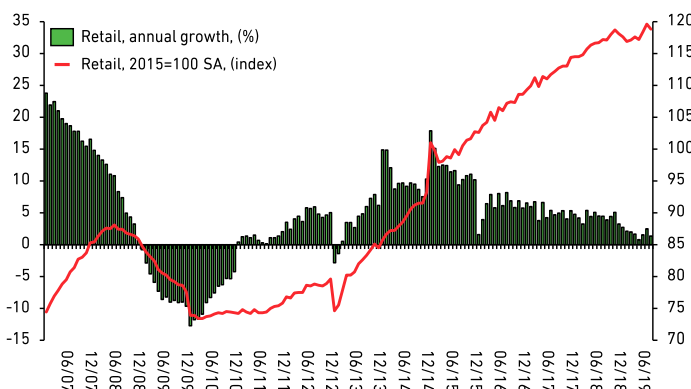
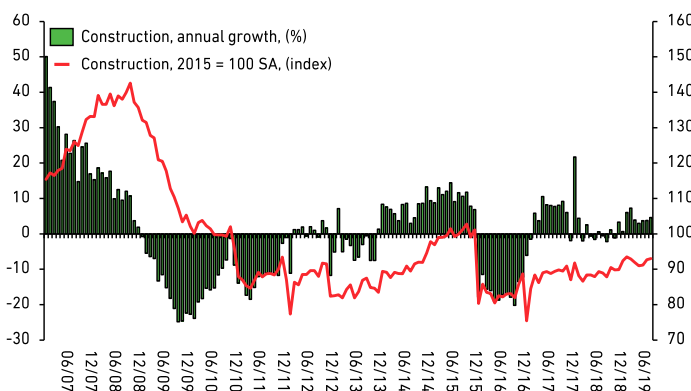
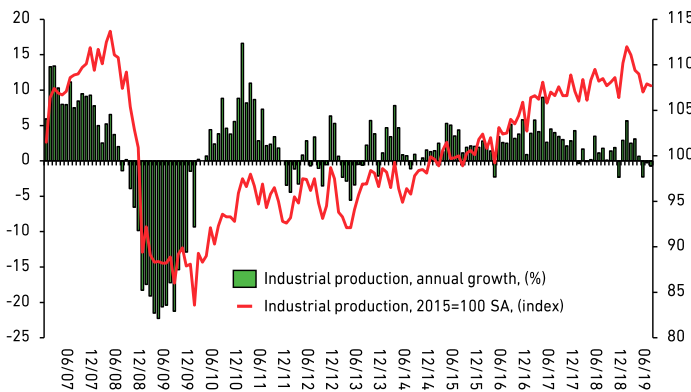


# Macroeconomic bulletin

## Monthly review of Bulgarian economy

### BUSINESS ENVIRONMENT INDICATORS

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



	<b>MONTHLY INFLATION</b> ↓ <b>-0.3%</b>	09/19
	<b>ANNUAL INFLATION</b> ↓ <b>2.3%</b>	09/19
	<b>UNEEMPLOYMENT</b> ↕ <b>5.3%</b>	08/19
	<b>NOMINAL GDP</b> ↑ <b>29.1 BGN bn</b>	2Q 2019
	<b>REAL GROWTH OF GDP</b> ↑ <b>3.7%</b>	2Q 2019
	<b>CONSOLIDATED BUDGET</b> ↓ <b>+1.0 of GDP</b>	08/19
	<b>CURRENT ACCOUNT</b> ↑ <b>+5.0% of GDP</b>	07/19
	<b>TRADE BALANCE</b> ↓ <b>-0.9% of GDP</b>	07/19
	<b>EXPORTS ANNUAL GROWTH</b> ↑ <b>5.3%</b>	07/19
	<b>IMPORTS ANNUAL GROWTH</b> ↑ <b>1.1%</b>	07/19

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 PRODUCT<sup>1</sup>

According to the preliminary data of NSI, the Gross Domestic Product (GDP) at current prices in the second quarter of 2019 amounted to BGN 29 107 million, reporting an annual growth of 3.7% in real terms.

■ According to the seasonally adjusted data, the GDP growth rate in the second quarter of 2019 is 3.5% compared to the same quarter of the previous year and 0.8% compared to the first quarter of 2019.

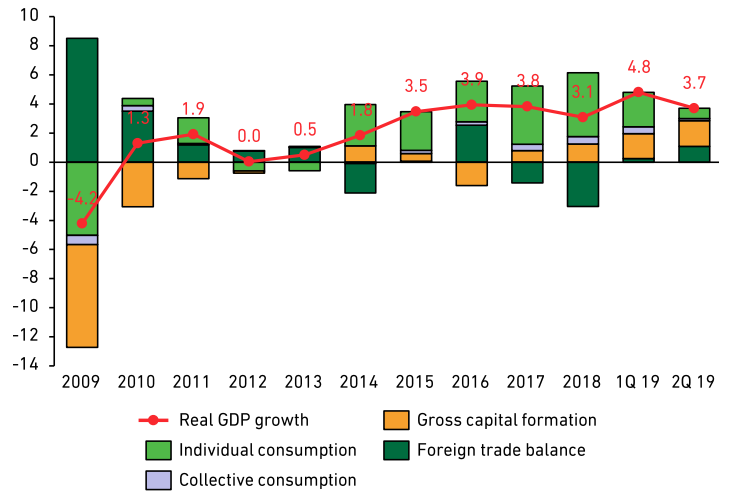
### REAL GDP GROWTH FORECAST

	2019	2020
	3.7%	3.6%
	3.4%	3.3%
	3.3%	3.0%
	3.3%	3.4%
	3.7%	3.6%

■ As regards the expenditure components of the GDP, main contributors to the registered positive economic growth on an annual basis are the collective final consumption - with a growth of 3.7%, individual final consumption - of 2.8% and gross fixed capital formation - a growth of 2.2%. Exports of goods and services increased by 3.7%, whereas imports of goods and services

decreased by 2.0% compared to the same period of 2018.

■ Gross value added (GVA) at current prices in the second



quarter of 2019 equals to BGN 25 058 million.

■ The real value of the indicator is 3.9%, higher than that reached in second quarter of 2018.

■ In the second quarter of 2019 compared to the second quarter of 2018, the relative share of the agricultural sector in the value added of the economy increases by 0.1 pp. The share of the industrial sector decreases with 1.5 pp to 28.2%. The relative share of the value added from service activities increases from 66.7% in the second quarter of 2018, to 68.1% in the second quarter of 2019.

## INFLATION

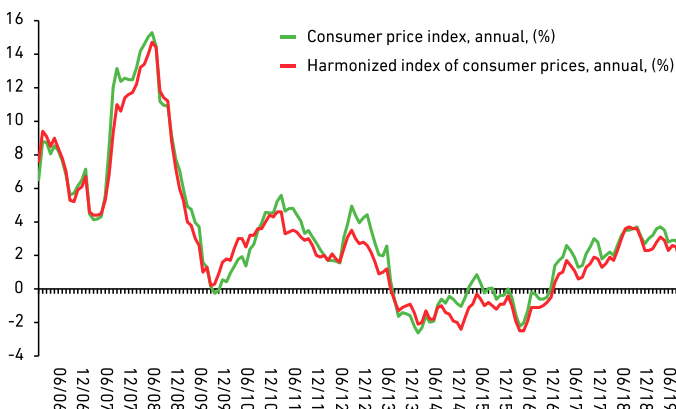
### CONSUMER PRICE INDEX

The consumer price index in September 2019 compared to August 2019 is 99.7%, i.e. the monthly inflation is minus 0.3%.

■ The annual inflation in September 2019 compared to September 2018 is 2.3%.

■ The annual average inflation, measured by CPI, in the last 12 months (October 2018 - September 2019) compared to the previous 12 months (October 2017 - September 2018) is 3.1%.

■ The inflation rate since the beginning of the year (September 2019 compared to December 2018) is 1.8%.



■ During the month, the highest increase is reported in the prices of sector "Education" (a growth of 1.9%). The highest decline is recorded in the prices of sector "Recreation and culture" (a drop of 7.2%). 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	1.8%	2.5%
AVE	2.4%	2.3%
AVE	2.0%	1.8%
EOP	2.6%	1.9%

### HARMONIZED INDEX OF CONSUMER PRICES

■ The harmonized index of consumer prices in September 2019 compared to August 2019 was 98.8%, i.e. the monthly inflation is minus 1.2%.

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

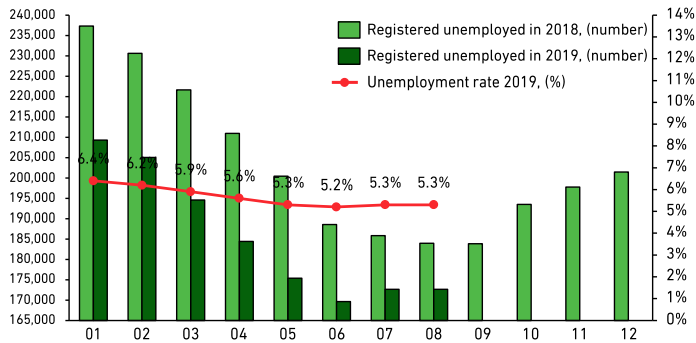
■ The annual average inflation, measured by HICP, in the last 12 months (October 2018 - September 2019) compared to the previous 12 months (October 2017 - September 2018) is 2.6%.

■ The inflation rate since the beginning of the year (September 2019 compared to December 2018) is 1.8%.

<sup>1</sup>The 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

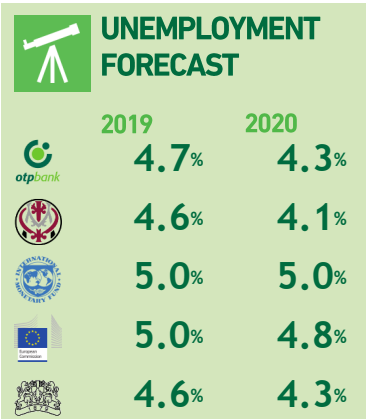
■ According to data from the Employment Agency in August 2019, the number of unemployed individuals remains unchanged compared to the previous month. The number of unemployed



persons at the end of the month is 172 643.

■ 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 August 2019. During the same period last year, unemployment is 5.0% or reports a decrease of 1.2 pp.

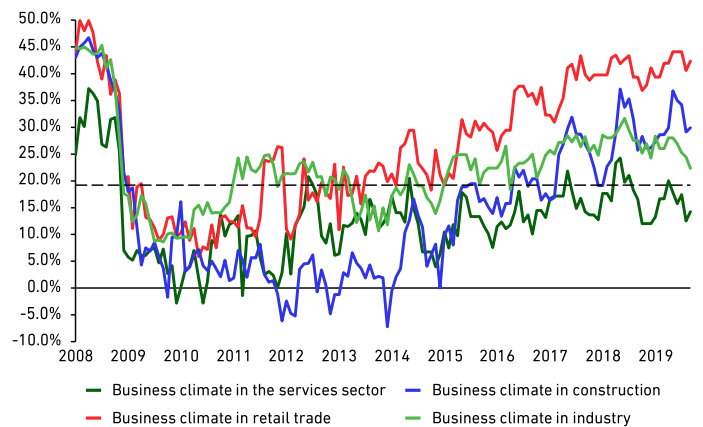
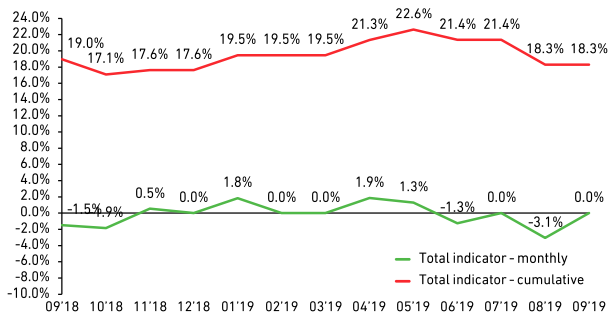


## BUSINESS CLIMATE

■ During September 2019 the total business climate indicator preserves approximately its position from August.

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

■ The business conjuncture in industry reports a decrease 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 18.3%.

## STATE BUDGET

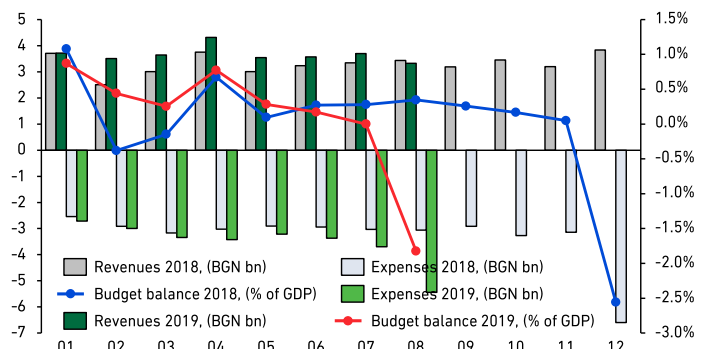
### BUDGET BALANCE

■ The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of August 2019 is positive amounting to BGN 1 113 million (1.0% of the forecasted GDP).

■ It is formed by a national budget surplus of BGN 1 017 million and by a surplus of EU funds at the amount of BGN 96 million.

■ For comparison, by the end of August 2018, the CFP reports a surplus amounting to BGN 2 388 million (2.2% of GDP), which means that as a relative share of GDP the budget position

worsens by 1.3%.

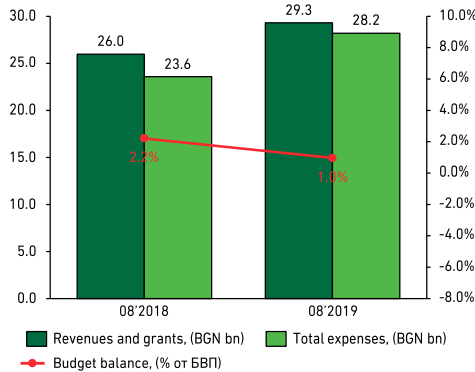


## REVENUES

■The CFP revenues and grants at the end of August 2019 stand at BGN 29 306 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 3 330 million (an annual growth of 12.8%).

■At the end of August, the receivables accounts for 66.8% of the annual estimates, as per the „State Budget Act for 2019“.



## COSTS

■The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for August 2019 amounts to BGN 28 193 million.

■The data, reported as of the end of August shows an annual growth of expenditures by 19.5%. As of the end of the month, they were by BGN 4 606 million higher, compared to the same period of the previous year.

■The expenses reported by the end of August form 63.4% of the annual volume, planned in the „State Budget Act for 2019“.

## GOVERNMENT DEBT

■Government debt by the end of August amounts to BGN 21 892 million or 18.9% of the estimated GDP. Compared to the same period of the previous year, the debt decreases by BGN 428 million (1.9%).

## FISCAL RESERVES

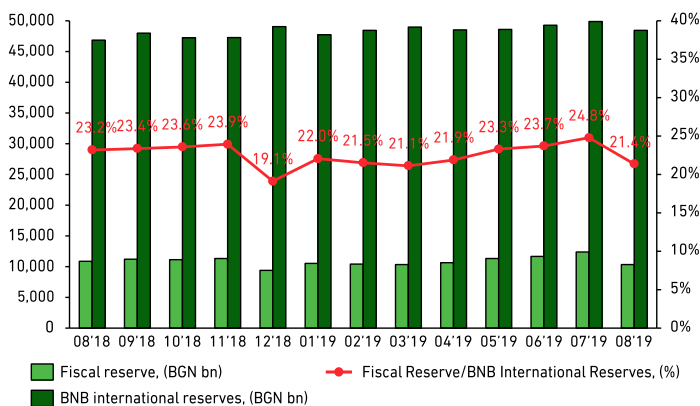
■The total balance of the Fiscal reserve (FR) at the end of August 2019 is BGN 10 341 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of August 2019 amounts to BGN 10 006 million.

■In comparison to the previous month, the FR decrease by 2 015 BGN million or 16.3%.

## FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of August 2019, the Fiscal reserve forms 21.4% of the country's International reserves and the indicator reports a decrease of 3.4 pp compared to the previous month.



## FOREIGN EXCHANGE RESERVES

■At the end of September 2019 International reserves of BNB amounts to BGN 49 400 million.

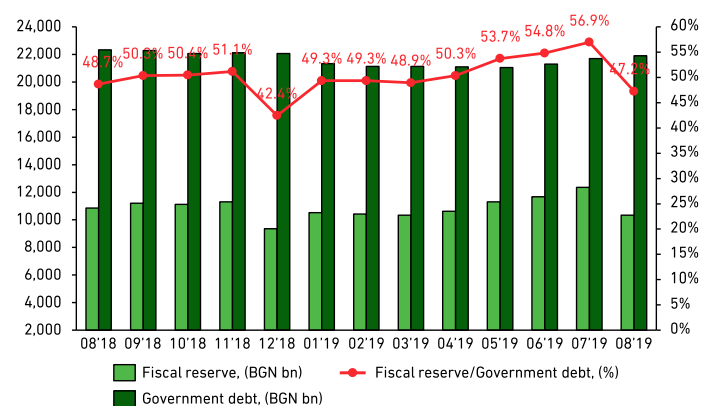
■During the month they increase by BGN 978 million (2.0%).

■Compared to the same period of the previous year, International reserves increase by BGN 1 405 million (2.9%).

■Since the beginning of the year they increase by BGN 363 million or 0.7%.

## COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of August 2019 the Fiscal reserve covers 47.2% of the Government debt, as the indicator drops by 9.7 pp compared to the previous month.



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

## CURRENT ACCOUNT

In January – July 2019 the current account is positive and amounts to EUR 2 976 million (5.0% of GDP), compared with a surplus of EUR 1 390 million (2.5% of GDP) in January – July 2018.



### CURRENT ACCOUNT FORECAST

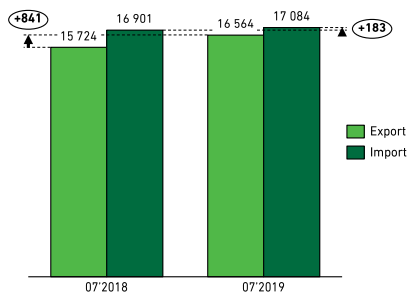
	2019	2020
	5.4%/БВП	2.2%/БВП
	2.6%/БВП	1.3%/БВП
	1.9%/БВП	1.3%/БВП
	1.6%/БВП	1.5%/БВП
	2.8%/БВП	1.1%/БВП

In January – July 2019 the trade balance is negative and amounts to minus EUR 520 million (0.9% of GDP), compared with a deficit of minus EUR 1 177 million (2.1% of GDP) in January – July 2018.

In January – July 2019 exports amounts to EUR 16 564 million, which is an increase of EUR 841 million (5.3%) compared to the same period of 2018 (EUR 15 724 million).

Exports for January – July 2018 grow on an annual basis by 2.8%.

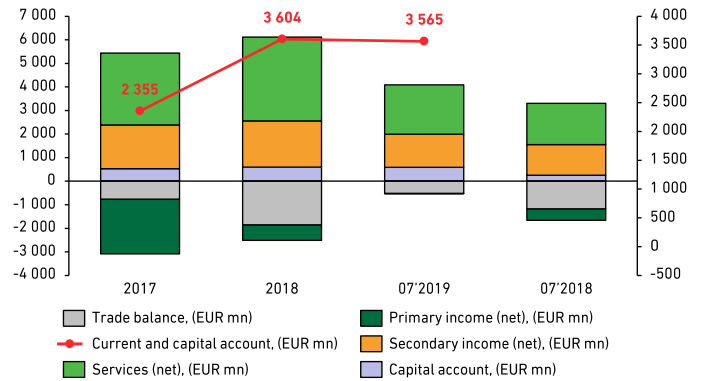
In January – July 2019 imports amounts to EUR 17 084 million, increasing by EUR 183 million (1.1%) compared to the same period of 2018 (EUR 16 901 million). Imports for January – July 2018 grow on an annual basis by 8.6%.



In January – July 2019 the services balance is positive at EUR 2 094 EUR million (3.5% of GDP) against a positive balance EUR 1 750 million (3.2% of GDP) in January – July 2018.

## CAPITAL ACCOUNT

In January – July 2019 the capital account is positive, amounting to EUR 589 million (1.0% of GDP) against positive, balance amounting to EUR 252 million (0.5% of GDP) in January – July 2018.



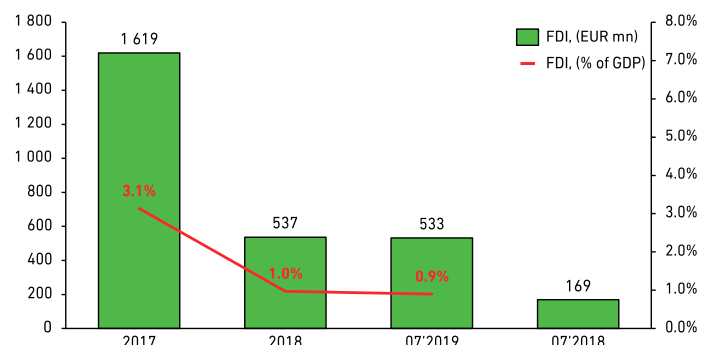
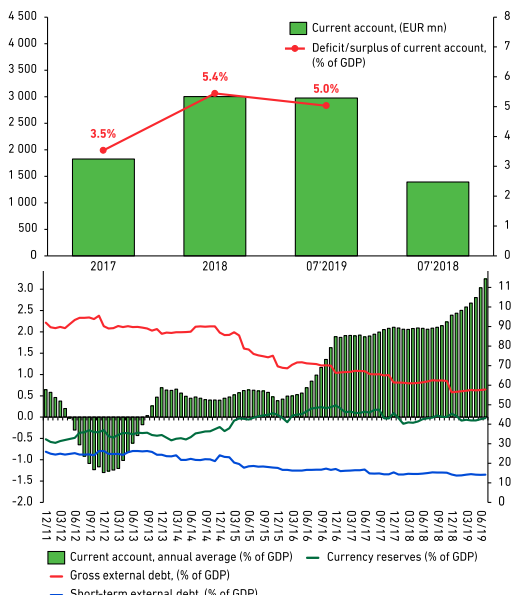
## FINANCIAL ACCOUNT

In January – July 2019 the financial account is positive, amounting to EUR 1 745 million (2.9% of GDP) compared to positive, amounting to EUR 1 970 million (3.6% of GDP) for the same period of 2018.

## DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – July 2019 presented according to the directional principle records a value of EUR 533 million (0.9% of GDP), growing by EUR 363 million (214.3%) compared to January – July 2018 (value of EUR 169 million, 0.3% of GDP).

Foreign direct investments abroad for January – July 2019 records a value of EUR 231 million (0.39% of GDP), growing by EUR 100 million (76.8%) compared to January – July 2018 (value of EUR 131 million, 0.24% of GDP).



<sup>2</sup>In 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

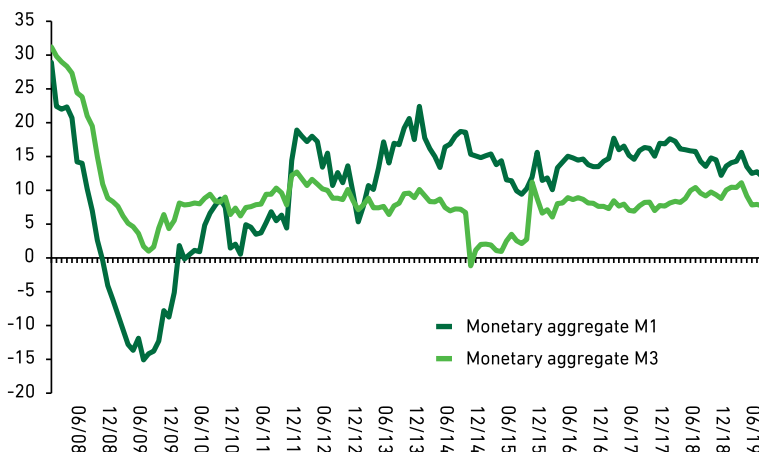
## MONEY

In August 2019 broad money (monetary aggregate M3) increases annually by 7.7% compared to an annual growth of 7.9% in July 2019.

At the end of August 2019 M3 is BGN 98 507 million (85.1% of GDP) compared to BGN 97 571 million in July 2019 (84.3% of GDP).

Its most liquid component – monetary aggregate M1 - increases in August 2019 by 12.0% on an annual basis (an annual growth of 12.7% in July 2019).

Quasi-money reports an increase of 2.1% on an annual basis, as their volume reaches BGN 40 522 million.



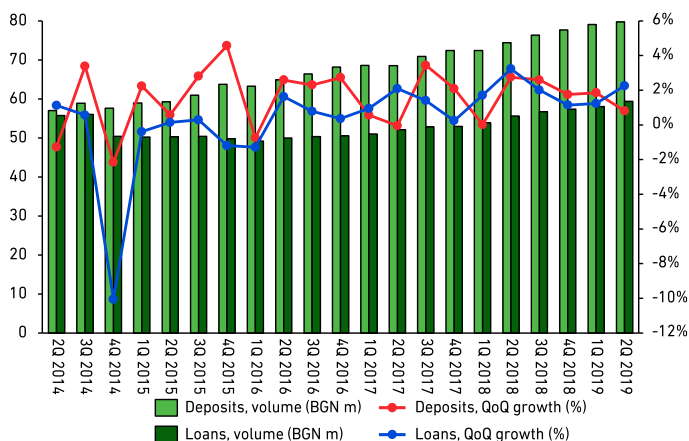
## DEPOSITS

At the end of August 2019 deposits of the non-government sector reach BGN 81 591 million (70.5% of GDP) and increasing by 7.3% on an annual basis (in July 2019 they report annual growth of 7.7%).

Deposits of the non-financial enterprises amount to BGN 24 559 million (21.2% of GDP) at the end of August 2019. Compared to the same month of 2018 they increase by 3.0% (in July 2019 report an annual growth of 3.8%).

Deposits of the financial corporations are BGN 3 372 million (2.9% of GDP) at the end of August 2019, and on annual basis increase by 29.7% (in July 2019 report an annual growth of 35.1%).

Deposits of households and NPISHs reach BGN 53 660 million (46.4% of GDP) at the end of September 2019. They increase by 8.2% compared to the same month of 2018 (in July 2019 report an annual growth of 8.1%).



## LOANS<sup>3</sup>

At the end of August 2019 loans to the non-government sector amount to BGN 59 932 million (51.8% of GDP) compared to BGN 59 860 million in July 2019 (51.7% of GDP). In August 2019 they increase by 6.1% on an annual basis (in July 2019 report an annual growth of 6.6%).

As August 2019 loans to non-financial enterprises amount to BGN 33 585 million (29.0% of GDP). Compared to the same period of 2018 they increase by 3.4% (by July 2019 report an annual growth of 4.3%).

At the end of August 2019 loans to households and NPISHs reach BGN 23 212 million (20.1% of GDP). On annual basis they increase by 8.8% (in July 2019 report an annual growth of 8.7%).

Housing loans are BGN 11 406 million and increase by 12.4% compared to August 2018 (as of July 2019 the annual increase is 12.3%).

Consumer loans amount to BGN 9 893 million and report an increase of 11.2% on an annual basis (by the end of July 2019 they increase by 11.2% compared to the same period of the previous year).

Other loans amount to BGN 574 million and on an annual basis they decrease by 39.7% compared to August 2018 (in July 2019 report an annual drop of 40.5%).

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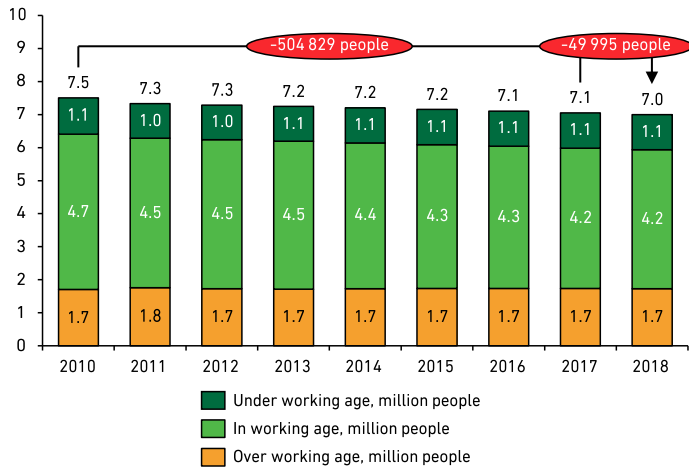
<sup>3</sup>The other loans indicator also includes loans granted to associations of owners in accordance with the National Program for Energy Efficiency of Multi-family Residential Buildings.



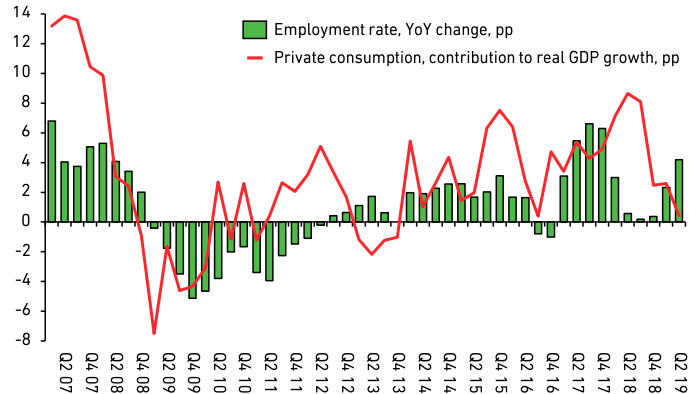
# ADDITIONAL INFORMATION

## POPULATION AND EMPLOYMENT

Population structure.

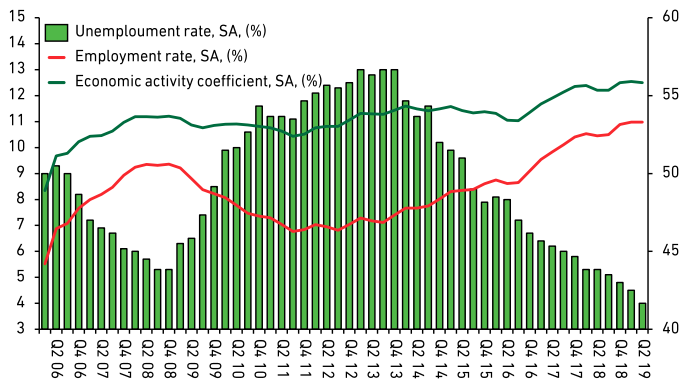


Individual consumption and employment rate.

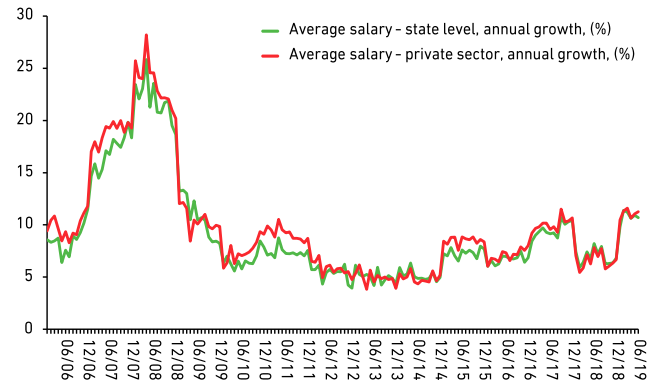


## LABOR MARKET

Unemployment, employment and economic activity rates according to Eurostat.

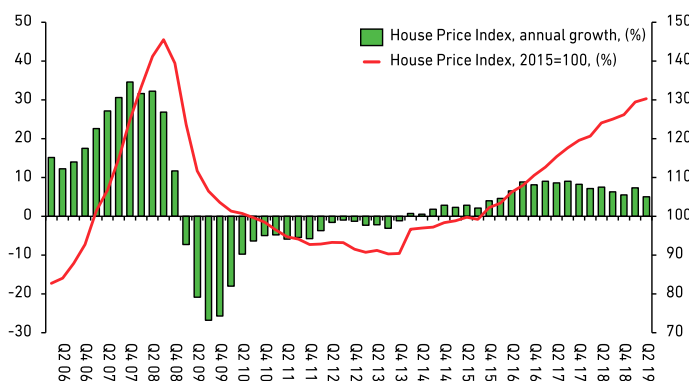


Annual average wage growth in private sector and on a state level.



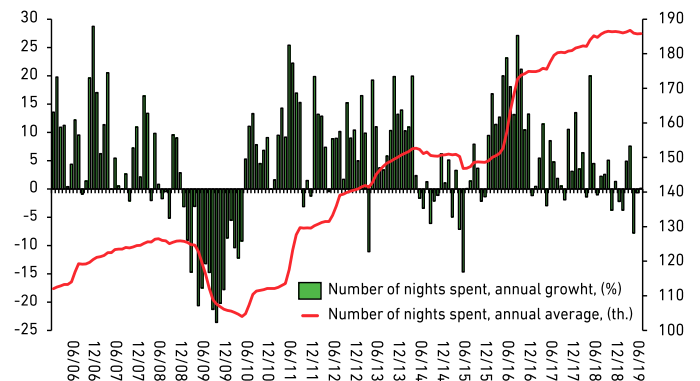
## REAL ESTATES

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, September 2019
-  **European Commission**, Spring Forecast, May 2019
-  **International Monetary Fund**, World Economic Outlook, April 2019
-  **Ministry of Finance of the Republic of Bulgaria**, Spring Macroeconomic Forecast, April 2019
-  **Bulgarian National Bank**, Macroeconomic forecast June 2019

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