

Conclusions. Belarus is one of China's most important strategic cooperative partners in the Eurasian region. Since the Belt and Road Initiatives puts forward, the rapid development of the strategic cooperative partnership between China and Belarus economic and trade was deepened, agricultural trade more frequently, especially the Great Stone and Belarusian Agricultural Science and Technology Demonstration Park development and construction, as demonstration project of the silk road economic belt. Under the Belt and Road Initiatives, it is of great practical significance for China and Belarus to continuously deepen the cooperation in agricultural science and technology, strengthen the training of agricultural talents and promote international production capacity cooperation to promote the development of bilateral trade.

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S. S. Zarkova

D. A. Tsenov Academy of Economics, Svishtov, Bulgaria

THE IMPACT OF THE COVID-19 CRISIS ON THE EQUILIBRIUM INTEREST RATE (FOLLOWING THE EXAMPLE OF BULGARIA)

Introduction. The dramatically changing features of the global economy in the recent decades, combined with the social, political and technological influences, have had an impact on the ability of economic factors to adapt to the dynamic circumstances of the 21st century. The price and quantity of money turn out to be a critical component of the modern economy. Their presence and changes in their size undoubtedly depend on the Central Bank (from a national point of view) and the Central Banks (from a supraregional and global point of view) and affect many important macroeconomic variables, such as: interest rates, inflation and economic growth. The subject of this report is the equilibrium interest rate. Its subject is the genetics of the influence of the equilibrium interest rate on the financial system. The main thesis on which this report is based is that the monetary policy of the Central Bank in the field of inflation targeting and maintaining the stability of the financial system is inextricably linked with the dynamics of the interest rates as a market phenomenon and deviations from its equilibrium level, especially in emergency conditions such as COVID-19.

Main part. 1. Equilibrium interest rate - an essential instrument of economic policy. A key question for all financial market participants is: "Where are the interest rates going?" The interest rate is a variable that affects each of us, whether we are investors or borrowers. It is a key element in choosing between consumption now and in the future. Many financial solutions involve a trade-off between current and future consumption. Bank deposits and bonds are examples of investments that provide reliable interest income. The interest rate is the variable at which money (or commodities) can currently be traded for the same, relative to a future date, but at a certain price, a function of the time value of money. It is also used as a key tool in economic policy. Determining the interest rate to achieve monetary policy objectives, including price stability and low inflation, is a responsibility of the Central Bank. The result that the deficit and the accumulation of government debt have an impact on interest rates is widely known, both in theoretical models and in practice. Rising debt levels in recent years have had profound consequences for the global economy. High government debt [8] directly affects the equilibrium interest rate, increasing the sensitivity of the economy to the central bank's monetary policy. In the works of J. M. Keynes [1], he defends the view that the monetary policy of the Central Bank is the most important driver of long-term interest rates. The use of the equilibrium interest rate by the Central Bank is its prerogative, but it also has its deep market essence. In practice, the interest rate is governed by structural factors that are largely beyond the control of the central banking institution, and this directs the nominally set interest rate to the level of its market equilibrium. In this way, the Central Bank changes the relative attractiveness of savings to credit-financed expenditures, which affects supply and demand, so that the price stability is guaranteed.

2. The concept of the equilibrium interest rate. In essence, the equilibrium interest rate is the one that ensures that the accumulation of capital corresponds to the savings in the economy. This leads to an initial potential that over

time satisfies demand, without creating pressure in the economy. Knut Wixel, focused on the problem of the equilibrium interest rate as early as 1898 in his book "Interest and Prices" [5], states that: "There is a certain interest rate on loans that is neutral in terms of commodity prices and does not affect them. This is the same as the interest rate that would be determined by supply and demand if no money were used and all loans were made in the form of capital goods." The concept of the equilibrium interest rate is based on the idea that there are real economic forces, leading the economy to long-term equilibrium with full employment and stable inflation. In this line of thinking, the equilibrium interest rate determines the optimal position to which the economy should move in the future. In the long run, the level of interest rates affects the accumulation of capital and the potential for economic growth. Over time, this leads to the satisfaction of demand without creating dissatisfaction in the economy.

The equilibrium interest rate is determined by a long-term phenomena, related to factors, influencing the economy, such as consumer impatience with demand for goods and the rate of economic growth [4]. Population growth, for example, means that more labor needs to be provided with real capital. Based on this, fixed investments and savings need to increase. The higher the productivity growth, the greater the future returns on today's investment. This provides the basis for a higher equilibrium interest rate. For risky assets [2], low equilibrium interest rates tend to increase the net present value of these assets, as long-term discount rates decrease as future cash flows decrease. Other factors, influencing the equilibrium interest rate, are the change in the supply of private savings and the trend in credit demand. The main imbalances, affecting the equilibrium interest rate globally, over the last decade are: the increase in public and private savings and the increase in investment, as a part of GDP. The challenge for the Central Bank and the investors is that, in reality there is not just one interest rate, affecting savings and investment in the economy, but there is a number of market and commercial interest rates [7] that apply and vary over time. Another challenge is the presence of a zero - lower limit of nominal interest rates. In the event of major adverse effects, a zero - lower limit may prevent the central bank from bringing the interest rate to a sufficiently low level, required by the declining equilibrium interest rate.

3. *Impact of COVID-19 on key factors of the equilibrium interest rate.* Every equilibrium in the economy has a related behavioral history, explaining the factors that influence equilibrium value. If the equilibrium interest rate falls, it would increase credit costs and hamper investment and consumption, leading to recessionary and deflationary pressures. Economic theory can give an idea of the factors that determine the rate of equilibrium, but attempts to quantify the equilibrium interest rate based on the theory provide a wide range of possibilities. Quantitative performance also creates problems, as it estimates the need to be made for a number of factor variables. The alternative is to use historical average interest rates, based on the assumption, that actual real interest rates will vary, depending on the equilibrium interest rate. In the long run, the equilibrium interest rate could be determined entirely on the basis of fundamental economic and global processes, related to the technological progress, population dynamics and consumer preferences. In addition, depending on the structural features of the specific appropriate analytical framework, trends in the fiscal position, social security systems and changes in the financial structure may also have an impact. In the current conditions, the compliance with the equilibrium interest rate by the Central Bank, is a need for balancing investments, savings in the economy and financial support of the respective country. In this line of thought, the implementation of prudent fiscal policy, built on the basis of diversified supply and targeted demand, is of a paramount importance. Given this, the following figure presents the interest rates on loans and deposits in the period 2014-2020.

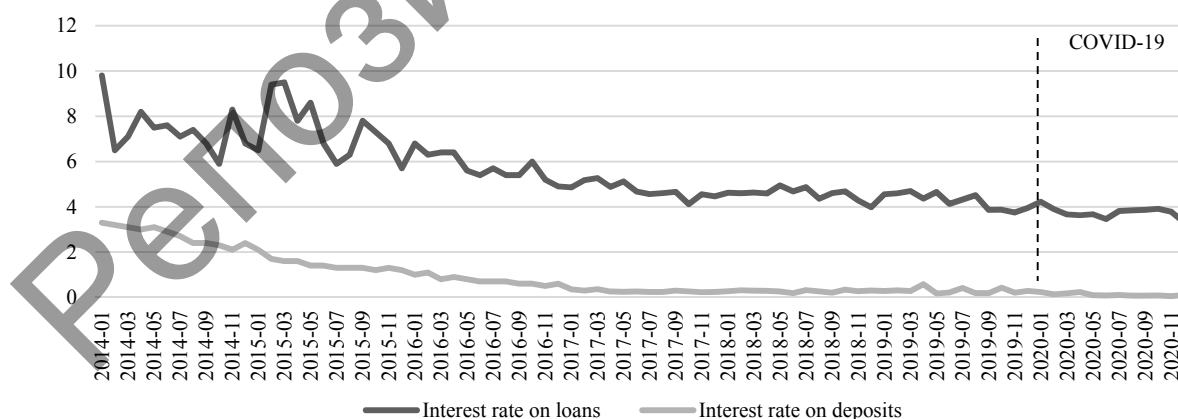


Figure 1 — Interest rates on loans and deposits for the period 2014-2020 (monthly basis)

Source: Monthly Review "The Economy of Bulgaria" <https://www.minfin.bg/bg/870>

Despite all of the above, the view of the effects of declining equilibrium interest rates on the world economy and in particular on the national economy, is obvious. For savers, the tendency to save loses its attractiveness, as the real return on savings goes to the "red scale", compared to the inflation index (estimates for Bulgaria from 2018 confirm this phenomenon). At the other pole are the borrowers. The category of borrowers with conditionally "old" loans

is a beginning to bear more the burden of servicing them, due to falling interest rates. The category of "new" borrowers is actively looking for an opportunity to invest the "fresh" credit resource in investments, in production assets or real estate. The latter is often combined with significant own co-financing, a function of the loss of attractiveness in savings due to low or negative real interest rates. All this results in active demand in the real estate market, which in turn generates sustainable growth in the construction sector. It, in turn, has a multiplier effect with growth on many other related industries and sub-sectors. Thus, the GDP of a country like Bulgaria is growing, but the price is a low equilibrium interest rate and increased inflation — "ceteris paribus", until the advent of COVID-19.

However, the cyclical nature of the economic development, requires attention to be paid to the other extreme-rising equilibrium interest rates and their impact on the main economic agents: government, companies and households. Then again, the Central Bank, with skill and surgical precision, must adjust the direction of cyclical development, to return again to the zone of growth and development.

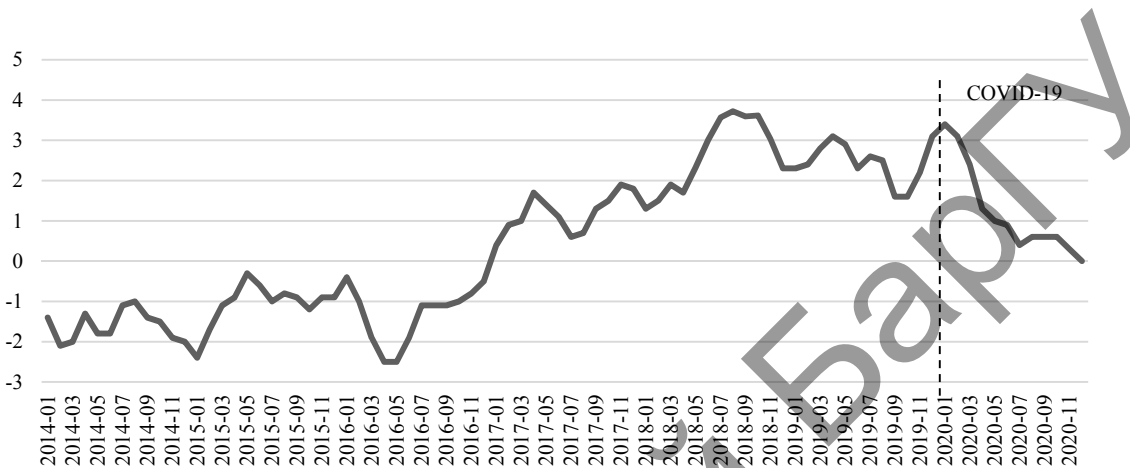


Figure 2 — Monthly HICP inflation rate (100) for the period 2014—2020

Source. Monthly Review "The Economy of Bulgaria" <https://www.minfin.bg/bg/870>

Conclusion. In conclusion, it could be said that both globally and nationally, the economy remains highly sensitive to the impact of COVID-19. Prolonged retention of low or high equilibrium interest rates has significant consequences for financial markets and government debt. To ensure financial stability, it is necessary to implement a rational policy based on the equilibrium interest rate by the Central Bank. Regulatory demand for and rational supply of financial instruments is crucial for many indicators and policies in the economy and finance, including: prevention of budget imbalances, leading to increased government debt; minimization of investment risks; maintaining a balanced level of economic indicators; convergence; overall prosperity. The deepening and analysis of the impact of interest rates and their trend by the Central Bank, is essential for the increasing of the global economic and the financial progress. Therefore, the monetary policy of the Central Bank in the field of inflation, targeting and maintaining the stability of the financial system, is inextricably linked both with the dynamics of the interest rate as a market phenomenon and with the deviations from its equilibrium level.

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