

Coronavirus will hit economies across all EBRD regions

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Otopeni, Romania: People wearing protective suits spray disinfectant chemicals on the Henri Coanda International Airport to prevent the spreading of the coronavirus.

Recovery could be robust once virus contained

The [coronavirus pandemic](#) will have a negative impact on economies across the EBRD regions but recovery could be robust once the outbreak is contained, according to the Bank's economists.

The EBRD, which invests in 38 emerging economies across three continents has launched [an emergency package worth an Initial €1 billion to support companies](#) in its countries suffering because of the crisis.

More detailed economic forecasts for the EBRD regions will be issued at the end of March.

According to the EBRD's economists, the actual and feared impact of the coronavirus is affecting supply and demand simultaneously.

The final economic impact will depend on the duration of the pandemic, as well as policy response by national authorities and governments in key export markets.

Countries are being affected directly by public health measures put in place to fight the virus as well as by precautions taken by individuals.

Containment efforts will lead to lower consumption of services, such as restaurants, recreation, and to some extent transportation.

They will also negatively affect household consumption of goods. Moreover, households may postpone some consumption due to uncertainty created by the pandemic.

As demand decreases, many firms, especially SMEs, may experience a sharp decrease in revenues, tightening their liquidity.

Overleveraged firms will record higher liquidity constraints, increasing the risk of bankruptcy.

This may be mitigated by the banking sector, which could allow delayed payments, and depends on the health of the banking sector, as well as the crisis measures imposed by the authorities.

In a more severe scenario of a prolonged crisis, a number of companies may resort to laying off employees.

Indirect effects on EBRD economies include the disruption of global supply chains, weaker foreign demand, lower oil and commodity prices and wide regional declines in tourism and travel.

The flow of remittances to some EBRD countries could drop significantly if emigrants lose their jobs or cannot travel.

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