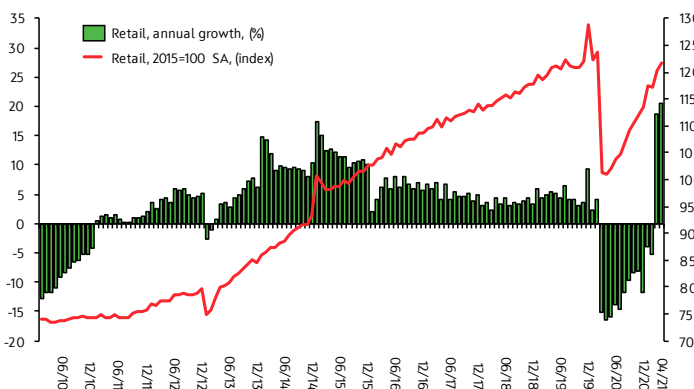
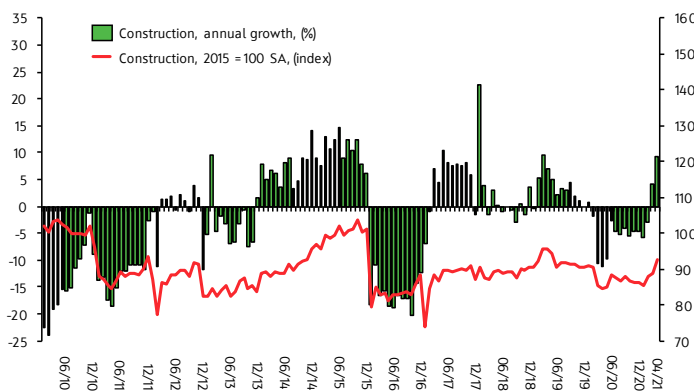
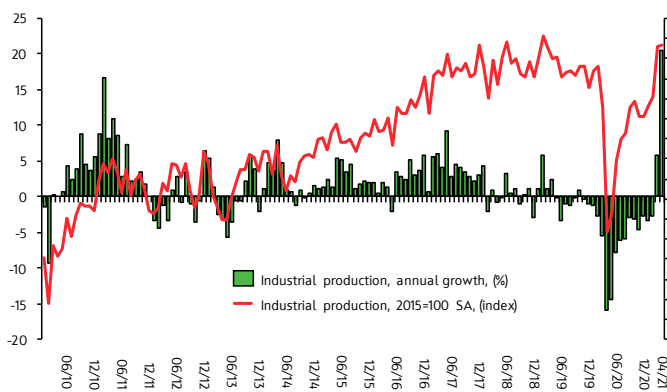


Macroeconomic bulletin

ISSUE 53 • MAY 2021

BUSINESS ENVIRONMENT INDICATORS

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



	MONTHLY INFLATION	
	↓ 0.1%	05/21
	ANNUAL INFLATION	
	↑ 2.5%	05/21
	UNEMPLOYMENT	
	↓ 5.7%	05/21
	NOMINAL GDP	
	↑ 27.1 BGN bn	1Q/2021
	REAL GDP GROWTH	
	↓ -0.5%	1Q/2021
	CONSOLIDATED BUDGET	
	↑ 0.1% OF GDP	04/21
	CURRENT ACCOUNT	
	↑ -0.2% OF GDP	04/21
	TRADE BALANCE	
	↓ -1.0% OF GDP	04/21
	EXPORTS ANNUAL GROWTH	
	↑ 17.3%	04/21
	IMPORTS ANNUAL GROWTH	
	↑ 19.1%	04/21

The arrows indicate changes compared to the previous month, except for the GDP data, where the comparison is on an annual basis.

GROSS DOMESTIC PRODUCT¹

The Gross Domestic Product at current prices in the first quarter of 2021 amounted to BGN 27 054 million, reporting a marginal annual decline by 0.5% in real terms and an increase of 2.5% compared to the fourth quarter of 2020.

- GDP shrinks to 1.8% compared to the same period of 2021 but generated 2.5% growth (on a comparable basis) to the last quarter of 2020.



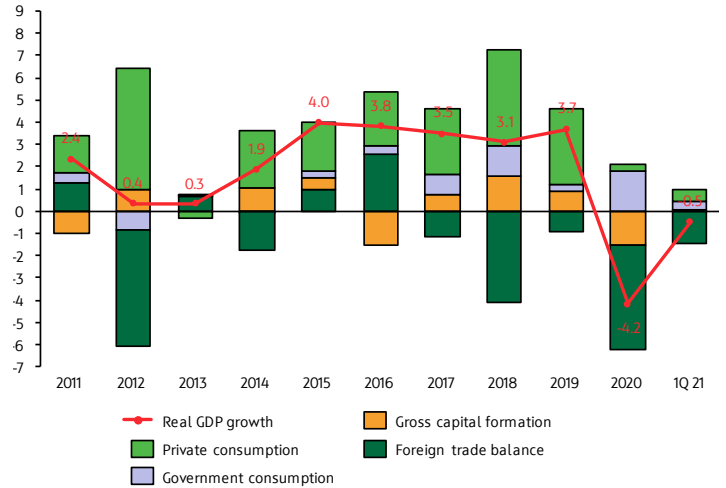
REAL GDP GROWTH FORECAST

	2021	2022
	3.3%	4.7%
	2.5%	3.0%
	4.4%	4.4%
	3.5%	4.7%
	3.8%	3.9%

The main driver of the economy is final consumption (growth by 2.1% QoQ), mainly contributed by real wage growth and increasing temp in industry (in both production rate and exports). Average incomes of the population in the country grew by 11% in the first quarter, mainly in lower-income groups (due to the increase in the minimal wage and pensions), which

determines their direct effect on final consumption.

- Investments remained relatively flat, reporting quarterly growth of 0.1%. Export of goods and services increased by 6.7%,



while imports increased by 2.7%.

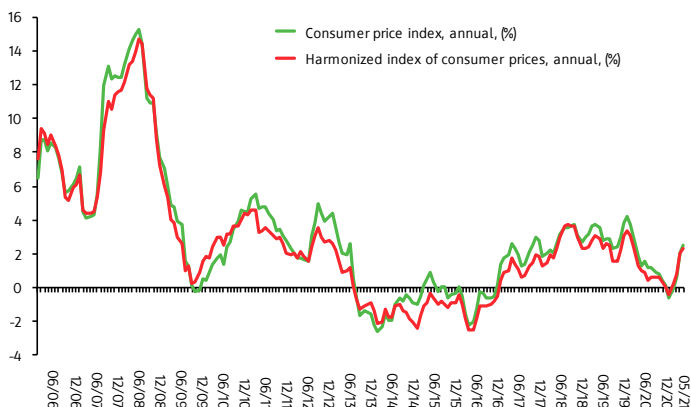
- Gross Value Added amounted to BGN 23 128 million and decreased by 1.7% compared to the same quarter of the previous year and increase by 2.6% compared previous quarter.
- The share of agricultural sector in GVA of the national economy is 2.2% and preserves its level compared to the same quarter of 2020. The Industry decreases its relative share in GVA with 0.6 p.p. to 26.5%. The relative share of services increased to the level of 71.3% compared to 70.7% in the first quarter of 2020.

INFLATION

CONSUMER PRICE INDEX

The consumer price index in May 2021 compared to April 2021 is 100.1%, i.e. the monthly inflation is 0.1%.

- The annual inflation in May 2021 compared to May 2020 is 2.5%.
- The annual average inflation, measured by CPI, in the last 12 months (June 2020 - May 2021) compared to the previous 12 months (June 2019 - May 2020) is 0.9%.
- The inflation rate since the beginning of the year (May 2021 compared to December 2020) is 1.7%.



- During the month, the highest increase is reported in the prices of sector "Clothing and footwear" (a growth of 1.0%). The highest decline is recorded in the prices of sector "Recreation and culture" (a drop of 1.4%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



INFLATION FORECAST

	2021	2022
AVG	1.7%	2.1%
EoP	2.1%	2.6%
AVG	1.0%	2.0%
AVG	1.6%	2.0%
AVG	3.0%	0.7%

HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in May 2021 compared to April 2021 was 100.1%, i.e. the monthly inflation is 0.1%.
- The annual inflation in May 2021 compared to May 2020 is 2.3%.
- The annual average inflation, measured by HICP, in the last 12 months (June 2020 - May 2021) compared to the previous 12 months (June 2019 - May 2020) is 0.7%.
- The inflation rate since the beginning of the year (May 2021 compared to December 2020) is 1.7%.

UNEMPLOYMENT

- According to data from the Employment Agency in May 2021, the number of unemployed individuals decreases by 14 370 compared to the previous month. The number of unemployed persons at the end of the month is 186 047.



- The reported unemployment at the end of the month is 5.7%.



UNEMPLOYMENT FORECAST

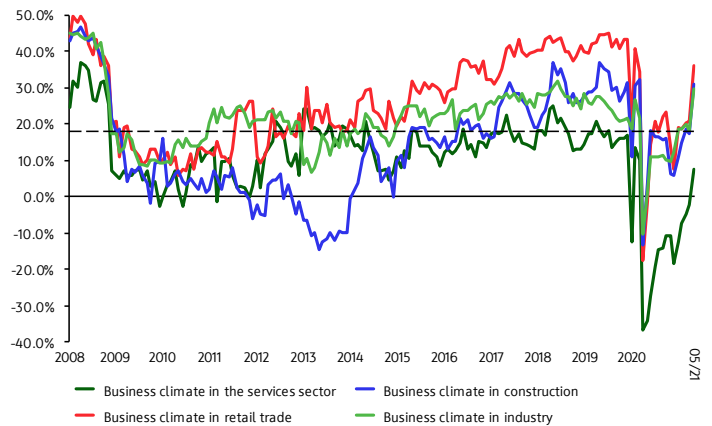
- In May, the number of newly registered unemployed was 17 965 which was by 3 959 people less than April 2021 and with 13 513 people less than to same period of previous year.

	2021	2022
EoP	6.4%	5.9%
EoP	5.2%	4.6%
EoP	4.8%	4.4%
EoP	4.8%	3.9%
EoP	5.1%	4.6%

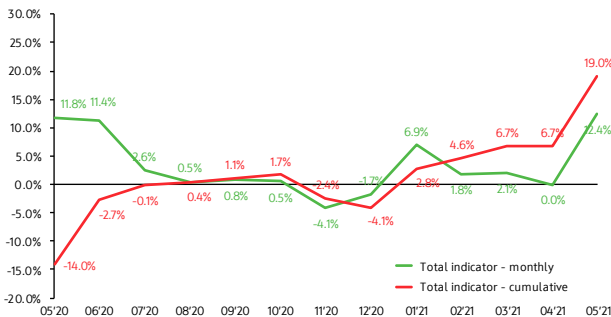
BUSINESS CLIMATE

During May 2021 the total business climate indicator increases by 12.4 pp compared to April.

- This is mainly due to the more favorable business climate in industry, construction, retail trade and services.
- 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 19.0%.

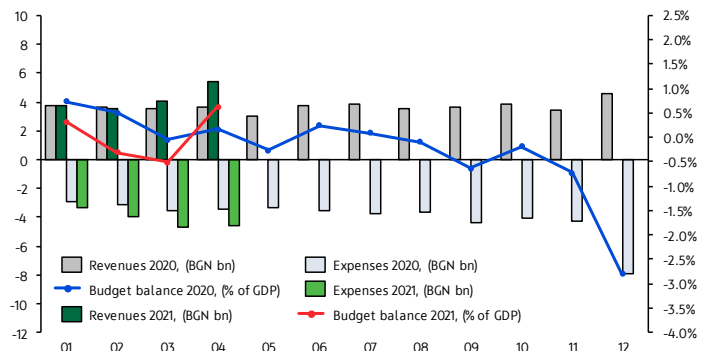


STATE BUDGET

BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of April 2021 is positive amounting to BGN 172 million (0.1% of the forecasted GDP).

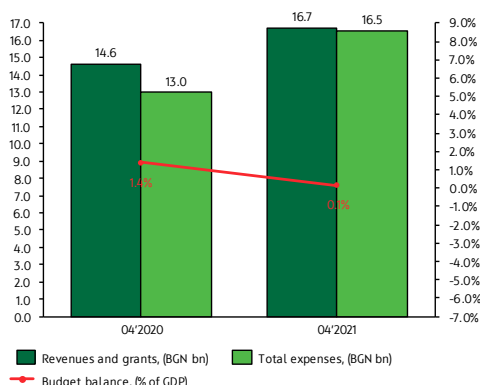
- It is formed by a national budget surplus of BGN 373 million and by a deficit of EU funds at the amount of BGN 201 million.
- For comparison, by the end of April 2020, the CFP reports a surplus amounting to BGN 1 632 million (1.4% of GDP), which means that as a relative share of GDP the budget position worsens by 1.2%.



worsens by 1.2%.

REVENUES

- The CFP revenues and grants at the end of April 2021 stand at BGN 16 712 million.
- Compared to the same period of the previous year, revenues and grants increase by BGN 2 089 million (an annual growth of 14.3%).
- At the end of April, the receivables accounts for 35.1% of the annual estimates, as per the „State Budget Act for 2021“.

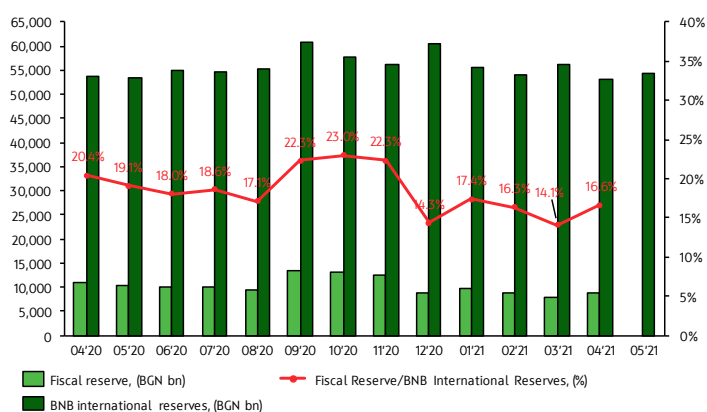


FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of April 2021 is BGN 8 823 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 April 2021 amounts to BGN 7 708 million.
- In comparison to the previous month, the FR increase by BGN 919 million or 11.6%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

- At the end of April 2021, the Fiscal reserve forms 16.6% of the country's International reserves and the indicator reports an increase of 2.5 pp compared to the previous month.



COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for April 2021 amounts to BGN 16 541 million.
- The data, reported as of the end of April shows an annual growth of expenditures by 27.3%. As of the end of the month, they were by BGN 3 549 million higher, compared to the same period of the previous year.
- The expenses reported by the end of April form 31.5% of the annual volume, planned in the „State Budget Act for 2021“.

GOVERNMENT DEBT

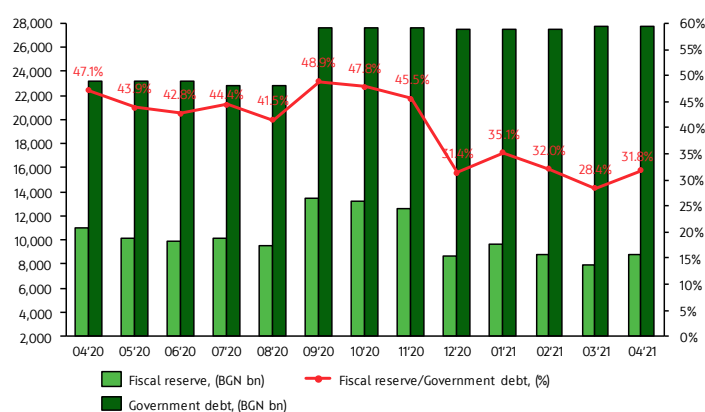
- Government debt by the end of April amounts to BGN 27 777 million or 22.0% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 4 530 million (19.5%).

FOREIGN EXCHANGE RESERVES

- At the end of May 2021 International reserves of BNB amounts to BGN 54 257 million.
- During the month they increase by BGN 1 032 million (1.9%).
- Compared to the same period of the previous year, International reserves increase by BGN 904 million (1.7%).
- Since the beginning of the year they decrease by BGN 6 077 million or 10.1%.

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

- At the end of April 2021 the Fiscal reserve covers 31.8% of the Government debt, as the indicator grows by 3.3 pp compared to the previous month.








BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

In January – April 2021 the current account is negative and amounts to minus EUR 103 million (0.2% of GDP), compared with a surplus of EUR 316 million (0.5% of GDP) in January – April 2020.



CURRENT ACCOUNT FORECAST

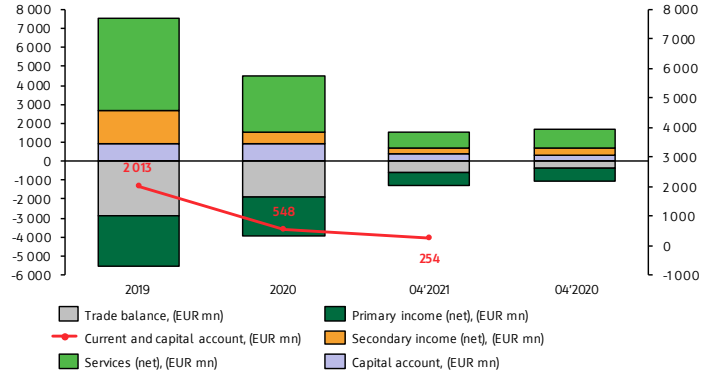
	2021	2022
	1.5%/GDP	1.9%/GDP
	3.9%/GDP	4.2%/GDP
	1.4%/GDP	1.2%/GDP
	6.0%/GDP	7.5%/GDP
	2.0%/GDP	3.5%/GDP

In January – April 2021 the trade balance is negative and amounts to minus EUR 625 million (1.0% of GDP), compared with a deficit of minus EUR 389 million (0.6% of GDP) in January – April 2020.

In January – April 2021 exports amounts to EUR 10 645 million, which is an increase of EUR 1 570 million (17.3%) compared to the same period of 2020 (EUR 9 075 million). Exports for January – April 2020 decreases on annual basis by 3.0%.

CAPITAL ACCOUNT

In January – April 2021 the capital account is positive, amounting to EUR 357 million (0.6% of GDP) against positive, balance amounting to EUR 287 million (0.5% of GDP) in January – April 2020.



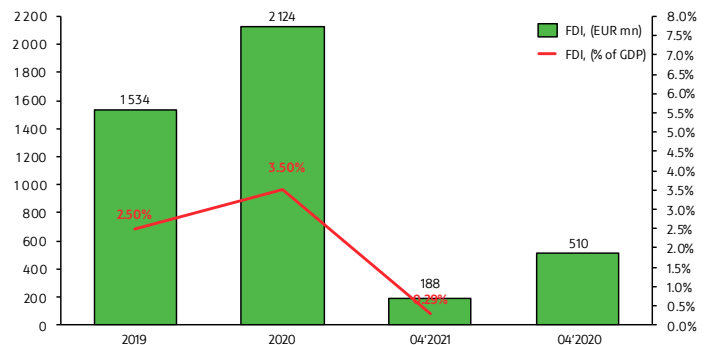
FINANCIAL ACCOUNT

In January – April 2021 the financial account is positive, amounting to EUR 1 656 million (2.6% of GDP) compared to positive, amounting to EUR 627 million (1.0% of GDP) for the same period of 2020.

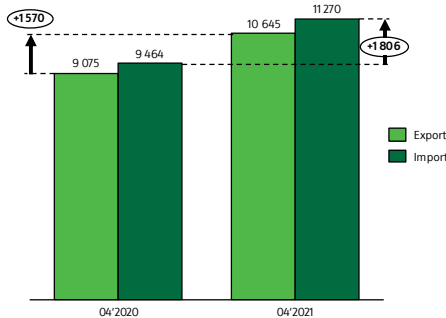
DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – April 2021 presented according to the directional principle records a value of EUR 188 million (0.29% of GDP), dropping by EUR 322 million (63.2%) compared to January – April 2020 (value of EUR 510 million, 0.8% of GDP).

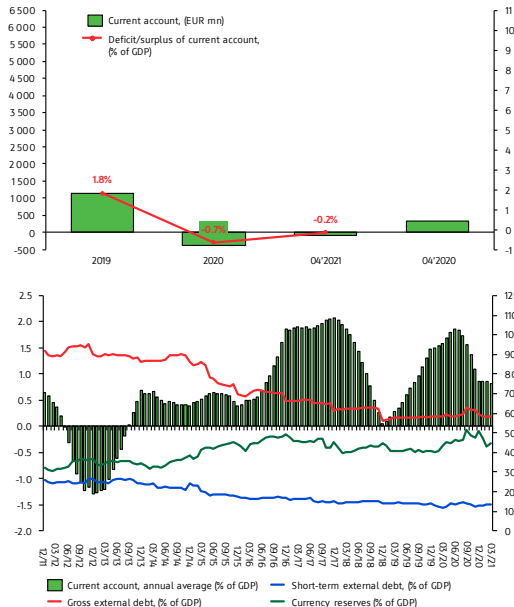
Foreign direct investments abroad for January – April 2021 record a value of EUR 36 million (0.06% of GDP), dropping by EUR 41 million (52.9%) compared to January – April 2020 (value of EUR 77 million, 0.13% of GDP).



In January – April 2021 imports amounts to EUR 11 270 million, increasing by EUR 1 806 million (19.1%) compared to the same period of 2020 (EUR 9 464 million). Imports for January – April 2020 decreases on annual basis by 8.3%.



In January – April 2021 the services balance is positive at EUR 801 million (1.2% of GDP) against a positive balance EUR 943 million (1.6% of GDP) in January – April 2020.

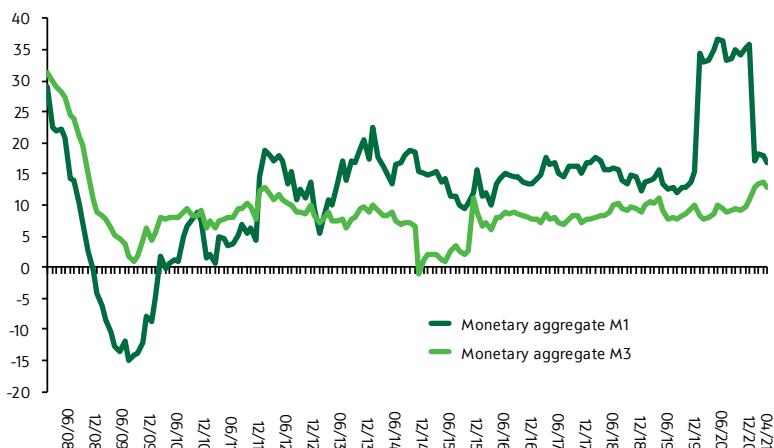


MONETARY, DEPOSITS AND LOANS INDICATORS

MONEY

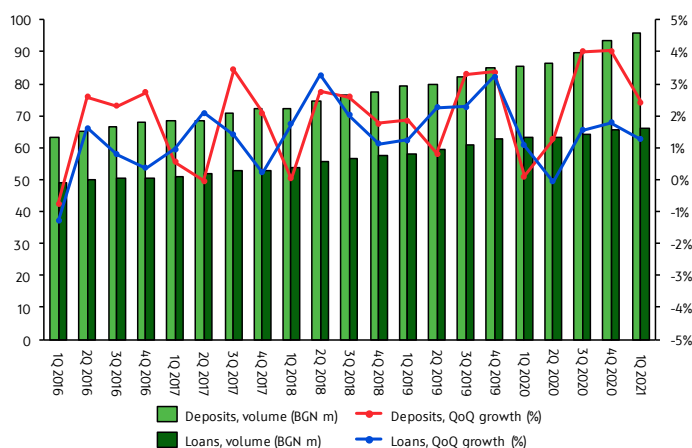
In April 2021 broad money (monetary aggregate M3) increases annually by 12.8% compared to an annual growth of 13.6% in March 2021.

- At the end of April 2021 M3 is BGN 117 197 million (93.0% of GDP) compared to BGN 116 698 million in March 2021 (92.6% of GDP).
- Its most liquid component - monetary aggregate M1 - increases in April 2021 by 16.9% on an annual basis (an annual growth of 18.0% in March 2021).
- Quasi-money reports an increase of 2.6% on an annual basis, as their volume reaches BGN 30 192 million.



DEPOSITS

- At the end of April 2021 deposits of the non-government sector reach BGN 95 573 million (75.8% of GDP) and increasing by 11.4% on an annual basis (in March 2021 they report annual growth of 12.2%).
- Deposits of the non-financial enterprises amount to BGN 29 059 million (23.1% of GDP) at the end of April 2021. Compared to the same month of 2020 they increase by 12.5% (in March 2021 report an annual growth of 16.1%).
- Deposits of the financial corporations are BGN 3 049 million (2.4% of GDP) at the end of April 2021, and on annual basis decrease by 6.9% (in March 2021 report an annual drop of 14.2%).
- Deposits of households and NPISHs reach BGN 63 465 million (50.3% of GDP) at the end of April 2021. They increase by 11.9% compared to the same month of 2020 (in March 2021 report an annual growth of 12.0%).



LOANS³

- At the end of April 2021 loans to the non-government sector amount to BGN 66 927 million (53.1% of GDP) compared to BGN 66 285 million in March 2021 (52.6% of GDP). In April 2021 they increase by 6.1% on an annual basis (in March 2021 report an annual growth of 4.6%).
- As April 2021 loans to non-financial enterprises amount to BGN 36 022 million (28.6% of GDP). Compared to the same period of 2020 they increase by 4.3% (by March 2021 report an annual growth of 2.7%).
- At the end of April 2021 loans to households and NPISHs reach BGN 26 387 million (20.9% of GDP). On annual basis they increase by 8.5% (in March 2021 report an annual growth of 7.1%).
- Housing loans are BGN 12 563 million and increase by 12.7% compared to April 2020 (as of March 2021 the annual increase is 11.9%).
- Consumer loans amount to BGN 12 315 million and report an increase of 7.5% on an annual basis (by the end of March 2021 they increase by 5.5% compared to the same period of the previous year).
- Other loans amount to BGN 369 million and on an annual basis they decrease by 25.3% compared to April 2020 (in March 2021 report an annual drop of 24.6%).

PREPARED BY

STEFAN HRISTOV
Head of Research Section
DSK Bank AD

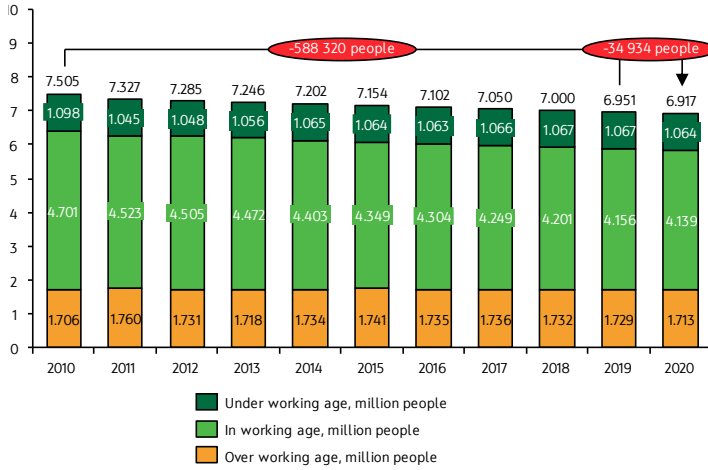
Stefan.Hristov@dskbank.bg 02/80 10 028

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.

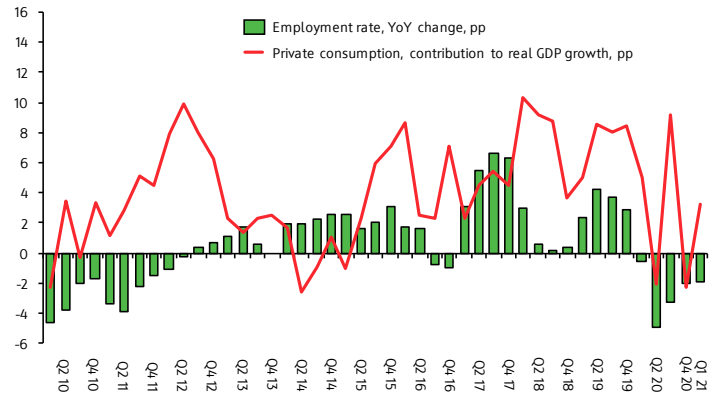
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

- Population structure.

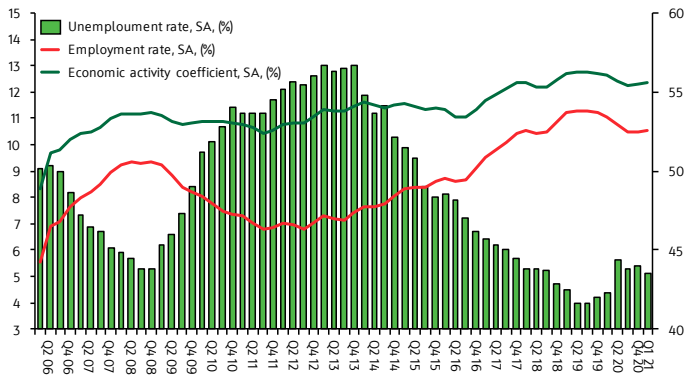


- Individual consumption and employment rate.

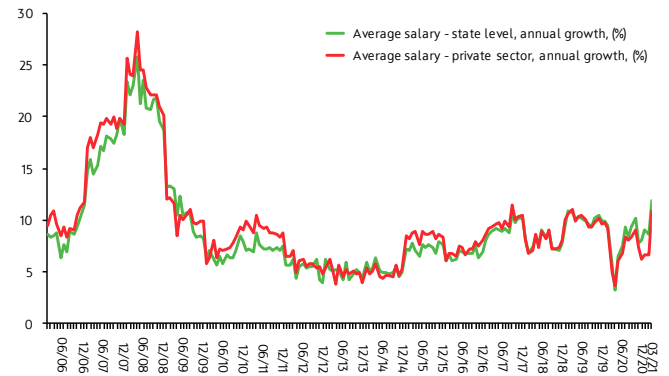


LABOR MARKET

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

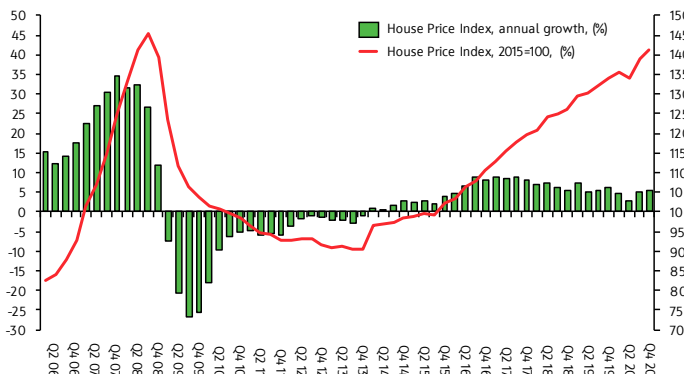


- Annual average wage growth in private sector and on a state level.



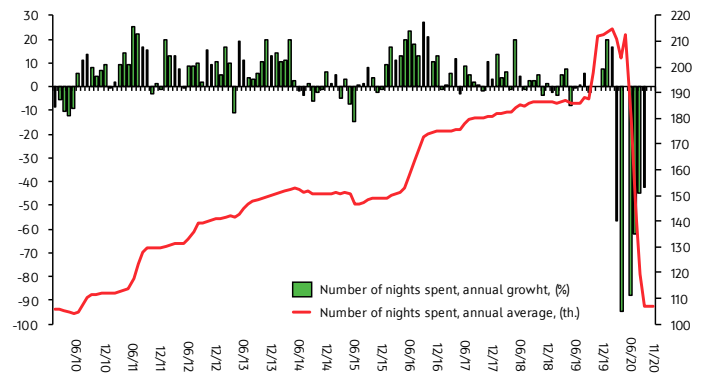
REAL ESTATES

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

DISCLAIMER

- This bulletin is informative and does not represent a recommendation and/or a proposal for a conclusion of contract, deal and/or any other intentional behavior by the addressees of this informational bulletin.
- This document is addressed to clients of DSK Bank AD and the Banking Group of OTP Bank Hungary. The document does not claim completeness and thoroughness with regard to the information contained herein.
- The bulletin does not represent an investment research, consultation, advice or recommendation for concluding a deal or undertaking an investment strategy.
- Potential and current clients of DSK Bank AD or OTP Banking Group companies are forewarned that the indicated rates, interest rates, terms and bonuses, as well as other information contained in this bulletin are indicative and do not bind in any way DSK Bank AD or another company in the Group.
- The preparation of this bulletin is based on public information and statistics published on the official websites of the abovementioned sources up to 18 June 2021, except for the macroeconomic forecast of OTP Bank Hungary.
- The macroeconomic forecast is submitted with the consent of OTP Bank Hungary. DSK Bank AD, OTP Bank Hungary, as well as any other OTP Group company, do not guarantee, assert or take responsibility for concluding of deals and/or contracts based on the abovementioned information, and for damages and/or losses as a result of actions undertaken by a customer and/or a potential customer based on the presented information.
- It is forbidden to copy, distribute, publish or modify any part of this bulletin without the prior written consent of DSK Bank AD and/or OTP Bank Hungary.



web
www.dskbank.bg



phone
0700 10 375



mobile
*2375