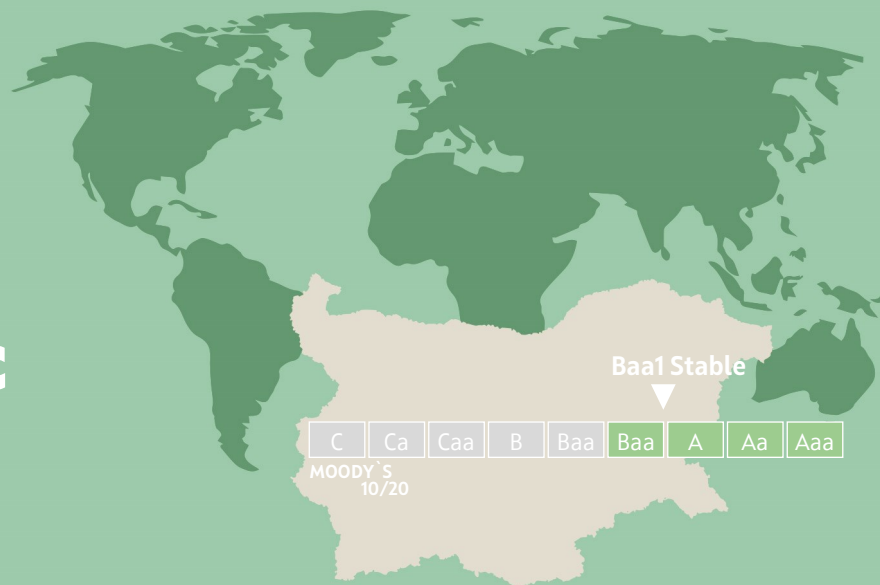


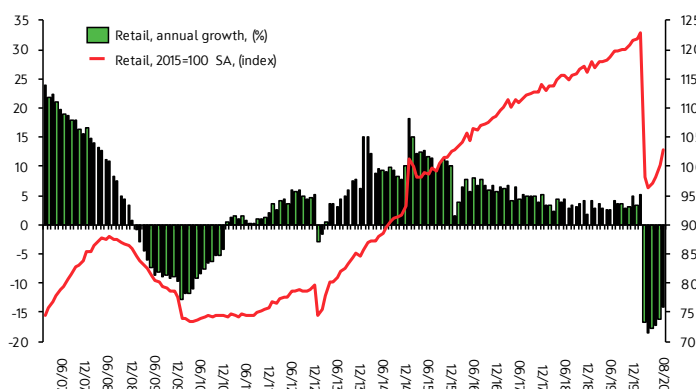
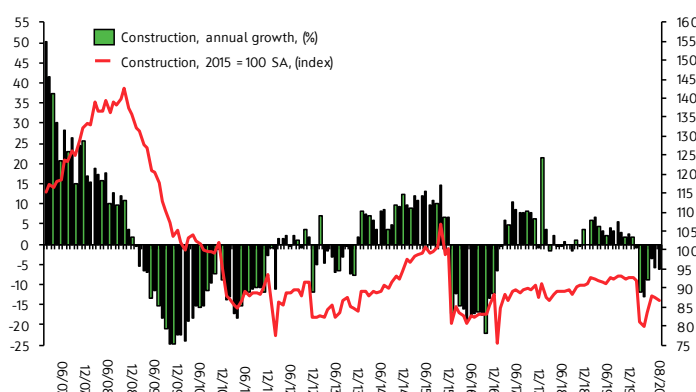
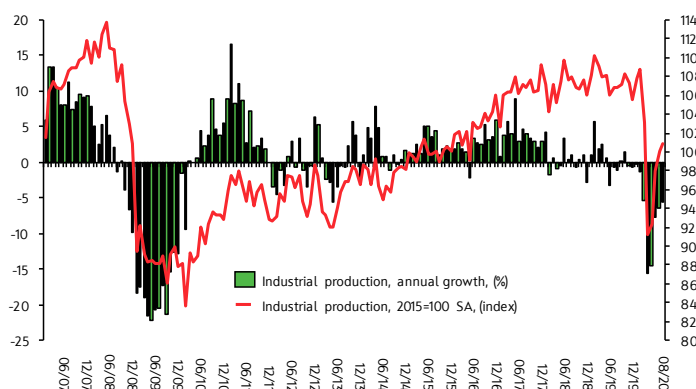
# Macroeconomic bulletin

ISSUE 46 • OCTOBER 2020



## BUSINESS ENVIRONMENT INDICATORS

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



**MONTHLY INFLATION**  
↑ MOM  
↓ **-0.6%** 09/20

**ANNUAL INFLATION**  
↑ YoY  
↓ **0.9%** 09/20

**UNEMPLOYMENT**  
↓ **7.2%** 09/20

**NOMINAL GDP**  
↓ **27.4** BGN bn 2Q/20

**REAL GDP GROWTH**  
↓ **-8.7%** 2Q/20

**CONSOLIDATED BUDGET**  
↓ **0.8% OF GDP** 09/20

**CURRENT ACCOUNT**  
↑ **2.1% OF GDP** 08/20

**TRADE BALANCE**  
↓ **-1.3% OF GDP** 08/20

**EXPORTS ANNUAL GROWTH**  
↓ **-8.4%** 08/20

**IMPORTS ANNUAL GROWTH**  
↑ **-12.7%** 08/20

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 preliminary data of NSI, the Gross Domestic Product (GDP) at current prices in the second quarter of 2020 amounted to BGN 27 395 million, reporting a negative annual growth of minus 8.7% in real terms.

- GDP decrease by 8.5% in the second quarter of 2020 compared to the same quarter of the previous year and with 10.0% compared to the first quarter of 2020 according to the seasonally adjusted data.



### REAL GDP GROWTH FORECAST

2020 2021



-4.7% 4.3%



-8.5% 5.1%



-3.0% 2.5%



-5.1% 2.6%



-4.0% 4.2%

On annual basis the expenditure components of GDP, contributors to the registered negative economic growth are individual consumption - with 0.2% decrease and Gross capital formation - with drop of 14.1%. Export and import of goods and services decrease by 19.0% and 19.1% respectively compared to the same quarter of the previous year.

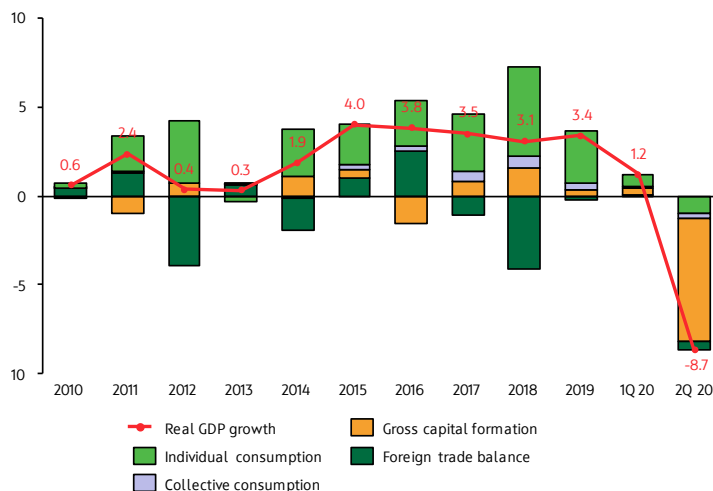
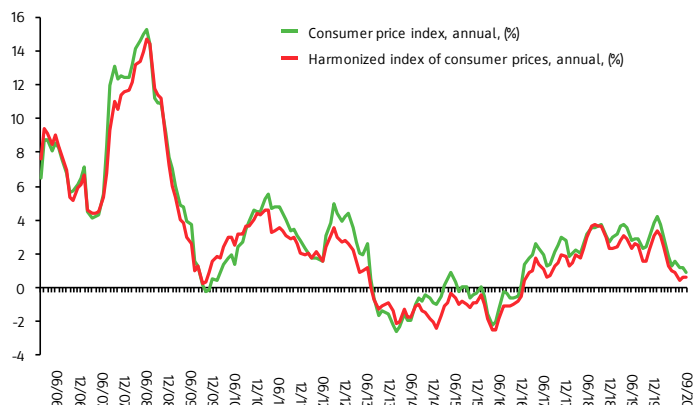
- Gross Value Added in the second quarter of 2020 amounted to BGN 23 848 million and decreased by 7.6% compared to the same quarter of the previous year.

## INFLATION

### CONSUMER PRICE INDEX

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

- The annual inflation in September 2020 compared to September 2019 is 0.9%.
- The annual average inflation, measured by CPI, in the last 12 months (October 2019 - September 2020) compared to the previous 12 months (October 2018 - September 2019) is 2.3%.
- The inflation rate since the beginning of the year (September 2020 compared to December 2019) is minus 1.1%.



- Compared to the previous quarter GVA decrease in the second quarter of 2020 by 8.9%.
- The share of agricultural sector in GVA (3.6%) of the national economy in the second quarter of 2020 increases its level in comparison to the same quarter of 2019 with 0.1 p.p. The Industry increases its relative share in GVA of the national economy with 2.1 pp to 28.4%. The share of the biggest sector in the economy - service sector decreases from 70.2% to 68.0% as compared with the second quarter of 2019.

- During the month, the highest increase is reported in the prices of sector "Education" (a growth of 3.1%). The highest decline is recorded in the prices of sector "Recreation and culture" (a drop of 8.9%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



### INFLATION FORECAST

2020 2021



AVE 1.2% 1.5%



EOP 0.8% 1.4%



AVE 1.4% 2.1%



AVE 1.2% 1.4%



AVE 1.2% 1.7%

### HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in September 2020 compared to August 2020 was 98.8%, i.e. the monthly inflation is minus 1.2%.
- The annual inflation in September 2020 compared to September 2019 is 0.6%.
- The annual average inflation, measured by HICP, in the last 12 months (October 2019 - September 2020) compared to the previous 12 months (October 2018 - September 2019) is 1.7%.
- The inflation rate since the beginning of the year (September 2020 compared to December 2019) is minus 0.7%.

## UNEMPLOYMENT

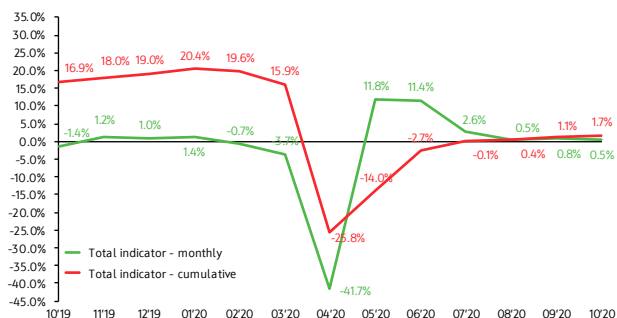
- According to data from the Employment Agency in September 2020, the number of unemployed individuals decreases by 9 716 compared to the previous month. The number of unemployed persons at the end of the month is 236 058.



## BUSINESS CLIMATE

During October 2020 the total business climate indicator increases by 0.5 pp compared to September.

- 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.



## STATE BUDGET

### BUDGET BALANCE






The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of September 2020 is positive amounting to BGN 871 million (0.8% of the forecasted GDP).

- It is formed by a national budget surplus of BGN 485 million and by a surplus of EU funds at the amount of BGN 387 million.
- For comparison, by the end of September 2019, the CFP reports a surplus amounting to BGN 1 265 million (1.1% of GDP), which means that as a relative share of GDP the budget position

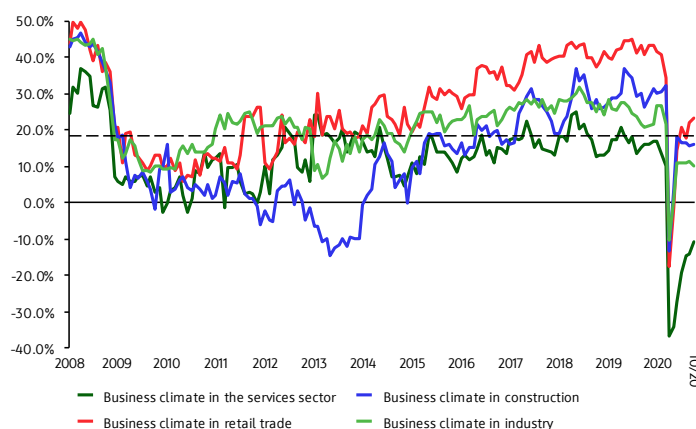
- The reported unemployment at the end of the month is 7.2% and increasing by 1.9 pp on an annual basis. According to Eurostat the unemployment rate is 5.6% at the end of September 2020.



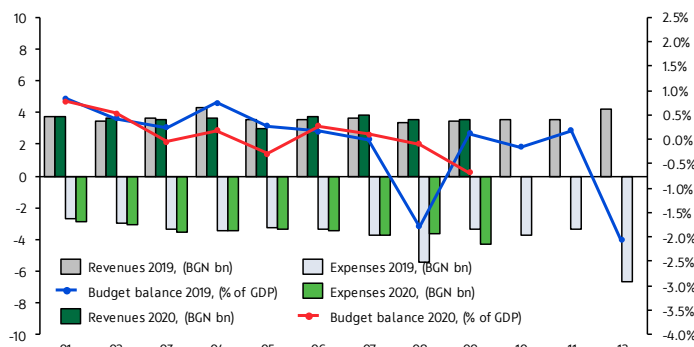
### UNEMPLOYMENT FORECAST

|   | 2020 | 2021 |
|---|------|------|
|  EoP | 6.0% | 5.0% |
|  EoP | 6.6% | 6.1% |
|  EoP | 5.6% | 5.2% |
|  EoP | 5.8% | 5.6% |
|  EoP | 5.6% | 4.5% |

- In September, the number of newly registered unemployed was 28 832, which is by 4 720 people more than those who started work during the month.



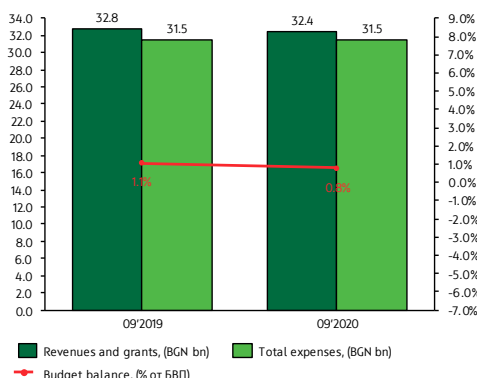
- The most serious difficulties for the activity in all sectors remain the competition in the corresponding sector, uncertain economic environment and lack of labor force.
- Compared to 2008, the indicator registers a growth of 1.7%.



worsens by 0.3%.

## REVENUES

- The CFP revenues and grants at the end of September 2020 stand at BGN 32 416 million.
- Compared to the same period of the previous year, revenues and grants decrease by BGN 382 million (an annual drop of 1.2%).
- At the end of September, the receivables accounts for 73.0% of the annual estimates, as per the „Amendment to the State Budget Act for 2020“.

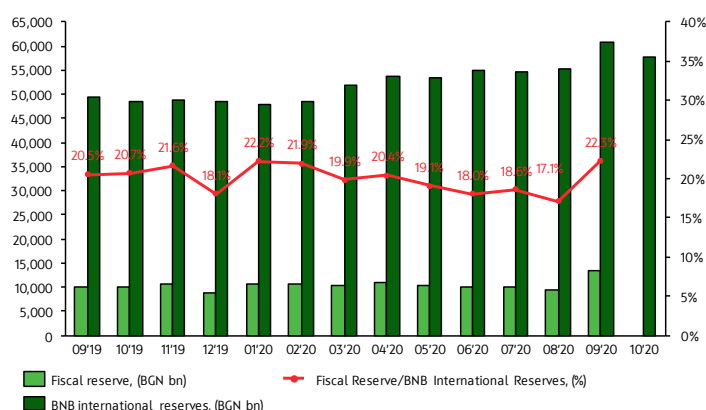


## FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of September 2020 is BGN 13 531 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 2020 amounts to BGN 13 491 million.
- In comparison to the previous month, the FR increase by BGN 4 060 million or 42.9%.

## FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

- At the end of September 2020, the Fiscal reserve forms 22.3% of the country's International reserves and the indicator reports an increase of 5.2 pp compared to the previous month.



## COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for September 2020 amounts to BGN 31 544 million.
- The data, reported as of the end of September shows an annual growth of expenditures by 0.03%. As of the end of the month, they were by BGN 11 million higher, compared to the same period of the previous year.
- The expenses reported by the end of September form 65.9% of the annual volume, planned in the „Amendment to the State Budget Act for 2020“.

## GOVERNMENT DEBT

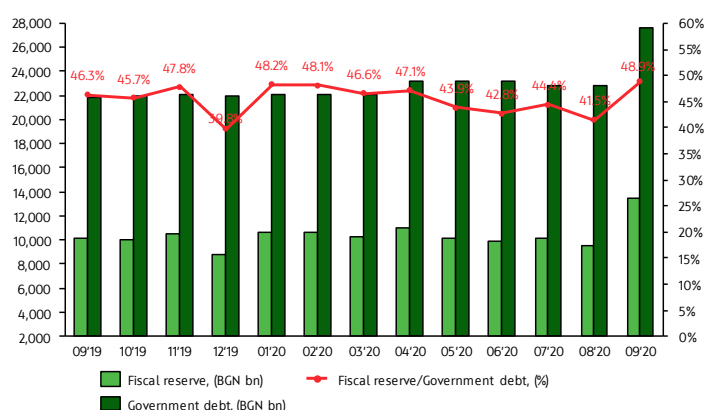
- Government debt by the end of September amounts to BGN 27 688 million or 24.9% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 5 807 million (26.5%).
- It has to be considered that the Government granted additional BGN 5 billion debt in September.

## FOREIGN EXCHANGE RESERVES

- At the end of October 2020 International reserves of BNB amounts to BGN 57 590 million.
- During the month they decrease by BGN 3 193 million (5.3%).
- Compared to the same period of the previous year, International reserves increase by BGN 9 243 million (19.1%).
- Since the beginning of the year they increase by BGN 9 016 million or 18.6%.

## COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

- At the end of September 2020 the Fiscal reserve covers 48.9% of the Government debt, as the indicator grows by 7.4 pp compared to the previous month.

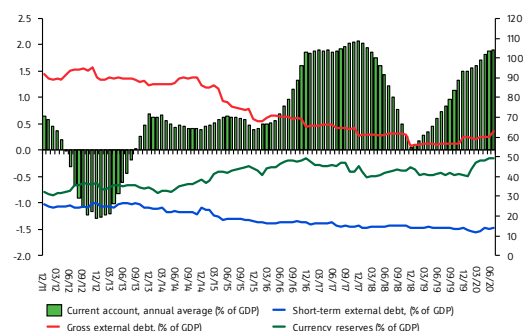
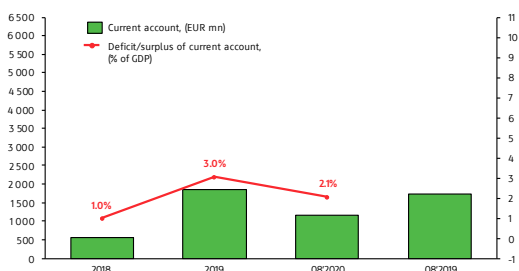
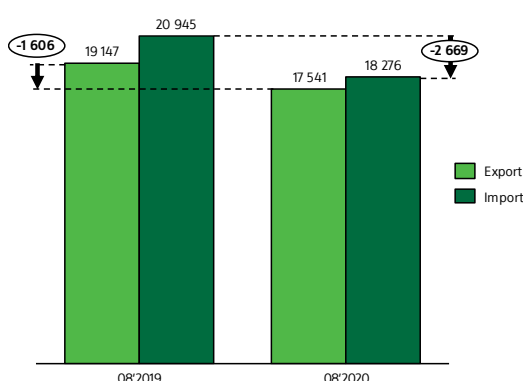


## BALANCE OF PAYMENTS AND DIRECT INVESTMENTS<sup>2</sup>

### CURRENT ACCOUNT

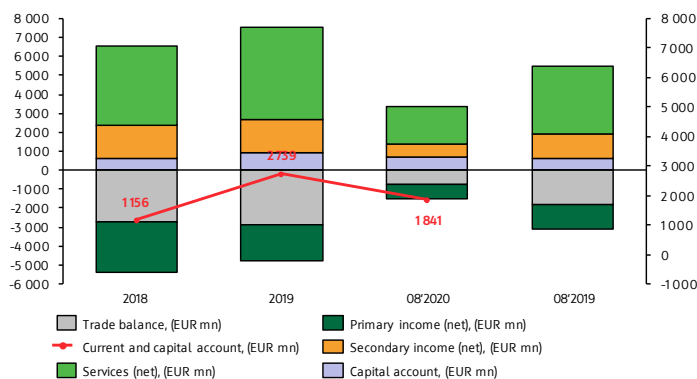
**In January – August 2020 the current account is positive and amounts to EUR 1 164 million (2.1% of GDP), compared with a surplus of EUR 1 732 million (2.9% of GDP) in January – August 2019.**

- In January – August 2020 the trade balance is negative and amounts to minus EUR 735 million (1.3% of GDP), compared with a deficit of minus EUR 1 798 million (3.0% of GDP) in January – August 2019.
- In January – August 2020 exports amounts to EUR 17 541 million, which is an decrease by EUR 1 606 million (8.4%) compared to the same period of 2019 (EUR 19 147 million). Exports for January – August 2019 grow on an annual basis by 6.0%.
- In January – August 2020 imports amounts to EUR 18 276 million, decreasing by EUR 2 669 million (12.7%) compared to the same period of 2019 (EUR 20 945 million). Imports for January – August 2019 grow on an annual basis by 5.7%.
- In January – August 2020 the services balance is positive at EUR 1 934 EUR million (3.4% of GDP) against a positive balance EUR 3 543 million (5.8% of GDP) in January – August 2019.



### CAPITAL ACCOUNT

- In January – August 2020 the capital account is positive, amounting to EUR 677 million (1.2% of GDP) against positive, balance amounting to EUR 617 million (1.0% of GDP) in January – August 2019.



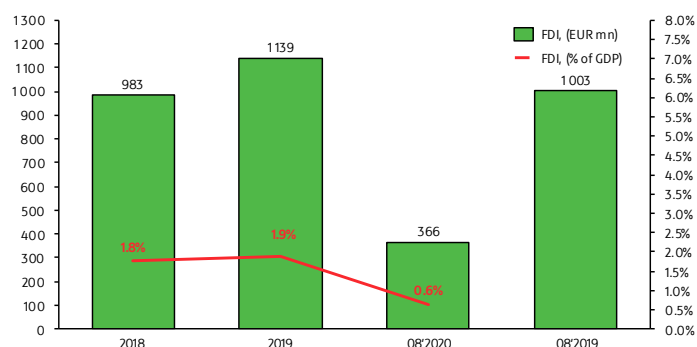
### FINANCIAL ACCOUNT

- In January – August 2020 the financial account is positive, amounting to EUR 3 206 million (5.6% of GDP) compared to positive, amounting to EUR 1 963 million (3.2% of GDP) for the same period of 2019.

### DIRECT INVESTMENTS

**Foreign direct investments in Bulgaria for January – August 2020 presented according to the directional principle records a value of EUR 366 million (0.64% of GDP), dropping by EUR 637 million (63.5%) compared to January – August 2019 (value of EUR 1 003 million, 1.7% of GDP).**

- Foreign direct investments abroad for January – August 2020 record a value of EUR 80 million (0.14% of GDP), dropping by EUR 198 million (71.2%) compared to January – August 2019 (value of EUR 278 million, 0.46% of GDP).

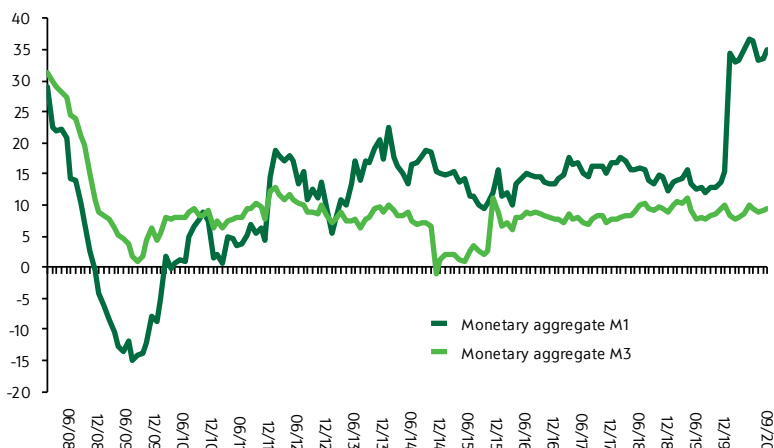


## MONETARY, DEPOSITS AND LOANS INDICATORS

### MONEY

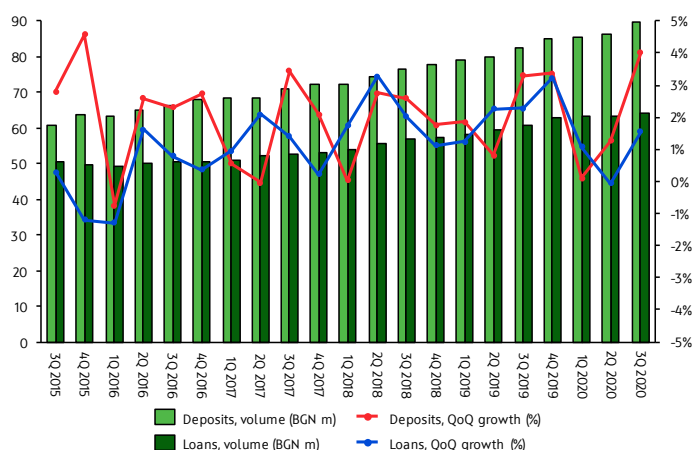
**In September 2020 broad money (monetary aggregate M3) increases annually by 9.3% compared to an annual growth of 9.1% in August 2020.**

- At the end of September 2020 M3 is BGN 108 423 million (97.7% of GDP) compared to BGN 107 442 million in August 2020 (96.8% of GDP).
- Its most liquid component – monetary aggregate M1 – increases in September 2020 by 35.0% on an annual basis (an annual growth of 33.7% in August 2020).
- Quasi-money reports a decrease of 27.6% on an annual basis, as their volume reaches BGN 29 451 million.



### DEPOSITS

- At the end of September 2020 deposits of the non-government sector reach BGN 89 776 million (80.9% of GDP) and increasing by 9.0% on an annual basis (in August 2020 they report annual growth of 8.9%).
- Deposits of the non-financial enterprises amount to BGN 28 529 million (25.7% of GDP) at the end of September 2020. Compared to the same month of 2019 they increase by 12.4% (in August 2020 report an annual growth of 12.2%).
- Deposits of the financial corporations are BGN 3 094 million (2.8% of GDP) at the end of September 2020, and on annual basis decrease by 0.6% (in August 2020 report an annual growth of 5.2%).
- Deposits of households and NPISHs reach BGN 58 152 million (52.4% of GDP) at the end of September 2020. They increase by 7.9% compared to the same month of 2019 (in August 2020 report an annual growth of 7.6%).



### LOANS<sup>3</sup>

- At the end of September 2020 loans to the non-government sector amount to BGN 64 303 million (57.9% of GDP) compared to BGN 63 580 million in August 2020 (57.3% of GDP). In September 2020 they increase by 5.9% on an annual basis (in August 2020 report an annual growth of 6.1%).
- As September 2020 loans to non-financial enterprises amount to BGN 34 810 million (31.4% of GDP). Compared to the same period of 2019 they increase by 2.0% (by August 2020 report an annual growth of 2.2%).
- At the end of September 2020 loans to households and NPISHs reach BGN 25 139 million (22.6% of GDP). On annual basis they increase by 7.5% (in August 2020 report an annual growth of 7.4%).
- Housing loans are BGN 11 634 million and increase by 12.3% compared to September 2019 (as of August 2020 the annual increase is 12.3%).
- Consumer loans amount to BGN 11 806 million and report an increase of 6.2% on an annual basis (by the end of August 2020 they increase by 6.2% compared to the same period of the previous year).
- Other loans amount to BGN 442 million and on an annual basis they decrease by 19.9% compared to September 2019 (in August 2020 report an annual drop of 24.4%).

### PREPARED BY

**STEFAN HRISTOV**  
 Head of Research Section  
 DSK Bank AD

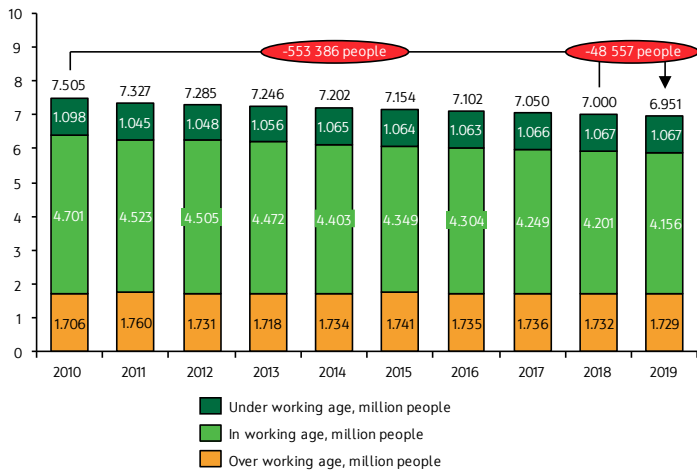
✉ Stefan.Hristov@dskbank.bg ☎ 02/80 10 028



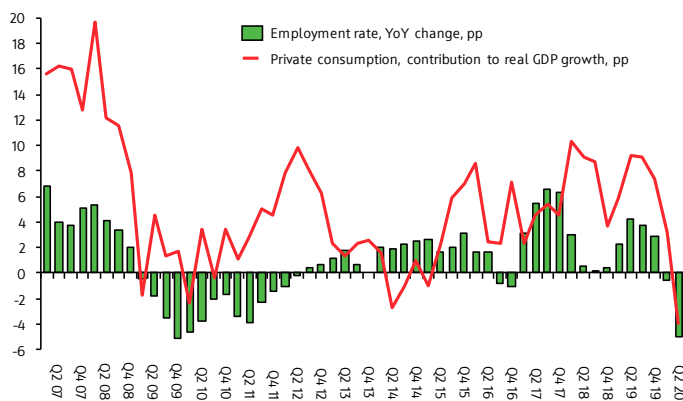
## ADDITIONAL INFORMATION

### POPULATION AND EMPLOYMENT

- Population structure.

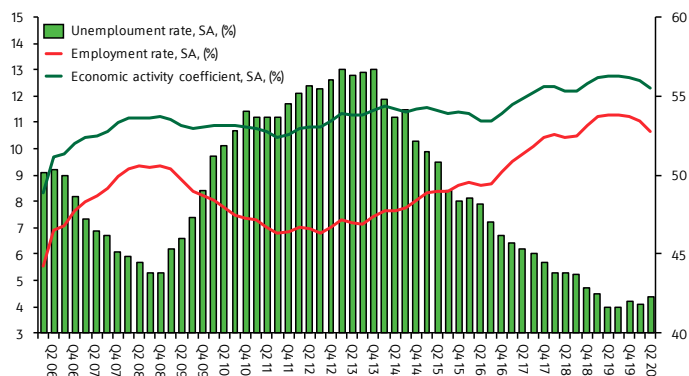


- Individual consumption and employment rate.

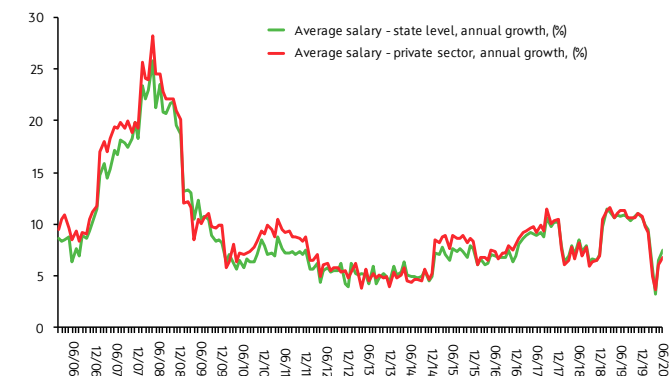


### LABOR MARKET

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

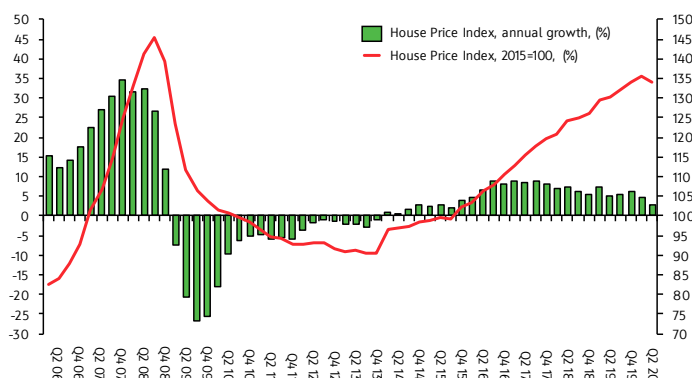


- Annual average wage growth in private sector and on a state level.



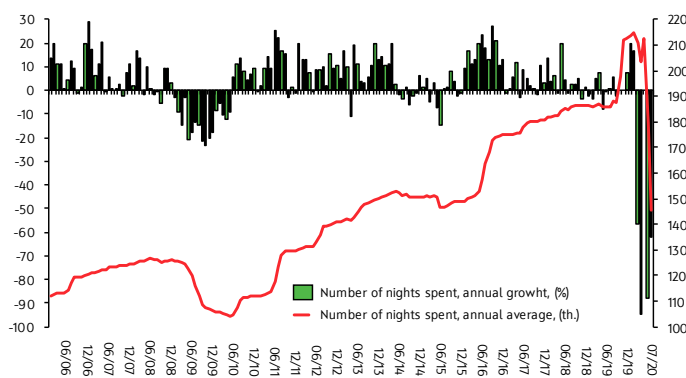
### REAL ESTATES

- 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



### FORECASTS DATA



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**web**  
[www.dskbank.bg](http://www.dskbank.bg)



**phone**  
0700 10 375



**mobile**  
\*2375