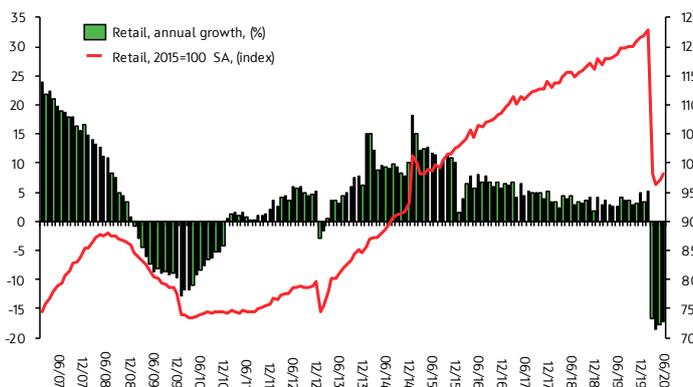
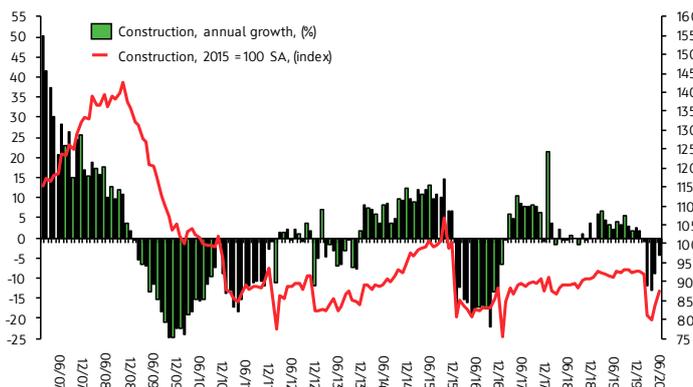
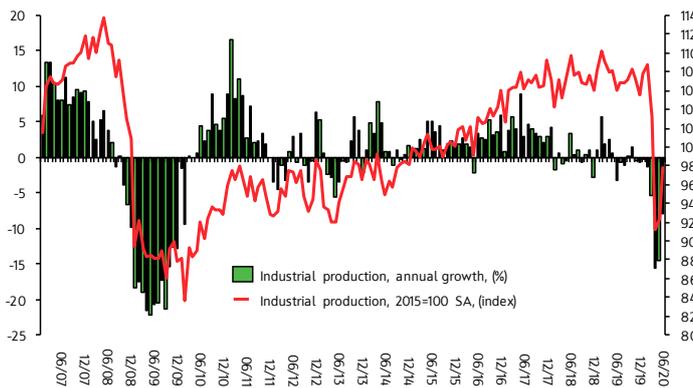


Macroeconomic bulletin

ISSUE 44 • AUGUST 2020

BUSINESS ENVIRONMENT INDICATORS

Short-term business statistics, showing the dynamics in the industrial production, construction activities and retail trade.



	MONTHLY INFLATION	
MOM	↑ 0.5%	07/20
	ANNUAL INFLATION	
YoY	↓ 1.2%	07/20
	UNEMPLOYMENT	
	↓ 7.9%	07/20
	NOMINAL GDP	
	↓ 27.0 BGN bn	FLASH ESTIMATES 2Q/20
	QUARTERLY GROWTH OF GDP	
	↓ -8.2%	2Q20 COMPARED TO 2Q19 FLASH ESTIMATES 2Q/20
	CONSOLIDATED BUDGET	
	↑ 1.5% OF GDP	06/20
	CURRENT ACCOUNT	
	↑ 1.4% OF GDP	06/20
	TRADE BALANCE	
	↓ -0.4% OF GDP	06/20
	EXPORTS ANNUAL GROWTH	
	↑ -7.5%	06/20
	IMPORTS ANNUAL GROWTH	
	↑ -11.9%	06/20

The arrows indicate changes compared to the previous month, except for the GDP data, where the comparison is to the same period of the previous year.

GROSS DOMESTIC PRODUCT ¹

According to the GDP flash estimates for the second quarter of 2020, the Gross Domestic Product (GDP) at current prices is BGN 27 058 million.

- GDP decreased by 8.2% in the second quarter of 2020 compared to the same quarter of the previous year and with 9.8% compared to the first quarter of 2020 according to the seasonally adjusted data.

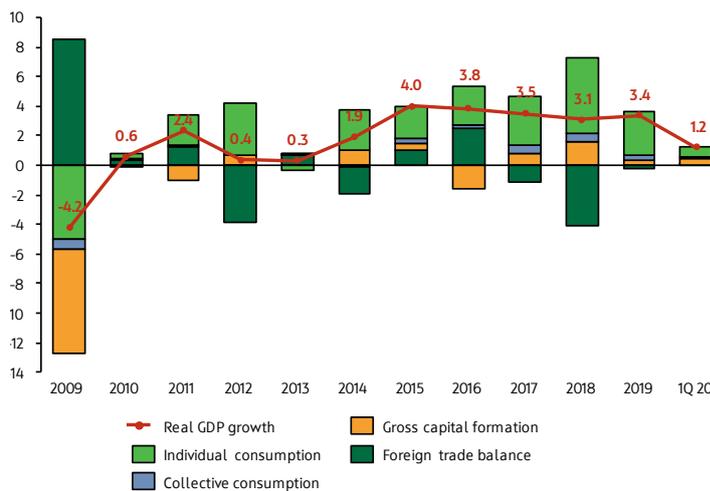


REAL GDP GROWTH FORECAST

2020 2021

	-3.5%	4.2%
	-3.0%	- %
	-7.1%	5.3%
	-4.0%	6.0%
	-6.2%	4.3%

In the structure of GDP by the expenditure approach the largest share has the final consumption (78.9%), which in nominal terms is BGN 21 346 million. In the second quarter of 2020 gross capital formation is BGN 5 115 million and increases its share in GDP compared to previous quarter to 18.9%. The external balance (exports minus imports) has a positive sign.



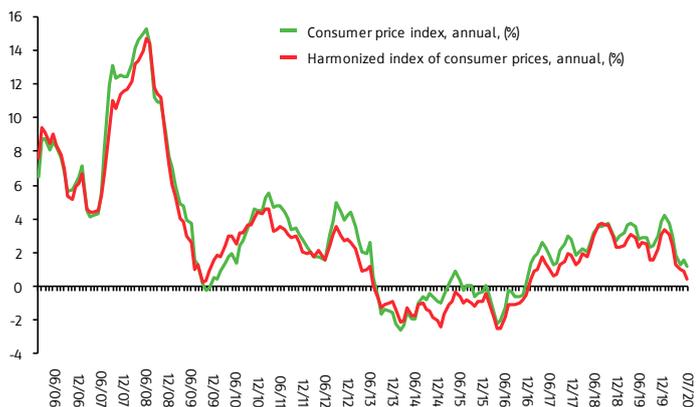
- As regards the expenditure components of GDP, the final consumption registered an annual positive economic growth of 0.4% at seasonally adjusted data. Gross fixed capital formation decreased by 3.8%. Exports of goods and services decreased by 20.3% while imports by 20.0%
- Gross Value Added in the second quarter of 2020 amounted to BGN 23 510 million.
- GVA decreased by 7.4% compared to the same quarter of the previous year and by 8.6% compared to the previous quarter.

INFLATION

CONSUMER PRICE INDEX

The consumer price index in July 2020 compared to June 2020 was 100.5%, i.e. the monthly inflation is 0.5%.

- The annual inflation in July 2020 compared to July 2019 is 1.2%.
- The annual average inflation, measured by CPI, in the last 12 months (August 2019 - July 2020) compared to the previous 12 months (August 2018 - July 2019) is 2.6%.
- The inflation rate since the beginning of the year (July 2020 compared to December 2019) is minus 0.5%.



INFLATION FORECAST

2020 2021

	AVE	0.8%	2.1%
	AVE	1.0%	1.1%
	AVE	1.0%	1.9%

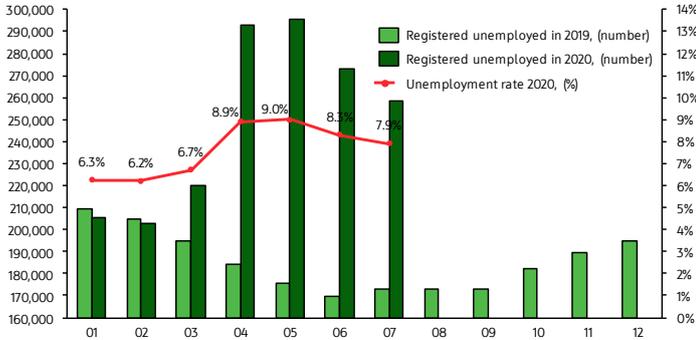
- During the month, the highest increase is reported in the prices of sector "Recreation and culture" (a growth of 7.4%). The highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 2.2%). In the other consumer groups the pricing dynamic is varying, as outside food and clothing, in other sectors, the price tendency is rather to increase.

HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in July 2020 compared to June 2020 was 100.8%, i.e. the monthly inflation is 0.8%
- The annual inflation in July 2020 compared to July 2019 is 0.4%.
- The annual average inflation, measured by HICP, in the last 12 months (August 2019 - July 2020) compared to the previous 12 months (August 2018 - July 2019) is 2.0%.
- The inflation rate since the beginning of the year (July 2020 compared to December 2019) is 0.2%.

UNEMPLOYMENT

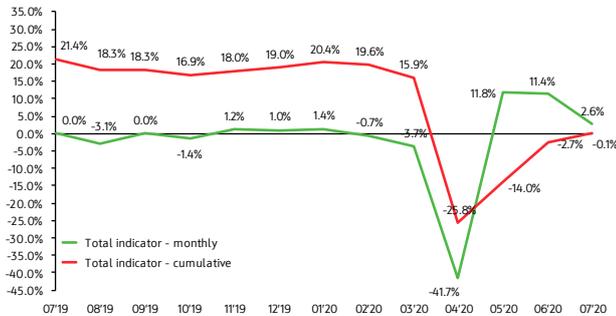
- According to data from the Employment Agency in July 2020, the number of unemployed individuals decreases by 14 814 compared to the previous month. The number of unemployed persons at the end of the month is 258 533.



BUSINESS CLIMATE

During July 2020 the total business climate indicator increases by 2.6 pp compared to June.

- This is mainly due to the more favorable business climate in retail trade and services.
- During the month there was a slight decline in the Construction sector as a result of worsened expectations of construction contractors for the business condition in the sector over the



STATE BUDGET

BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of June 2020 is positive amounting to BGN 1 613 million (1.5% of the forecasted GDP).

- It is formed by a national budget surplus of BGN 1 099 million and by a surplus of EU funds at the amount of BGN 514 million.
- For comparison, by the end of June 2019, the CFP reports a surplus amounting to BGN 3 225 million (2.7% of GDP), which means that as a relative share of GDP the budget position

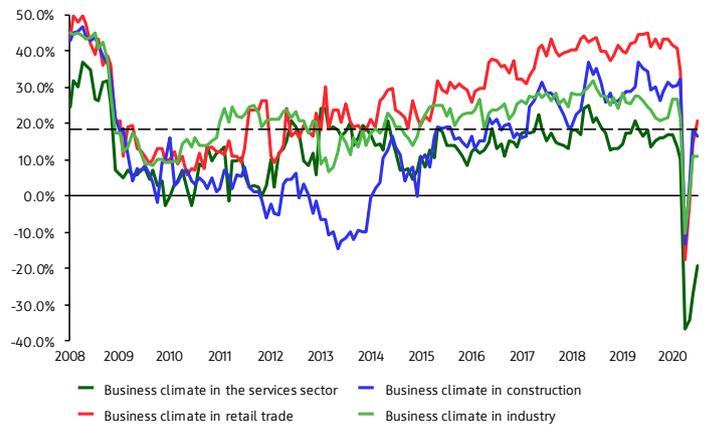
- The reported unemployment at the end of the month is 7.9% and declining by 0.4 pp compared to June.



UNEMPLOYMENT FORECAST

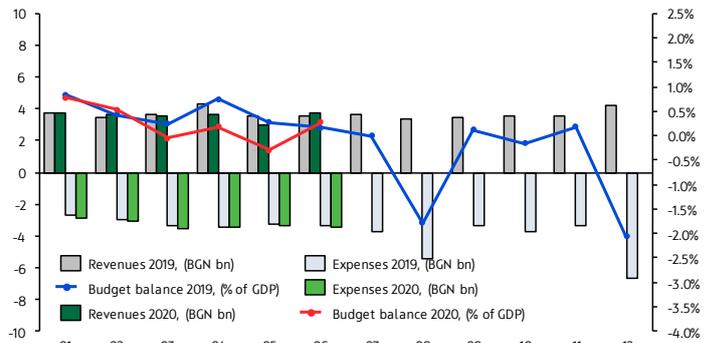
	2020	2021
otpbank	8.6%	6.6%
European Commission	7.0%	5.8%
IMR	8.0%	4.5%

- The number of newly registered unemployed increased to 28 064 people (compared to 26 415 people in June), while the number of those which started work during the month decreased by 9 198, reaching 27 423 at the end of the month.



next six months. The main obstacles to growth in the sector are the increase in the number of customers with late payments, followed by the uncertain economic environment and the shortage of labor force.

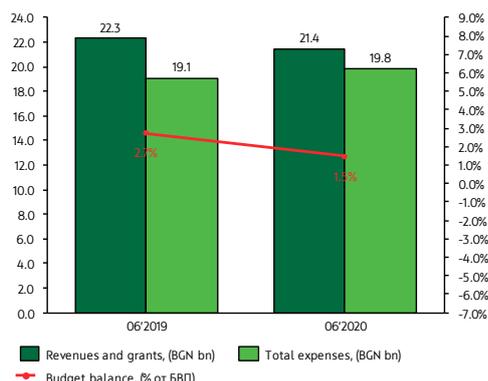
- In industrial sector, business climate trends remain stable compared to the previous month.
- Compared to 2008, the indicator registers a decline of 0.1%.



worsens by 1.3%.

REVENUES

- The CFP revenues and grants at the end of June 2020 stand at BGN 21 431 million.
- Compared to the same period of the previous year, revenues and grants decrease by BGN 885 million (an annual drop of 3.8%).
- At the end of June, the receivables accounts for 48.2% of the annual estimates, as per the „Amendment to the State Budget Act for 2020“.

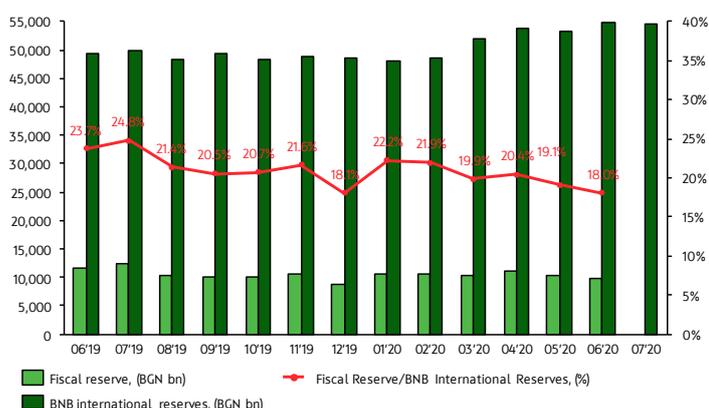


FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of June 2020 is BGN 9 894 million.
- The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of June 2020 amounts to BGN 9 840 million.
- In comparison to the previous month, the FR decrease by BGN 292 million or 2.9%.

FISCAL RESERVES TO FOREIGN EXCHANGE

- At the end of June 2020, the Fiscal reserve forms 18.0% of the country's International reserves and the indicator reports a decrease of 1.1 pp compared to the previous month.



COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for June 2020 amounts to BGN 19 818 million.
- The data, reported as of the end of June shows an annual growth of expenditures by 4.0%. As of the end of the month, they were by BGN 757 million higher, compared to the same period of the previous year.
- The expenses reported by the end of June form 41.4% of the annual volume, planned in the „Amendment to the State Budget Act for 2020“.

GOVERNMENT DEBT

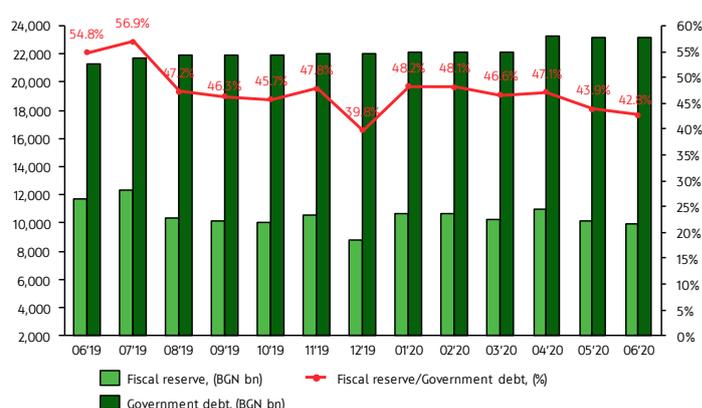
- Government debt by the end of June amounts to BGN 23 142 million or 20.8% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 1 845 million (8.7%).

FOREIGN EXCHANGE RESERVES

- At the end of July 2020 International reserves of BNB amounts to BGN 54 541 million.
- During the month they decrease by BGN 300 million (0.5%).
- Compared to the same period of the previous year, International reserves increase by BGN 4 651 million (9.3%).
- Since the beginning of the year they increase by BGN 5 967 million or 12.3%

COVERAGE RATIO OF GOVERNMENT DEBT WITH

- At the end of June 2020 the Fiscal reserve covers 42.8% of the Government debt, as the indicator drops by 1.2 pp compared to the previous month.

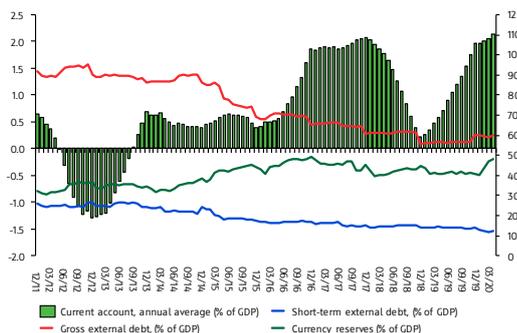
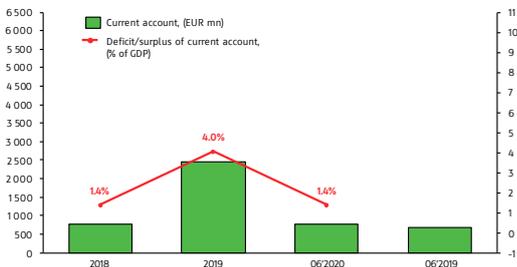
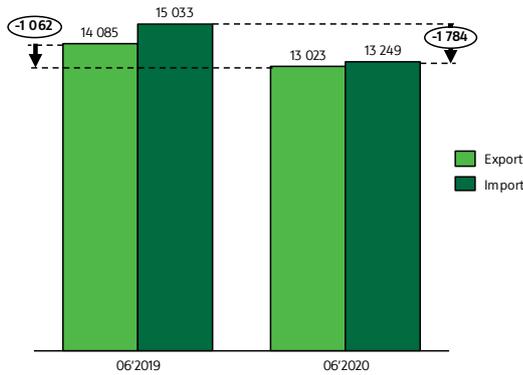


BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

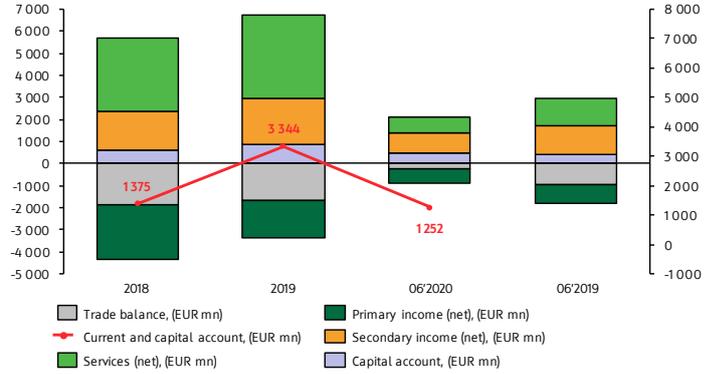
In January – June 2020 the current account is positive and amounts to EUR 777 million (1.4% of GDP), compared with a surplus of EUR 691 million (1.1% of GDP) in January – June 2019.

- In January – June 2020 the trade balance is negative and amounts to minus EUR 225 million (0.4% of GDP), compared with a deficit of minus EUR 948 million (1.6% of GDP) in January – June 2019.
- In January – June 2020 exports of goods totaled EUR 13 023 million (22.9% of GDP), dropping by EUR 1 062 million (7.5%) compared to the same period of 2019 (EUR 14 085 million). Exports for January – June 2019 grow on an annual basis by 6.9%.
- In January – June 2020 imports amounts to EUR 13 249 million, decreasing by EUR 1 748 million (11.9%) compared to the same period of 2019 (EUR 15 033 million). Imports for January – June 2019 grow on an annual basis by 5.4%.
- In January – June 2020 the services balance is positive at EUR 751 million (1.3% of GDP) against a positive balance EUR 1 263 million (2.0% of GDP) in January – June 2019.



CAPITAL ACCOUNT

- In January – June 2020 the capital account is positive, amounting to EUR 475 million (0.8% of GDP) against positive, balance amounting to EUR 431 million (0.7% of GDP) in January – June 2019.



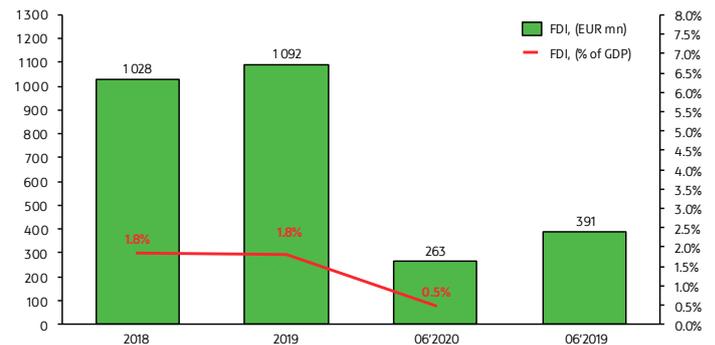
FINANCIAL ACCOUNT

- In January – June 2020 the financial account is positive, amounting to EUR 1 662 million (2.9% of GDP) compared to positive, amounting to EUR 913 million (1.5% of GDP) for the same period of 2019.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – June 2020 presented according to the directional principle records a value of EUR 263 million (0.5% of GDP), dropping by EUR 128 million (32.8%) compared to January – June 2019 (value of EUR 391 million, 0.6% of GDP).

- Foreign direct investments abroad for January – June 2020 record a value of EUR 11 million (0.02% of GDP), dropping by EUR 160 million (93.4%) compared to January – June 2019 (value of EUR 171 million, 0.3% of GDP).

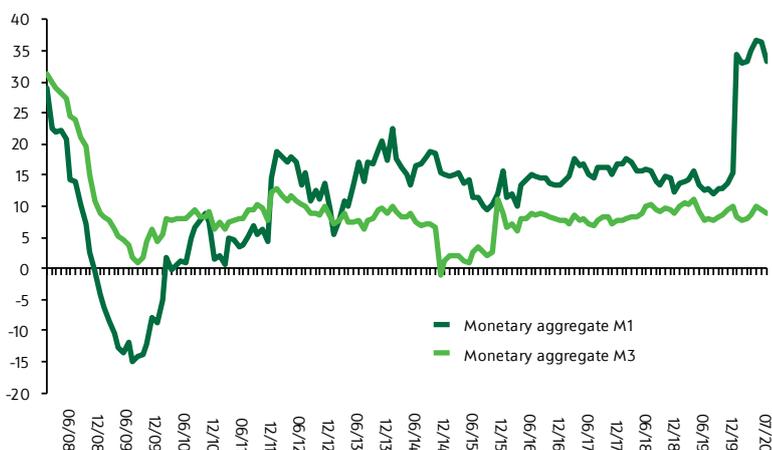


MONETARY, DEPOSITS AND LOANS INDICATORS

MONEY

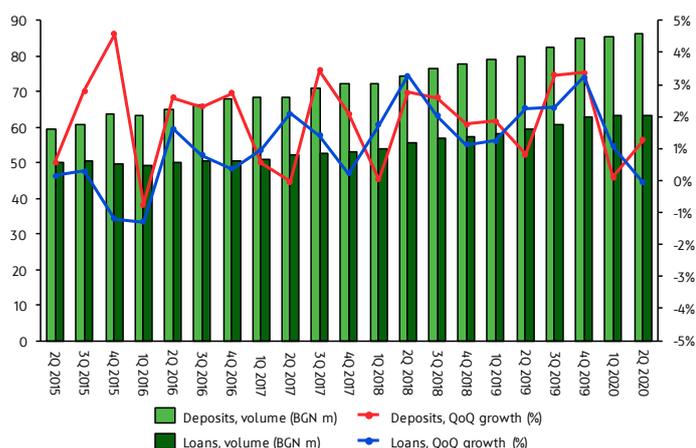
In July 2020 broad money (monetary aggregate M3) increases annually by 8.7% compared to an annual growth of 9.5% in June 2020.

- At the end of July 2020 M3 is BGN 106 074 million (95.6% of GDP) compared to BGN 104 943 million in June 2020 (94.5% of GDP).
- Its most liquid component - monetary aggregate M1 - increases in July 2020 by 33.2% on an annual basis (an annual growth of 36.4% in June 2020).
- Quasi-money reports a decrease of 26.2% on an annual basis, as their volume reaches BGN 29 666 million.



DEPOSITS

- At the end of July 2020 deposits of the non-government sector reach BGN 87 840 million (79.1% of GDP) and increasing by 8.4% on an annual basis (in June 2020 they report annual growth of 8.3%).
- Deposits of the non-financial enterprises amount to BGN 26 563 million (23.9% of GDP) at the end of July 2020. Compared to the same month of 2019 they increase by 10.0% (in June 2020 report an annual growth of 11.9%).
- Deposits of the financial corporations are BGN 3 810 million (3.4% of GDP) at the end of July 2020, and on annual basis increase by 8.9% (in June 2020 report an annual drop of 8.6%).
- Deposits of households and NPISHs reach BGN 57 466 million (51.8% of GDP) at the end of July 2020. They increase by 7.7% compared to the same month of 2019 (in June 2020 report an annual growth of 7.8%).



LOANS³

- At the end of July 2020 loans to the non-government sector amount to BGN 63 479 million (57.2% of GDP) compared to BGN 63 325 million in June 2020 (57.0% of GDP). In July 2020 they increase by 6.0% on an annual basis (in June 2020 report an annual growth of 6.7%).
- As July 2020 loans to non-financial enterprises amount to BGN 34 352 million (30.9% of GDP). Compared to the same period of 2019 they increase by 1.8% (by June 2020 report an annual growth of 2.8%).
- At the end of July 2020 loans to households and NPISHs reach BGN 24 754 million (22.3% of GDP). On annual basis they increase by 7.7% (in June 2020 report an annual growth of 8.0%).
- Housing loans are BGN 11 406 million and increase by 12.7% compared to July 2019 (as of June 2020 the annual increase is 13.3%).
- Consumer loans amount to BGN 11 657 million and report an increase of 6.7% on an annual basis (by the end of June 2020 they increase by 7.1% compared to the same period of the previous year).
- Other loans amount to BGN 447 million and on an annual basis they decrease by 25.6% compared to July 2019 (in June 2020 report an annual drop of 29.9%).

PREPARED BY

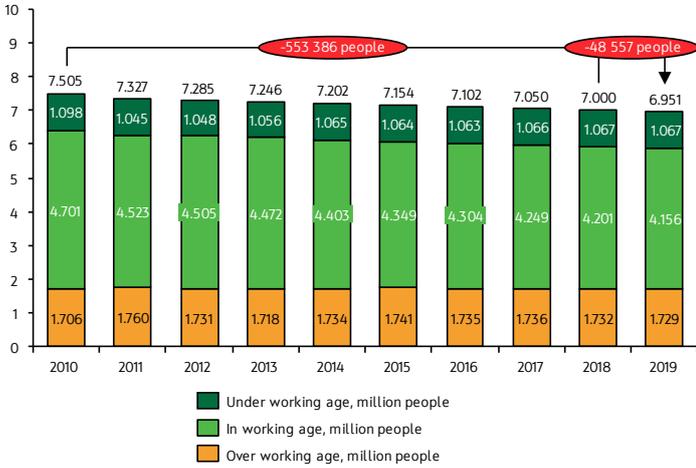
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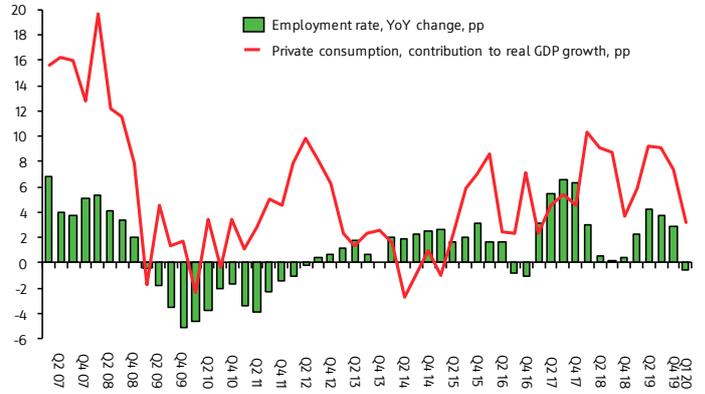
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

- Population structure.

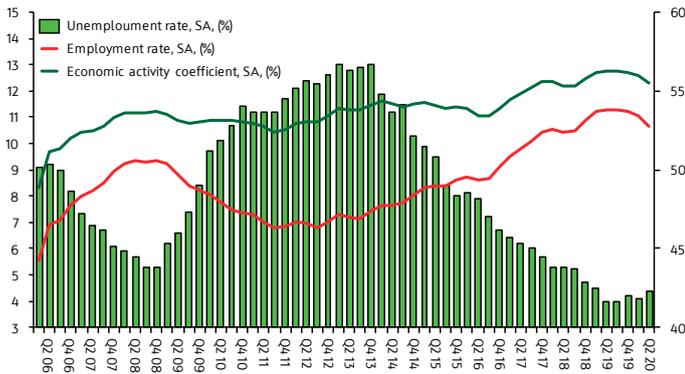


- Individual consumption and employment rate.

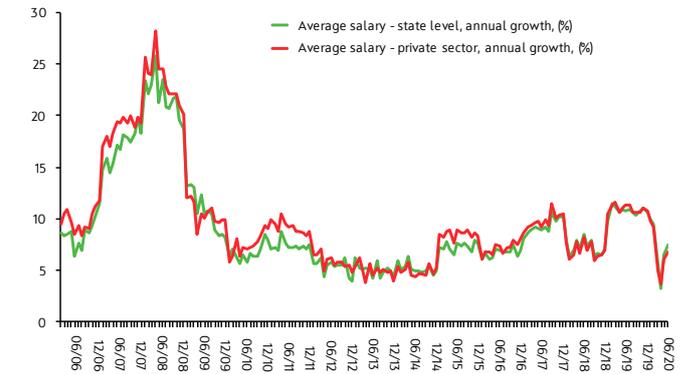


LABOR MARKET

- Unemployment, employment and economic activity rates according to Eurostat.

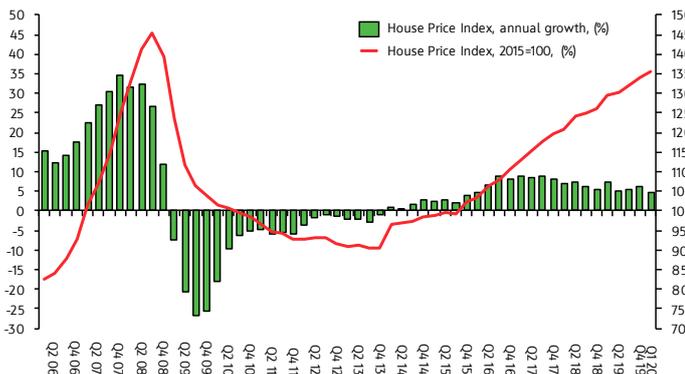


- Annual average wage growth in private sector and on a state level.



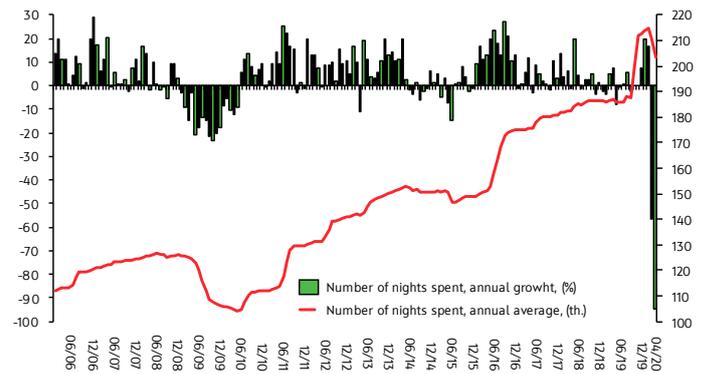
REAL ESTATES

- The House Price Index (HPI) is a quarterly indicator, which tracks the dynamic of housing real estate market prices (newly built and existing properties, purchased by households).



TOURISM

- Nights, spent in accommodation establishments.



SOURCES

STATISTICAL DATA

-  **DSK Bank**
-  **National Statistical Institute**
-  **Ministry of Finance of the Republic of Bulgaria**
-  **Bulgarian National Bank**
-  **National Employment Agency of the Republic of Bulgaria**
-  **Eurostat**

FORECASTS DATA

-  **OTP Bank**, Macro forecast, June 2020
-  **Ministry of Finance of the Republic of Bulgaria**, Forecast to State Budget Update for 2020, March 31, 2020
-  **International Monetary Fund**, World Economic Outlook, April 14, 2020
-  **World Bank**, Global Economic Prospects, June 8, 2020
-  **European Commission**, Summer Forecast, July 7, 2020

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