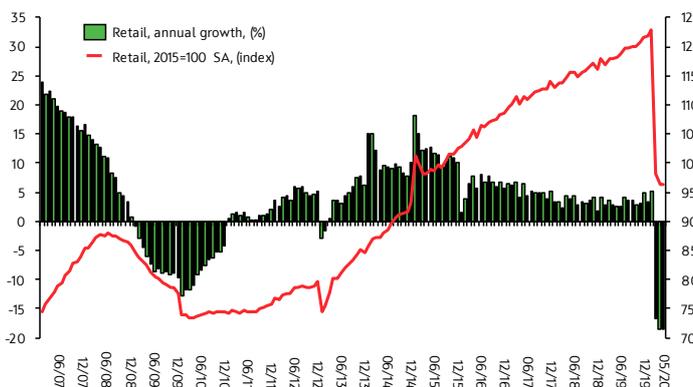
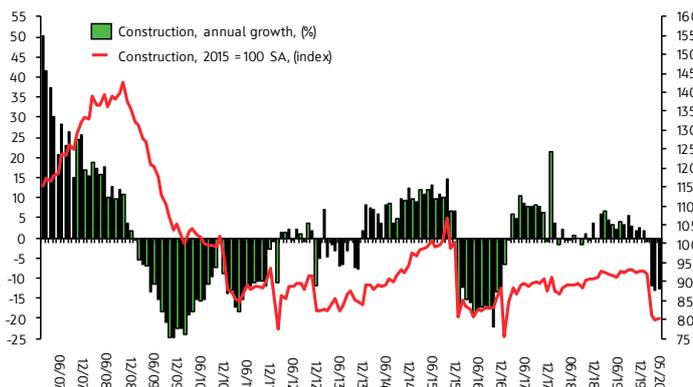
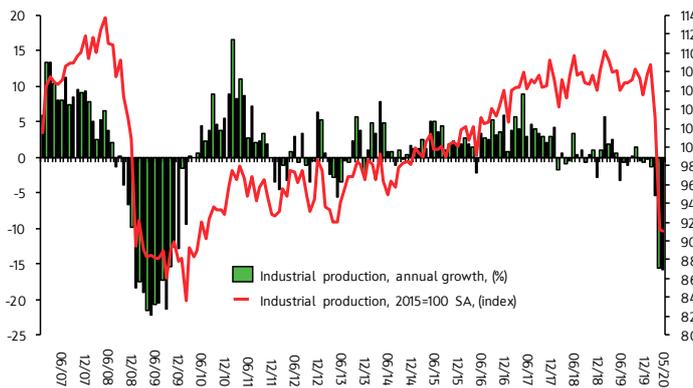


Macroeconomic bulletin

ISSUE 43 • JULY 2020

BUSINESS ENVIRONMENT INDICATORS

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



	MONTHLY INFLATION	
	↓ -0.4%	06/20
	ANNUAL INFLATION	
	↓ 1.6%	06/20
	UNEMPLOYMENT	
	↓ 8.3%	06/20
	NOMINAL GDP	
	↑ 25.6 BGN bn	1Q/20
	REAL GDP GROWTH	
	↓ 1.2%	1Q/20
	CONSOLIDATED BUDGET	
	↓ 1.2% OF GDP	05/20
	CURRENT ACCOUNT	
	↑ 1.2% OF GDP	05/20
	TRADE BALANCE	
	↓ -0.2% OF GDP	05/20
	EXPORTS ANNUAL GROWTH	
	↓ -7.4%	05/20
	IMPORTS ANNUAL GROWTH	
	↓ -12.6%	05/20

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 preliminary data of NSI, the Gross Domestic Product (GDP) at current prices in the first quarter of 2020 amounted to BGN 25 575 million, reporting an annual growth of 1.2% in real terms.

- GDP expanded with 2.4% in the first quarter of 2020 compared to the same quarter of the previous year and with 0.3% compared to the fourth quarter of 2019 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%

According to the preliminary data for the first quarter of 2020, the final consumption decreases by 0.1% compared to the previous quarter. Gross fixed capital formation decreases by 1.5% for the same period. In the first quarter of 2020 the export of goods and services increases by 0.9% and the import of goods and services increases by 1.5% compared to the previous

quarter.

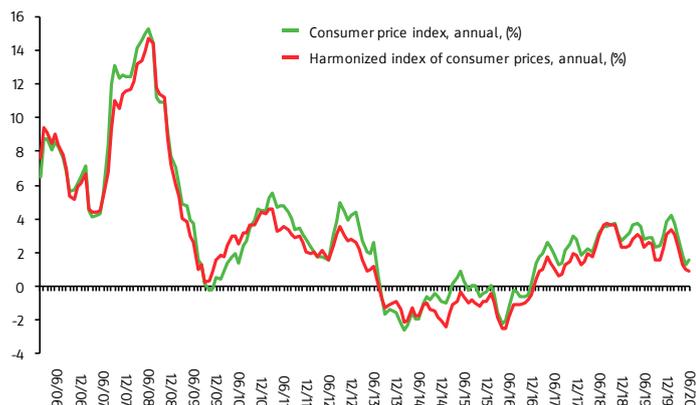
- Gross Value Added in the first quarter of 2020 amounted to BGN 21 956 million and increased by 2.3% compared to the

INFLATION

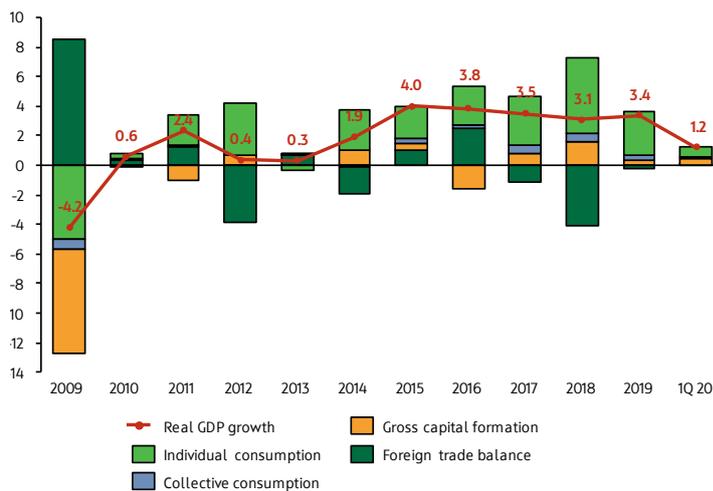
CONSUMER PRICE INDEX

The consumer price index in June 2020 compared to May 2020 is 99.6%, i.e. the monthly inflation is minus 0.4%.

- The annual inflation in June 2020 compared to June 2019 is 1.6%.
- The annual average inflation, measured by CPI, in the last 12 months (July 2019 - June 2020) compared to the previous 12 months (July 2018 - June 2019) is 2.7%.
- The inflation rate since the beginning of the year (June 2020 compared to December 2019) is minus 1.0%.



¹The indicators, presented in relative share to the Gross Domestic Product, are calculated at a forecasted annual GDP of BGN 111 009 million for 2020 and actual GDP of BGN 118 699 million for 2019.



same quarter of the previous year.

- Compared to the previous quarter GVA increase in the first quarter of 2020 by 0.1%.
- The share of agricultural sector in GVA of the national economy in the first quarter of 2020 increases its level in comparison to the same quarter of 2019 with 0.1 p.p., the Industry increases with 0.1 p.p., and the service sector decreases with 0.2 p.p.

- During the month, the highest increase is reported in the prices of sector "Restaurants and hotels" (a growth of 0.8%). The highest decline is recorded in the prices of sector "Recreation and culture" (a drop of 1.8%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



INFLATION FORECAST

2020 2021



AVE 0.8% 2.1%



AVE 1.0% 1.1%



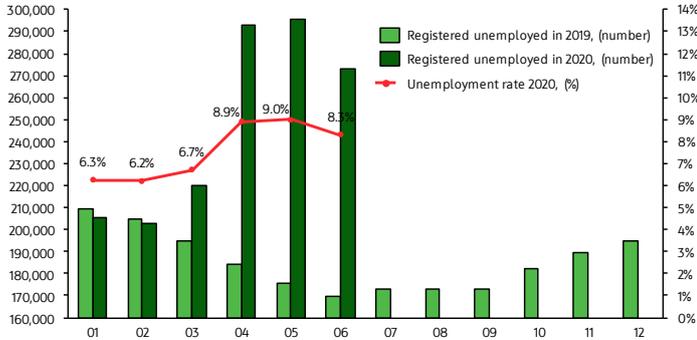
AVE 1.0% 1.9%

HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in June 2020 compared to May 2020 was 99.9%, i.e. the monthly inflation is minus 0.1%.
- The annual inflation in June 2020 compared to June 2019 is 0.9%.
- The annual average inflation, measured by HICP, in the last 12 months (July 2019 - June 2020) compared to the previous 12 months (July 2018 - June 2019) is 2.1%.
- The inflation rate since the beginning of the year (June 2020 compared to December 2019) is minus 0.7%.

UNEMPLOYMENT

- According to data from the Employment Agency in June 2020, the number of unemployed individuals decreases by 22 086 compared to the previous month. The number of unemployed persons at the end of the month is 273 367.



- The reported unemployment at the end of the month is 8.3%.



UNEMPLOYMENT FORECAST

	2020	2021
otpbank	8.6%	6.6%
EUROSTAT	7.0%	5.8%
STATISTICS BULGARIA	8.0%	4.5%

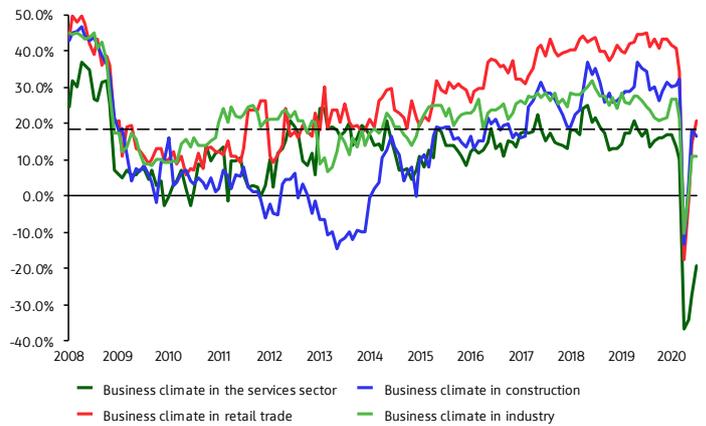
- According to Eurostat data unemployment at the end of June is 4.2%. During the same period last year, unemployment is 3.9% or reports an increase of 0.3 pp.

- The labor market reported a positive trend in June, as for the first time since the beginning of the Coronavirus crisis, the number of people, who started work (36 621) is higher than the number of newly registered in the labor offices (26 415).

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



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.

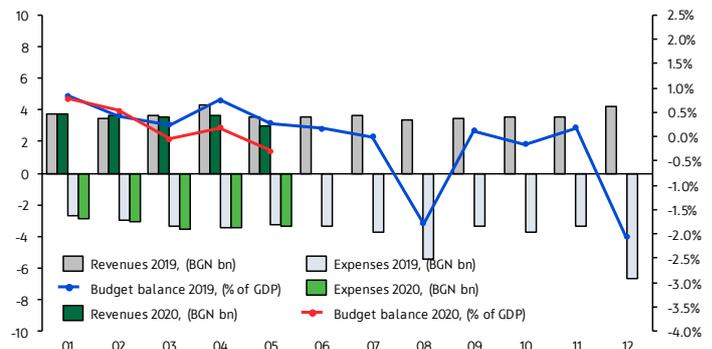
- In industrial sector, business climate trends remain stable compared to the previous month.
- Compared to 2008, the indicator registers a decline of 0.1%.

STATE BUDGET

BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of May 2020 is positive amounting to BGN 1 313 million (1.2% of the forecasted GDP).

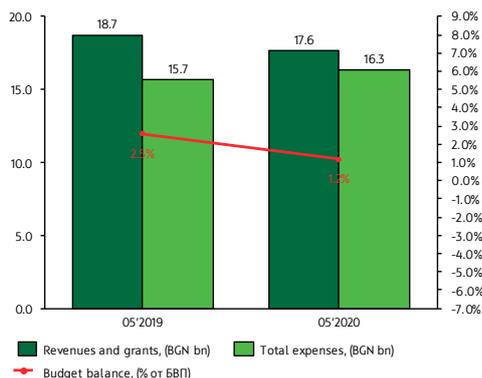
- It is formed by a national budget surplus of BGN 826 million and by a surplus of EU funds at the amount of BGN 488 million.
- For comparison, by the end of May 2019, the CFP reports a surplus amounting to BGN 3 026 million (2.5% of GDP), which means that as a relative share of GDP the budget position



worsens by 1.4%.

REVENUES

- The CFP revenues and grants at the end of May 2020 stand at BGN 17 637 million.
- Compared to the same period of the previous year, revenues and grants decrease by BGN 1 083 million (an annual drop of 5.8%).
- At the end of May, the receivables accounts for 39.7% of the annual estimates, as per the „Amendment to the State Budget Act for 2020“.

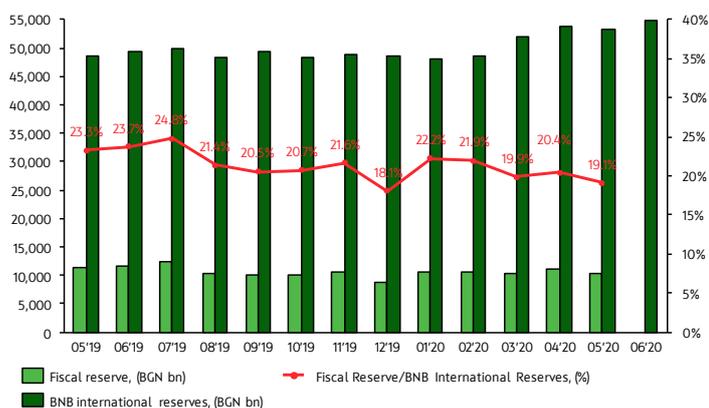


FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of May 2020 is BGN 10 186 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 May 2020 amounts to BGN 9 670 million.
- In comparison to the previous month, the FR decrease by BGN 771 million or 7.0%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

- At the end of May 2020, the Fiscal reserve forms 19.1% of the country's International reserves and the indicator reports a decrease of 1.3 pp compared to the previous month.



COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for May 2020 amounts to BGN 16 323 million.
- The data, reported as of the end of May shows an annual growth of expenditures by 4.0%. As of the end of the month, they were by BGN 630 million higher, compared to the same period of the previous year.
- The expenses reported by the end of May form 34.1% of the annual volume, planned in the „Amendment to the State Budget Act for 2020“.

GOVERNMENT DEBT

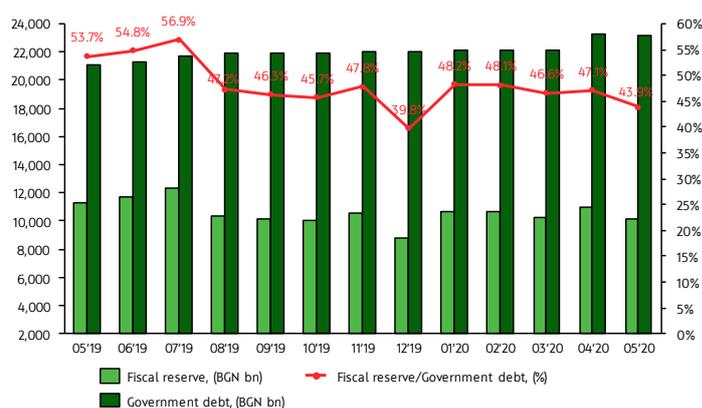
- Government debt by the end of May amounts to BGN 23 186 million or 20.9% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 2 138 million (10.2%).

FOREIGN EXCHANGE RESERVES

- At the end of June 2020 International reserves of BNB amounts to BGN 54 841 million. During the month they increase by BGN 1 488 million (2.8%).
- Compared to the same period of the previous year, International reserves increase by BGN 5 586 million (11.3%).
- Since the beginning of the year they increase by BGN 6 267 million or 12.9%.

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

- At the end of May 2020 the Fiscal reserve covers 43.9% of the Government debt, as the indicator drops by 3.2 pp compared to the previous month.

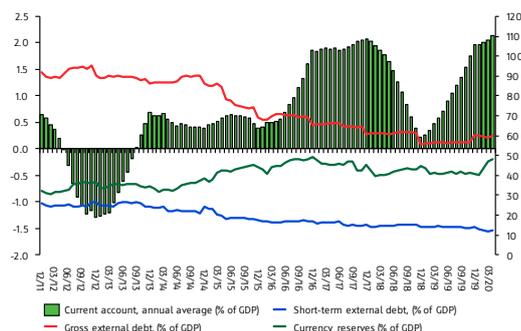
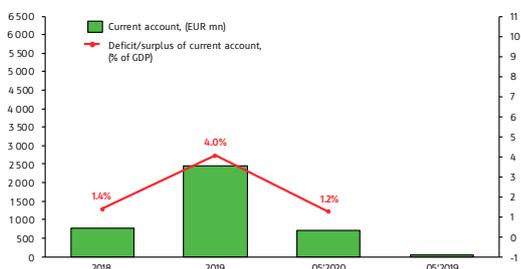
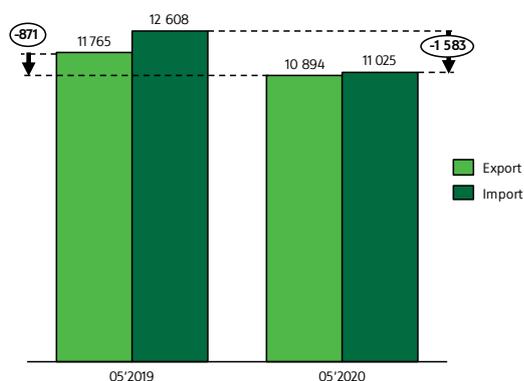


BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

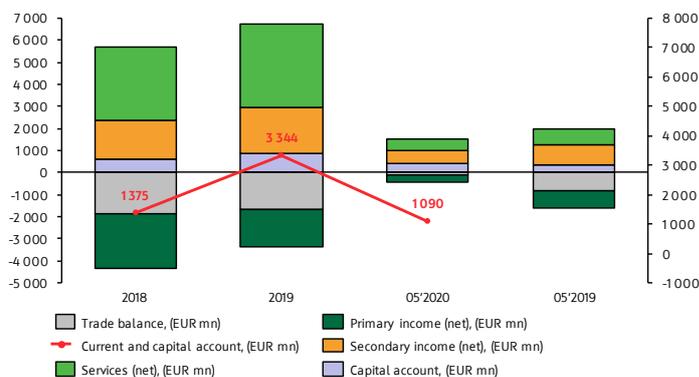
In January – May 2020 the current account is positive and amounts to EUR 695 million (1.2% of GDP), compared with a surplus of EUR 38 million (0.1% of GDP) in January – May 2019.

- In January – May 2020 the trade balance is negative and amounts to minus EUR 131 million (0.2% of GDP), compared with a deficit of minus EUR 843 million (1.4% of GDP) in January – May 2019.
- In January – May 2020 exports amounts to EUR 10 894 million, which is a decrease by EUR 871 million (7.4%) compared to the same period of 2019 (EUR 11 765 million). Exports for January – May 2019 grow on an annual basis by 9.4%.
- In January – May 2020 imports amounts to EUR 11 025 million, decreasing by EUR 1 583 million (12.6%) compared to the same period of 2019 (EUR 12 608 million). Imports for January – May 2019 grow on an annual basis by 8.0%.
- In January – May 2020 the services balance is positive at EUR 539 million (0.9% of GDP) against a positive balance EUR 727 million (1.2% of GDP) in January – May 2019.



CAPITAL ACCOUNT

- In January – May 2020 the capital account is positive, amounting to EUR 395 million (0.7% of GDP) against positive, balance amounting to EUR 372 million (0.6% of GDP) in January – May 2019.



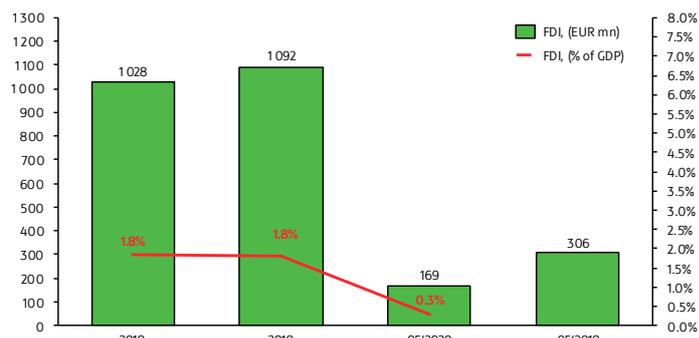
FINANCIAL ACCOUNT

- In January – May 2020 the financial account is positive, amounting to EUR 1 364 million (2.4% of GDP) compared to positive, amounting to EUR 638 million (1.1% of GDP) for the same period of 2019.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – May 2020 presented according to the directional principle records a value of EUR 169 million (0.30% of GDP), dropping by EUR 137 million (44.7%) compared to January – May 2019 (value of EUR 306 million, 0.5% of GDP).

- Foreign direct investments abroad for January – May 2020 record a value of EUR 35 million (0.06% of GDP), dropping by EUR 116 million (77.0%) compared to January – May 2019 (value of EUR 151 million, 0.25% of GDP).

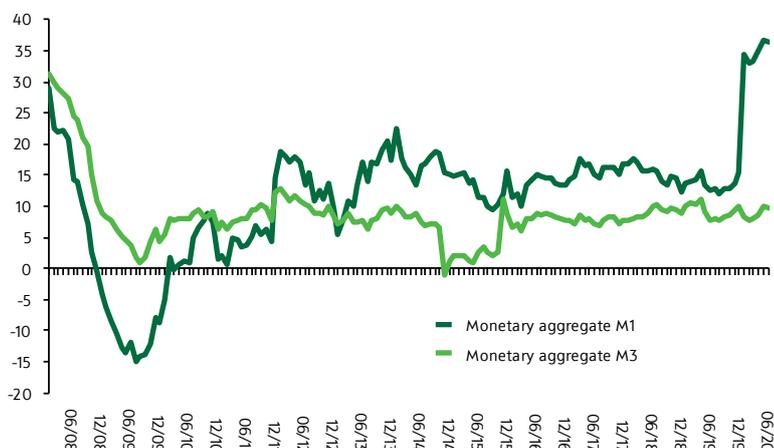


MONETARY, DEPOSITS AND LOANS INDICATORS

MONEY

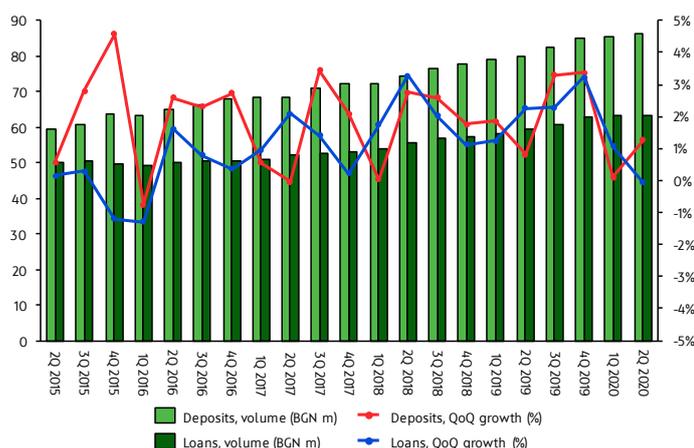
In June 2020 broad money (monetary aggregate M3) increases annually by 9.6% compared to an annual growth of 9.9% in May 2020.

- At the end of June 2020 M3 is BGN 105 005 million (94.6% of GDP) compared to BGN 104 866 million in May 2020 (94.5% of GDP).
- Its most liquid component - monetary aggregate M1 - increases in June 2020 by 36.4% on an annual basis (an annual growth of 36.7% in May 2020).
- Quasi-money reports a decrease of 27.7% on an annual basis, as their volume reaches BGN 28 941 million.



DEPOSITS

- At the end of June 2020 deposits of the non-government sector reach BGN 86 321 million (77.8% of GDP) and increasing by 8.3% on an annual basis (in May 2020 they report annual growth of 8.6%).
- Deposits of the non-financial enterprises amount to BGN 26 007 million (23.4% of GDP) at the end of June 2020. Compared to the same month of 2019 they increase by 11.9% (in May 2020 report an annual growth of 12.4%).
- Deposits of the financial corporations are BGN 3 143 million (2.8% of GDP) at the end of June 2020, and on annual basis decrease by 8.6% (in May 2020 report an annual drop of 5.0%).
- Deposits of households and NPISHs reach BGN 57 171 million (51.5% of GDP) at the end of June 2020. They increase by 7.8% compared to the same month of 2019 (in May 2020 report an annual growth of 7.8%).



LOANS³

- At the end of June 2020 loans to the non-government sector amount to BGN 63 325 million (57.0% of GDP) compared to BGN 63 044 million in May 2020 (56.8% of GDP). In June 2020 they increase by 6.7% on an annual basis (in May 2020 report an annual growth of 7.0%).
- As June 2020 loans to non-financial enterprises amount to BGN 34 460 million (31.0% of GDP). Compared to the same period of 2019 they increase by 2.8% (by May 2020 report an annual growth of 2.9%).
- At the end of June 2020 loans to households and NPISHs reach BGN 24 558 million (22.1% of GDP). On annual basis they increase by 8.0% (in May 2020 report an annual growth of 8.2%).
- Housing loans are BGN 11 301 million and increase by 13.3% compared to June 2019 (as of May 2020 the annual increase is 13.8%).
- Consumer loans amount to BGN 11 563 million and report an increase of 7.1% on an annual basis (by the end of May 2020 they increase by 7.1% compared to the same period of the previous year).
- Other loans amount to BGN 449 million and on an annual basis they decrease by 29.9% compared to June 2019 (in May 2020 report an annual drop of 26.4%).

PREPARED BY

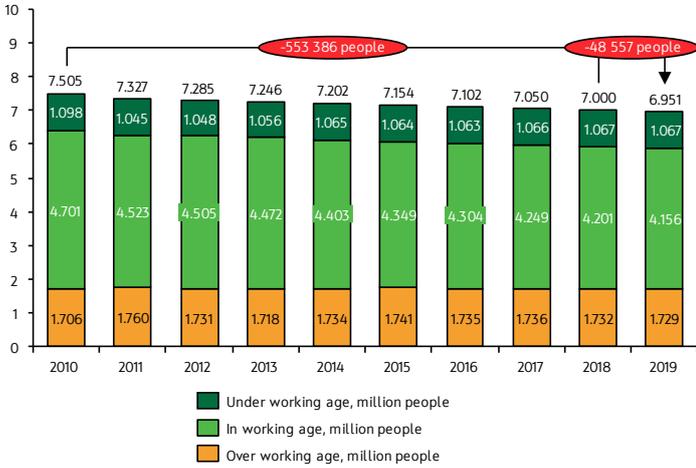
STEFAN HRISTOV
Head of Research Section
DSK Bank AD

 Stefan.Hristov@dskbank.bg  02/80 10 028

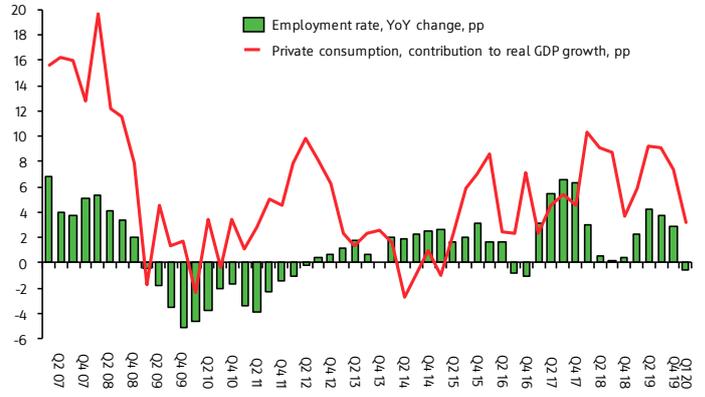
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

- Population structure.

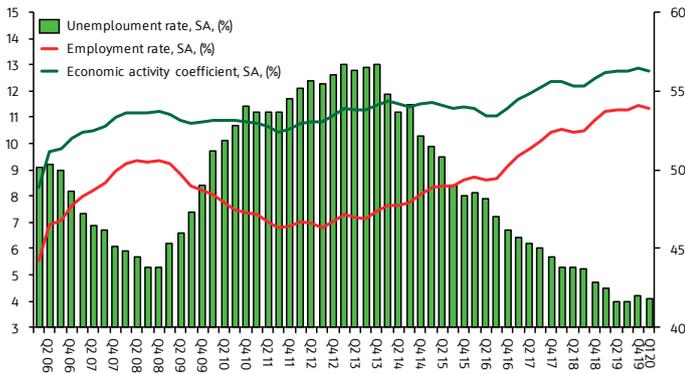


- Individual consumption and employment rate.

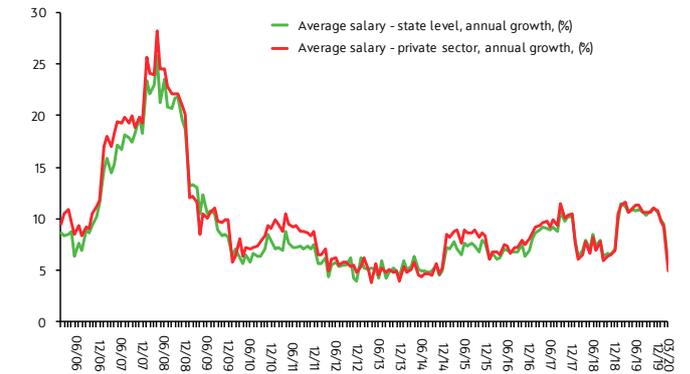


LABOR MARKET

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

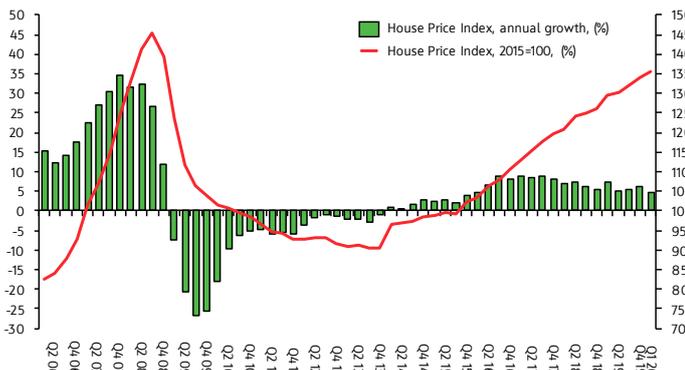


- Annual average wage growth in private sector and on a state level.



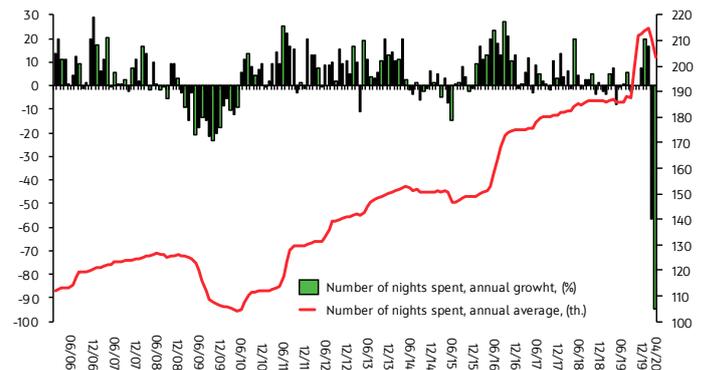
REAL ESTATES

- 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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