

# International trade of Bulgaria and the EU since the outbreak of COVID-19

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**Abstract:** *In the dynamic conditions since the COVID-19, this paper explores the changes in international trade of Bulgaria and the European Union. It is structured in five parts. The first elaborates on the abrupt changes in the global context. The second examines the modifications in the Bulgarian export. The third analyses the imports in the country. The fourth studies the dynamics in EU exports. The fifth reviews the fluctuations in EU imports. The latest available data is used to draw conclusions that can be useful for experts and practitioners from a diverse set of academic backgrounds, including but not limited to: economics, business and international economic relations. In a broader sense, the study can be thought-provoking for those, who are interested in international trade in the current context.*

**Key words:** *international trade, import, export, COVID-19*

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## **Introduction**

The spread of the new COVID-19 has influenced countries around the world and their economies in an unprecedented way. It has brought changes to the international environment, in which leaders and managers have to make important choices in an unstable context. The first step can be to determine what the effect of the new virus is. This can provide the ground for informed decision-making process.

The main purpose of this paper is to explore the changes in international trade of Bulgaria and the European Union since the outbreak of COVID-19. The following tasks are defined for its completion: first, to provide the context for the review of the changes in international trade; second, to examine the variations in the Bulgarian exports for the same period; third, to evaluate the imports in Bulgaria; fourth, to study the dynamics in EU exports since the beginning of the year; and fifth, to review the fluctuations in EU imports.

The thesis of the author is that since the outbreak of the COVID-19 there is a reduction in international trade of Bulgaria and the European Union.

The paper reviews statistical data from Eurostat and recent publications with reference to the export and import in the context of COVID-19. The focus is on the trade value. The data shows the calendar year and month in which the goods are exported. It is in accordance with the requirements of EU legislation, including Regulation (EC) No 471/2009. This document uses the definitions for export and import as they are introduced by the statistical division of the European commission. Two types of comparison are made for the purpose of the analysis in this publication: the first is between two consecutive months in one calendar year and the second is between the same month in 2019 and 2020.

With reference to the scope and limitations of the paper, several remarks have to be made. It is focused on the international trade with goods, as it has been influenced by the current situation in an unprecedented way. The trade with services requires analysis in a separate publication and will not be included in this one. The review of the trade balance, main trading partners and key sectors remain outside the scope of the paper due to its limited size.

The reviewed data for the exports and imports of goods cover the relations with all countries of the world. It is aggregated and shows the trade value for all types of goods to avoid differences in the classification systems and ensure comparability. The data for the EU includes the trade of all member states.

As far as the time frame is concerned, the most recent available data is used, which covers the time until the third quarter of 2020. The trade values include latest preliminary data,

which may be subject to correction in some cases. They are still indicative for the state of international trade since the outbreak of the COVID-19.

### **Abrupt changes in the status quo**

The outbreak of the COVID-19 has brought unexpected and quick changes in the status quo. The topic has called for the attention of decision-makers across the globe in search for working solutions to the current situation. In the new conditions, different sources of information have highlighted the challenges linked to the outbreak of the COVID-19. A publication of the WTO, International Chamber of Commerce and Global Alliance for Trade Facilitation (2020) has identified the difficulties that the COVID-19 crisis has brought to the global economic system. The results from their survey demonstrate that trade processes have faced complications across developed and developing countries.

In the World Trade Statistical Review 2020 of the WTO, a separate section is devoted to the new virus. The sharp and quick decrease in the volume of world merchandise trade in the first half of this year is underlined (WTO, 2020). OECD (2020) has emphasized the unprecedented output collapse in the first part of this year and in the global health crisis has stressed on the importance of trade.

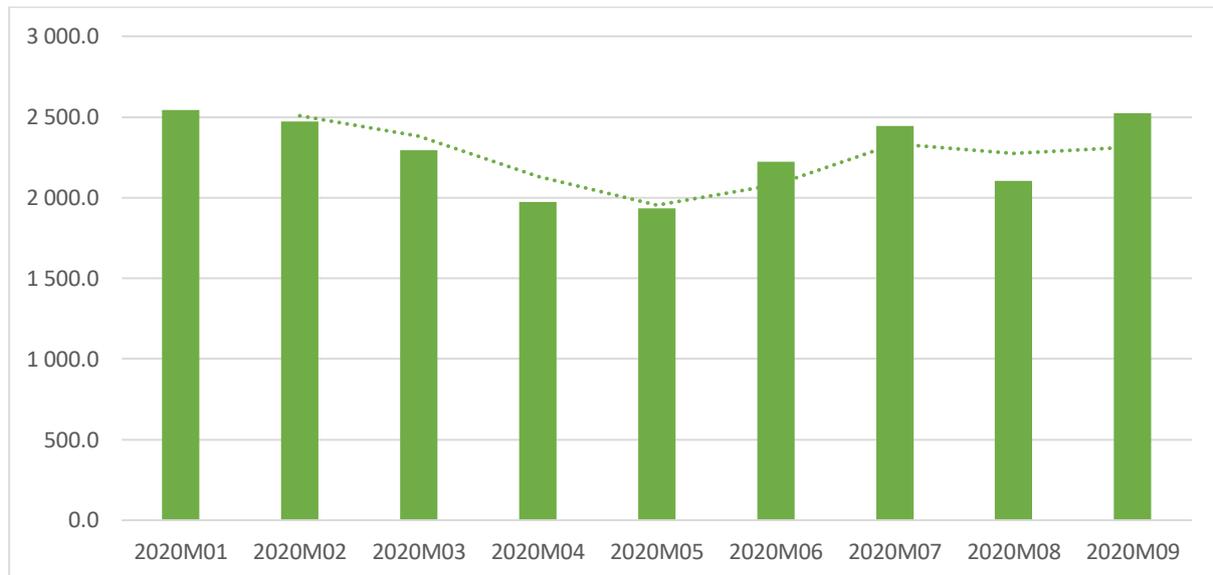
UNCTAD (2020) has analyzed the impact of COVID-19 on trade and development. It states that trade has been hit by the sudden changes. Threatening health, the virus has caused a global economic shock. UNCTAD expects that the GDP will fall by around 4.3 % in 2020. It is important to note that their analysis foresees a more negative impact in developed than in developing economies. The fall in the GDP of developed countries is foreseen at 5.8%. The review of UNCTAD points out the serious challenges for global production and FDI.

The European Commission (2020) has made an economic forecast for a “deeper recession with wider divergences” due to the pandemic. Member states are experiencing difficulties in the context of some deteriorating economic parameters on the national level. The impact of the second wave of the virus is still to be evaluated, as more data is generated.

COVID-19 has quickly changed the state of affairs. In this context, it is interesting to explore the situation on the national and the regional level. The attention in the next parts of this paper is given to international trade of Bulgaria and the European Union.

## Bulgarian exports in the context of the pandemic

In order to examine the dynamic in international trade since COVID-19, it is useful to start with a review of the data for the exports to all countries of the world. The attention is first directed towards the months from the beginning of the year. The latest available Eurostat data from January until September 2020, along with the moving average (for a period of two months), is illustrated below.



*Figure 1. Bulgarian export: January-September 2020 (Data source: Eurostat, trade value in million Euro)*

The exported goods have been reduced during the first five months – from 2 543,4 million Euro to 1 934,7 million Euro – following the first outbreak of COVID-19. For the subsequent two months – namely June and July – there has been an upward movement, but the levels of the beginning of the year haven't been reached. Another decrease is witnessed from July to August, followed by an increase in September.

These fluctuations should be given additional consideration. From January to February there is a fall of around 3%. The drop, as a percentage, more than doubles from February to March and reaches 7,1%. It doubled again from March to April and equals 14,01%. The trade value continues to fall in May, but with an additional reduction of only 1,9%.

An upward movement starts in June. The export increases with 14,8%, compared to May, which marks the lowest for the year (until the end of the third quarter). This trend continues in July, when an increase of 9,9% is noted (compared to the value in June). It equals 2 444,2 million Euro.

The upward movement is interrupted in August, when a decrease of 339,40 million Euro is registered. It surpasses the increase from the previous month. The value for August is one of the lowest for the past three quarters of the year. It is followed by an increase in September with 19,9 % compared to the previous month.

The review of the trade value of the export from Bulgaria for the past nine months shows a dynamic picture ( since the outbreak of the Covid-19). It records several decreases compared to the previous months. The export reaches the lowest levels in April, May (following the first increase in the cases of COVID-19) and August (when the number of people with the virus increased). The three highest values are in January, February and September.

Having explored the exports since the beginning of this year, it is beneficial to compare the data with the numbers for the previous year. The next section of this paper is dedicated to this task.

### 2019-2020 comparison of the Bulgarian monthly exports

To broaden the understanding for the changes in international trade since COVID-19, it is valuable to study the variations in the exports for the first three quarters of this year and the previous one. The comparison is done month by month. As showed on the figure below, for the major part of the chosen period, the trade values for 2019 are higher than those for 2020.



Figure 2. Bulgarian export comparison between 2019 and 2020 (Data source: Eurostat, trade value in million Euro)

The beginning of the year could have set an upward movement for international trade, but it didn't happen due to the *force majeure* circumstances. For January, before the COVID-19, the trade value in 2020 is higher than the one in 2019 with 157,3 million Euro. In February, there is still a positive (even if a smaller) difference. It equals to a 3,45% increase for the same month from 2019 to 2020. In the end of the first quarter, the export is lower in 2020 than it is in 2019. For March, it marks a reduction of 158 million Euro.

It can be noticed that for 2019, there is an upward trend for the values in the first three months of the year. In 2020, this is not the case and the figure above shows a downward movement.

A comparison between April 2019 and April 2020 reveals the decrease of 17,45%. This is almost three times the percentage for the difference in March for both years. The drop is higher for May. Between 2019 and 2020 of that month, the value has contracted with 20,47%. This is the highest difference in the annual comparison in this paper.

Throughout the second and most of the third trimester, the export is lower in 2020 than in 2019. In June, the negative difference between both years is one of the smallest. It equals to 146 million Euro. The level in 2020 remains lower than 2019 for both July and August, with 10,44% and 15,01% respectively. The latter is the third highest difference in the annual comparison. Only the differences for April and May of both years are higher (both in euros and as a percentage). April, May and August are also the three months with the lowest export value, as elaborated in the previous section of the paper. For September, the calculation doesn't show the same result. The numbers for this month in 2020 and 2019 are close together, with a difference of 1,34%.

In the context of COVID-19, there has been a disruption in Bulgarian exports. This can have far-reaching consequences. Solutions have to be found promptly. Despite the variety of challenges on the agenda of decision-makers, trade should be given more attention. It can turn into a catalyst for a faster recovery in the framework of the current uncertainty.

### **Bulgarian import in 2020**

Having reviewed the export, the next step in the paper is to evaluate the import for the past nine months. It is interesting to explore whether there have been fluctuations in the data for this year. The trade value for the period from January until September 2020, together with the two month moving average, is presented below.

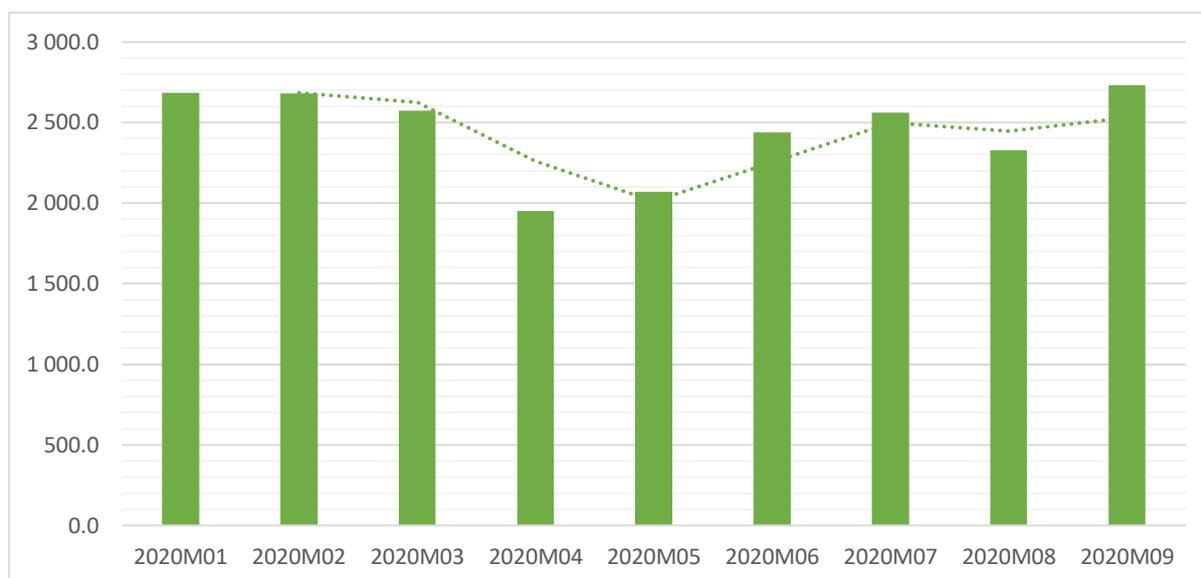


Figure 3. Bulgarian import in 2020 (Data source: Eurostat, trade value in million Euro)

Based on the data, several observations can be made. The two lowest levels are for April and May. They follow the time when the COVID-19 started changing the usual state of affairs in Bulgaria and its impact is growing quickly in many countries, as the data from the World Health Organization (2020) shows. Compared with the export for the same period, there is a little alteration – the trade value for the import is lowest in April, e.g. one month earlier.

There has been a decrease from January to April. The drop for this period equals 27,3%. The sharpest fall is between March and April, when the outbreak of the new virus causes serious concerns. The decline corresponds to 621,8 million Euro between those two months.

The imports reaches the lowest value at 1 950,4 million Euro in April. For the next three months there has been an increase. But it could not lead to the levels prior to the outbreak of the COVID-19. From April until May, the import grows with 6,06 %.

From May to June, the percentage is almost three times bigger, namely 17,8%. Nevertheless, it cannot compensate for the decrease from March until April. It should also be noted that the value for May is the second lowest for the first three quarters of the year. The increase of the import from June to July is 5%.

The upward movement is interrupted in August. The decrease of 9% is recorded, as the trade value for July and August are compared. It exceeds the increase from June to July. From August to September, there is an increase in the value of 17,2%.

The review of the import, measured by the trade value of the goods, has showed several declines for the period since the outbreak of the Covid-19. For both export and import, the lowest levels are registered in April and May and the highest in January.

In order to better understand the data, it is useful to compare it with the values for the previous year. The next part of the paper is devoted to this topic.

### 2019-2020 comparison of the Bulgarian monthly imports

Keeping the same approach to the examination of the imports as with the exports, this section compares the import value for the two years, as displayed in the figure below. The focus is on each month in the three trimesters.

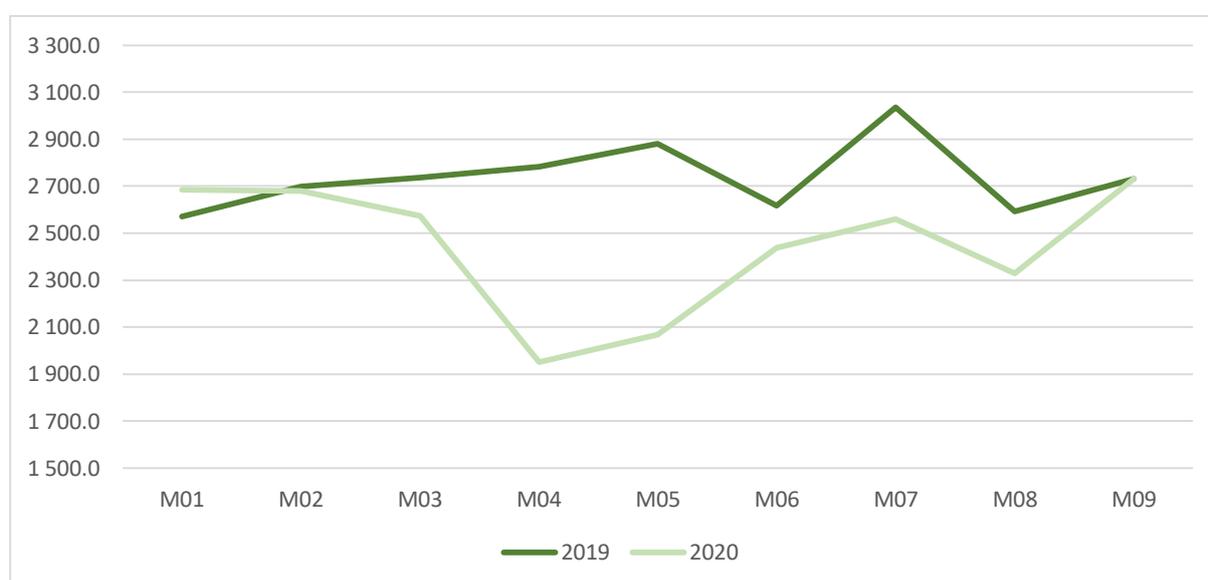


Figure 4. Bulgarian imports (Data source: Eurostat, in million Euro)

For most of the period, the imports in 2020 are lower than in 2019. There are differences in the fluctuations as well. The data for 2019 shows a gradual increase from January to May. In 2020, the situation is different. January is the only month, in which the value in 2020 is higher than 2019. When the data is compared, it shows an increase of 4,4%. In February each year the results are similar, but the imports in 2020 are decreased with 0,77%. For March, the reduction is 5,99%.

The difference is highest for April and May. The case is the same when the exports in 2019 and 2020 have been compared in a previous section. The percentages here are however bigger. In April, the imports show a reduction of 29,9%. In May, the decline is 28,2%.

The smallest decrease is registered in June. It is equal to 6,7%. The difference (as a percentage) between the exports for the same month is similar, as noted earlier in the paper.

The imports in 2020 are abridged also in July with 15,6%. This is the third biggest fall for the reviewed period. The decline is 10,2% in August. For September, the values are almost equal, with a reduction of 1,3 million Euro.

Imports have been negatively influenced since the outbreak of the COVID-19. The economic downturn that has resulted from it threatens the opportunities, envisaged prior to the pandemic. The abrupt reduction in the imports can cause distress on the production process in the country and on consumers. The lack or delays of the relevant input materials and parts can put serious pressure on the business that needs time to adapt to the new conditions and has to execute contracts on time.

### EU export in the context of pandemic

After the examination of the international trade of Bulgaria, this section is devoted to the next task of the paper. It studies the dynamics in EU trade with a focus on the export of goods. The data for each month of 2019 and 2020 is presented on the figure below.

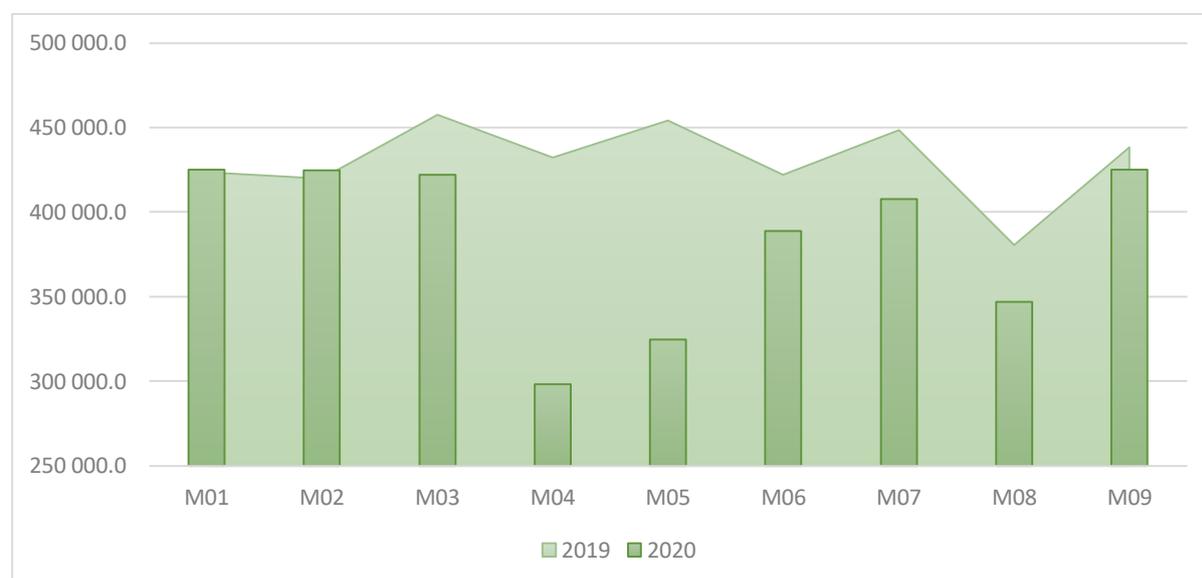


Figure 5. EU Export (Data source: Eurostat, in million Euro)

For most of the first three quarters of 2020, the export value has decreased in comparison with the same months of 2019. The only exceptions are for January, with a very small increase of 0,27% and February with 1,17%. In March 2020, there is a fall of 35 681,6 million Euro from the level in March 2019.

The sharpest descent compared to the previous year is registered in April and May. The situation is similar for Bulgaria, as elaborated earlier in the paper. As illustrated on the figure above, in April 2020 the values fall with 31,01%. In May they are reduced with 28,52%. For June and July 2020, EU exports continue to be lower than in 2019. For June, the decline is equal to 7,89%. In July the numbers for 2019 are higher than in 2020: the decrease is 9,14%. The fall is similar for the next month. In August, the reduction corresponds to 8,82%. For September, the values are still greater in 2019 than in 2020. The difference between them is 13 202,5 million Euro.

The fluctuations between the months of each year are different, as shown above. While in 2019 most of the values are higher than in January, the situation is not the same in 2020. The first quarter of the year witnesses a reduction of the export (in 2019 the numbers for March are higher than for January the same year). The largest decline is from March to April 2020. It is much steeper than the reduction from March to April 2019, when the values remain above the levels of January the same year and are followed by an increase for the next month.

A review of the data for 2020 shows an increase of the export for May, June and July in comparison to the previous month the same year. Due to the low level in April 2020, the value for that period in 2020 remains lower than in 2019. When the data from July to August is compared, there is a reduction of 60 761,8 million Euro. Despite the increase in September 2020, the values are still less than in September 2019.

The EU export has been disrupted, as the COVID-19 has created challenges in the EU member states and their trading partners around the world. In accordance with forecasts from different international organizations that are reviewed in the beginning of this paper, the export values have decreased in 2020. It can put a burden on the economies of the member states and deprives them from the opportunities that have been available before the pandemic. The fall in export can have a deteriorating effect on the business, especially on companies that are prioritizing international clients. The reduction of trade at the EU level requires careful deliberations among all stakeholders.

### **Import of the EU after the outbreak of COVID-19**

After the review of the export data, it is useful to examine how the EU import changed in the context of the new virus. This section focuses on the differences in the data on a monthly basis. The values for 2019 and 2020 are illustrated on the figure below to provide the basis for a comparison.



Figure 6. EU import (Data source: Eurostat, in million Euro)

The data shows that the imports during the months in 2020 are lower than in 2019. The smallest decrease is registered in January and February. When the numbers for January 2019 and January 2020 are compared, the reduction is 0,43%. For February of the two years, the fall is only 0,38%. Between March 2019 and March 2020, the decline is 9,14%.

Comparing the monthly data with the same month from the previous year, the sharpest drop is in April and May, as presented in the figure above. The fall between the import during the fourth month of 2019 and 2020 is 28,19%. For May, the reduction is 27,20%.

The imports in the next three months of 2020 continue to be lower than the values for the same months of 2019. For June of both years, the decrease is equal to 38 584,9 million euro. The levels in July 2019 are with 48 729,3 million higher than in July 2020. The difference is significant for August and amounts to a decline of 33 332,5 million euro. In the end of the third quarter of 2020 the imports are still lower than in 2019. For September, the fall is equal to 24 566,1 million euro.

A review of the data for 2020 shows that from January to March, there is a downward movement. The imports fall in that period. The biggest decrease is between March and April of the same year. It is equal to 93 365,3 million euro. In 2019, there are fluctuations for the same period and the values in March and April are higher than those in January. This is not the case in 2020. For the period from April until July, there is an increase. The levels for each month are still lower than the ones for the previous year. In August 2020, the imports are lower than in July with 41 302,4 million euro. In September, the value increases with 58 676,1 million euro.

The level of import continues to be lower than the same month in 2019 and lower than in January 2020.

There is a disruption in EU import, as it has been the case with EU exports. The international forecasts, reviewed earlier, have been confirmed by the data for the first three quarters of 2020. The examination of the imports shows similar results as the review of the exports. For both of them there is a decrease in the values from 2019 to 2020. It is most significant for April and May. In those two months are the lowest for both exports and imports for the EU. The same is observed in the data for Bulgaria.

The decrease in trade prevents stakeholders from taking advantage of opportunities, available prior to COVID-19. The disturbed imports are associated with difficulties for enterprises and consumers in all member states. Many firms require timely delivery of input for their production processes. If there are delays, not to say disruptions of the supplies, this can influence the assembly capacity.

The challenges for imports can have substantial consequences. In the context of competing priorities, they require deliberations among stakeholders with the active participation of the influenced businesses.

## **Conclusion**

This paper has examined early data for the state of international trade of Bulgaria and the EU since the outbreak of COVID-19. The review shows disruption in both import and export. The examination of the Bulgarian exports displays several decreases. The lowest levels are for April, May and August. Most of the values for the nine months of 2020 are lower than the same month in 2019.

The study of the import data for Bulgaria provides similar results. Its value is reduced with 27,3% from January to April. The lowest levels are in April and May. For most of the three quarters of the year, the values in 2020 are lower than in 2019. The difference is highest for April and May. The case is the same when the exports in 2019 and 2020 are compared. For imports, the percentage is greater. The decline in April is 29,9%, and in May - 28,2%.

After the examination of the international trade of Bulgaria, the attention in the paper has been devoted to the EU. The analysis of the EU export has showed several disruptions in the context of the COVID-19. With the exception of January and February, when levels are similar, the monthly value in 2019 is higher than in 2020. The sharpest decline compared to the previous

year is in April and May. In April 2020 the export shrinks with 31,01%. In May 2020 it decreases with 28,52%. The variations between the consecutive months of each year are different. While in 2019 most of the values are higher than in January, the situation is not the same in 2020 when the trade flows are disrupted. The first four months are marked by a reduction of exports. The biggest drop is from March to April 2020. It is followed by an increase of the value for May, June and July in comparison to the previous month of the same year. Because of the prior decrease (to the lowest level in April 2020), the exports for the rest of the examined months of 2020 remain lower than in 2019.

The review of the EU imports has also showed disruptions for the same period. Monthly falls are observed for both types of comparison. The imports during each month in 2020 are lower than in 2019, with variations in the difference between the values. The reduction is smallest in January and February. It is highest for April and May. The decrease between the import during the fourth month of 2019 and during the same month in 2020 is 28,19%. For May, the decline is 27,20%. The analysis of the EU imports shows similar results as the review of the exports. Despite some increase in the import in 2020, still the levels in 2019 are higher than in 2020.

The disruptions in trade flows create serious challenges. They deprive stakeholders from opportunities that have been available prior to the pandemic. The deteriorating effects can be far-reaching. It is still ambiguous what will happen next. As the conditions in the international environment can change quickly, further research can focus on different aspects. The opportunities include the analysis of decision-making and management issues such as how to make right choices in the framework of high uncertainty.

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