected dynamics of the main indicators for the crisis period and the real values at the time of the pandemic. Thus,

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in a comparative order, it is possible to clearly outline the state of the economic system in the absence of a pandemic compared to real values.

2 Literature sources review

The issue of the impact of the health pandemic on economic development and the labor market is becoming increasingly relevant due to the large scale of COVID-19. This attracts the interest of a growing number of authors who are still at the very beginning of the problem. At this stage, in the written sources, there is a shortage of evaluation of the quantity of the damages caused by the pandemic. This makes the research in the field even more pressing.

In the course of the papers review in the present study several areas can be outlined: on the one hand are the authors who consider the effects of COVID-19 on the labor market, on the other hand – those who deal with the effect on the economic development in general, and thirdly, some of the analysis are aimed at discussing of current measures and proposing effective ones to control the negative impact of the pandemic.

Part of the researchers who study the effects of the pandemic on the labor market focus their analysis on the qualification of the workforce and find that the jobs of low-skilled workers are most affected or those who also receive lower wages, while higher-paid jobs occupied by highly qualified personnel are more favored and they rarely fall into sectors which cease operations during the pandemic [7;9].

A UNCTAD study [24] examines the effects of COVID-19 on the economic progress through three channels: supply, demand and finance.

In terms of demand, income constraints, household expectations (which are in the direction of limiting personal consumption due to the uncertainty because of the erupting pandemic), and rising unemployment are particularly unfavorable. All these factors slow down and even limit private investment, which ultimately generates a negative effect on the aggregate demand.

Regarding supply, the restriction of production activity due to the application of anti-epidemiological measures creates problems in global supply chains due to the highly globalized market. This in turn adversely affects stocks.

In terms of finance, high indebtedness, especially of companies with broken supply chains, combined with declining economic growth and foreign exchange earnings, is a prerequisite for a credit crunch, even with low interest rates.

Other authors explore the economy sectors which are most affected by the pandemic. [25] identifies the following sectors as the most affected: restaurant business; transport; entertainment (casinos); personal services; commercial and retail enterprises and specific production such as automotive. These sectors account for a large share of total employment and the temporary cessation of their activities has a substantial blow on the level of employment, which is declining and is only partially offset by the increase in employment in other areas such as grocery stores.

In addition to the affected sectors [1] draw attention to the adverse effects of the pandemic on employees, customers, supply chains and financial markets, which is ultimately a precondition for a global economic recession. However, due to the specifics of such external shock for the economy, it is hard to predict the duration and strength of the recession.

A number of studies indicate international collective action and global investment in preventive measures such as vaccine development and real-time monitoring tools as a good strategy to mitigate the negative effects of the pandemic on the economic development. [21].

Other analyses [24] highlight the significant role of the public investment in tackling the crisis. State intervention by increasing government spending on goods, services, social work and construction is an opportunity to balance the limited consumer and investment costs in the economy.

A review of the sources shows that despite the various prisms through which the negative effects of the coronavirus pandemic are viewed, the authors conclude that targeted fiscal and monetary action is needed to alleviate pressures on the economic development and the labor market.

3 Methodology

The methodology of the present study is based on economic statistics as a field of statistics examining the relationships and interrelations among economic phenomena in the context of dynamics and statics. In this sense, some tools of the economic statistics are used, and in particular: descriptive analysis, time series analysis, econometric analysis, etc.

The time unit for analysis is the quarter, with the first quarter of 2017 and/ or the first quarter of 2000 as the starting date, as is appropriate. The fourth quarter of 2020 or the last with available statistics serves for the end date.

4 Empirical analyses

4.1 Economic Growth

Figure 1 compares the values of the indicator during the current pandemic situation and during the global crisis of 2008 in order to better outline the strength of the pandemic on the economy through a comparative analysis of the last crisis period.

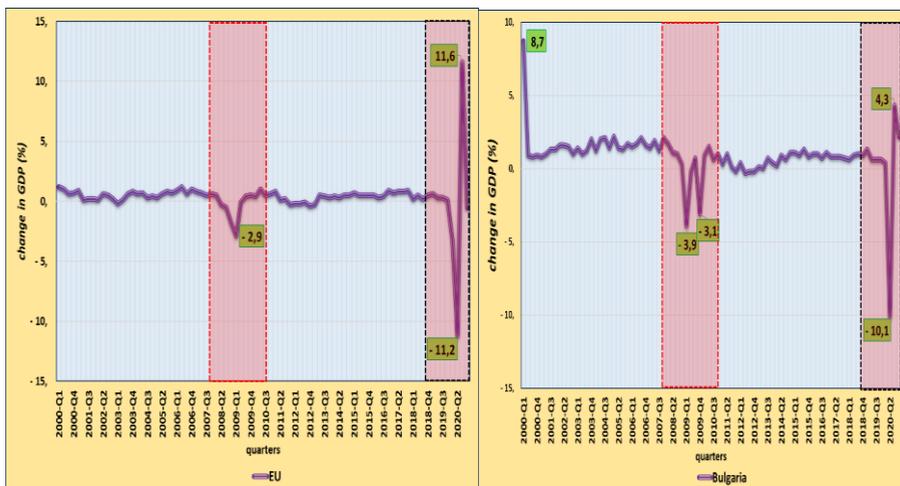


Fig. 1. Dynamics of the change in GDP compared to the previous period in Bulgaria and the EU for the period 01.2000 - 04.2020.

The data from Figure 1 based on the studied period, show the following relatively valuable figures: In Bulgaria for the period of the global crisis and the pre-pandemic situation the highest value of change is up to 8.7 at the beginning of the study period and 2.2 in subsequent years, and the lowest is -3.9 in 01.2019 at the beginning of the global crisis. The difference between the bottom value in the pandemic situation compared to the global crisis is 6.2 (-10.1 vs. -3.9), and the highest is -4.4 (8.7 vs. 4.3) or 2.1 (2.2 vs. 4.3).

Respectively, in the EU for the period of the global crisis and the pre-pandemic situation, the highest value of change is up to 1.2, and the lowest is -2.9 in 01.2019 at the rise of the global crisis. The difference between the lowest value in the pandemic situation compared to the global crisis is 8.3 (-11.2 vs. -2.9), whereas the highest is 10.4 (11.6 vs. 1.2).

The data demonstrate that the effect on the change in GDP as a measure of the economic growth is stronger in the EU not only in absolute terms, but also compared to the figures of the global crisis in 2008. In Bulgaria the impact is weaker due to the effectiveness of the measures taken for coping with the economic and social consequences of the crisis.

4.2 Government Debt and Deficit

In Figure 2 we juxtapose the values of the national statistics indicators during the current pandemic situation and during the 2008 global crisis in order to better outline the effect of the pandemic on the economy through a comparative analysis of the last crisis period.

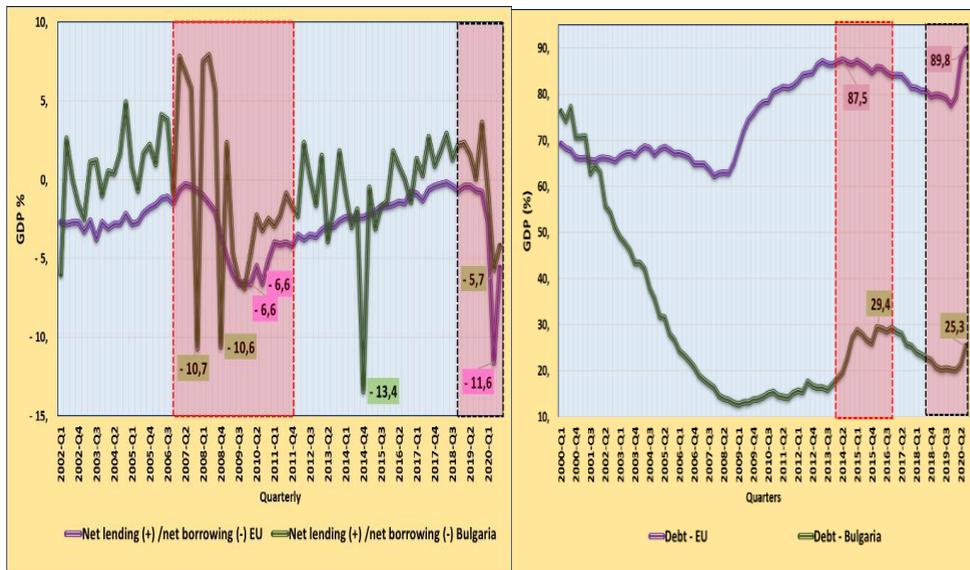


Fig. 2. Dynamics of the government balance and debt in Bulgaria and the EU for the period 01.2000 - 03.2020.

The data from Figure 2 based on the research period, reveal the following relatively valuable figures:

In Bulgaria for the period of the global crisis the lowest figure of government deficit is -10.6 and -10.7 in 04.2007 and 04.2008; 04.2014 contains the minimum value in the whole period -13.4. The difference between the lowest value in the pandemic situation compared to the global crisis is 7.7 (-13.4 vs. -5.7), which shows that at the moment the government deficit is at acceptable levels. In the EU for the period of the global crisis the lowest value of the government deficit is from -6 to -6.6 in the period 02.2009 and 03.2010. The gap between the lowest value in the pandemic situation compared to the global crisis is 5 (-11.6 vs. -6.6), which shows that the government deficit is much higher than in the previous crisis.

In Bulgaria for the period of the global crisis the highest figure of government deficit is 76.2 in 01.2000 in the pre-crisis period, and 29.4 in 01.2016 in the post-crisis period. The difference between the bottom value in the pandemic situation compared to that of the global crisis is -4.1 (25.3 vs. 29.4), which indicates that at the moment the government debt is at acceptable levels. In the EU for the period of the global crisis the top value of government debt is 87.5 in 02.2014. The difference between the lowest value in the pandemic situation compared to the global crisis is 2.3 (89.8 vs. 87.5), which indicates that the government debt is much higher than that in the anterior crisis.

The information shows that the effect on the government balance and debt is stronger in the EU not only in absolute terms but also in comparison with the figures of the global crisis of 2008. In Bulgaria there is a milder impact due to the effectiveness of the measures to control the economic and social consequences from the crisis.

4.3 Inflation - Housing Prices

Figure 3 contains a comparison of the values of the housing index during the current pandemic situation and during the 2008 global crisis in order to better outline the impact of the pandemic on the economy through a comparative analysis of the last crisis period.

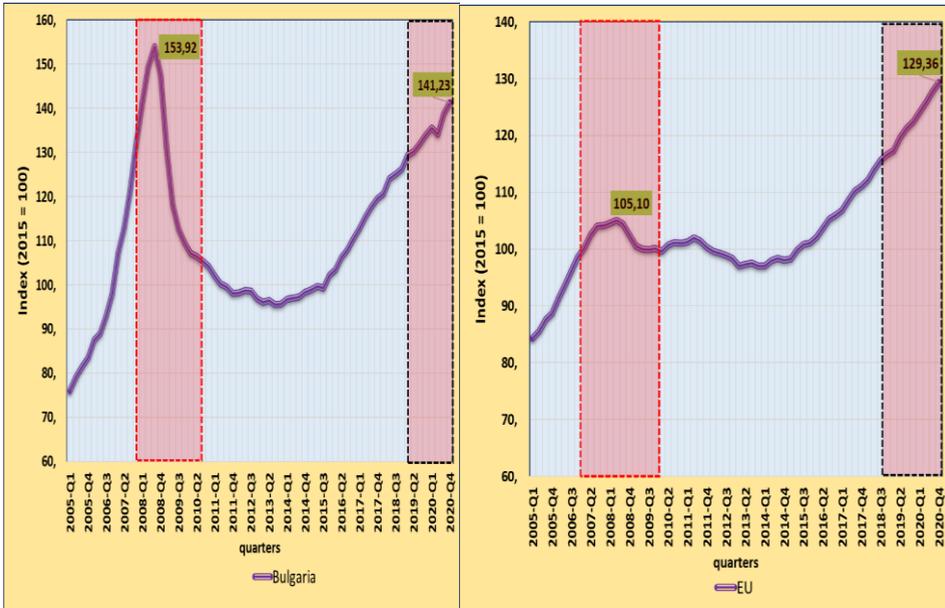


Fig. 3. Dynamics of the housing index in Bulgaria and the EU for the period 01.2000 - 04.2020.

The data from Figure 3 based on the period of research, reveal the following relatively valuable figures:

In Bulgaria for the months before the global crisis and the pre-pandemic situation, the highest value index is 153.92 in 03.2008 at the beginning of the global crisis. The gap between the highest value in the pandemic situation compared to the global crisis is 12.69 (153.92 vs. 141.23). This difference and the increase in the index during the pandemic crisis indicates that the crisis is still deepening and has not reached its peak yet.

In the EU for the period before the global crisis and the pre-pandemic situation, the highest value of the index is 105.1 in 02.2008 at the onset of the global crisis. The gap between the highest value in the pandemic situation compared to the global crisis is 24.26 (129.36 vs. 105.1). This difference and the increase in the index during the pandemic crisis indicate that the crisis is still deepening and has not reached its peak yet.

The data indicate that the peak of house prices through the index as a measure of inflation has not been reached. The clear linear trend towards a sharp increase reveals that a property bubble in the construction sector may re-emerge, as was the case during the global crisis.

4.4 Labor Productivity

In Figure 4, an analogy is made between labor productivity during the current pandemic situation and the global crisis of 2008 in order to better outline the impact of the pandemic on the economy through a comparative analysis of the recent crisis period.

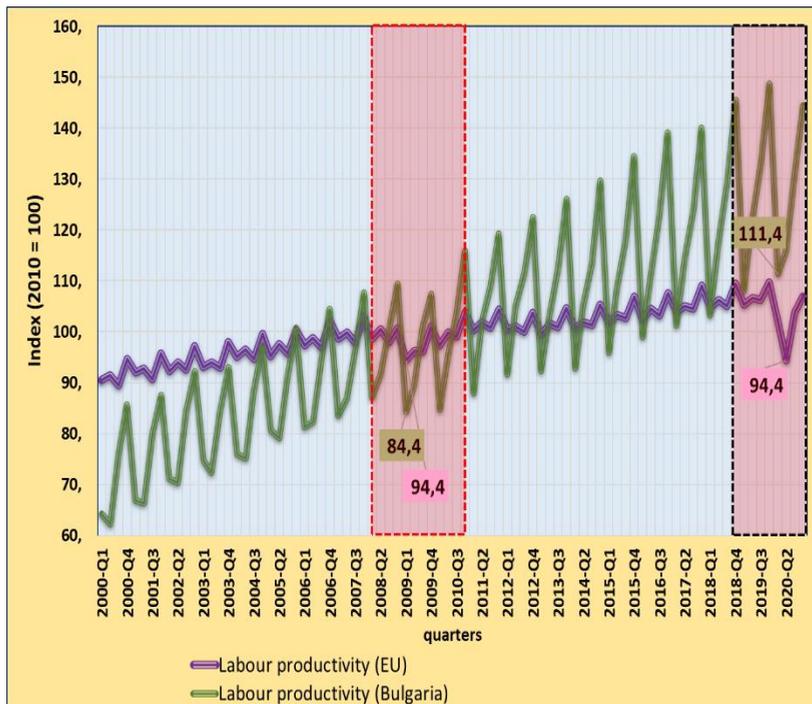


Fig. 4. Dynamics of labor productivity in Bulgaria and the EU for the period 01.2000 - 04.2020.

The information on Figure 4 based on the period of analysis, outlines the following relatively valuable figures:

In general, labor productivity in Bulgaria is growing throughout the period. In the months before the global crisis, the bottom value of the index is 84.4 in 01.2009 at the beginning of the global crisis, which decreases by 25 points from 109.4 in the previous quarter. The span between the lowest value in the pandemic situation compared to the global crisis is 27 (111.4 vs. 84.4). These values show that at present we do not detect any significant decline in labor productivity in Bulgaria as a result of the measures taken.

In the EU, labor productivity also increments overall, but for the period before the global crisis the lowest value is 94.4 in 01.2009, marking a fall of 6.2 points from 100.6 of the index in the previous quarter. The difference between the highest value in the pandemic situation compared to the global crisis is almost zero or the values from the 2008 crisis have been reached (94.4 vs. 94.4). These figures indicate that the effect on labor productivity in the EU is stronger not on the basis of absolute values but on the basis of relative ones compared to anterior periods.

4.5 Employment and Unemployment

In Figure 5 we present the dynamics of employment growth /percentage change compared to the previous period/ and the unemployment rate in Bulgaria and the EU for the period between the first quarter of 2017 and third quarter of 2020.

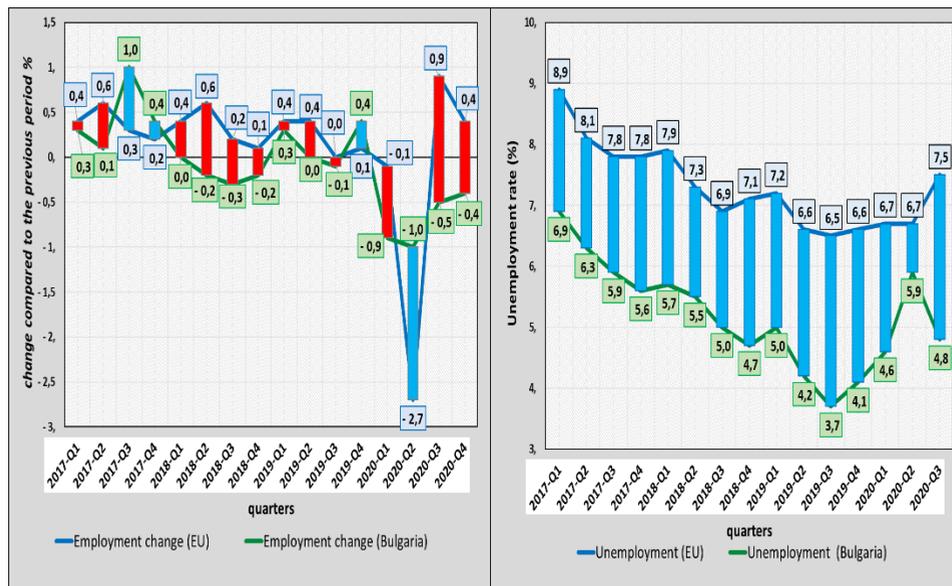


Fig. 5. Employment and unemployment in Bulgaria and the EU for the period 01.2017 - 04.2020.

The data from Figure 5 indicate, on the one hand, the dynamics of employment and unemployment in Bulgaria and the EU, and on the other hand, the magnitude of the disparities between them in the context of these indicators.

In Bulgaria for the period 01.2017 - 04.2019 the change in employment fluctuates in the range of -0.3 to 1, with an average value of 0.14, whereas unemployment ranges from 3.7 to 6.9, with an average value of 5.2. For the months 01.2020 - 03.2020 during a pandemic situation, the values of employment range from -1 to -0.4, with an average value of -0.7, and the figures of unemployment are in the within 4.6 to 5.9, with an average value of 5.1.

As for the EU, between 01.2017 and 04.2019 the shift in employment ranges between 0 to 0.6, with an average of 0.31, and in unemployment - between 6.5 and 8.9, with an average of 7.4. For the span between 01.2020 - 03.2020 during a pandemic situation, the values of employment shift from -2.7 to -0.9, with an average value of -0.38, and the values of unemployment fluctuate from 6.7 to 7.5, with an average of 6.97.

In general, it can be summarized that in the conditions of pandemic the change in employment from positive values turns into negative ones, i.e. from growth to fall in both the EU and Bulgaria. Unemployment is rising in both the EU and Bulgaria, but at the same time the gap between them is narrowing. Or in other words, the pandemic situation has a stronger effect in the EU than in Bulgaria in terms of unemployment, however, in employment the effect is more significant in Bulgaria than in the EU despite the same course of change during the pandemic annual quarters.

The conclusions about the impact of the pandemic on employment and unemployment are supplemented by the graphical analysis visualized in Figure 6, which compares the forecast figures for the difference between the values for Bulgaria and the EU based on the period 01.2017 - 04.2019, also for 01.2020 - 04.2020 and the actual values of this difference for the forecasted period.

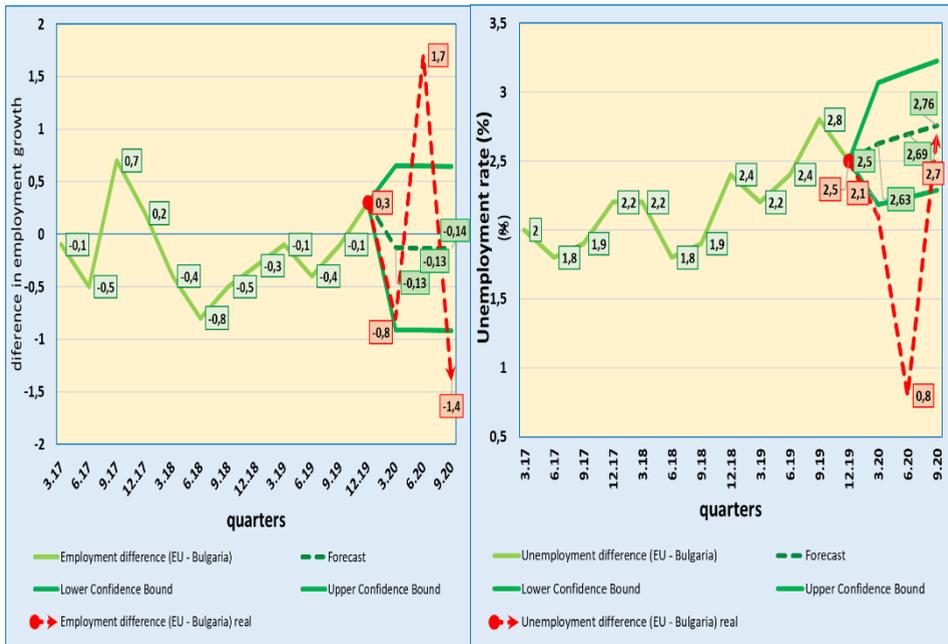


Fig. 6. Forecast and real values of employment and unemployment in Bulgaria and the EU for the period 01.2020 - 04.2020.

The data in Figure 6 supplement the analysis made so far by showing us the values of employment and unemployment in Bulgaria and the EU under the conditions and in the absence of a pandemic situation.

For the months between 01.2020 and 04.2020 the difference in the employment of Bulgaria and the EU compared to the previous period should decrease in the range from -0.13 to -0.14. Compared to these forecast values in the absence of a pandemic situation, the actual values during a pandemic situation range from -1.4 to 1.7, with an average value of -0.32. Or the employment gap becomes much more volatile and unmanageable. For the period 01.2020 - 04.2020 the difference in the unemployment of Bulgaria and the EU compared to the previous period should increase from 2.63 to 2.76, with an average value of 2.69. Set side by side to these projected values in the absence of a pandemic situation, the actual values during a pandemic situation range from 0.8 to 2.7, with an average value of 1.86. That marks the convergence of unemployment levels in Bulgaria and the EU.

Figure 7 contains a juxtaposition of the employment and unemployment indicators during the current pandemic situation and during the 2008 global crisis in order to better outline the impact of the pandemic on the economy through a comparative analysis of the recent crisis period.

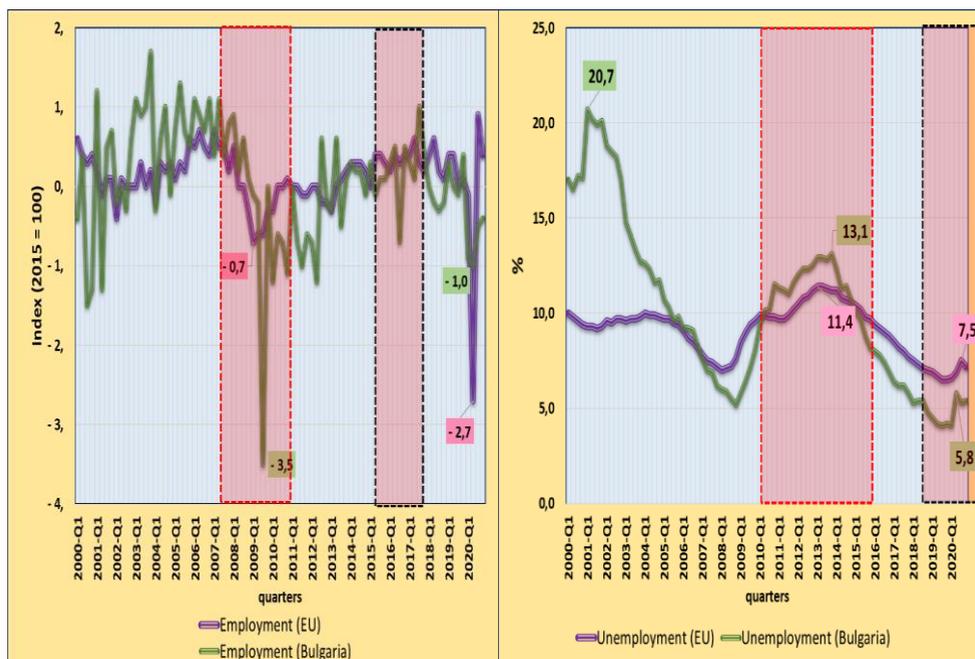


Fig. 7. Dynamics of employment and unemployment in Bulgaria and the EU for the period 01.2000 - 04.2020.

The calculations in Figure 7 based on the research period reveal the following relatively valuable figures:

In Bulgaria during the global crisis, the lowest value of the change in employment is -3.5 in 03.2009. The gap between the bottom value in the pandemic situation compared to the global crisis is -2.5 (-1 vs. -3.5), which shows that at the moment employment is at acceptable levels in terms of decline. In the EU for the period of the global crisis the lowest value of the government deficit was 0.7 in the period 01.2009. The difference between the bottom value in the pandemic situation compared to that of the global crisis is 2 (2.7 vs. -0.7), which shows that employment is much lower in terms of decline compared to the previous crisis.

Unemployment as a result of the crisis has been rising for several years since its onset. In Bulgaria for the period of the global crisis the top value of unemployment is 13.1 in 04.2013. The difference between the highest value in the pandemic situation compared to the global crisis is -7.3 (13.1 vs. 5.8), which demonstrates that at the time unemployment is much lower in value, but if a lag delay is assumed, its values should be compared after 3 years.

In the EU during the global crisis the largest value of unemployment is 11.4 in 01-02.2013. The gap between the highest value in the pandemic situation compared to that of the global crisis is -3.9 (11.4 vs. 7.5), which shows that at this time unemployment is much lower in value, but if a lag delay is assumed, its values should be compared after 3 years.

The evidence show that the effect on employment and unemployment is stronger in the EU compared to the values of the global crisis in 2008. In Bulgaria the impact is weaker due to the effectiveness of the measures taken to control the economic and social consequences of the crisis.

4.6 NEET and Youth Unemployment

Figure 8 introduces the dynamics of NEET levels and youth unemployment in Bulgaria and the EU for the period: first quarter of 2017 - third quarter of 2020.

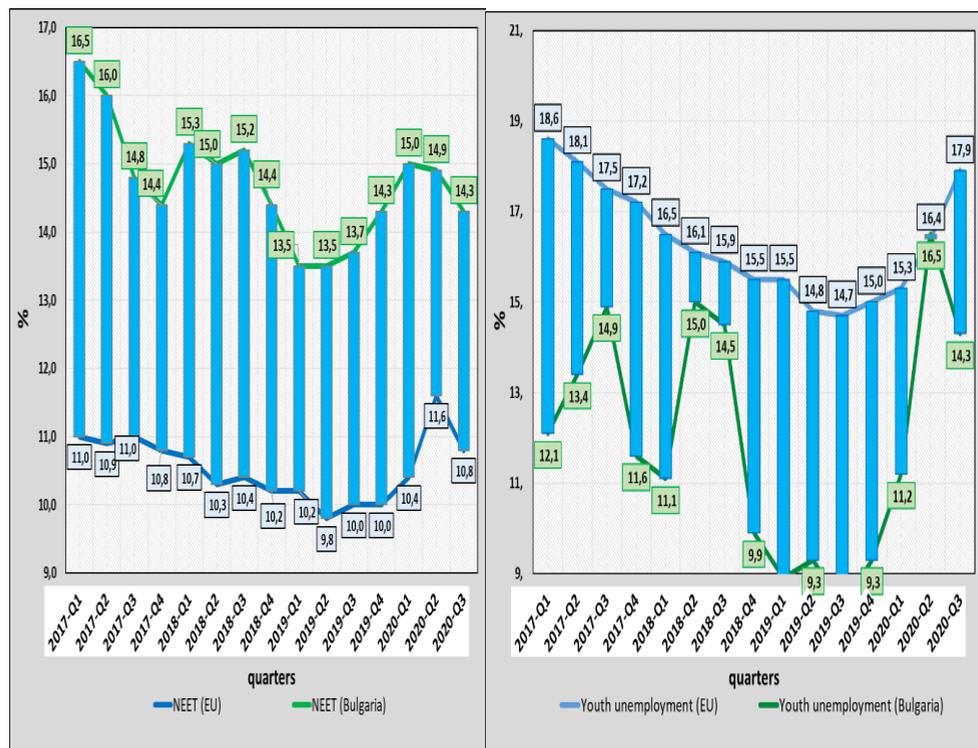


Fig. 8. NEET levels and youth unemployment in Bulgaria and the EU for the period 01.2017 - 04.2020.

The content of Figure 8 shows us on the one hand, the dynamics of the NEET level and youth unemployment in Bulgaria and the EU, and on the other hand, the magnitude of the disparities between them in the context of these indicators.

In Bulgaria for the period 01.2017 - 04.2019 the level of NEET as a whole, given some fluctuations, decreased from 16.5 (01.2017) to 14.3 (04.2019), with an average value of 14.72, and the youth unemployment decreases in spite of its sharp fluctuations at the end of the period, with values ranging from 8.3 to 15, having an average of 11.5. For the months 01.2020 - 03.2020 during the pandemic situation, the values of NEET first increase to 15 (01.2020), then decrease to 14.3 at the end of the period, whereas the figures of youth unemployment range from 11.2 to 16.2 with an average value of 14.

Regarding the EU for the period 01.2017 - 04.2019, the level of NEET shifts from 9.8 to 11, with an average of 10.4, and the youth unemployment, despite its fluctuations, generally decrease from 18.6 (01.2017) to 15 (04.2019), with an average value of 16.3. For the span of 01.2020 - 03.2020 during the pandemic situation, the values of NEET range from 10.4 to 11.6, and the values of the youth unemployment rise from 15.3 (01.2020) to 17.9 (03 2020).

All in all, it can be summarized that during the pandemic the level of NEET and youth unemployment is incrementing in both the EU and Bulgaria. Youth unemployment in Bulgaria is rising to a level higher than in the EU, for the first time in the above period. Or the pandemic situation has a stronger effect in Bulgaria than in the EU, especially in youth unemployment, despite the same direction of change during the pandemic monthly quarters.

The conclusions about the impact of the pandemic on NEET levels and youth unemployment are complemented by the graphical analysis visualized in Figure 9, which compares the forecast values for the difference between the values for Bulgaria and the EU based on the period 01.2017 - 04.2019, for the period 01.2020 - 04.2020 and the actual values of this gap for the projected period. The data in Figure 9 supplement the analysis made so far by showing us the values of NEET and youth unemployment in Bulgaria and the EU under the conditions of and in the absence of a pandemic situation.

For the months between 01.2020 and 04.2020 the difference in the NEET levels of Bulgaria and the EU compared to the previous period should decrease in the range of 4.1 to 3.9 with an average value of 4. Compared to these projected values in the absence of a pandemic situation, the real values during a pandemic situation range from 3.3 to 4.6, with an average of 3.8. Or the difference in NEET decreases. For the months of 01.2020 - 04.2020 the gap in youth unemployment in Bulgaria and the EU compared to the previous period should increase from 5.9 to 6.1, with an average value of 6. Compared to these forecast values in the absence of a pandemic situation, the real values during the pandemic situation range from -0.1 to 4.1, which in turn marks the convergence of youth unemployment levels in Bulgaria and the EU.

In Figure 9 we compare the values of the NEET and youth unemployment indicators during the current pandemic situation and during the global crisis of 2008 in order to better outline the impact of the pandemic on the economy through a comparative analysis of the recent crisis period.

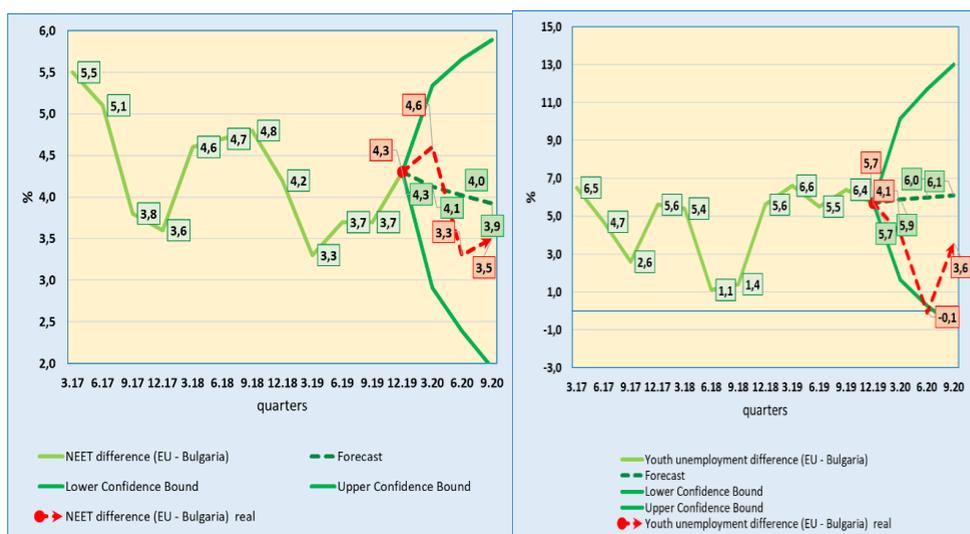


Fig. 9. Forecast and real values of NEET and youth unemployment in Bulgaria and the EU for the period 01.2020 - 04.2020.

The information from Figure 10 based on the study period, indicates the following relatively valuable figures:

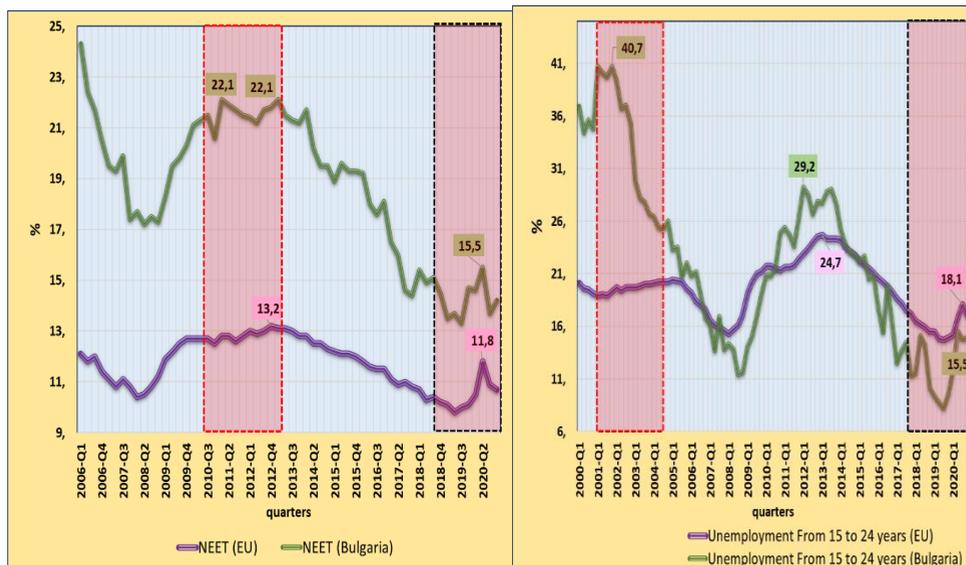


Fig. 10. Dynamics of NEET and youth unemployment in Bulgaria and the EU for the period 01.2006 / 01.2020 - 04.2020.

In Bulgaria for the period of the global crisis the top value of the level of NEET is 22.1 in 01.2011 and 01.2013. The gap between the highest value in the pandemic situation compared to the global crisis is 6.6 (22.1 against 15.5), which shows that at this time NEET is at acceptable levels. For the EU during the global crisis, the highest value at the NEET level is 13.2 in 04.2012. The difference between the highest value in the pandemic situation compared to that of the global crisis is 1.4 (13.2 vs. 11.8), which shows that the level of NEET in the EU is catching up much more obviously with those of the global crisis.

In Bulgaria for the period of the global crisis the maximum value of youth unemployment is 29.2 in 01.2012, in the months after the crisis. The difference between the highest value in the pandemic situation compared to the global crisis is 13.7 (29.2 vs. 15.5), which indicates that at the time youth unemployment is also at acceptable levels. For the EU in the period of the global crisis, the highest value of youth unemployment is 24.7 in 01.2013, in the months following the crisis. The gap between the top value in the pandemic situation compared to the global crisis is 6.6 (24.7 vs. 18.1), which indicates that at the time youth unemployment is rapidly catching up with the levels of the last crisis.

The data show that the effect on the NEET level and youth unemployment is stronger in the EU compared to the values of the 2008 global crisis. In Bulgaria the impact is weaker due to the effectiveness of the measures taken to manage the economic and social consequences of the crisis.

5 Analysis of the policies to overcome the consequences of Covid-19

In response to the coronavirus pandemic, the EC has for the first time launched the general derogation clause from the Stability and Growth Pact, enabling national governments to respond to the crisis and loosen the budget rules.

Fiscal policy is the most appropriate tool to address the negative impact of the pandemic on the economy. The euro area economy is supported in two ways: through the operation of automatic stabilizers and through discretionary action. The automatic stabilizers are

significant in the Euro area countries and are effective in reducing the economic shocks [11]. However, they will lead to higher government spending and increased fiscal pressure. The latter will inevitably be fuelled by the health system. The forecast (EC 2020) is for a sharp rise in the aggregate budget deficit of the Euro area and the EU to around 8½% in 2020 from just 0.6% of GDP in 2019, before falling again to around 3½% in 2021. The government debt-to-GDP ratio is also expected to increase as a result of a combination of higher debt and lower GDP, which will break the downward trend observed since 2014. According to forecasts in the Euro area, this ratio will increase from 86% in 2019 to 102¾ % in 2020, and then fall to 98¾ % in 2021. In the EU, it is expected to rise from 79.4% in 2019 to about 95% in the current year, then fall to 92% in the next year [11].

Undoubtedly, the greatest assistance of the member countries has been focused on supporting companies and employment. Such schemes aim to prevent the loss of human capital and stabilize consumption for those who would lose their jobs. In addition, they can help the labor market recover faster by allowing companies and workers to resume operations without the costly and lengthy search and comparison process which would have to take place if the employment relationship was lost. [7]. The ILO [14;15] pays particular attention to the impact of the crisis on certain groups of workers, as it has different effects, and namely: women, who occupy 70% of health and social care jobs and are therefore often at the forefront line; workers in the informal economy, casual and temporary workers, employees in new forms of employment, including those in the 'gig economy'; young workers whose employment prospects are elastic to the fluctuations in demand; older employees who, even in normal times, face difficulties in finding decent work opportunities and are at additional health risk; refugees and migrant workers, especially those engaged as domestic aids and workers in construction, manufacturing and agriculture; micro-entrepreneurs and the self-employed. The greater impact of the crisis on workers and micro - enterprises, which are already vulnerable in the labor market, could exacerbate existing poverty and inequality. Moreover, the crisis can potentially raise and deepen grievances, mistrust and injustice due to access to healthcare, services and decent jobs and livelihoods, leading to social tensions which can undermine progress, peace and social cohesion. With the international support of the community, countries must act quickly to strengthen their economies and to protect jobs and incomes, taking into account the specific risks of certain groups.

Modern arrangements have emerged and all employers are required to introduce remote working [14;15] or to bring working conditions in line with anti-epidemic measures. Labor legislation has changed during the state of emergency in the parts of annual leave, especially for pregnant women, parents, people with disabilities. It was allowed to the employer to grant paid annual leave to the employee without his or her consent, when the work of the enterprise, part of it or of the individual employees is disrupted. The employer may, at their discretion, grant the employees half of the annual paid leave if there is no work stoppage at the enterprise. Progress has been made to some extent in restoring the tripartite dialogue.

The task of monetary policy is to provide liquidity to the economy. The shock in supply is caused by the sudden production problems due to the pandemic and at the same time accompanied by a shock of demand, which breaks cash flows and disrupts the payment system [2]. In order to reduce insolvency and the rising unemployment, central bank measures must be formulated in such a way as to encourage commercial banks to lend to households and companies [8;5], when the cash flow process is interrupted. Incentives are targeted at interest rates but such large-scale credit support, which is essential for small and medium-sized enterprises, requires immediate coordination and fiscal policy decisions [16]. Liquidity is also needed in the open market, where the prices of securities are at risk.

Global financial transactions must be constantly monitored for stability and transparency, and international financial standards must be respected. The cooperation among the central

banks, encouraged by the G20 and monitored by the IMF, must foster stable exchange rates [16] and combat any transition to currency wars. International solidarity is the rational response to COVID-19: the financial shock, while seemingly symmetrical, is in fact asymmetrical in its consequences. The timing of its health and economic consequences can be very different, as can be the reactions of the countries and, most importantly, their financial and structural weaknesses during a financial shock. What is more, solidarity is compatible with national interests, as global interdependencies will generate the spread and return of each country's financial problems [17].

It should be borne in mind that for the international financial stability the domestic activity at anti-inflationary measures may be in conflict, at least in the short and medium term. In addition, aggregate demand management in the systemically important economies has deep implications for the economic activity in the rest of the world. This is a basic consideration. Compromises are extremely complex in terms of political action and every EU country should adhere to national priorities. There should be a transparent forum in which the collective position of the central banks on monetary policy is outlined to actively discuss and analyze discrepancies, which would reduce the risk of volatility in capital flows [22].

During the state of emergency, after permission, payments of interest and principal on loans, the so-called moratorium on loans, were postponed. It is still unclear what effect this will bring on consumer spending, especially given the forecast inflation processes in the economy. The government provides BGN 200 million for the Development Bank to guarantee non-interest-bearing consumer loans of up to BGN 1 500 for all workers on unpaid leave due to the state of emergency.

6 Conclusion

COVID-19 is a global problem with economic, social and health aspects. In this context, the results of the study on the impact of the pandemic on the economic system in its government and social dimensions allow us to draw the following conclusions and summaries:

- In general, it can be concluded that due to the influence of the pandemic, the dynamics of the main indicators for the economic system and the labor market become more volatile and difficult to manage;
- The situation with all indicators is deteriorating, despite the attempts of Bulgaria and other EU member states to mitigate the negative effects by increasing the government deficit and debt;
- There is no clear trend whether the differences between the values for the EU and Bulgaria regarding the main indicators will increase or decrease due to the large fluctuations, which also show ample deviations in each quarter;
- Generally viewed, the situation in the EU is more unfavorable due to the fact that the levels of the 2008 economic crisis are reached in a more direct manner than in Bulgaria;
- In Bulgaria, the measures taken so far have managed to contain the growing disparities in the labor markets by keeping the unemployment rate, the NEET level and youth unemployment within reasonable limits;
- The effect on the economic growth is quite substantial, which requires the concentration of measures to control it due to the danger of an adverse impact on the labor market and the economic activity in general.

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