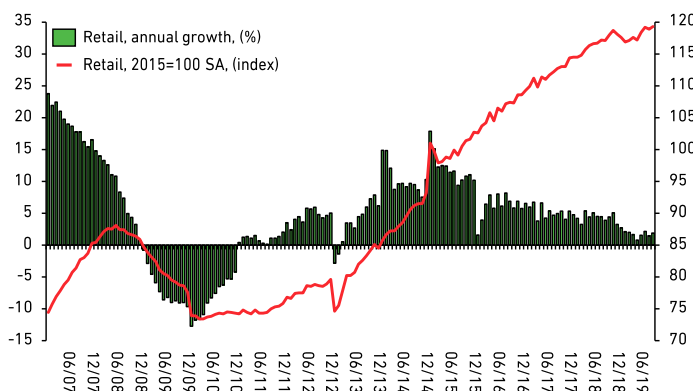
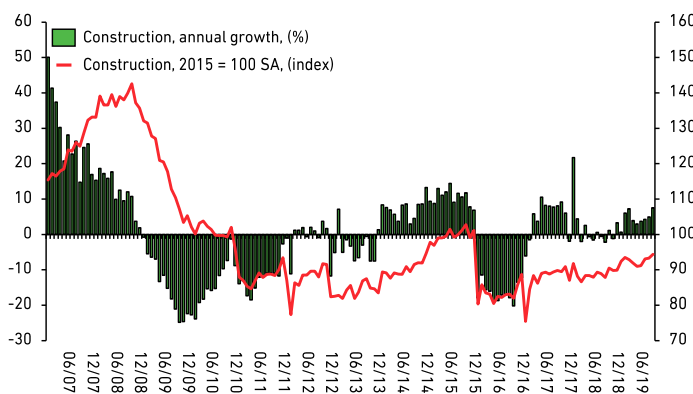
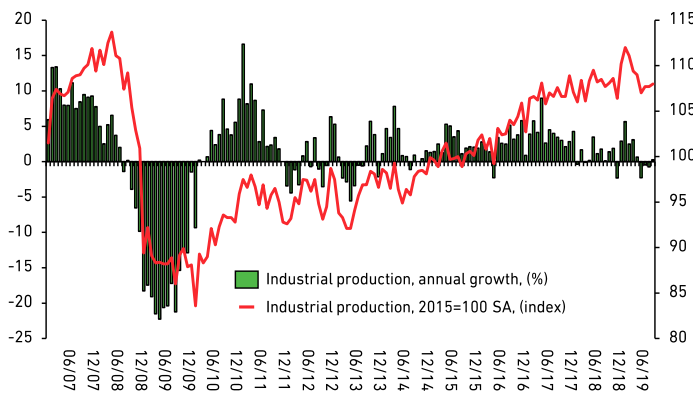


Macroeconomic bulletin

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 ↑ 0.8% 10/19
	ANNUAL INFLATION ↑ 2.4% 10/19
	UNEEMPLOYMENT ↓ 5.3% 09/19
	NOMINAL GDP ↑ 31.5 BGN bn <small>FLASHESTIMATES 3Q 2019</small>
	QUARTERLY GROWTH OF GDP ↑ 3.7% <small>3Q19 COMPARED 3Q18 FLASHESTIMATES 3Q 2019</small>
	CONSOLIDATED BUDGET ↓ +1.1 of GDP 09/19
	CURRENT ACCOUNT ↑ +8.2% of GDP 09/19
	TRADE BALANCE ↑ -0.5% of GDP 09/19
	EXPORTS ANNUAL GROWTH ↓ 4.1% 09/19
	IMPORTS ANNUAL GROWTH ↓ -0.5% 09/19

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 flash GDP estimates for the third quarter of 2019, the GDP at current prices is 31 485 million BGN.

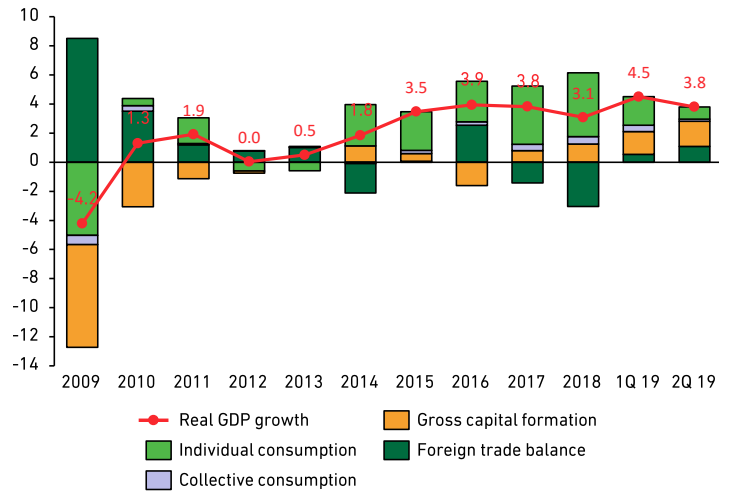
■Gross Domestic Product (GDP) expanded with 3.7% in the third quarter of 2019 compared to the same quarter of the previous year and with 0.7% compared to the second quarter of 2019 according to the seasonally adjusted data.

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%

■In the structure of GDP by the expenditure approach the largest share has the final consumption (68.4%), which in nominal terms is 21 524 million BGN. In the third quarter of 2019 gross capital formation is 5 773 million BGN and has a share of 18.3% in GDP. The external balance (exports minus imports) has a positive sign.

■As regards the expenditure components of GDP, the final consumption registered a positive economic growth of 4.9%.



Gross fixed capital formation increased by 2.2% in the third quarter of 2019 compared to the same quarter of the previous year at seasonally adjusted data. Exports of goods and services increased by 0.4%, while imports of goods and services decreased by 1.7%.

■Gross Value Added in the third quarter of 2019 amounted to 27 133 million BGN.

■Compared to previous quarter of 2019, GVA increase in the third quarter of 2019 by 0.5%. Compared to the same quarter of the previous year Gross value added increased by 3.4%.

■During the month, the highest increase is reported in the prices of sector "Clothing and footwear" (a growth of 9.0%). The highest decline is recorded in the prices of sector "Transport" (a drop of 0.6%). 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%

INFLATION

CONSUMER PRICE INDEX

The consumer price index in October 2019 compared to September 2019 is 100.8%, i.e. the monthly inflation is 0.8%.

■The annual inflation in October 2019 compared to October 2018 is 2.4%.

■The annual average inflation, measured by CPI, in the last 12 months (November 2018 - October 2019) compared to the previous 12 months (November 2017 - October 2018) is 3.0%.

■The inflation rate since the beginning of the year (October 2019 compared to December 2018) is 2.6%.

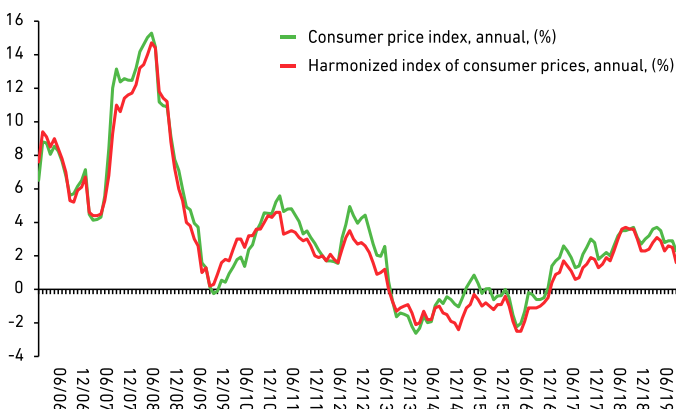
HARMONIZED INDEX OF CONSUMER PRICES

■The harmonized index of consumer prices in October 2019 compared to September 2019 was 100.2%, i.e. the monthly inflation is 0.2%.

■The annual inflation in October 2019 compared to October 2018 is 1.6%.

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

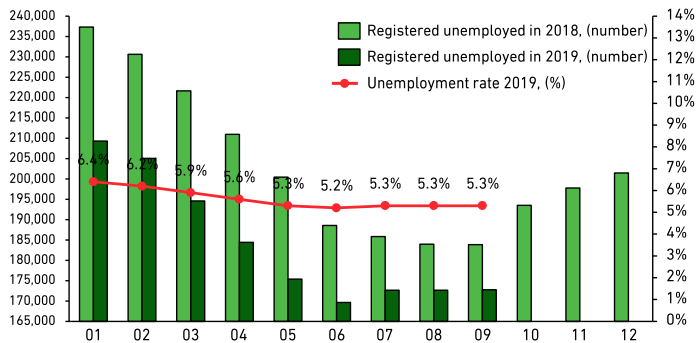
■The inflation rate since the beginning of the year (October 2019 compared to December 2018) is 2.0%.



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

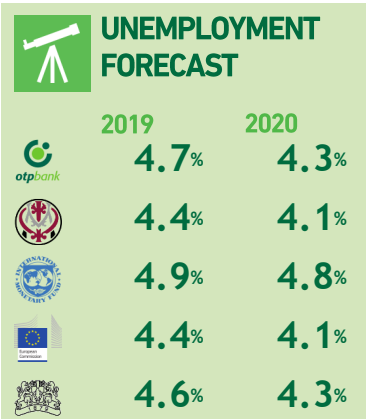
■ According to data from the Employment Agency in September 2019, the number of unemployed individuals increases by 138 compared to the previous month. The number of unemployed



persons at the end of the month is 172 781.

■ The reported unemployment at the end of the month is 5.3%.

■ Unemployment in Bulgaria (according to Eurostat) is 3.8% at the end of September 2019. During the same period last year, unemployment is 4.8% or reports a decrease of 1.0 pp.

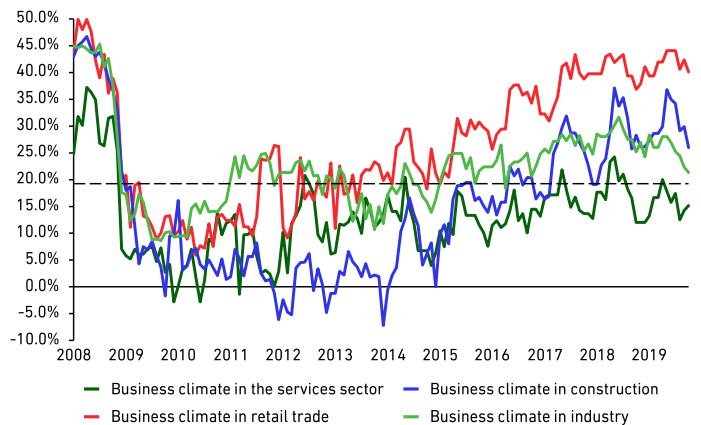


BUSINESS CLIMATE

■ During October 2019 the total business climate indicator decreases by 1.4 pp compared to September.

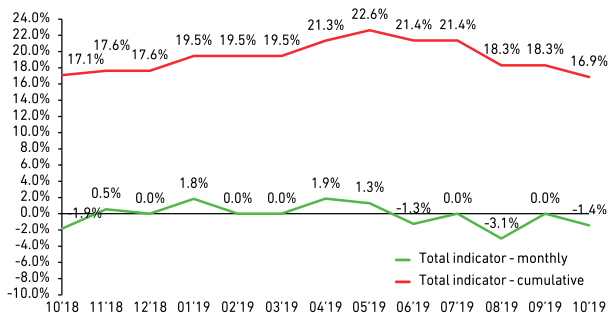
■ This is mainly due to the more unfavorable business climate in industry, construction and retail trade.

■ The business conjuncture in services reports an increase 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 labour force.

■ Compared to 2008, the indicator registers a growth of 16.9%.



STATE BUDGET

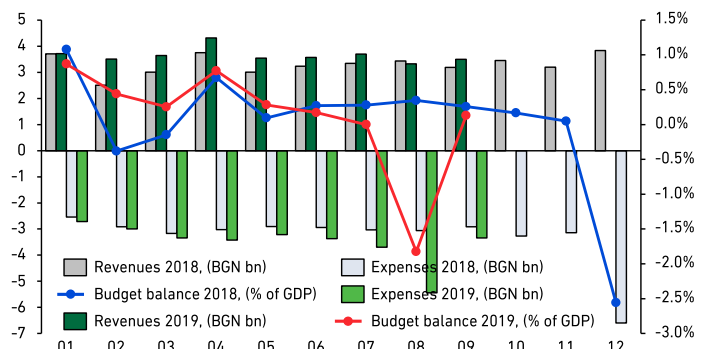
BUDGET BALANCE

■ The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of September 2019 is positive amounting to BGN 1 265 million (1.1% of the forecasted GDP).

■ It is formed by a national budget surplus of BGN 1 206 million and by a surplus of EU funds at the amount of BGN 59 million.

■ For comparison, by the end of September 2018, the CFP reports a surplus amounting to BGN 2 665 million (2.5% of GDP), which means that as a relative share of GDP the budget position

worsens by 1.4%.

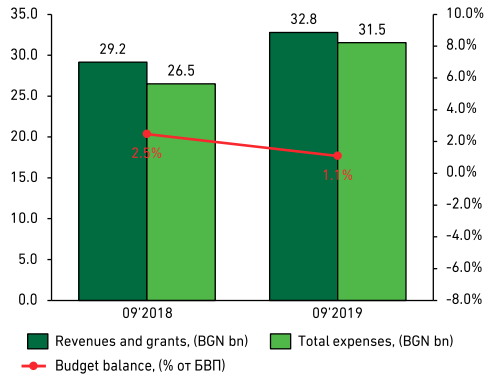


REVENUES

■The CFP revenues and grants at the end of September 2019 stand at BGN 32 798 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 3 636 million (an annual growth of 12.5%).

■At the end of September, the receivables accounts for 74.8% of the annual estimates, as per the „Amendment to the State Budget Act for 2019“.



FISCAL RESERVES

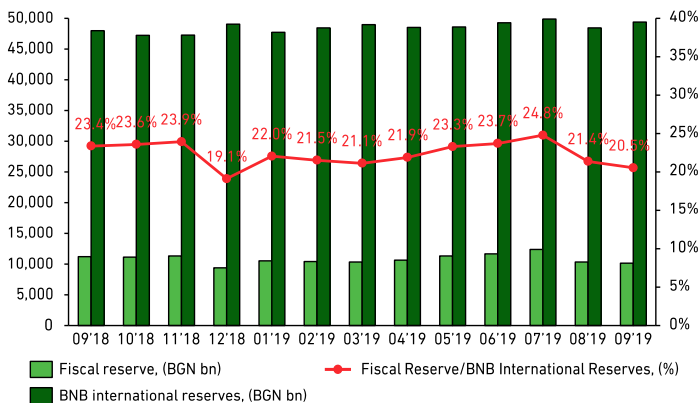
■The total balance of the Fiscal reserve (FR) at the end of September 2019 is BGN 10 138 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of September 2019 amounts to BGN 10 120 million.

■In comparison to the previous month, the FR decrease by 203 BGN million or 2.0%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of September 2019, the Fiscal reserve forms 20.5% of the country's International reserves and the indicator reports a decrease of 0.8 pp compared to the previous month.



COSTS

■The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for September 2019 amounts to BGN 31 533 million.

■The data, reported as of the end of September shows an annual growth of expenditures by 19.0%. As of the end of the month, they were by BGN 5 036 million higher, compared to the same period of the previous year.

■The expenses reported by the end of September form 68.1% of the annual volume, planned in the „Amendment to the State Budget Act for 2019“.

GOVERNMENT DEBT

■Government debt by the end of September amounts to BGN 21 882 million or 18.9% of the estimated GDP. Compared to the same period of the previous year, the debt decreases by BGN 394 million (1.8%).

FOREIGN EXCHANGE RESERVES

■At the end of October 2019 International reserves of BNB amounts to BGN 48 347 million.

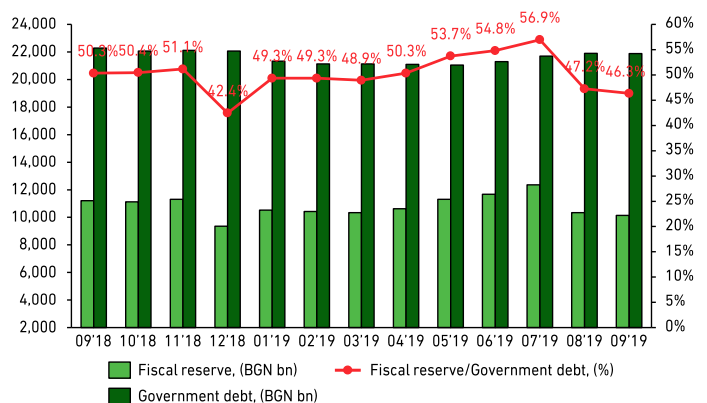
■During the month they decrease by BGN 1 053 million (2.1%).

■Compared to the same period of the previous year, International reserves increase by BGN 1 140 million (2.4%).

■Since the beginning of the year they decrease by BGN 690 million or 1.4%.

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of September 2019 the Fiscal reserve covers 46.3% of the Government debt, as the indicator drops by 0.9 pp compared to the previous month.



BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

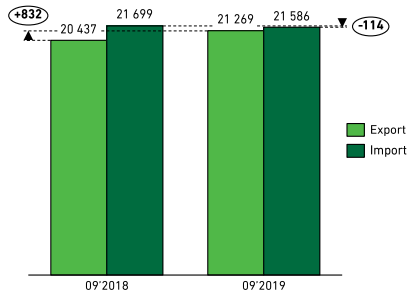
In January – September 2019 the current account is positive and amounts to EUR 4 862 million (8.2% of GDP), compared with a surplus of EUR 2 798 million (5.1% of GDP) in January – September 2018.

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 – September 2019 the trade balance is negative and amounts to minus EUR 316 million (0.5% of GDP), compared with a deficit of minus EUR 1 262 million (2.3% of GDP) in January – September 2018.

In January – September 2019 exports amounts to EUR 21 269 million, which is an increase of EUR 832 million (4.1%) compared to the same

period of 2018 (EUR 20 437 million). Exports for January – September 2018 grow on an annual basis by 2.6%.

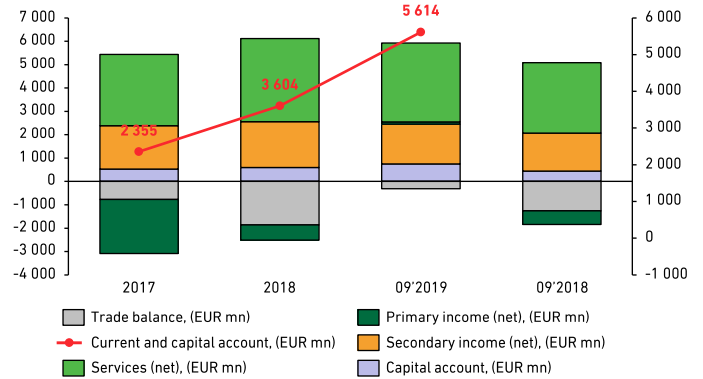


In January – September 2019 imports amounts to EUR 21 586 million, decreasing by EUR 114 million (0.5%) compared to the same period of 2018 (EUR 21 699 million). Imports for January – September 2018 grow on an annual basis by 7.9%.

In January – September 2019 the services balance is positive at EUR 3 384 EUR million (5.7% of GDP) against a positive balance EUR 3 016 million (5.5% of GDP) in January – September 2018.

CAPITAL ACCOUNT

In January – September 2019 the capital account is positive, amounting to EUR 752 million (1.3% of GDP) against positive, balance amounting to EUR 443 million (0.8% of GDP) in January – September 2018.



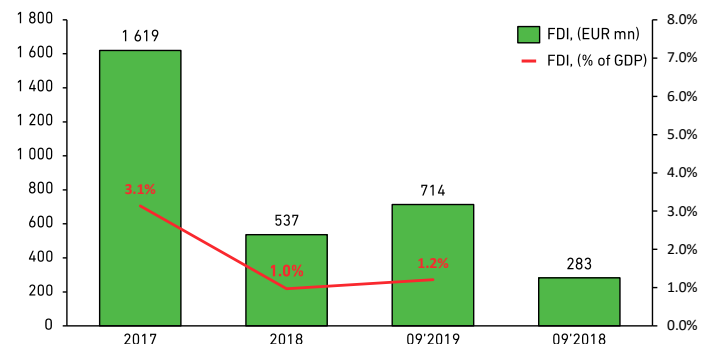
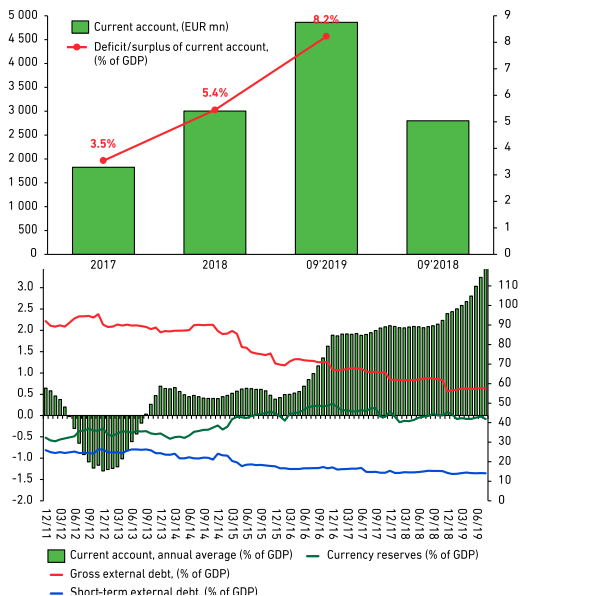
FINANCIAL ACCOUNT

In January – September 2019 the financial account is positive, amounting to EUR 2 738 million (4.6% of GDP) compared to positive, amounting to EUR 2 809 million (5.1% of GDP) for the same period of 2018.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – September 2019 presented according to the directional principle records a value of EUR 714 million (1.2% of GDP), growing by EUR 431 million (152.1%) compared to January – September 2018 (value of EUR 283 million, 0.5% of GDP).

Foreign direct investments abroad for January – September 2019 records a value of EUR 254 million (0.43% of GDP), growing by EUR 54 million (27.2%) compared to January – September 2018 (value of EUR 200 million, 0.36% 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

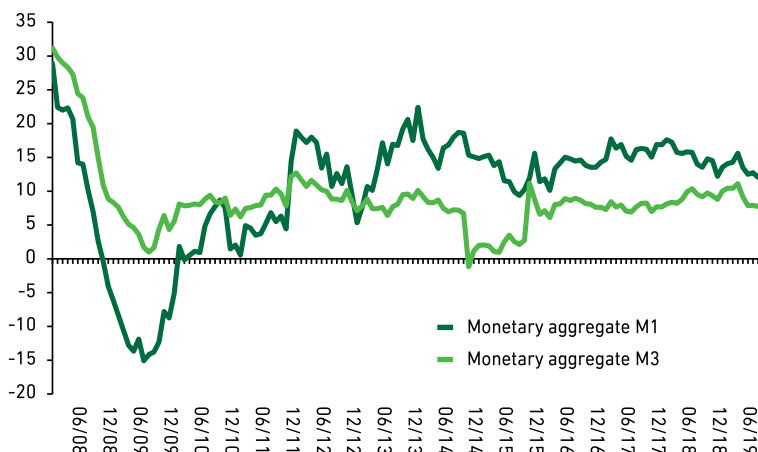
MONEY

In September 2019 broad money (monetary aggregate M3) increases annually by 8.3% compared to an annual growth of 7.7% in August 2019.

At the end of September 2019 M3 is BGN 99 207 million (85.7% of GDP) compared to BGN 98 507 million in August 2019 (85.1% of GDP).

Its most liquid component – monetary aggregate M1 - increases in September 2019 by 12.8% on an annual basis (an annual growth of 12.0% in August 2019).

Quasi-money reports an increase of 2.4% on an annual basis, as their volume reaches BGN 40 701 million.



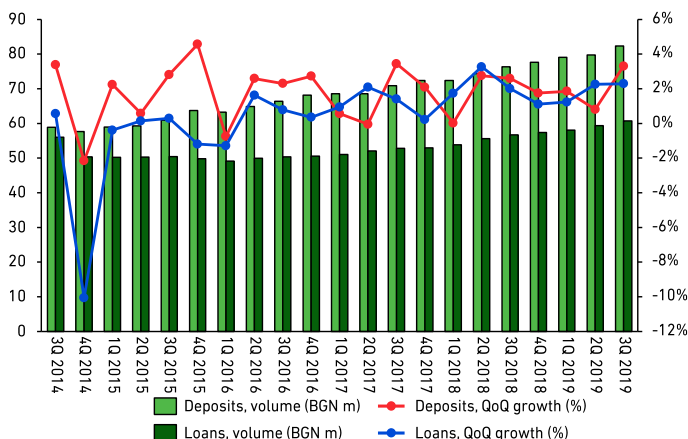
DEPOSITS

At the end of September 2019 deposits of the non-government sector reach BGN 82 375 million (71.2% of GDP) and increasing by 7.9% on an annual basis (in August 2019 they report annual growth of 7.3%).

Deposits of the non-financial enterprises amount to BGN 25 377 million (21.9% of GDP) at the end of September 2019. Compared to the same month of 2018 they increase by 6.4% (in August 2019 report an annual growth of 3.1%).

Deposits of the financial corporations are BGN 3 111 million (2.7% of GDP) at the end of September 2019, and on annual basis increase by 17.2% (in August 2019 report an annual growth of 29.7%).

Deposits of households and NPISHs reach BGN 53 887 million (46.6% of GDP) at the end of September 2019. They increase by 8.2% compared to the same month of 2018 (in August 2019 report an annual growth of 8.2%).



LOANS³

At the end of September 2019 loans to the non-government sector amount to BGN 60 731 million (52.5% of GDP) compared to BGN 59 932 million in August 2019 (51.8% of GDP). In September 2019 they increase by 7.1% on an annual basis (in August 2019 report an annual growth of 6.0%).

As September 2019 loans to non-financial enterprises amount to BGN 34 127 million (29.5% of GDP). Compared to the same period of 2018 they increase by 4.8% (by August 2019 report an annual growth of 3.3%).

At the end of September 2019 loans to households and NPISHs reach BGN 23 377 million (20.2% of GDP). On annual basis they increase by 9.1% (in August 2019 report an annual growth of 8.8%).

Housing loans are BGN 10 358 million and increase by 13.6% compared to September 2018 (as of August 2019 the annual increase is 13.2%).

Consumer loans amount to BGN 11 119 million and report an increase of 10.9% on an annual basis (by the end of August 2019 they increase by 10.5% compared to the same period of the previous year).

Other loans amount to BGN 552 million and on an annual basis they decrease by 40.4% compared to September 2018 (in August 2019 report an annual drop of 39.2%).

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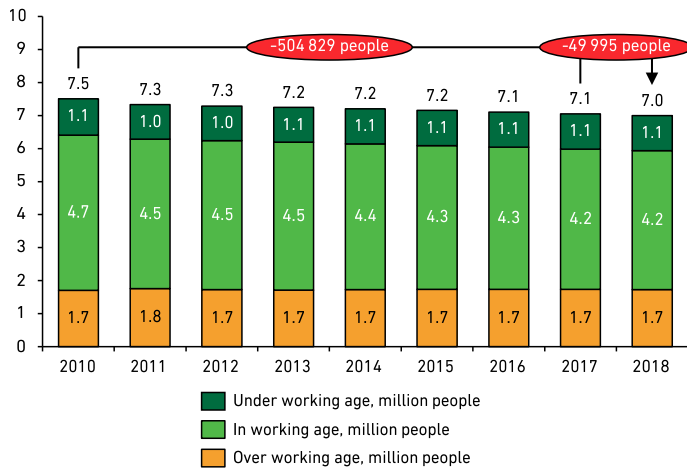
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³The other loans indicator also includes loans granted to associations of owners in accordance with the National Program for Energy Efficiency of Multi-family Residential Buildings.

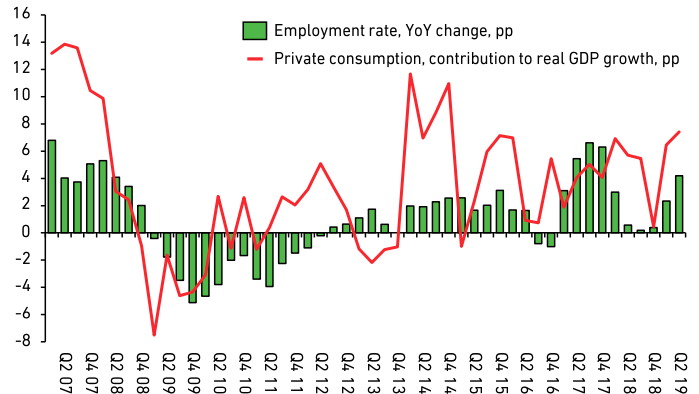
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

■ Population structure.

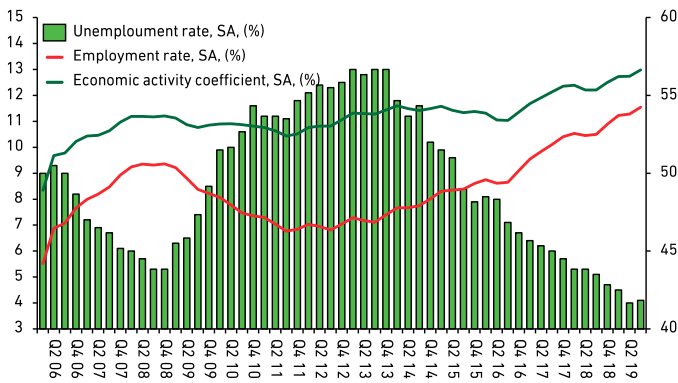


■ Individual consumption and employment rate.

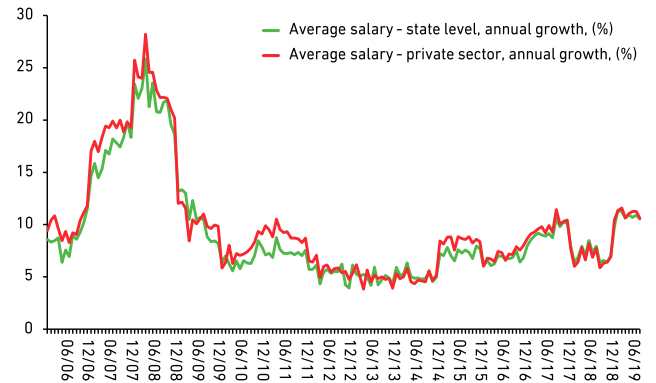


LABOR MARKET

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

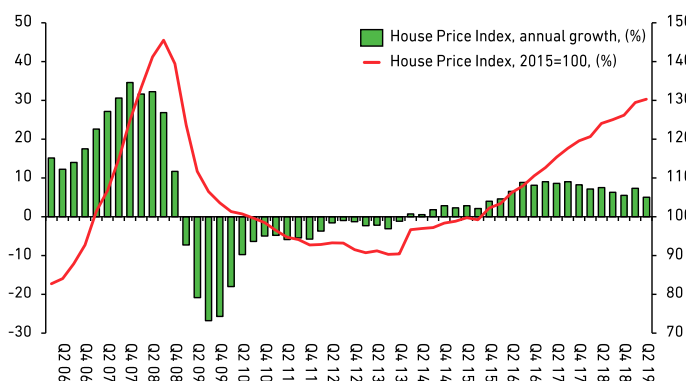


■ Annual average wage growth in private sector and on a state level.



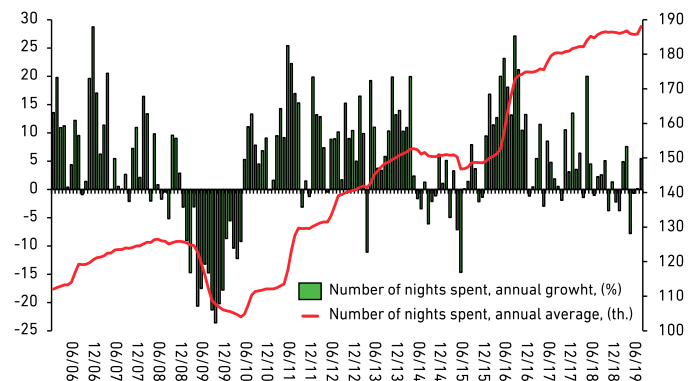
REAL ESTATES

■ 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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