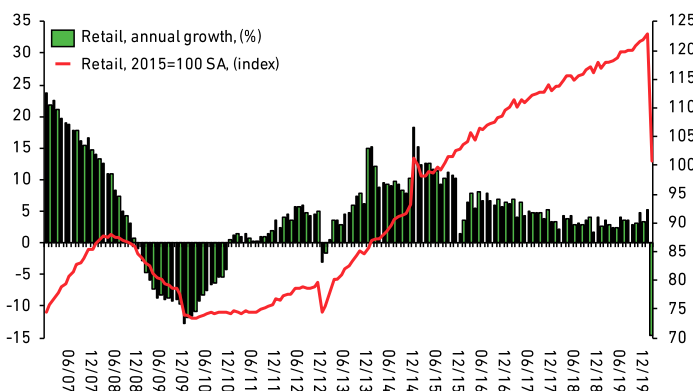
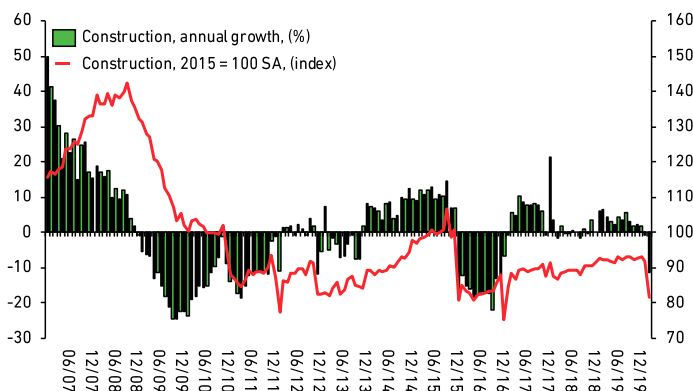
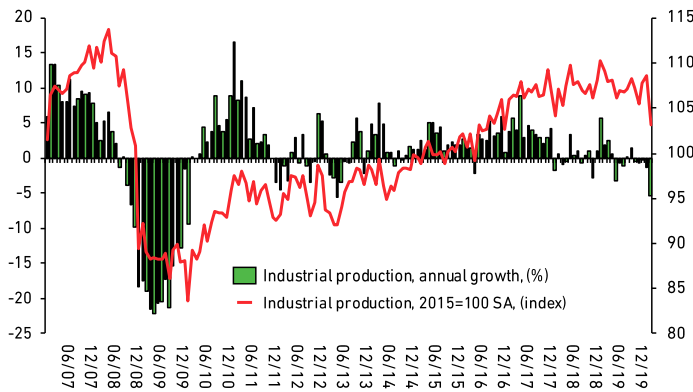


# Macroeconomic bulletin

## 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**  
MoM **-0.6%** 04/20

**ANNUAL INFLATION**  
YoY **1.8%** 04/20

**UNEMPLOYMENT**  
**8.9%** 04/20

**NOMINAL GDP**  
**25.1 BGN bn** FLASH ESTIMATES 1Q 2020

**QUARTERLY GROWTH OF GDP**  
**2.4%** 1Q20 COMPARED TO 1Q19 FLASH ESTIMATES 1Q 2020

**CONSOLIDATED BUDGET**  
**1.1 % of GDP** 03/20

**CURRENT ACCOUNT**  
**+0.8 % of GDP** 03/20

**TRADE BALANCE**  
**-0.5 % of GDP** 03/20

**EXPORTS ANNUAL GROWTH**  
**0.1%** 03/20

**IMPORTS ANNUAL GROWTH**  
**0.0%** 03/20

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>

According to the flash GDP estimates for the first quarter of 2020, the GDP at current prices is BGN 25 146 million.

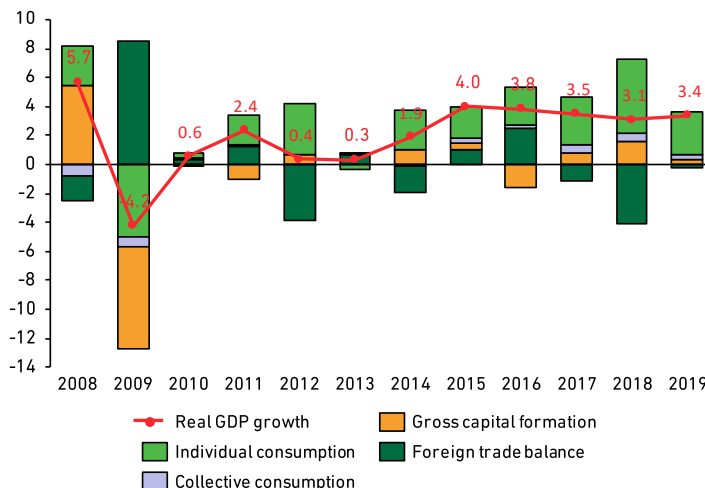
■ GDP expanded with 2.4% in the first quarter of 2020 compared to the same quarter of the previous year and with 0.3% compared to the fourth quarter of 2019 according to the seasonally adjusted data.

### REAL GDP GROWTH FORECAST

	2020	2021
Baseline	-2.6%	4.2%
otpbank Pessimistic	-9.1%	2.4%
	-3.0%	- %
	-4.0%	6.0%
	-3.7%	3.9%
	-7.2%	6.0%

■ In the structure of GDP by the expenditure approach the largest share has the final consumption (84.9%), which in nominal terms is BGN 21 347 million. In the first quarter of 2020 gross capital formation is BGN 3 650 million and has a share of 14.5% in GDP.

■ As regards the expenditure components of GDP, the final consumption registered a positive annual economic growth of 4.1%. Gross fixed capital formation decreased by 5.3% in the first



quarter of 2020 compared to the same quarter of the previous year at seasonally adjusted data. Exports of goods and services increased by 1.1% while imports of goods and services decreased by 0.6%.

■ Gross Value Added in the first quarter of 2020 amounted to BGN 21 481 million and increased by 2.3% compared to the same quarter of the previous year.

■ Compared to the previous quarter GVA increase in the first quarter of 2020 by 0.1%.

## INFLATION

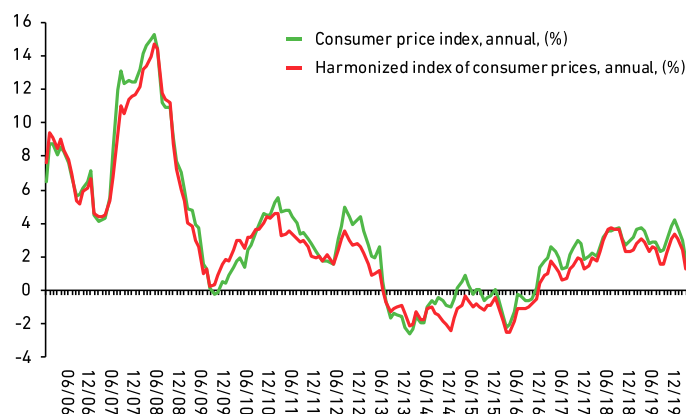
### CONSUMER PRICE INDEX

The consumer price index in April 2020 compared to March 2020 is 99.4%, i.e. the monthly inflation is minus 0.6%.

■ The annual inflation in April 2020 compared to April 2019 is 1.8%.

■ The annual average inflation, measured by CPI, in the last 12 months (May 2019 - April 2020) compared to the previous 12 months (May 2018 - April 2019) is 3.0%.

■ The inflation rate since the beginning of the year (April 2020 compared to December 2019) is minus 0.3%.



■ During the month, the highest increase is reported in the prices of sector "Clothing and footwear" (a growth of 6.3%). The highest decline is recorded in the prices of sector "Transport" (a drop of 6.8%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.

### INFLATION FORECAST

	2020	2021
otpbank AVE	0.8%	2.1%
AVE	1.0%	1.9%
AVE	1.1%	1.1%

### HARMONIZED INDEX OF CONSUMER PRICES

■ The harmonized index of consumer prices in April 2020 compared to March 2020 was 99.6%, i.e. the monthly inflation is minus 0.4%.

■ The annual inflation in April 2020 compared to April 2019 is 1.3%.

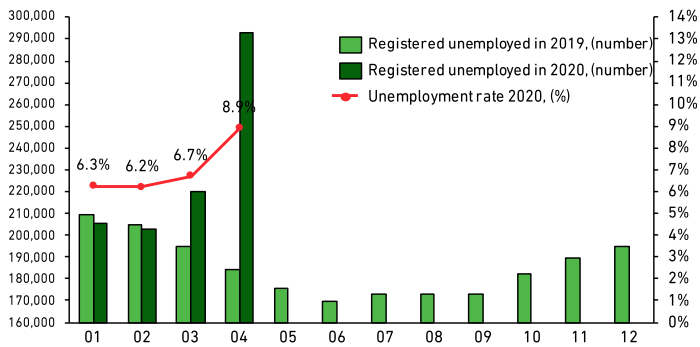
■ The annual average inflation, measured by HICP, in the last 12 months (May 2019 - April 2020) compared to the previous 12 months (May 2018 - April 2019) is 2.4%.

■ The inflation rate since the beginning of the year (April 2020 compared to December 2019) is minus 0.4%.

<sup>1</sup>The indicators, presented in relative share to the Gross Domestic Product, are calculated at a forecasted annual GDP of BGN 127 126 million for 2020 and actual GDP of BGN 118 699 million for 2019.

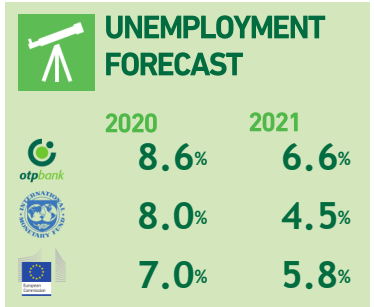
## UNEMPLOYMENT

■ According to data from the Employment Agency in April 2020, the number of unemployed individuals increases by 72 738 compared to the previous month. The number of unemployed persons at the end of the month is 292 810.



■ The reported unemployment at the end of the month is 8.9%.

■ The number of the newly registered individuals, which became unemployed during the month is 87 063, of them 58 774 marked the coronavirus crisis as a reason, totaling 113 349 persons from the beginning of the state of emergency (13.03.2020). Among the newly registered unemployed in April, the largest share was recorded in the hotels and restaurants sector (37.1%), followed by retail trading (18.6%) and manufacturing (15.0%).

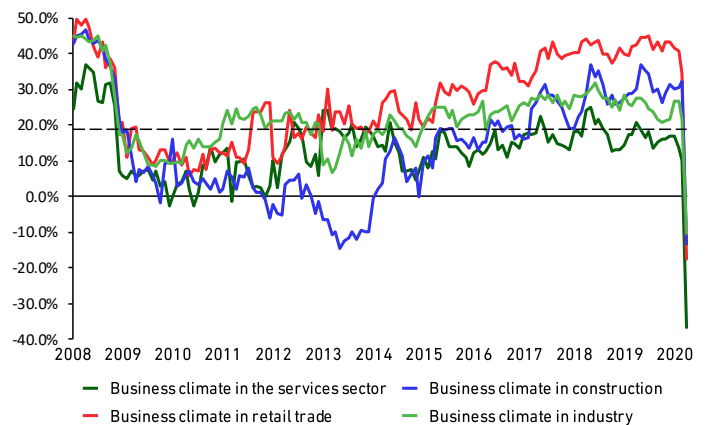
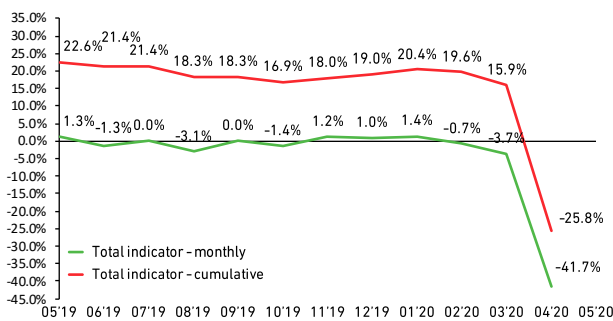


## BUSINESS CLIMATE

■ During April 2020 the total business climate indicator decreases by 41.7 pp compared to March.

■ In the context of state of emergency in the country in April 2020, the business surveys indicate a deterioration of business climate in all of the observed sectors.

■ Growth in business conjuncture was not observed in any of the



sectors during the 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 decline of 25.8%.

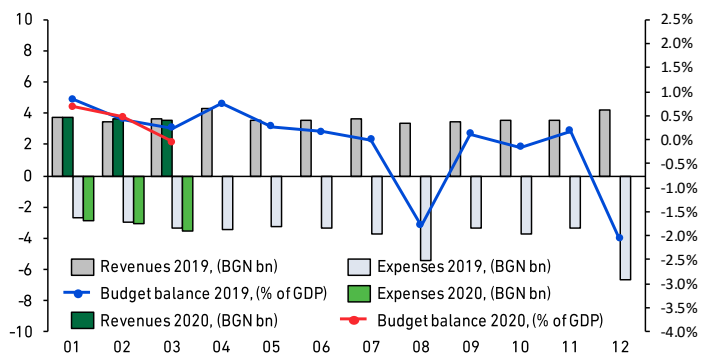
## STATE BUDGET

### BUDGET BALANCE

■ The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of March 2020 is positive amounting to BGN 1 427 million (1.1% of the forecasted GDP).

■ It is formed by a national budget surplus of BGN 1 060 million and by a surplus of EU funds at the amount of BGN 367 million.

■ For comparison, by the end of March 2019, the CFP reports a surplus amounting to BGN 1 807 million (1.5% of GDP), which means that as a relative share of GDP the budget position



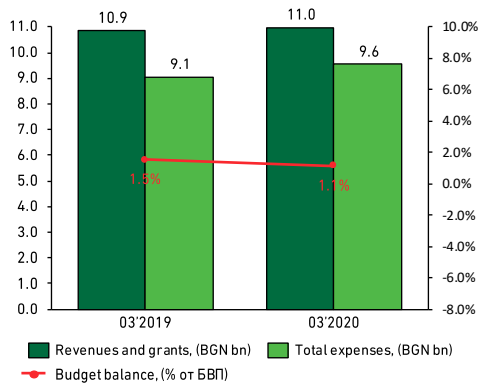
worsens by 0.4%.

## REVENUES

■The CFP revenues and grants at the end of March 2020 stand at BGN 10 977 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 119 million (an annual growth of 1.1%).

■At the end of March, the receivables accounts for 23.4% of the annual estimates, as per the „State Budget Act for 2020“.



## FISCAL RESERVES

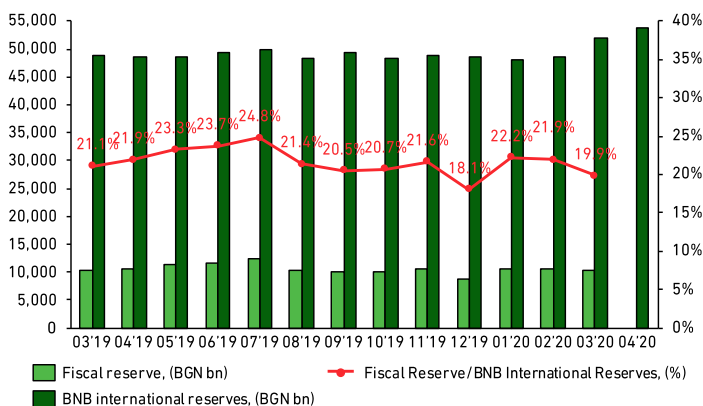
■The total balance of the Fiscal reserve (FR) at the end of March 2020 is BGN 10 297 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of March 2020 amounts to BGN 9 860 million.

■In comparison to the previous month, the FR decrease by BGN 339 million or 3.2%.

## FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of March 2020, the Fiscal reserve forms 19.9% of the country's International reserves and the indicator reports a decrease of 2.1 pp compared to the previous month.



## COSTS

■The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for March 2020 amounts to BGN 9 550 million.

■The data, reported as of the end of March shows an annual growth of expenditures by 5.5%. As of the end of the month, they were by BGN 499 million higher, compared to the same period of the previous year.

■The expenses reported by the end of March form 20.4% of the annual volume, planned in the „State Budget Act for 2020“.

## GOVERNMENT DEBT

■Government debt by the end of March amounts to BGN 22 087 million or 17.4% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 966 million (4.6%).

## FOREIGN EXCHANGE RESERVES

■At the end of April 2020 International reserves of BNB amounts to BGN 53 703 million.

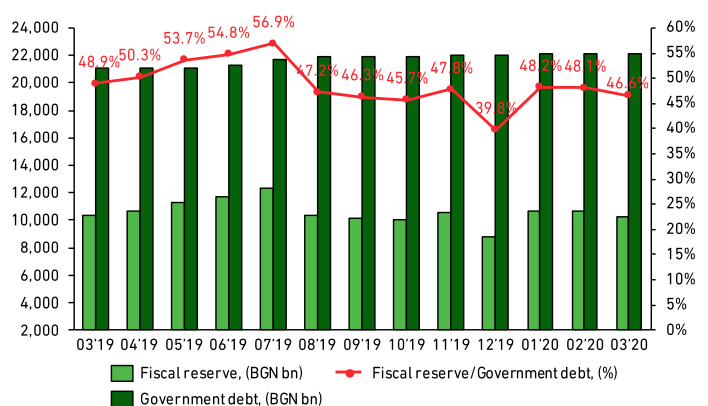
■During the month they increase by BGN 1 869 million (3.6%).

■Compared to the same period of the previous year, International reserves increase by BGN 5 173 million (10.7%).

■Since the beginning of the year they increase by BGN 5 129 million or 10.6%.

## COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of March 2020 the Fiscal reserve covers 46.6% of the Government debt, as the indicator drops by 1.5 pp compared to the previous month.



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

## CURRENT ACCOUNT

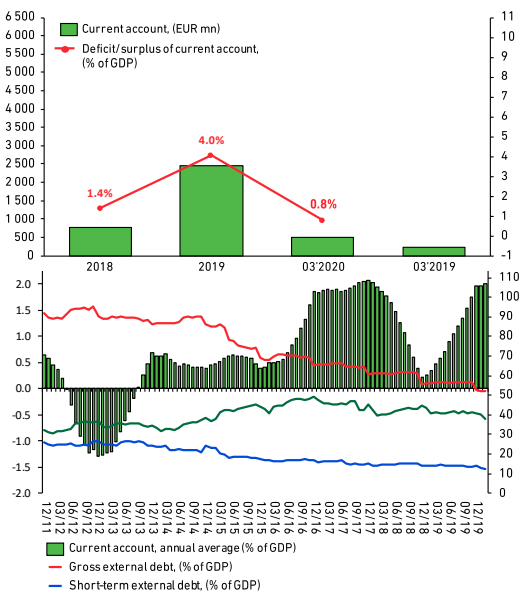
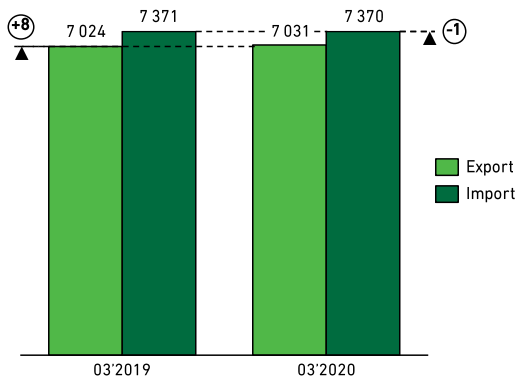
In January – March 2020 the current account is positive and amounts to EUR 502 million (0.8% of GDP), compared with a surplus of EUR 230 million (0.4% of GDP) in January – March 2019.

In January – March 2020 the trade balance is negative and amounts to minus EUR 338 million (0.5% of GDP), compared with a deficit of minus EUR 347 million (0.6% of GDP) in January – March 2019.

In January – March 2020 exports amounts to EUR 7 031 million, which is an increase of EUR 8 million (0.1%) compared to the same period of 2019 (EUR 7 024 million). Exports for January – March 2019 grow on an annual basis by 9.6%.

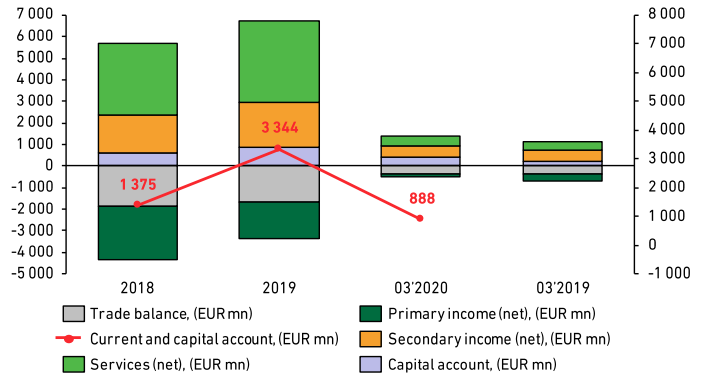
In January – March 2020 imports amounts to EUR 7 370 million, decreasing by EUR 1 million (0.02%) compared to the same period of 2019 (EUR 7 371 million). Imports for January – March 2019 grow on an annual basis by 6.6%.

In January – March 2020 the services balance is positive at EUR 463 EUR million (0.7% of GDP) against a positive balance EUR 394 million (0.6% of GDP) in January – March 2019.



## CAPITAL ACCOUNT

In January – March 2020 the capital account is positive, amounting to EUR 386 million (0.6% of GDP) against positive, balance amounting to EUR 193 million (0.3% of GDP) in January – March 2019.



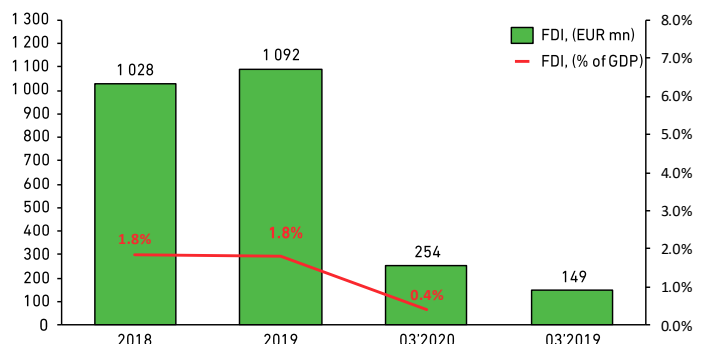
## FINANCIAL ACCOUNT

In January – March 2020 the financial account is positive, amounting to EUR 449 million (0.7% of GDP) compared to positive, amounting to EUR 442 million (0.7% of GDP) for the same period of 2019.

## DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – March 2020 presented according to the directional principle records a value of EUR 254 million (0.39% of GDP), growing by EUR 106 million (71.2%) compared to January – March 2019 (value of EUR 149 million, 0.2% of GDP).

Foreign direct investments abroad for January – March 2020 record a value of EUR 5 million (0.01% of GDP), dropping by EUR 49 million (90.5%) compared to January – March 2019 (value of EUR 54 million, 0.09% of GDP).



<sup>2</sup>In March 2020, the data according to Balance of Payments, International Investment Position and Reserve Assets of Republic of Bulgaria is being revised for January 2018 – December 2019.

# MONETARY, DEPOSITS AND LOANS INDICATORS

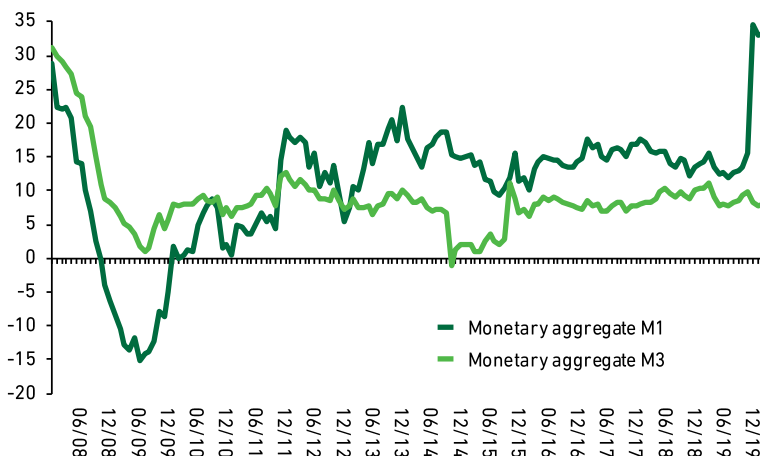
## MONEY

In March 2020 broad money (monetary aggregate M3) increases annually by 8.1% compared to an annual growth of 7.8% in February 2020.

■ At the end of March 2020 M3 is BGN 102 733 million (80.8% of GDP) compared to BGN 102 029 million in February 2020 (80.3% of GDP).

■ Its most liquid component – monetary aggregate M1 - increases in March 2020 by 33.3% on an annual basis (an annual growth of 33.0% in February 2020).

■ Quasi-money reports a decrease of 26.5% on an annual basis, as their volume reaches BGN 29 413 million.



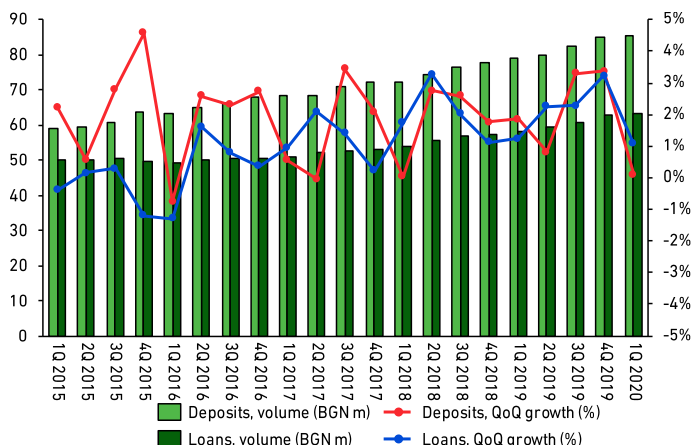
## DEPOSITS

■ At the end of March 2020 deposits of the non-government sector reach BGN 85 251 million (67.1% of GDP) and increasing by 7.8% on an annual basis (in February 2020 they report annual growth of 7.7%).

■ Deposits of the non-financial enterprises amount to BGN 25 814 million (20.3% of GDP) at the end of March 2020. Compared to the same month of 2019 they increase by 10.5% (in February 2020 report an annual growth of 10.4%).

■ Deposits of the financial corporations are BGN 3 317 million (2.6% of GDP) at the end of March 2020, and on annual basis decrease by 1.4% (in February 2020 report an annual drop of 14.5%).

■ Deposits of households and NPISHs reach BGN 56 121 million (44.1% of GDP) at the end of March 2020. They increase by 7.2% compared to the same month of 2019 (in February 2020 report an annual growth of 7.9%).



## LOANS<sup>3</sup>

■ At the end of March 2020 loans to the non-government sector amount to BGN 63 364 million (49.8% of GDP) compared to BGN 63 276 million in February 2020 (49.8% of GDP). In March 2020 they increase by 9.1% on an annual basis (in February 2020 report an annual growth of 9.2%).

■ As March 2020 loans to non-financial enterprises amount to BGN 34 824 million (27.4% of GDP). Compared to the same period of 2019 they increase by 5.2% (by February 2020 report an annual growth of 5.4%).

■ At the end of March 2020 loans to households and NPISHs reach BGN 24 360 million (19.2% of GDP). On annual basis they increase by 9.9% (in February 2020 report an annual growth of 10.5%).

■ Housing loans are BGN 11 053 million and increase by 14.8% compared to March 2019 (as of February 2020 the annual increase is 15.1%).

■ Consumer loans amount to BGN 11 540 million and report an increase of 10.4% on an annual basis (by the end of February 2020 they increase by 11.5% compared to the same period of the previous year).

■ Other loans amount to BGN 502 million and on an annual basis they decrease by 33.5% compared to March 2019 (in February 2020 report an annual drop of 34.8%).

### PREPARED BY

**STEFAN HRISTOV**

Head of Research Section

DSK Bank EAD

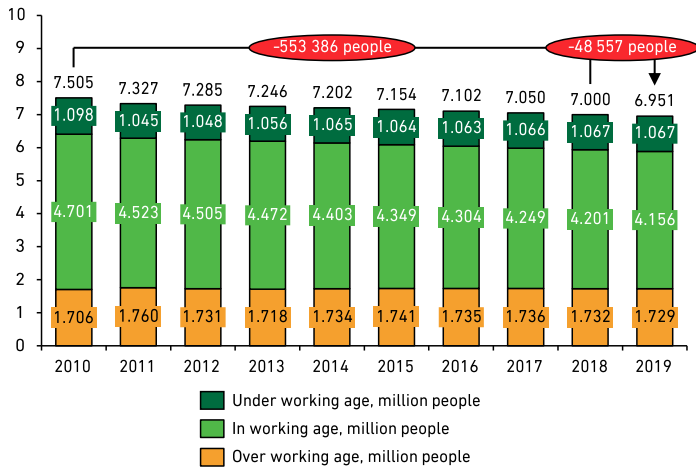
✉ Stefan.Hristov@dskbank.bg ☎ 02/80 10 028

<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.

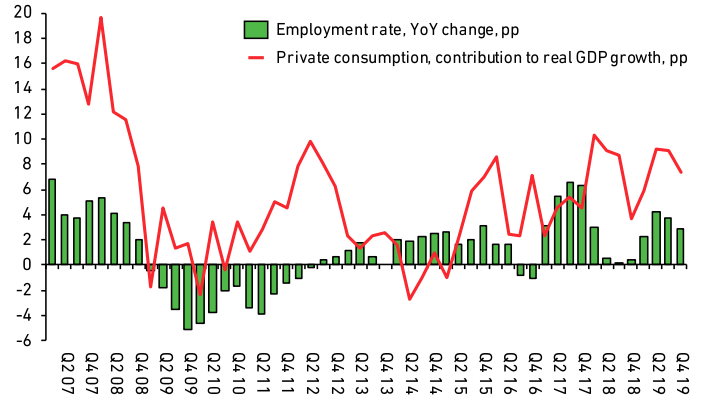
## ADDITIONAL INFORMATION

### POPULATION AND EMPLOYMENT

■ Population structure.

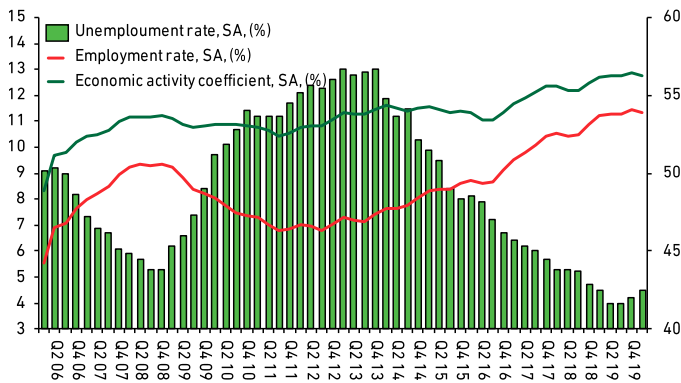


■ Individual consumption and employment rate.

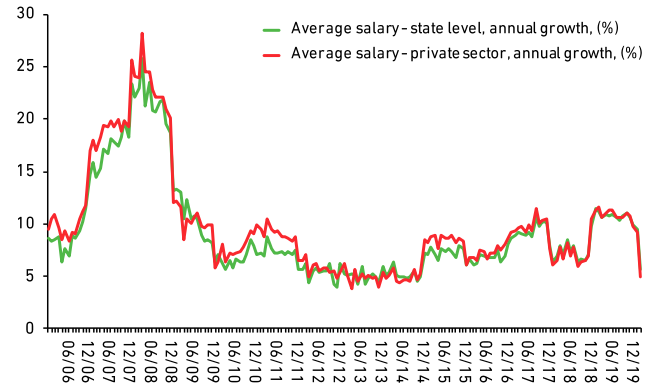


### LABOR MARKET

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

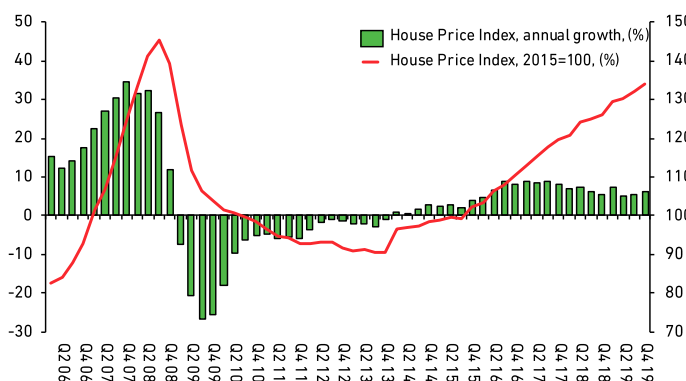


■ Annual average wage growth in private sector and on a state level.



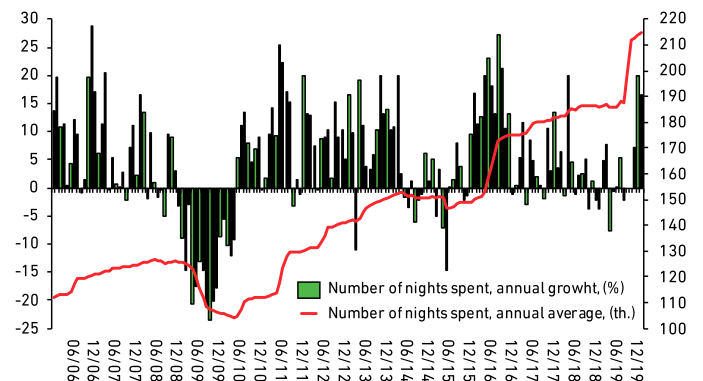
### REAL ESTATES

■ 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, April 27, 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**, Economic forecast, April 8, 2020
-  **European Commission**, Spring Forecast, May 6, 2020

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**web**  
www.dskbank.bg



**phone**  
0700 10 375



**mobile**  
\*2375