

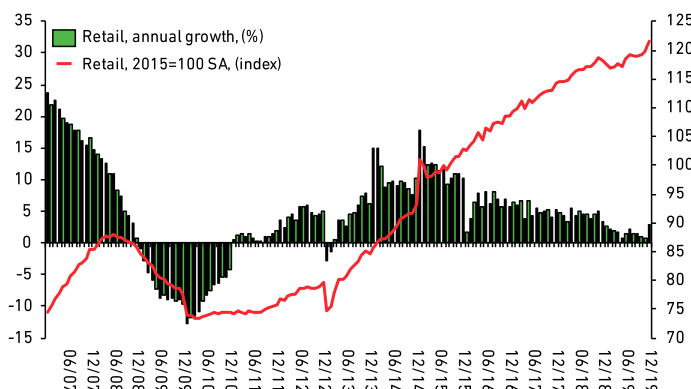
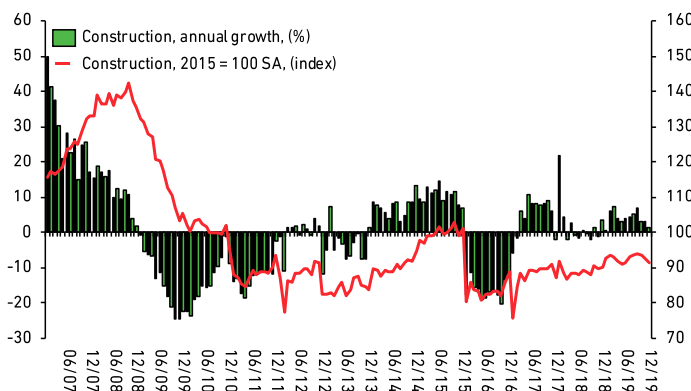
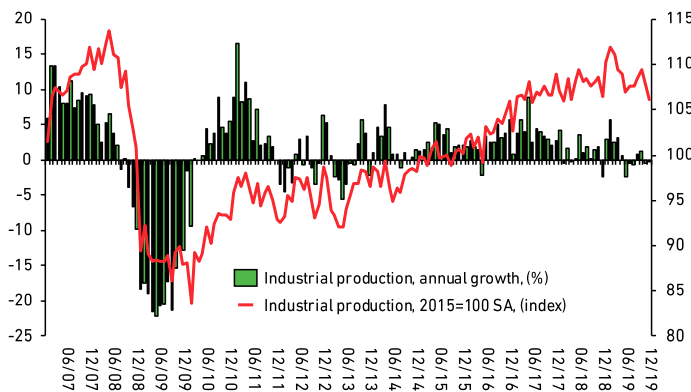


Macroeconomic bulletin

Monthly review of Bulgarian economy

BUSINESS ENVIRONMENT INDICATORS

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



MONTHLY INFLATION

↑ **0.9%**

01/20



ANNUAL INFLATION

↑ **4.2%**

01/20



UNEEMPLOYMENT

↑ **5.9%**

12/19



NOMINAL GDP YTD

↑ **115.8 BGN bn** FLASH ESTIMATES 2019



QUARTERLY GROWTH OF GDP
4Q19 COMPARED 4Q18

↑ **3.5%** FLASH ESTIMATES 4Q 2019



CONSOLIDATED BUDGET

↓ **-1.0% of GDP**

12/19



CURRENT ACCOUNT

↑ **+9.7% of GDP**

12/19



TRADE BALANCE

↓ **-0.2% of GDP**

12/19



EXPORTS ANNUAL GROWTH

↓ **4.1%**

12/19



IMPORTS ANNUAL GROWTH

↑ **-2.0%**

12/19

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 PRODUCT¹

According to the flash GDP estimates for the fourth quarter of 2019, the GDP at current prices is BGN 32 372 million. The nominal cumulative GDP for 2019 amounted to BGN 115 840 million.

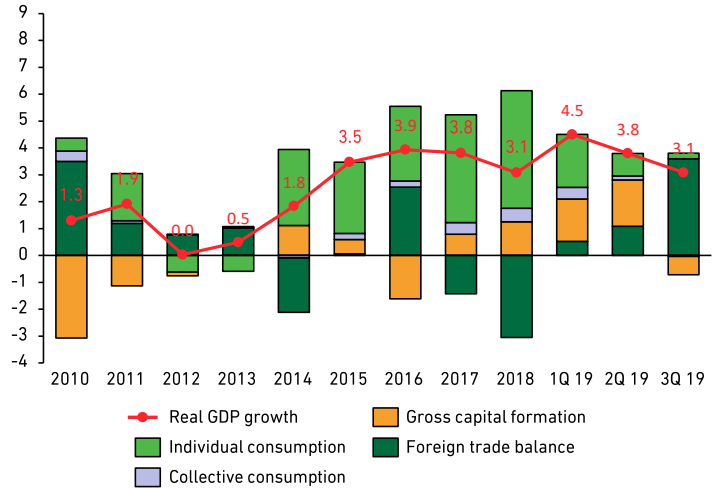
■Gross Domestic Product (GDP) expanded with 3.5% in the fourth quarter of 2019 compared to the same quarter of the previous year and with 0.7% compared to the third quarter of 2019 according to the seasonally adjusted data.

REAL GDP GROWTH FORECAST

	2019	2020
	3.6%	3.2%
	3.4%	3.3%
	3.7%	3.2%
	3.6%	3.0%
	3.7%	3.6%

■In the structure of GDP by the expenditure approach the largest share has the final consumption (78.1%), which in nominal terms is BGN 25 295 million. In the fourth quarter of 2019 gross capital formation is BGN 6 390 million and has a share of 19.8% in GDP. The external balance (exports minus imports) has a positive sign.

■As regards the expenditure components of GDP, the final consumption registered a positive economic growth of 5.0%.



Gross fixed capital formation decreased by 1.2% in the fourth quarter of 2019 compared to the same quarter of the previous year at seasonally adjusted data. Exports of goods and services decreased by 1.5% and imports of goods and services decreased by 2.7%.

■Gross Value Added in the fourth quarter of 2019 amounted to BGN 28 056 million. Compared to previous quarter of 2019, GVA increase in the fourth quarter of 2019 by 0.6%.

■Compared to the same quarter of the previous year Gross value added increased by 3.1%.

2.6%). The highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 4.4%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.

INFLATION FORECAST

	2019	2020
EOP	3.1%	2.8%
AVE	2.5%	2.1%
AVE	2.5%	2.3%
AVE	2.4%	1.6%
EOP	2.6%	1.9%

INFLATION

CONSUMER PRICE INDEX

The consumer price index in January 2020 compared to December 2019 is 100.9%, i.e. the monthly inflation is 0.9%.

■The annual inflation in January 2020 compared to January 2019 is 4.2%.

■The annual average inflation, measured by CPI, in the last 12 months (February 2019 - January 2020) compared to the previous 12 months (February 2018 - January 2019) is 3.2%.

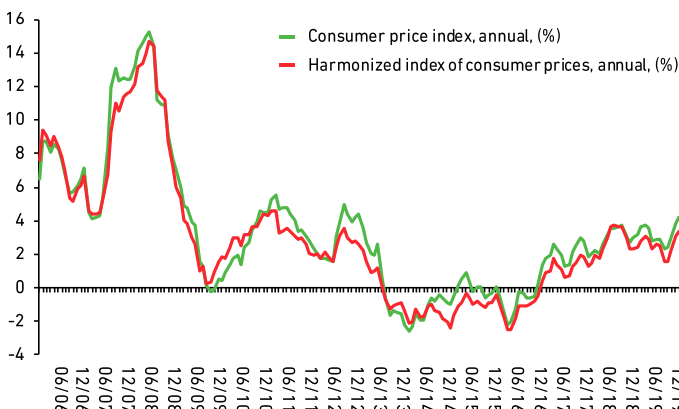
■During the month, the highest increase is reported in the prices of sector "Food and non-alcoholic beverages" (a growth of

HARMONIZED INDEX OF CONSUMER PRICES

■The harmonized index of consumer prices in January 2020 compared to December 2019 was 100.5%, i.e. the monthly inflation is 0.5%.

■The annual inflation in January 2020 compared to January 2019 is 3.4%.

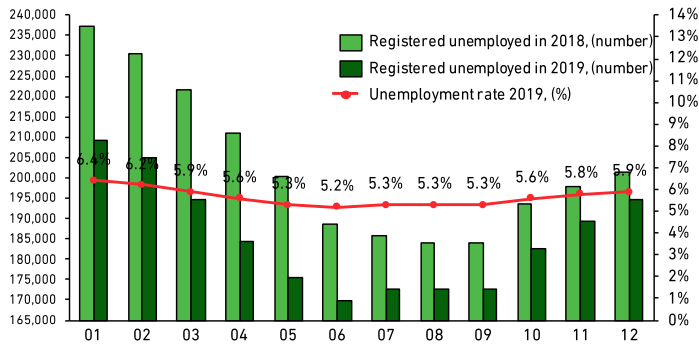
■The annual average inflation, measured by HICP, in the last 12 months (February 2019 - January 2020) compared to the previous 12 months (February 2018 - January 2019) is 2.5%.



¹The indicators, presented in relative share to the Gross Domestic Product, are calculated at a forecasted annual GDP of BGN 115 729 million for 2019 and actual GDP of BGN 109 695 million for 2018.

UNEMPLOYMENT

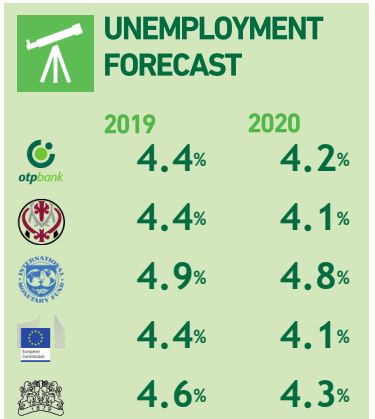
■ According to data from the Employment Agency in December 2019, the number of unemployed individuals increases by 5 241 compared to the previous month. The number of unemployed



persons at the end of the month is 194 715.

■ The reported unemployment at the end of the month is 5.9%.

■ Unemployment in Bulgaria (according to Eurostat) is 3.7% at the end of December 2019. During the same period last year, unemployment is 4.7% or reports a decrease of 1.0 pp.

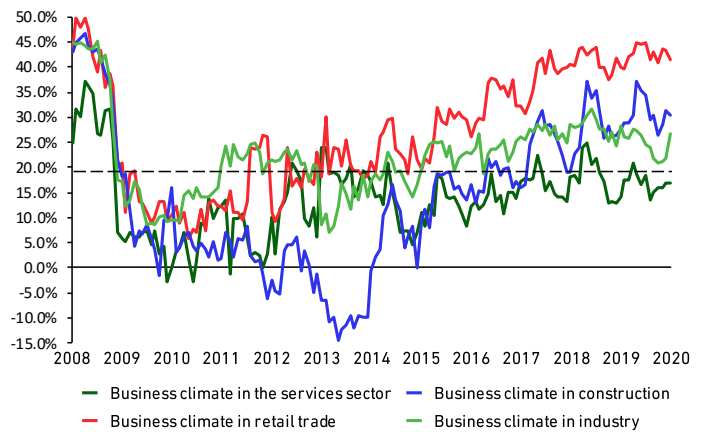
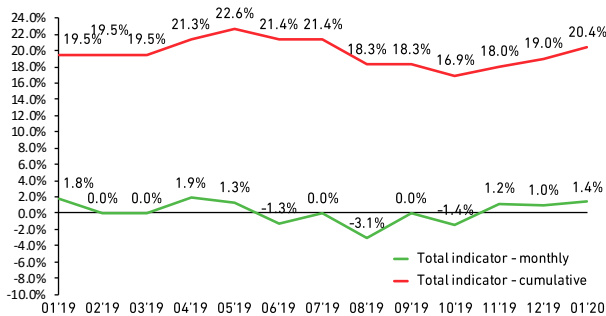


BUSINESS CLIMATE

■ During January 2020 the total business climate indicator increases by 1.4 pp compared to December 2019.

■ This is mainly due to the more favorable business climate in industry.

■ The business conjuncture in construction and retail trade reports a decrease during the month, while in services it



preserves the level from the previous month.

■ The most serious difficulties for the activity in all sectors remain the competition in the corresponding sector, uncertain economic environment and lack of labor force.

■ Compared to 2008, the indicator registers a growth of 20.4%.

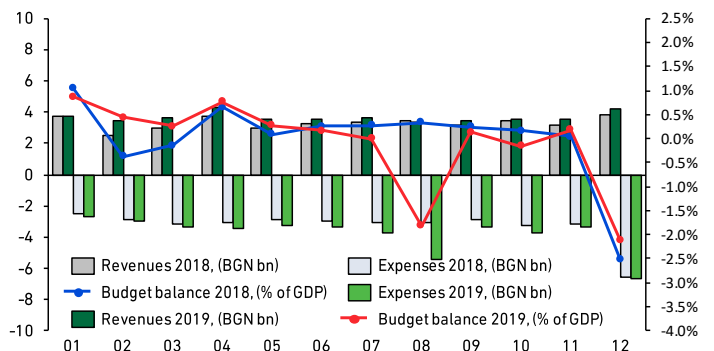
STATE BUDGET

BUDGET BALANCE

■ The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of 2019 is negative amounting to BGN 1 148 million (- 1.0% of the forecasted GDP).

■ It is formed by a national budget deficit of BGN 1 041 million and by a deficit of EU funds at the amount of BGN 108 million.

■ For comparison, by the end of 2019, the CFP reports a surplus amounting to BGN 137 million (0.1% of GDP), which means that as a relative share of GDP the budget position worsens by 1.1%.

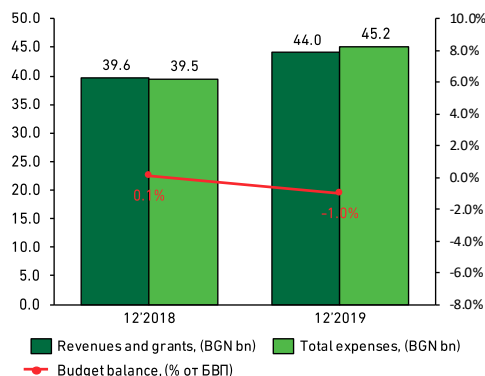


REVENUES

■The CFP revenues and grants at the end of December 2019 stand at BGN 44 049 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 4 403 million (an annual growth of 11.1%).

■At the end of December, the receivables accounts for 100.4% of the annual estimates, as per the „Amendment to the State Budget Act for 2019“.



FISCAL RESERVES

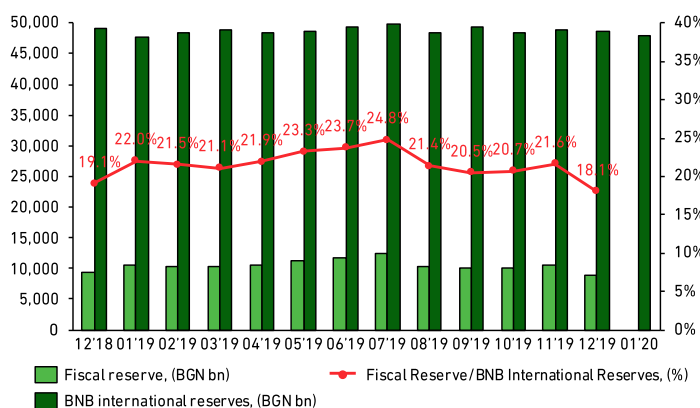
■The total balance of the Fiscal reserve (FR) at the end of December 2019 is BGN 8 768 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of December 2019 amounts to BGN 8 565 million.

■In comparison to the previous month, the FR decrease by BGN 1 777 million or 16.9%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of December 2019, the Fiscal reserve forms 18.1% of the country's International reserves and the indicator reports a decrease of 3.6 pp compared to the previous month.



COSTS

■The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for December 2019 amounts to BGN 45 197 million.

■The data, reported as of the end of December shows an annual growth of expenditures by 14.4%. As of the end of the month, they were by BGN 5 688 million higher, compared to the same period of the previous year.

■The expenses reported by the end of December form 97.6% of the annual volume, planned in the „Amendment to the State Budget Act for 2019“.

GOVERNMENT DEBT

■Government debt by the end of December amounts to BGN 22 023 million or 19.0% of the estimated GDP. Compared to the same period of the previous year, the debt decreases by BGN 43 million (0.2%).

FOREIGN EXCHANGE RESERVES

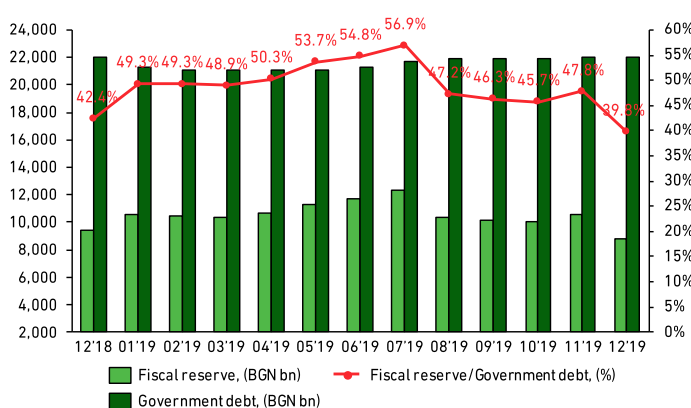
■At the end of January 2020 International reserves of BNB amounts to BGN 47 948 million.

■During the month they decrease by BGN 626 million (1.3%).

■Compared to the same period of the previous year, International reserves increase by BGN 230 million (0.5%).

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of December 2019 the Fiscal reserve covers 39.8% of the Government debt, as the indicator drops by 8.0 pp compared to the previous month.



BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

In January – December 2019 the current account is positive and amounts to EUR 5 901 million (9.7% of GDP), compared with a surplus of EUR 3 002 million (5.4% of GDP) in January – December 2018.



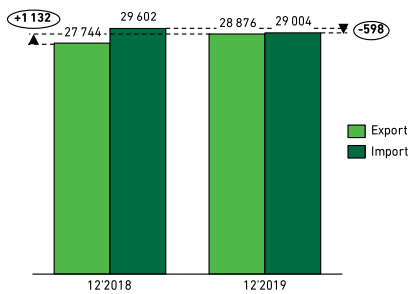
CURRENT ACCOUNT FORECAST

	2019	2020
	6.4%/БВП	4.2%/БВП
	5.2%/БВП	4.1%/БВП
	3.2%/БВП	2.5%/БВП
	5.5%/БВП	5.5%/БВП
	2.8%/БВП	1.1%/БВП

In January – December 2019 the trade balance is negative and amounts to minus EUR 128 million (0.2% of GDP), compared with a deficit of minus EUR 1 858 million (3.3% of GDP) in January – December 2018.

In January – December 2019 exports amounts to EUR 28 876 million, which is an increase of EUR 1 132 million (4.1%) compared to the same period of 2018 (EUR 27 744 million). Exports for January – December 2018 grow on an annual basis by 2.9%.

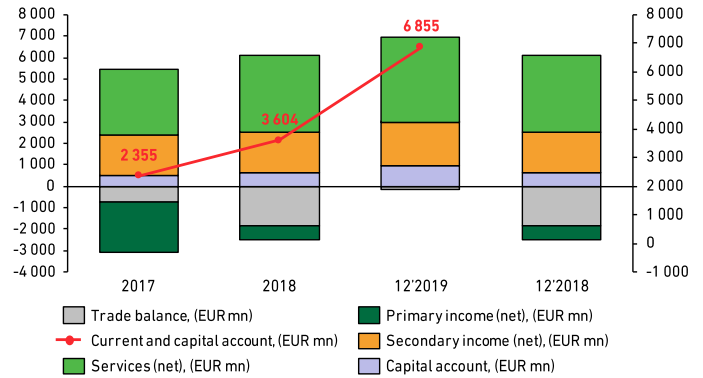
In January – December 2019 imports amounts to EUR 29 004 million, decreasing by EUR 598 million (2.0%) compared to the same period of 2018 (EUR 29 602 million). Imports for January – December 2018 grow on an annual basis by 6.8%.



In January – December 2019 the services balance is positive at EUR 4 012 EUR million (6.6% of GDP) against a positive balance EUR 3 561 million (6.3% of GDP) in January – December 2018.

CAPITAL ACCOUNT

In January – December 2019 the capital account is positive, amounting to EUR 954 million (1.6% of GDP) against positive, balance amounting to EUR 602 million (1.1% of GDP) in January – December 2018.



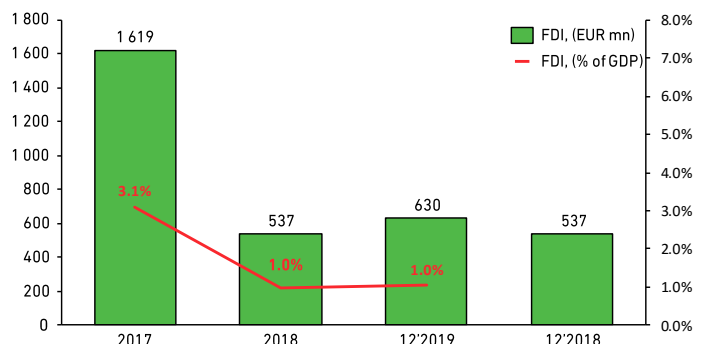
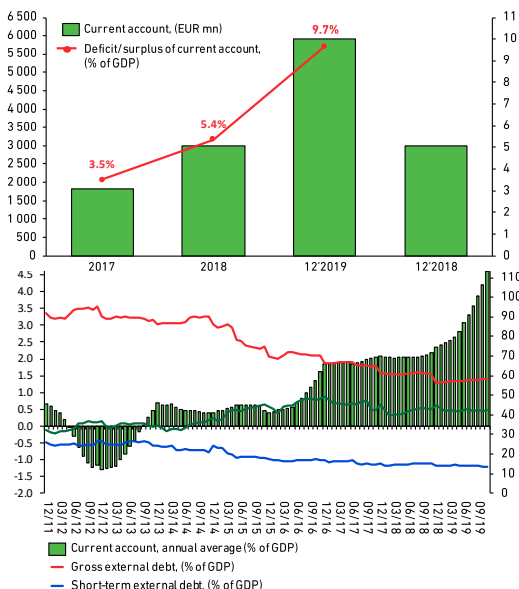
FINANCIAL ACCOUNT

In January – December 2019 the financial account is positive, amounting to EUR 3 511 million (5.7% of GDP) compared to positive, amounting to EUR 3 245 million (5.8% of GDP) for the same period of 2018.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – December 2019 presented according to the directional principle records a value of EUR 630 million (1.0% of GDP), growing by EUR 93 million (17.3%) compared to January – December 2018 (value of EUR 537 million, 1.0% of GDP).

Foreign direct investments abroad for January – December 2019 record a value of EUR 282 million (0.46% of GDP), growing by EUR 57 million (25.5%) compared to January – December 2018 (value of EUR 225 million, 0.40% of GDP).



²In April 2019, the data according to Balance of Payments, Republic of Bulgaria is being revised for January 2017 – December 2018.

MONETARY, DEPOSITS AND LOANS INDICATORS

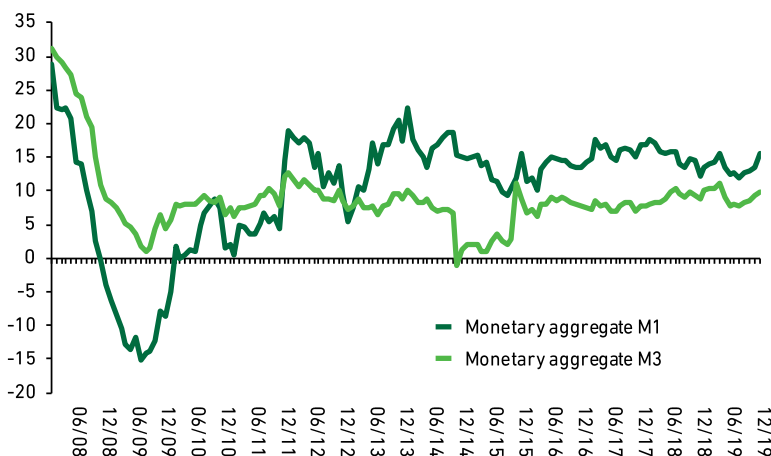
MONEY

In January 2020 broad money (monetary aggregate M3) increases annually by 8.3% compared to an annual growth of 9.9% in December 2019.

■ At the end of January 2020 M3 is BGN 101 480 million (79.8% of GDP) compared to BGN 102 469 million in December 2019 (85.8% of GDP).

■ Its most liquid component – monetary aggregate M1 - increases in January 2020 by 34.5% on an annual basis (an annual growth of 15.5% in December 2019).

■ Quasi-money reports a decrease of 26.9% on an annual basis, as their volume reaches BGN 29 310 million.



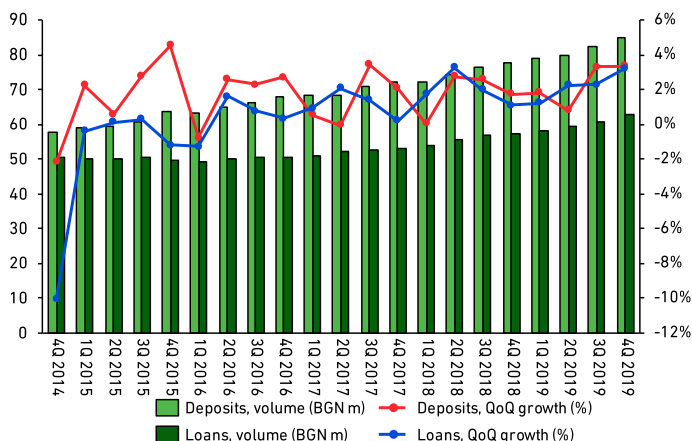
DEPOSITS

■ At the end of January 2020 deposits of the non-government sector reach BGN 84 100 million (66.2% of GDP) and increasing by 7.9% on an annual basis (in December 2019 they report annual growth of 9.7%).

■ Deposits of the non-financial enterprises amount to BGN 25 768 million (20.3% of GDP) at the end of January 2020. Compared to the same month of 2019 they increase by 11.8% (in December 2019 report an annual growth of 14.3%).

■ Deposits of the financial corporations are BGN 2 572 million (2.0% of GDP) at the end of January 2020, and on annual basis decrease by 21.8% (in December 2019 report an annual growth of 2.4%).

■ Deposits of households and NPISHs reach BGN 55 761 million (43.9% of GDP) at the end of January 2020. They increase by 8.0% compared to the same month of 2019 (in December 2019 report an annual growth of 8.0%).



LOANS³

■ At the end of January 2020 loans to the non-government sector amount to BGN 62 879 million (49.5% of GDP) compared to BGN 62 696 million in December 2020 (52.5% of GDP). In January 2020 they increase by 9.0% on an annual basis (in December 2019 report an annual growth of 9.3%).

■ As January 2020 loans to non-financial enterprises amount to BGN 34 689 million (27.3% of GDP). Compared to the same period of 2019 they increase by 5.4% (by December 2019 report an annual growth of 5.9%).

■ At the end of January 2020 loans to households and NPISHs reach BGN 24 069 million (18.9% of GDP). On annual basis they increase by 10.0% (in December 2019 report an annual growth of 9.5%).

■ Housing loans are BGN 10 833 million and increase by 14.8% compared to January 2019 (as of December 2019 the annual increase is 14.5%).

■ Consumer loans amount to BGN 11 408 million and report an increase of 11.2% on an annual basis (by the end of December 2019 they increase by 10.8% compared to the same period of the previous year).

■ Other loans amount to BGN 531 million and on an annual basis they decrease by 38.4% compared to January 2019 (in December 2019 report an annual drop of 40.9%).

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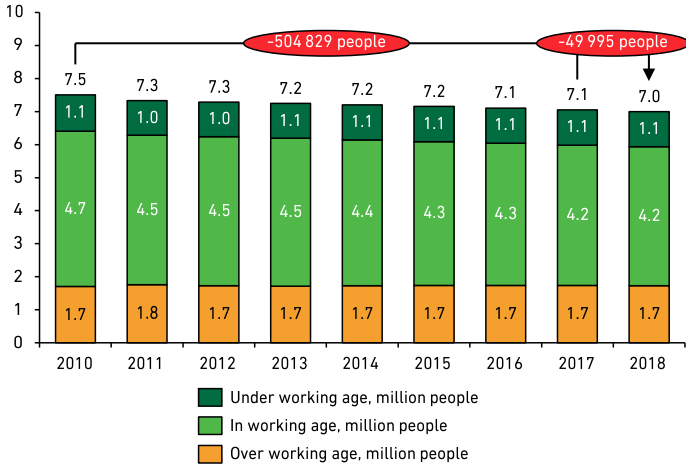
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³The other loans indicator also includes loans granted to associations of owners in accordance with the National Program for Energy Efficiency of Multi-family Residential Buildings.

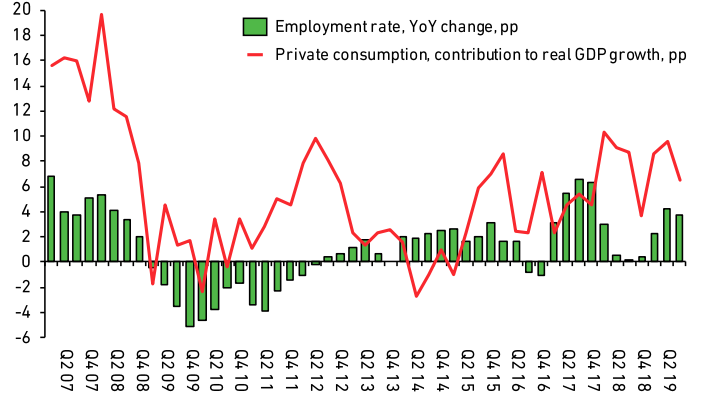
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

Population structure.

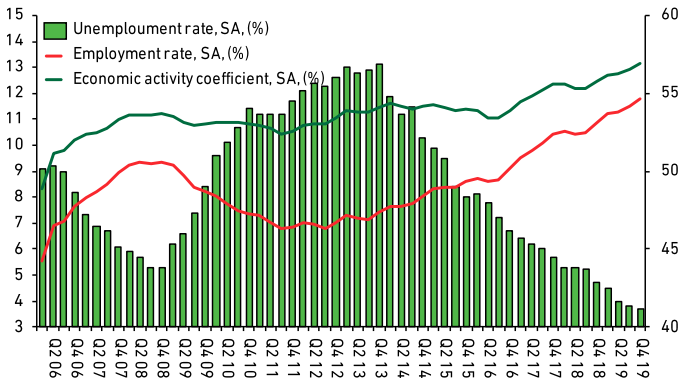


Individual consumption and employment rate.

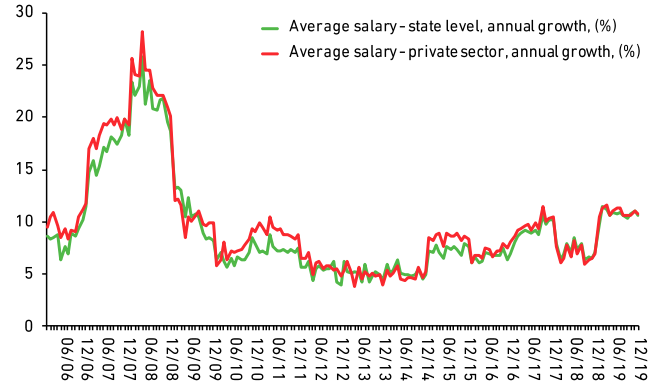


LABOR MARKET

Unemployment, employment and economic activity rates according to Eurostat.

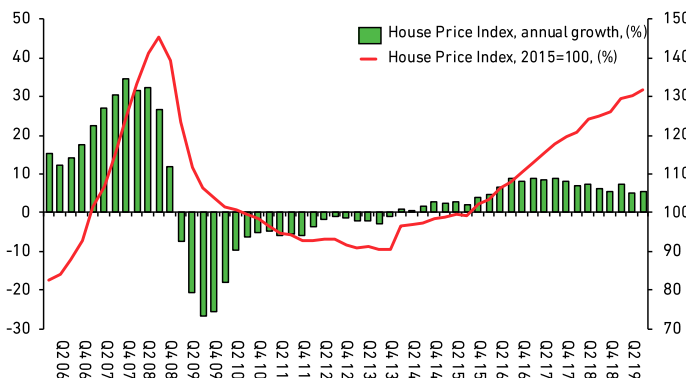


Annual average wage growth in private sector and on a state level.



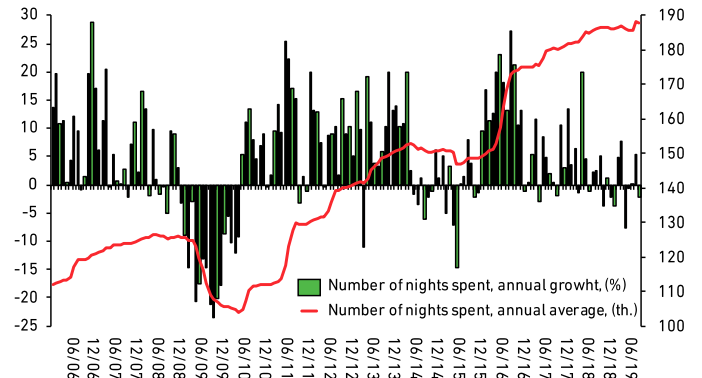
REAL ESTATES

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, January 2020
-  **European Commission**, Autumn Forecast, October 2019
-  **International Monetary Fund**, World Economic Outlook, November 2019
-  **Ministry of Finance of the Republic of Bulgaria**, Autumn Macroeconomic Forecast, October 2019
-  **Bulgarian National Bank**, Macroeconomic forecast June 2019

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