

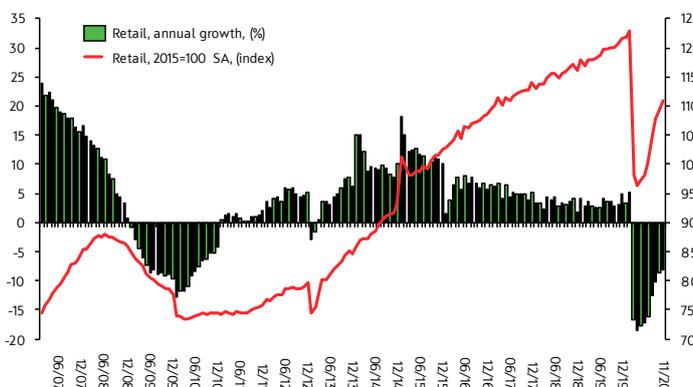
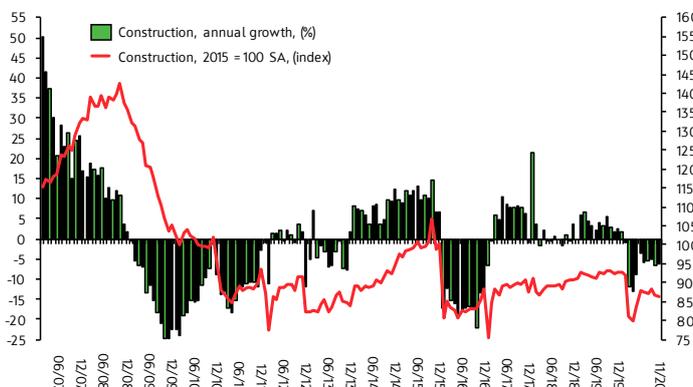
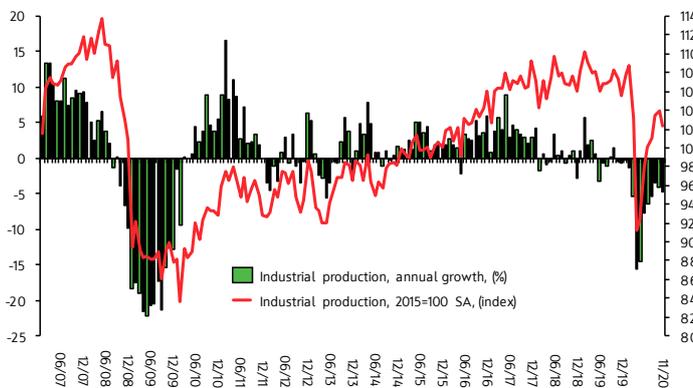


# Macroeconomic bulletin

ISSUE 49 • JANUARY 2021

## BUSINESS ENVIRONMENT INDICATORS

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



	<b>MONTHLY INFLATION</b>	
	↑ <b>0.5%</b>	12/20
	<b>ANNUAL INFLATION</b>	
	↓ <b>0.1%</b>	12/20
	<b>UNEMPLOYMENT</b>	
	→ <b>6.7%</b>	12/20
	<b>NOMINAL GDP</b>	
	↓ <b>31.7</b> BGN bn	3Q/20
	<b>REAL GDP GROWTH</b>	
	↓ <b>-4.2%</b>	3Q/20
	<b>CONSOLIDATED BUDGET</b>	
	↓ <b>-3.0%</b> OF GDP	12/20
	<b>CURRENT ACCOUNT</b>	
	↓ <b>0.6%</b> OF GDP	11/20
	<b>TRADE BALANCE</b>	
	↓ <b>-2.4%</b> OF GDP	11/20
	<b>EXPORTS ANNUAL GROWTH</b>	
	↑ <b>-7.7%</b>	11/20
	<b>IMPORTS ANNUAL GROWTH</b>	
	↑ <b>-10.0%</b>	11/20

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 <sup>1</sup>

In nominal terms Gross domestic product amounted to BGN 31676 million in 3Q of 2020 at current prices.

The accumulated from the beginning of the year gross product amounted to BGN 85 443 million (compared to BGN 86 496 million for the same period of 2019).

- As regards the real growth rate, GDP registered an accumulated drop of 3.9% from the beginning of the year. It is formed by the increase in final consumption by 2.7% (separated into Private consumption, with generated growth of 2.0% and Public consumption with increase of 5.3%) and drop in investments by 7.7%. Exports decreased by 12.0% and imports by 8.5%. The net quarterly GDP decreased by 4.2% compared to 3Q 2019.

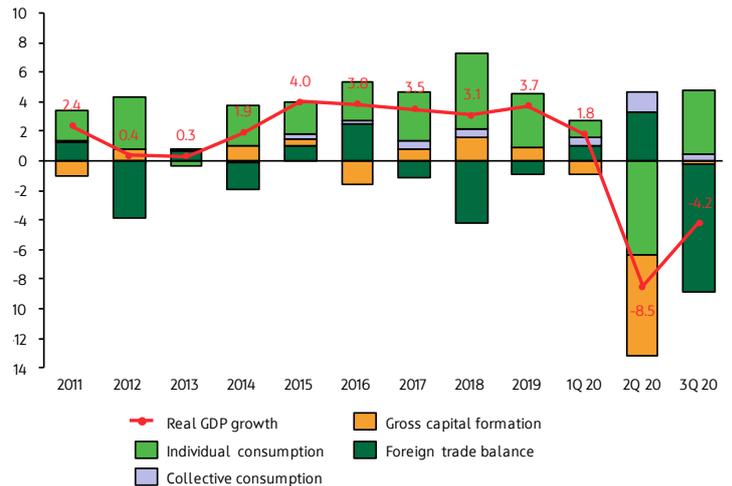


### REAL GDP GROWTH FORECAST

2020 2021

	-4.7%	4.3%
	-4.4%	3.7%
	-3.0%	2.5%
	-5.1%	2.6%
	-4.0%	4.2%

The seasonally adjusted data shows a GDP increase of 4.3% compared to previous quarter, contributed by increase of 3.2% in final consumption and by 12.9% in gross capital formation. Exports of goods and services increased by 2.0% on quarterly base, while imports raised by



20.8%.

- Gross Value Added in the third quarter of 2020 amounted to BGN 27 288 million and decreased by 4.6% compared to the same quarter of the previous year. Compared to the previous quarter GVA decrease in the third quarter of 2020 by 3.9%.
- The share of agricultural sector in GVA of the national economy in the third quarter of 2020 increases its level in comparison to the same quarter of 2019 with 0.2 pp. The industry increases its relative share in GVA of the national economy with 1.7 pp to 27.5%. The share of the biggest sector in the economy - service sector decreases from 66.0% to 67.9% as compared with the third quarter of 2019.

## INFLATION

### CONSUMER PRICE INDEX

The consumer price index in December 2020 compared to November 2020 is 100.5%, i.e. the monthly inflation is 0.5%.

- The annual inflation in December 2020 compared to December 2019 is 0.1%.
- The annual average inflation, measured by CPI, in the last 12 months (January 2019 - December 2020) compared to the previous 12 months (January 2018 - December 2019) is 1.7%.
- During the month, the highest increase is reported in the prices of sector "Recreation and culture" (a growth of 9.5%). The

highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 1.7%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



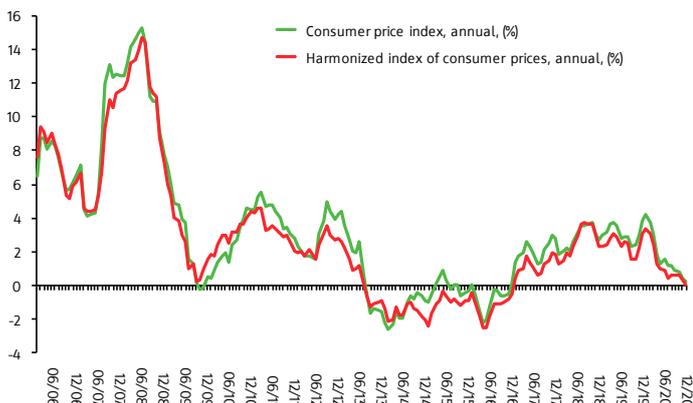
### INFLATION FORECAST

2020 2021

	AVE	1.2%	1.5%
	EoP	0.3%	2.0%
	AVE	1.4%	2.1%
	AVE	1.2%	1.4%
	AVE	1.2%	1.7%

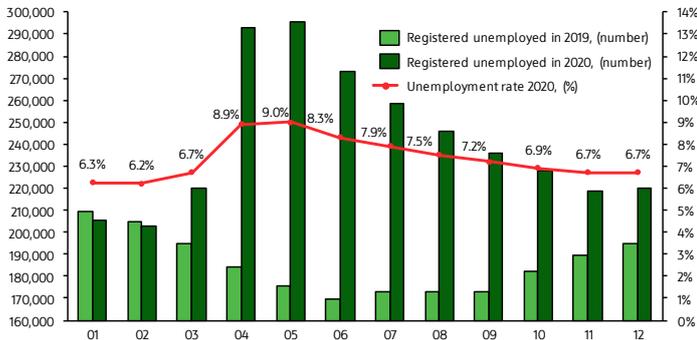
### HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in December 2020 compared to November 2020 was 100.5%, i.e. the monthly inflation is 0.5%.
- The annual inflation in December 2020 compared to December 2019 is 0.0%.
- The annual average inflation, measured by HICP, in the last 12 months (January 2019 - December 2020) compared to the previous 12 months (January 2018 - December 2019) is 1.2%.



## UNEMPLOYMENT

- According to data from the Employment Agency in December 2020, the number of unemployed individuals increases by 1452 compared to the previous month. The number of unemployed persons at the end of the month is 220 292.



- The reported unemployment rate at the end of the month is 6.7%.



### UNEMPLOYMENT FORECAST

- According to Eurostat unemployment rate is 4.9% at the end of December 2020.

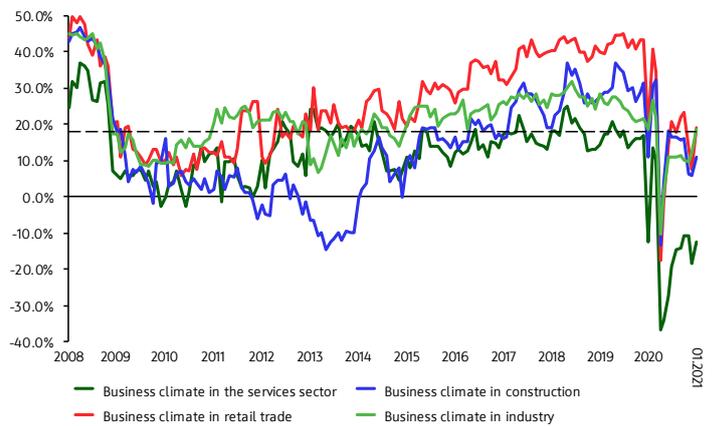
	2020	2021
EoP	6.0%	5.0%
EoP	5.4%	5.3%
EoP	5.6%	5.2%
EoP	5.8%	5.6%
EoP	5.6%	4.5%

- In December, the number of newly registered unemployed was 32 607, which was by 20 354 people more than those who started work during the month.

## BUSINESS CLIMATE

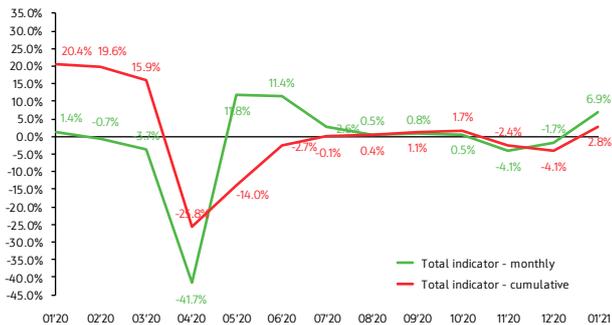
After the significant drop in November and December 2020, during January 2021 the total business climate indicator increases by 6.9 pp, improving in all sectors.

- The most affected by the second lockdown was the retail trade, with a generated decline of -15.7 percentage points, partially compensated by estimates for the sector in January 2021.
- The sectors "Construction" and "Services" also partially compensated the generated decline, and in January recorded



growth of respectively 5.1 pp and 6.0 pp.

- Industry was the least affected by adverse environmental influences in recent months, but in January also reported high growth of 6.1 percentage points.
- Compared to 2008, the indicator registers a growth of 2.8%.

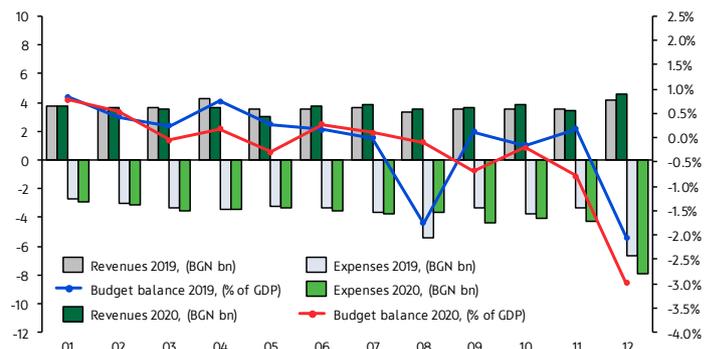


## STATE BUDGET

### BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of 2020 is negative amounting to BGN 3 532 million (- 3.0% of the forecasted GDP).

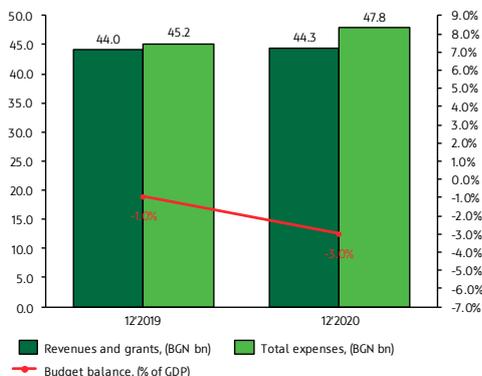
- It is formed by a national budget deficit of BGN 3 551 million and by a surplus of EU funds at the amount of BGN 19 million.
- For comparison, by the end of 2020, the CFP reports a deficit amounting to BGN 1 148 million (minus 1.0% of GDP), which means that as a relative share of GDP the budget position



worsens by 2.0%.

## REVENUES

- The CFP revenues and grants at the end of December 2020 stand at BGN 44 309 million.
- Compared to the same period of the previous year, revenues and grants increase by BGN 260 million (an annual growth of 0.6%).
- At the end of December, the receivables accounts for 99.8% of the annual estimates, as per the „Amendment to the State Budget Act for 2020“.



## COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for December 2020 amounts to BGN 47 840 million.
- The data, reported as of the end of December shows an annual growth of expenditures by 5.8%. As of the end of the month, they were by BGN 2 644 million higher, compared to the same period of the previous year.
- The expenses reported by the end of December form 99.9% of the annual volume, planned in the „Amendment to the State Budget Act for 2020“.

## GOVERNMENT DEBT

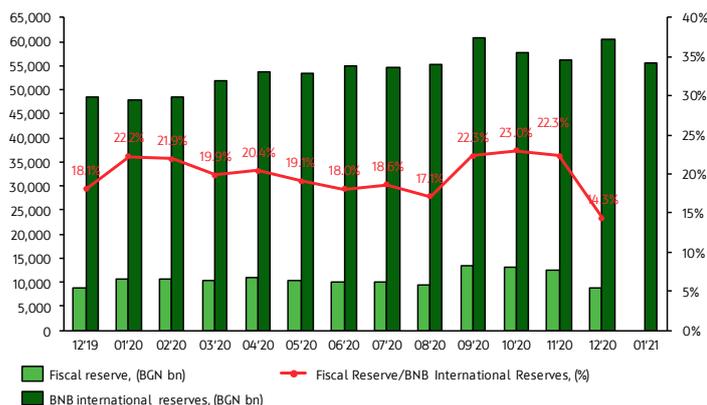
- Government debt by the end of December amounts to BGN 27 505 million or 23.3% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 5 482 million (24.9%).

## FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of December 2020 is BGN 8 645 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 2020 amounts to BGN 8 525 million.
- In comparison to the previous month, the FR decrease by 3 924 BGN million or 31.2%.

## FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

- At the end of December 2020, the Fiscal reserve forms 14.3% of the country's International reserves and the indicator reports a decrease of 8.0 pp compared to the previous month.

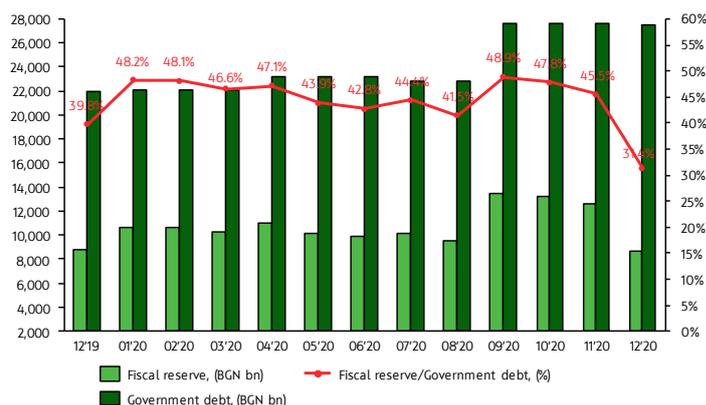


## FOREIGN EXCHANGE RESERVES

- At the end of January 2021 International reserves of BNB amounts to BGN 55 671 million.
- During the month they decrease by BGN 4 663 million (7.7%).
- Compared to the same period of the previous year, International reserves increase by BGN 7 723 million (16.1%).

## COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

- At the end of December 2020 the Fiscal reserve covers 31.4% of the Government debt, as the indicator drops by 14.1 pp compared to the previous month.

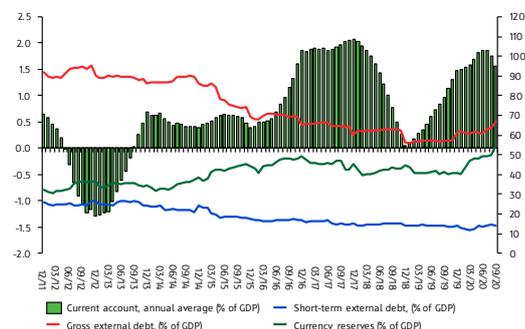
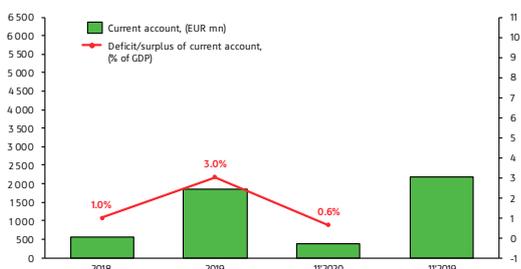
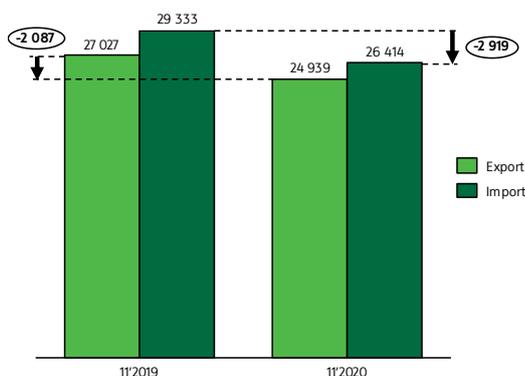


## BALANCE OF PAYMENTS AND DIRECT INVESTMENTS<sup>2</sup>

### CURRENT ACCOUNT

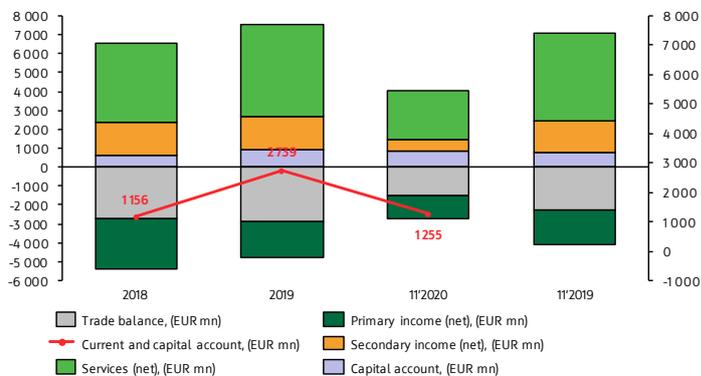
In January – November 2020 the current account is positive and amounts to EUR 373 million (0.6% of GDP), compared with a surplus of EUR 2 187 million (3.6% of GDP) in January – November 2019.

- In January – November 2020 the trade balance is negative and amounts to minus EUR 1 475 million (2.4% of GDP), compared with a deficit of minus EUR 2 306 million (3.8% of GDP) in January – November 2019.
- In January – November 2020 exports amounts to EUR 24 939 million, which is an decrease by EUR 2 087 million (7.7%) compared to the same period of 2019 (EUR 27 027 million). Exports for January – November 2019 grow on an annual basis by 5.4%.
- In January – November 2020 imports amounts to EUR 26 414 million, decreasing by EUR 2 919 million (10.0%) compared to the same period of 2019 (EUR 29 333 million). Imports for January – November 2019 grow on an annual basis by 4.5%.
- In January – November 2020 the services balance is positive at EUR 2 585 EUR million (4.3% of GDP) against a positive balance EUR 4 651 million (7.6% of GDP) in January – November 2019.



### CAPITAL ACCOUNT

- In January – November 2020 the capital account is positive, amounting to EUR 881 million (1.5% of GDP) against positive, balance amounting to EUR 800 million (1.3% of GDP) in January – November 2019.



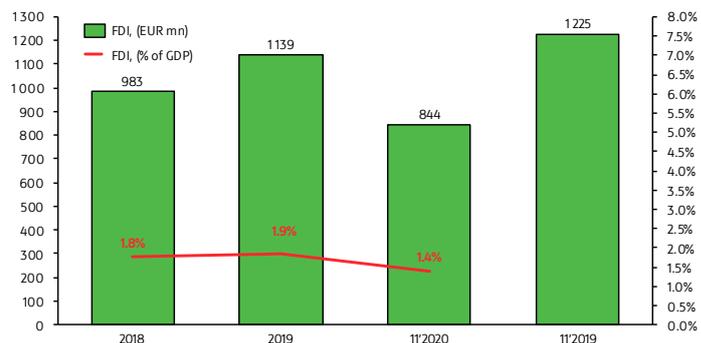
### FINANCIAL ACCOUNT

- In January – November 2020 the financial account is positive, amounting to EUR 3 289 million (5.5% of GDP) compared to positive, amounting to EUR 2 423 million (4.0% of GDP) for the same period of 2019.

### DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – November 2020 presented according to the directional principle records a value of EUR 844 million (1.40% of GDP), dropping by EUR 381 million (31.1%) compared to January – November 2019 (value of EUR 1 225 million, 2.0% of GDP).

- Foreign direct investments abroad for January – November 2020 record a value of EUR 101 million (0.17% of GDP), dropping by EUR 314 million (75.7%) compared to January – November 2019 (value of EUR 415 million, 0.68% of GDP).

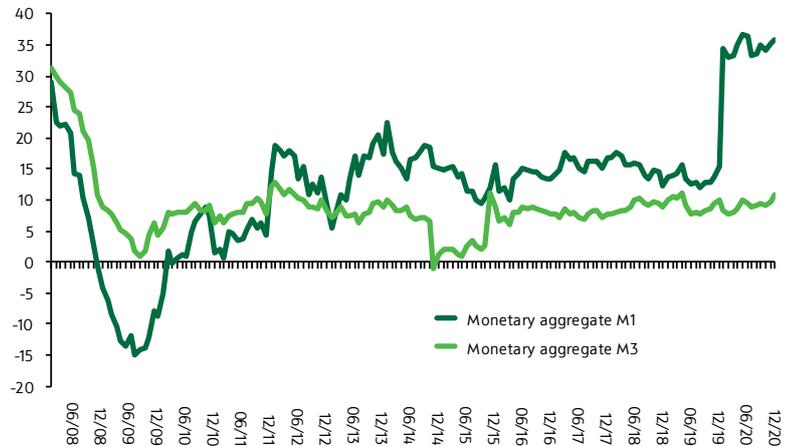


## MONETARY, DEPOSITS AND LOANS INDICATORS

### MONEY

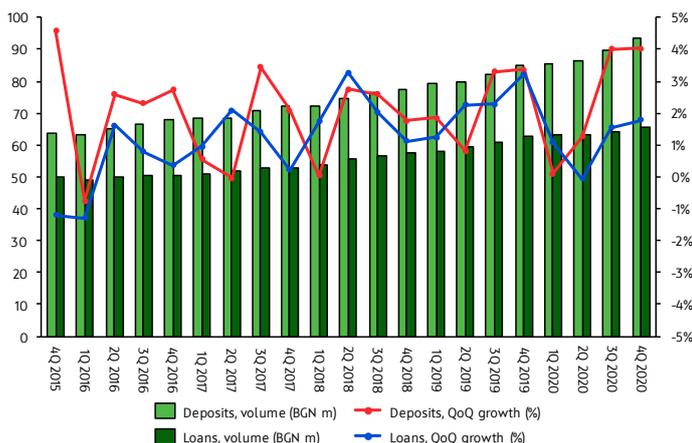
**In December 2020 broad money (monetary aggregate M3) increases annually by 10.9% compared to an annual growth of 9.8% in November 2020.**

- At the end of December 2020 M3 is BGN 113 619 million (96.4% of GDP) compared to BGN 110 426 million in November 2020 (93.7% of GDP).
- Its most liquid component – monetary aggregate M1 – increases in December 2020 by 35.8% on an annual basis (an annual growth of 35.3% in November 2020).
- Quasi-money reports a decrease of 27.0% on an annual basis, as their volume reaches BGN 29 621 million.



### DEPOSITS

- At the end of December 2020 deposits of the non-government sector reach BGN 93 400 million (79.2% of GDP) and increasing by 9.7% on an annual basis (in November 2020 they report annual growth of 9.7%).
- Deposits of the non-financial enterprises amount to BGN 29 280 million (24.8% of GDP) at the end of December 2020. Compared to the same month of 2019 they increase by 10.5% (in November 2020 report an annual growth of 11.0%).
- Deposits of the financial corporations are BGN 3 079 million (2.6% of GDP) at the end of December 2020, and on annual basis increase by 2.0% (in November 2020 report an annual growth of 18.4%).
- Deposits of households and NPISHs reach BGN 61 042 million (51.8% of GDP) at the end of December 2020. They increase by 9.7% compared to the same month of 2019 (in November 2020 report an annual growth of 8.5%).



### LOANS<sup>3</sup>

- At the end of December 2020 loans to the non-government sector amount to BGN 65 456 million (55.5% of GDP) compared to BGN 65 332 million in November 2020 (55.4% of GDP). In December 2020 they increase by 4.4% on an annual basis (in November 2020 report an annual growth of 4.1%).
- As December 2020 loans to non-financial enterprises amount to BGN 35 643 million (30.2% of GDP). Compared to the same period of 2019 they increase by 3.0% (by November 2020 report an annual growth of 2.2%).
- At the end of December 2020 loans to households and NPISHs reach BGN 25 492 million (21.6% of GDP). On annual basis they increase by 6.6% (in November 2020 report an annual growth of 6.9%).
- Housing loans are BGN 12 016 million and increase by 11.6% compared to December 2019 (as of November 2020 the annual increase is 11.8%).
- Consumer loans amount to BGN 11 898 million and report an increase of 5.0% on an annual basis (by the end of November 2020 they increase by 5.4% compared to the same period of the previous year).
- Other loans amount to BGN 404 million and on an annual basis they decrease by 21.4% compared to December 2019 (in November 2020 report an annual drop of 24.9%).

### PREPARED BY

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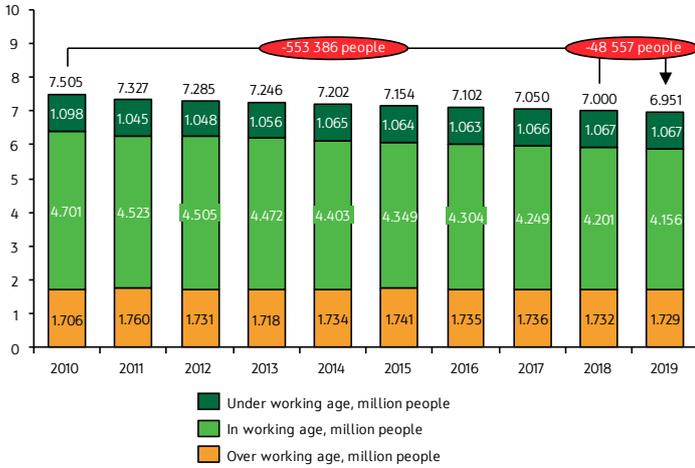
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<sup>3</sup>The other loans indicator also includes loans granted to associations of owners in accordance with the National Program for Energy Efficiency of Multi-family Residential Buildings.

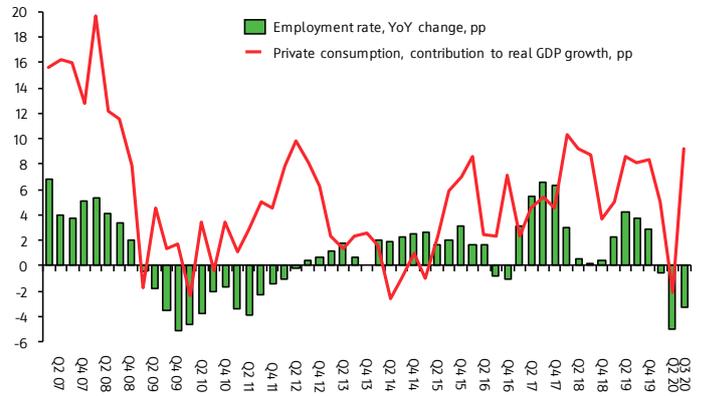
## ADDITIONAL INFORMATION

### POPULATION AND EMPLOYMENT

- Population structure.

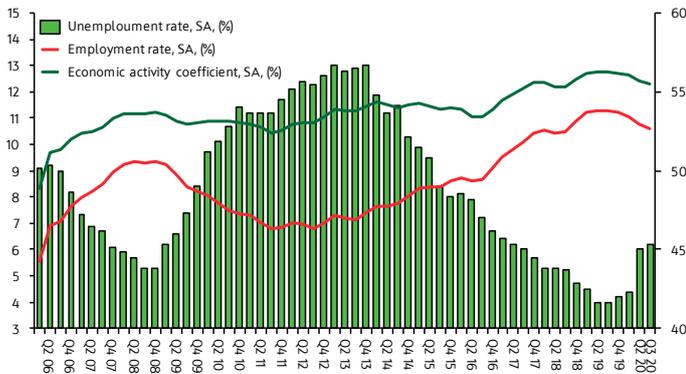


- Individual consumption and employment rate.

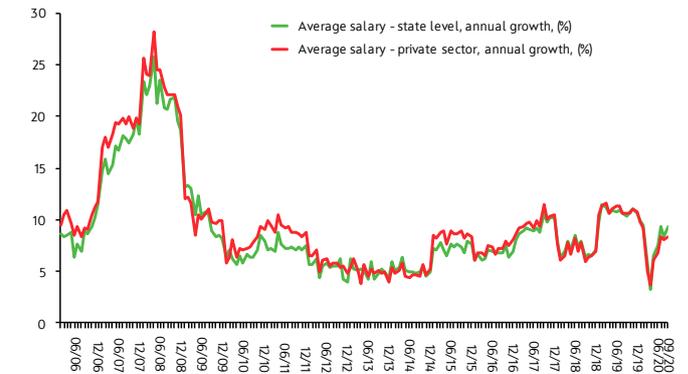


### LABOR MARKET

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

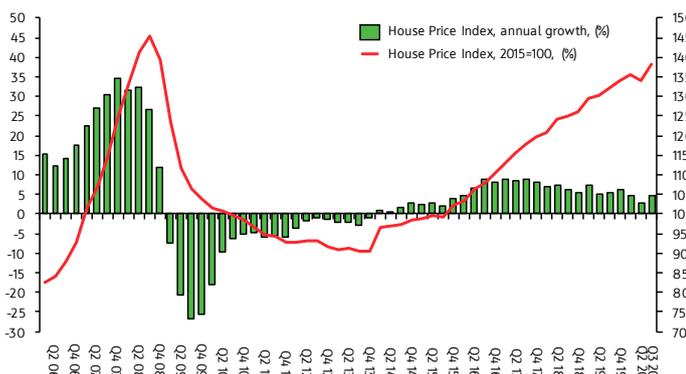


- Annual average wage growth in private sector and on a state level.



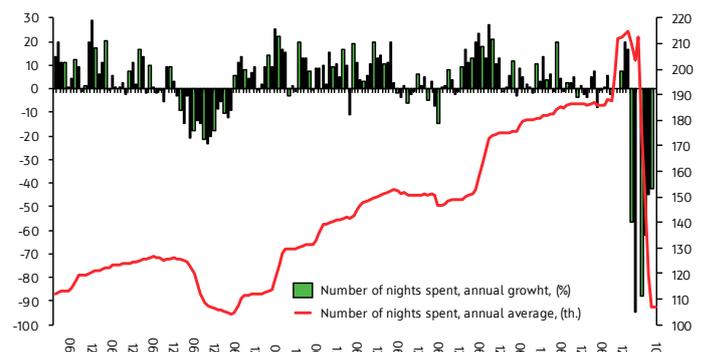
### REAL ESTATES

- 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, October 2020
-  **Bulgarian National Bank**, Macroeconomic forecast, January 2021
-  **Ministry of Finance of the Republic of Bulgaria**, Autumn macroeconomic forecast, October 2020
-  **European Commission**, Autumn Forecast, November 2020
-  **International Monetary Fund**, World Economic Outlook, October 2020

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