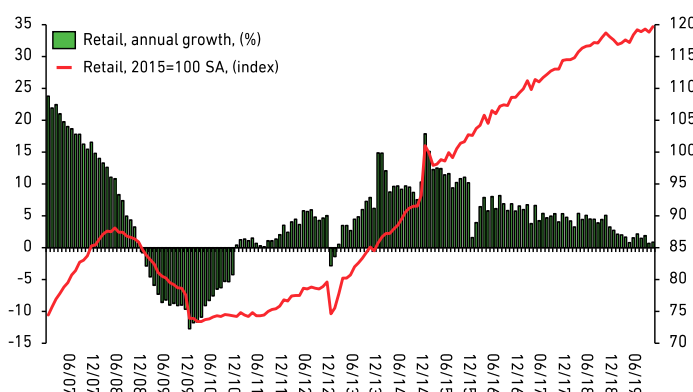
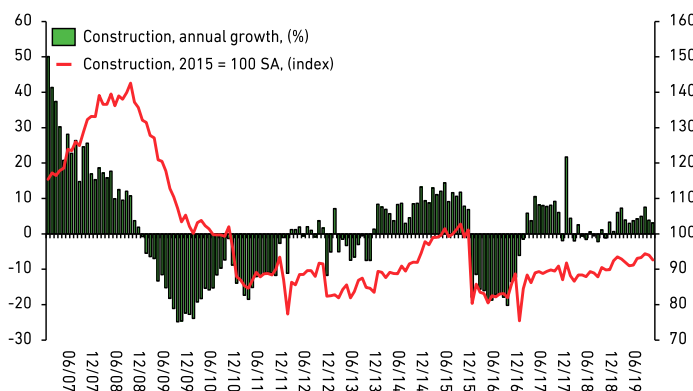
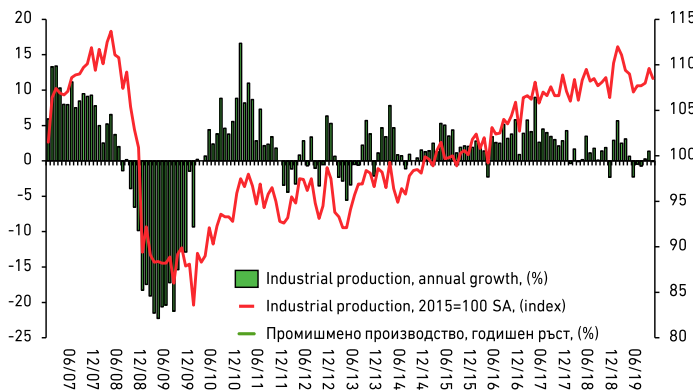


Macroeconomic bulletin

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 ↑ 0.7%	12/19
	ANNUAL INFLATION ↑ 3.8	12/19
	UNEEMPLOYMENT ↑ 5.8%	11/19
	NOMINAL GDP ↑ 31.8 BGN bn	3Q 2019
	REAL GROWTH OF GDP ↓ 3.1%	3Q 2019
	CONSOLIDATED BUDGET ↑ +1.1 of GDP	11/19
	CURRENT ACCOUNT ↑ +9.3% of GDP	10/19
	TRADE BALANCE ↑ 0.2% of GDP	10/19
	EXPORTS ANNUAL GROWTH ↓ 5.1%	10/19
	IMPORTS ANNUAL GROWTH ↓ -1.6%	10/19

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 preliminary data of NSI, the Gross Domestic Product (GDP) at current prices in the third quarter of 2019 amounted to BGN 31 764 million, reporting an annual growth of 3.1% in real terms.

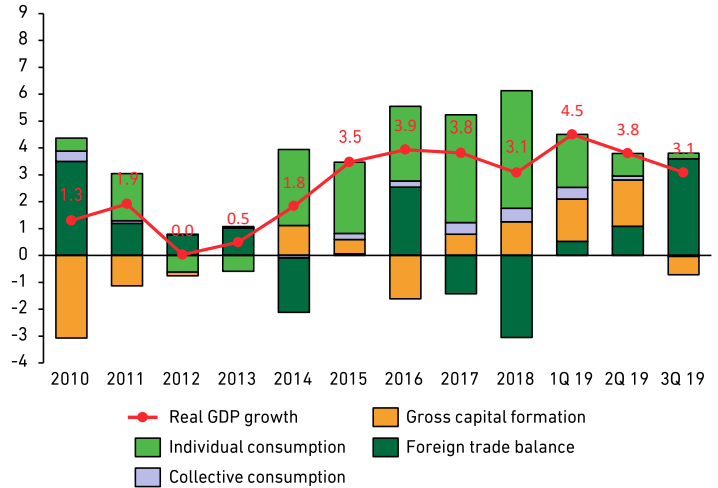
■ According to the seasonally adjusted data, the GDP growth rate in the third quarter of 2019 is 3.7% compared to the same quarter of the previous year and 0.8% compared to the second quarter of 2019.

REAL GDP GROWTH FORECAST

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

■ As regards the expenditure components of GDP, the main contributors to the registered positive economic growth are the individual final consumption - with growth of 5.1%, collective final consumption - 5.0% and gross fixed capital formation - 1.8%. Exports of goods and services increased by 1.3% and imports of goods and services increased by 1.2%.

■ Gross value added (GVA) at current prices in the third quarter of 2019 equals to 27 395 million BGN.



■ The real value of the indicator is 3.5%, higher than that reached in third quarter of 2018.

■ In the third quarter of 2019 compared with the third quarter of 2018, the relative share of the agricultural sector in the value added of the economy decreases by 0.6 pp. The share of industrial sector increases with 0.9 percentage points to 27.0%. The relative share of value added from service activities decreases from 67.2% in third quarter of 2018, to 66.9% in third quarter of 2019.

INFLATION

CONSUMER PRICE INDEX

The consumer price index in December 2019 compared to November 2019 was 100.7%, i.e. the monthly inflation was 0.7%.

■ The annual inflation in December 2019 compared to December 2018 was 3.8%.

■ The annual average inflation, measured by CPI, in the last 12 months (January - December 2019) compared to the previous 12 months (January - December 2018) was 3.1%.

■ During the month, the highest increase is reported in the prices of sector "Recreation and culture" (a growth of 7.5%). The

highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 1.1%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.

INFLATION FORECAST

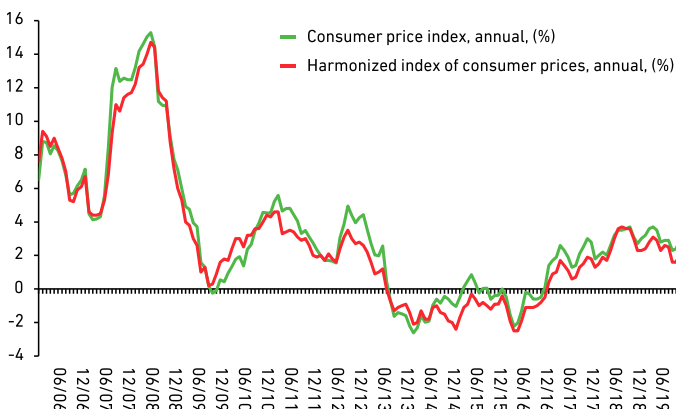
	2019	2020
EOP	2.9%	2.8%
AVE	2.5%	2.1%
AVE	2.5%	2.3%
AVE	2.4%	1.6%
EOP	2.6%	1.9%

HARMONIZED INDEX OF CONSUMER PRICES

■ The harmonized index of consumer prices in December 2019 compared to November 2019 was 100.8%, i.e. the monthly inflation is 0.8%.

■ The annual inflation in December 2019 compared to December 2018 is 3.1%.

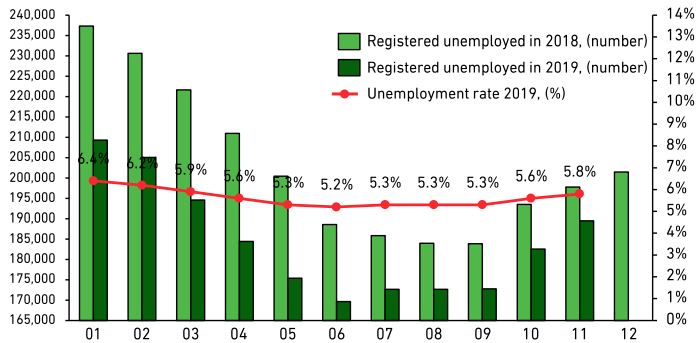
■ The annual average inflation, measured by HICP, in the last 12 months (January 2018 - December 2019) compared to the previous 12 months (January 2017 - December 2018) is 2.5%.



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 107 925 million for 2018.

UNEMPLOYMENT

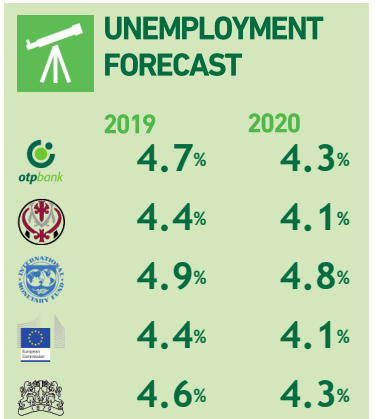
■ According to data from the Employment Agency in November 2019, the number of unemployed individuals increases by 6 945 compared to the previous month. The number of unemployed



persons at the end of the month is 189 474.

■ The reported unemployment at the end of the month is 5.8%.

■ Unemployment in Bulgaria (according to Eurostat) is 3.6% at the end of November 2019. During the same period last year, unemployment is 4.6% or reports a decrease of 1.0 pp.

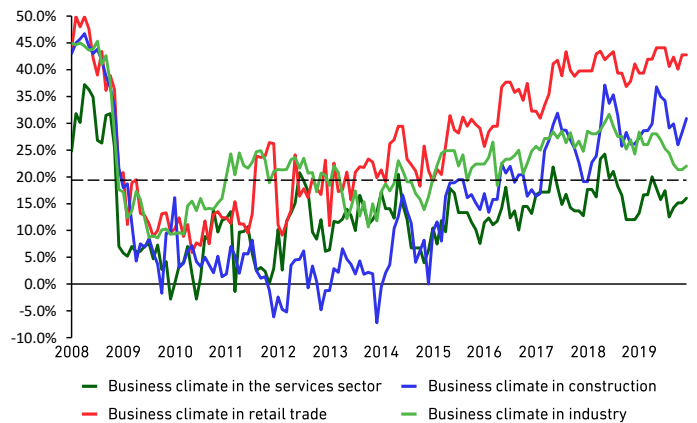
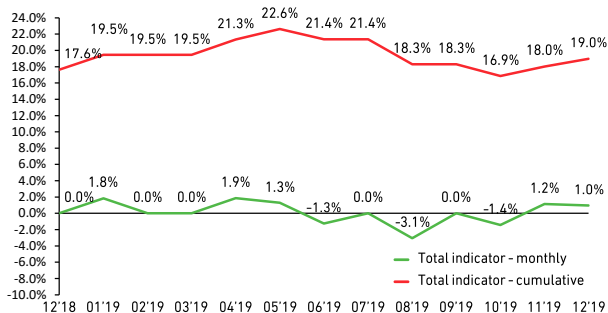


BUSINESS CLIMATE

■ During December 2019 the total business climate indicator increases by 1.0 pp compared to November.

■ This is mainly due to the more favorable business climate in industry, construction and services.

■ Decline in business conjuncture was not observed in any of the sectors during the month, while in retail trade 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 labour force.

■ Compared to 2008, the indicator registers a growth of 19.0%

STATE BUDGET

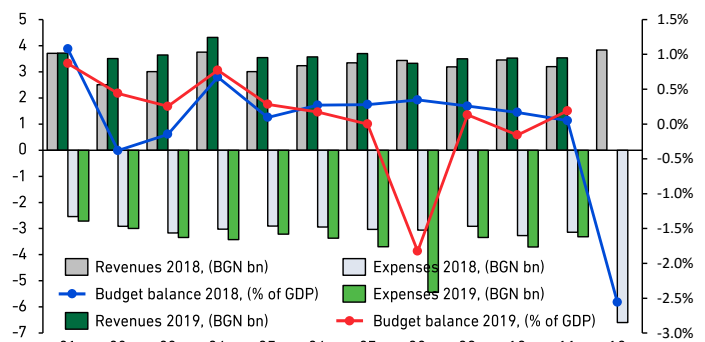
BUDGET BALANCE

■ The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of November 2019 is positive amounting to BGN 1 301 million (1.1% of the forecasted GDP).

■ It is formed by a national budget surplus of BGN 1 641 million and by a deficit of EU funds at the amount of BGN 340 million.

■ For comparison, by the end of November 2018, the CFP reports a surplus amounting to BGN 2 897 million (2.7% of GDP), which means that as a relative share of GDP the budget position

worsens by 1.6%.

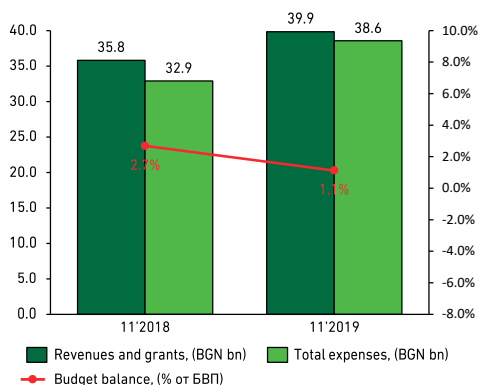


REVENUES

■The CFP revenues and grants at the end of November 2019 stand at BGN 39 854 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 4 044 million (an annual growth of 11.3%).

■At the end of November, the receivables accounts for 90.9% of the annual estimates, as per the „Amendment to the State Budget Act for 2019”.



FISCAL RESERVES

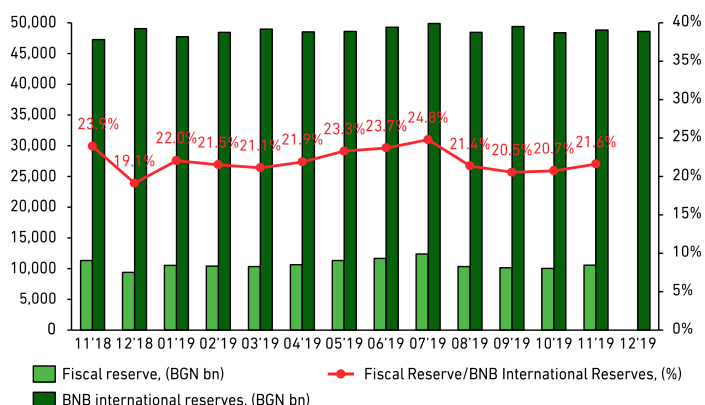
■The total balance of the Fiscal reserve (FR) at the end of November 2019 is BGN 10 545 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of November 2019 amounts to BGN 10 258 million.

■In comparison to the previous month, the FR increase by BGN 525 million or 5.2%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of November 2019, the Fiscal reserve forms 21.6% of the country's International reserves and the indicator reports an increase of 0.9 pp compared to the previous month.



COSTS

■The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for November 2019 amounts to BGN 38 553 million.

■The data, reported as of the end of November shows an annual growth of expenditures by 17.1%. As of the end of the month, they were by BGN 5 640 million higher, compared to the same period of the previous year.

■The expenses reported by the end of November form 83.3% of the annual volume, planned in the „Amendment to the State Budget Act for 2019”.

GOVERNMENT DEBT

■Government debt by the end of November amounts to BGN 22 066 million or 19.1% of the estimated GDP. Compared to the same period of the previous year, the debt decreases by BGN 39 million (0.2%).

FOREIGN EXCHANGE RESERVES

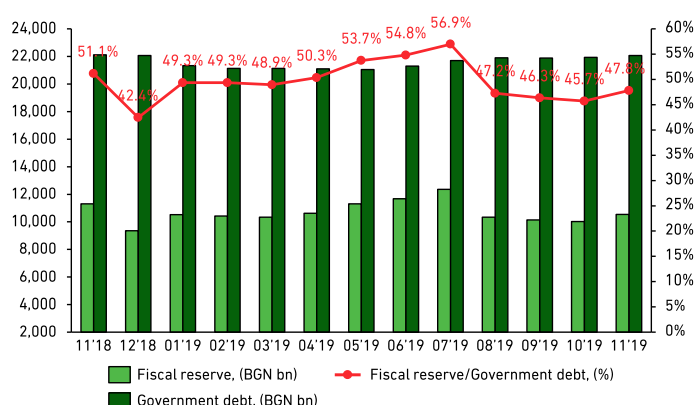
■At the end of December 2019 International reserves of BNB amounts to BGN 48 574 million.

■During the month they decrease by BGN 236 million (0.5%).

■Compared to the same period of the previous year, International reserves decrease by BGN 463 million (0.9%).

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of November 2019 the Fiscal reserve covers 47.8% of the Government debt, as the indicator grows by 2.1 pp compared to the previous month.



BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

In January – October 2019 the current account is positive and amounts to EUR 5 476 million (9.3% of GDP), compared with a surplus of EUR 2 851 million (5.2% of GDP) in January – October 2018.

CURRENT ACCOUNT FORECAST

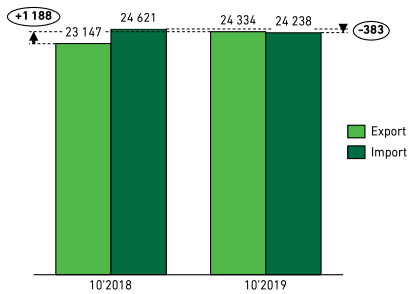
	2019	2020
	5.4%/БВП	2.2%/БВП
	5.2%/БВП	4.1%/БВП
	3.2%/БВП	2.5%/БВП
	5.5%/БВП	5.5%/БВП
	2.8%/БВП	1.1%/БВП

■ In January – October 2019 the trade balance is positive and amounts to EUR 96 million (0.2% of GDP), compared with a deficit of minus EUR 1 475 million (2.7% of GDP) in January – October 2018.

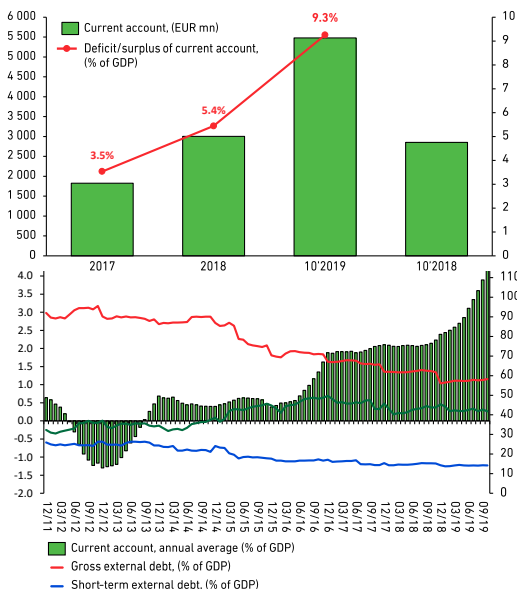
■ In January – October 2019 exports amounts to EUR 24 334 million, which is an increase of EUR 1 188 million (5.1%) compared to the same period of 2018 (EUR 23 147 million).

Exports for January – October 2018 grow on an annual basis by 3.3%.

■ In January – October 2019 imports amounts to EUR 24 238 million, decreasing by EUR 383 million (1.6%) compared to the same period of 2018 (EUR 24 621 million). Imports for January – October 2018 grow on an annual basis by 8.7%.

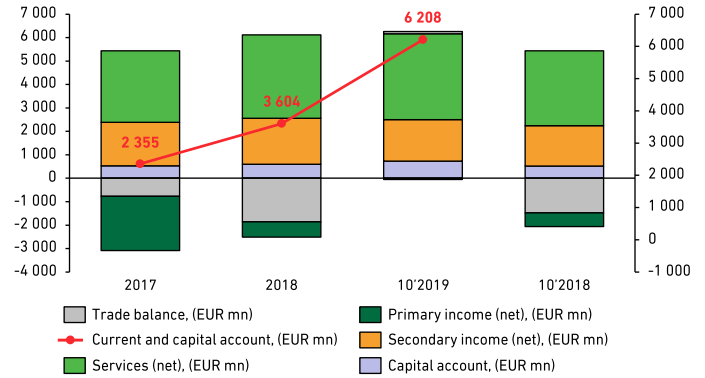


■ In January – October 2019 the services balance is positive at EUR 3 661 million (6.2% of GDP) against a positive balance EUR 3 193 million (5.8% of GDP) in January – October 2018.



CAPITAL ACCOUNT

■ In January – October 2019 the capital account is positive, amounting to EUR 732 million (1.2% of GDP) against positive, balance amounting to EUR 519 million (0.9% of GDP) in January – October 2018.



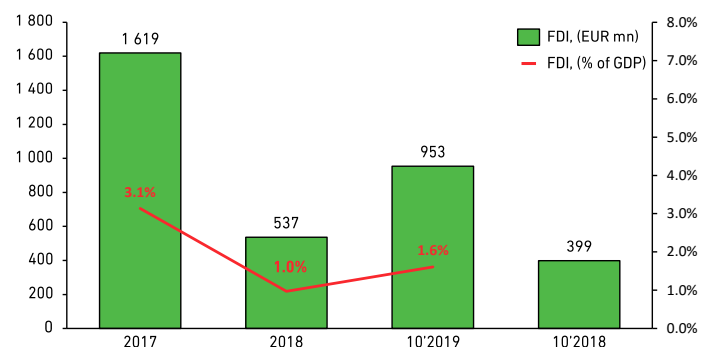
FINANCIAL ACCOUNT

■ In January – October 2019 the financial account is positive, amounting to EUR 2 981 million (5.0% of GDP) compared to positive, amounting to EUR 2 897 million (5.3% of GDP) for the same period of 2018.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – October 2019 presented according to the directional principle records a value of EUR 953 million (1.6% of GDP), growing by EUR 554 million (138.6%) compared to January – October 2018 (value of EUR 399 million, 0.7% of GDP).

■ Foreign direct investments abroad for January – October 2019 records a value of EUR 291 million (0.49% of GDP), growing by EUR 68 million (30.7%) compared to January – October 2018 (value of EUR 223 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

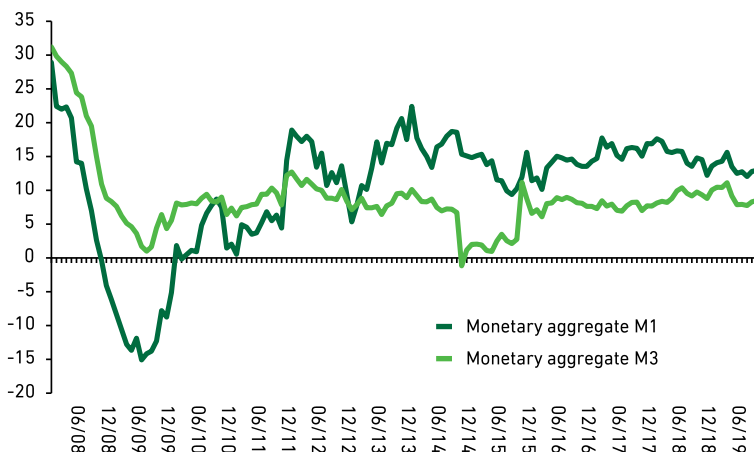
MONEY

In November 2019 broad money (monetary aggregate M3) increases annually by 9.3% compared to an annual growth of 8.5% in October 2019.

■ At the end of November 2019 M3 is BGN 100 587 million (86.9% of GDP) compared to BGN 100 262 million in October 2019 (86.6% of GDP).

■ Its most liquid component – monetary aggregate M1 - increases in November 2019 by 13.6% on an annual basis (an annual growth of 12.9% in October 2019).

■ Quasi-money reports an increase of 3.6% on an annual basis, as their volume reaches BGN 40 810 million.



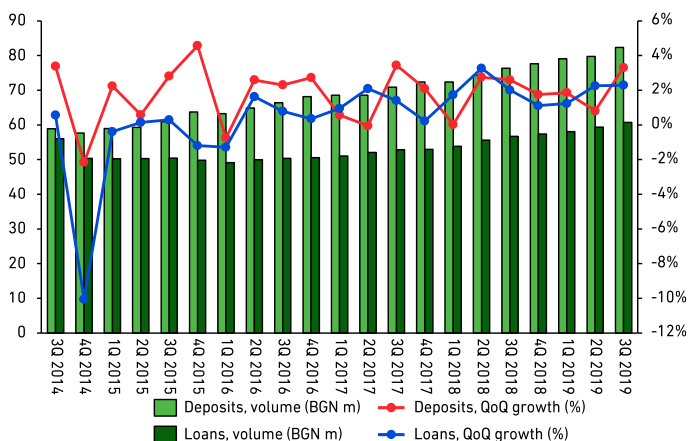
DEPOSITS

■ At the end of November 2019 deposits of the non-government sector reach BGN 83 335 million (72.0% of GDP) and increasing by 8.8% on an annual basis (in October 2019 they report annual growth of 7.9%).

■ Deposits of the non-financial enterprises amount to BGN 25 711 million (22.2% of GDP) at the end of November 2019. Compared to the same month of 2018 they increase by 11.4% (in October 2019 report an annual growth of 6.9%).

■ Deposits of the financial corporations are BGN 2 958 million (2.6% of GDP) at the end of November 2019, and on annual basis decrease by 2.2% (in October 2019 report an annual growth of 13.7%).

■ Deposits of households and NPISHs reach BGN 54 667 million (47.2% of GDP) at the end of November 2019. They increase by 8.3% compared to the same month of 2018 (in October 2019 report an annual growth of 8.2%).



LOANS³

■ At the end of November 2019 loans to the non-government sector amount to BGN 62 786 million (54.3% of GDP) compared to BGN 61 320 million in October 2019 (53.0% of GDP). In November 2019 they increase by 9.0% on an annual basis (in October 2019 report an annual growth of 7.3%).

■ As November 2019 loans to non-financial enterprises amount to BGN 34 838 million (30.1% of GDP). Compared to the same period of 2018 they increase by 5.4% (by October 2019 report an annual growth of 5.2%).

■ At the end of November 2019 loans to households and NPISHs reach BGN 23 833 million (20.6% of GDP). On annual basis they increase by 9.5% (in October 2019 report an annual growth of 9.4%).

■ Housing loans are BGN 10 642 million and increase by 14.4% compared to November 2018 (as of October 2019 the annual increase is 14.1%).

■ Consumer loans amount to BGN 11 316 million and report an increase of 10.9% on an annual basis (by the end of October 2019 they increase by 10.8% compared to the same period of the previous year).

■ Other loans amount to BGN 549 million and on an annual basis they decrease by 38.2% compared to November 2018 (in October 2019 report an annual drop of 38.0%).

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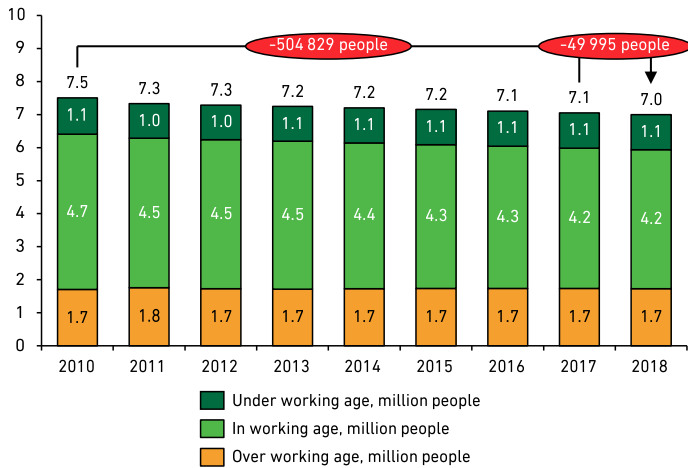
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³The other loans indicator also includes loans granted to associations of owners in accordance with the National Program for Energy Efficiency of Multi-family Residential Buildings.

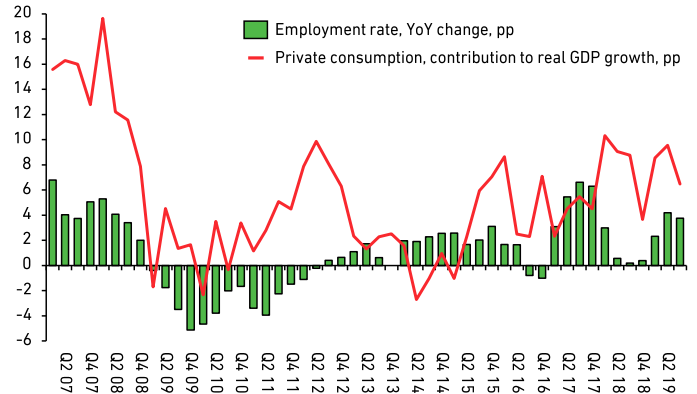
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

■ Population structure.

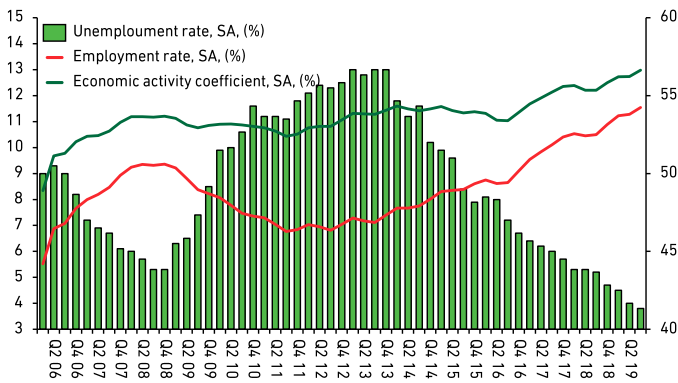


■ Individual consumption and employment rate.

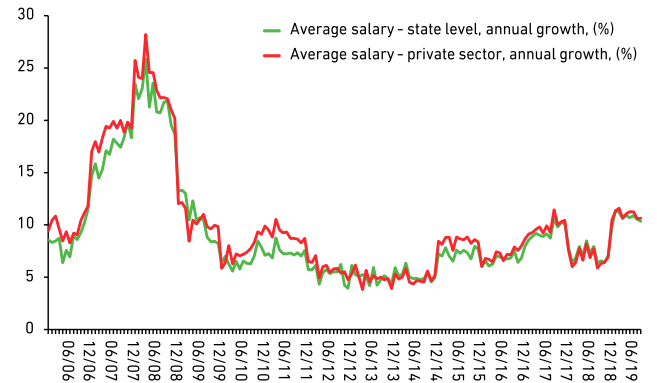


LABOR MARKET

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

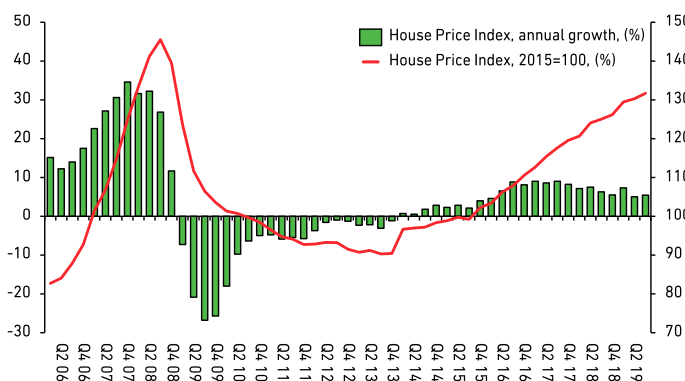


■ Annual average wage growth in private sector and on a state level.



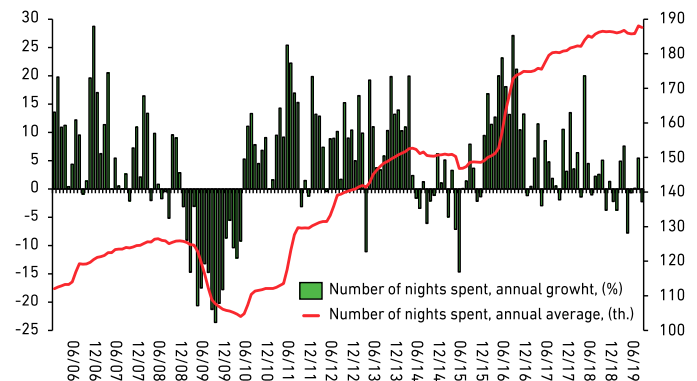
REAL ESTATES

■ 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, September 2019
-  **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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