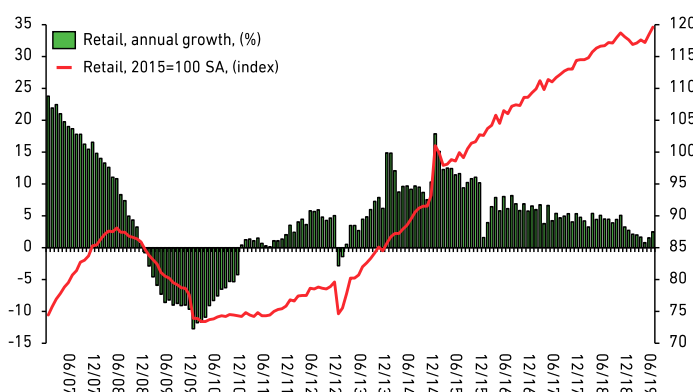
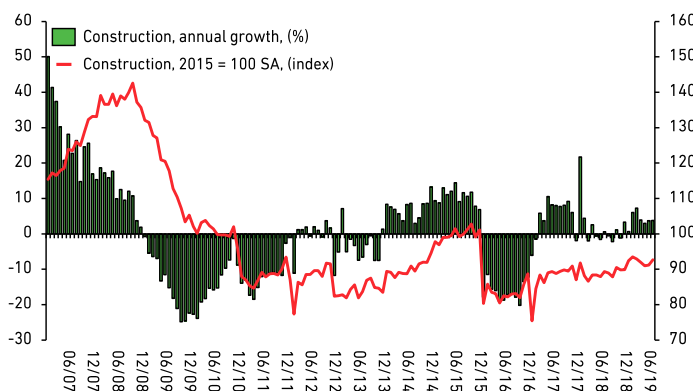
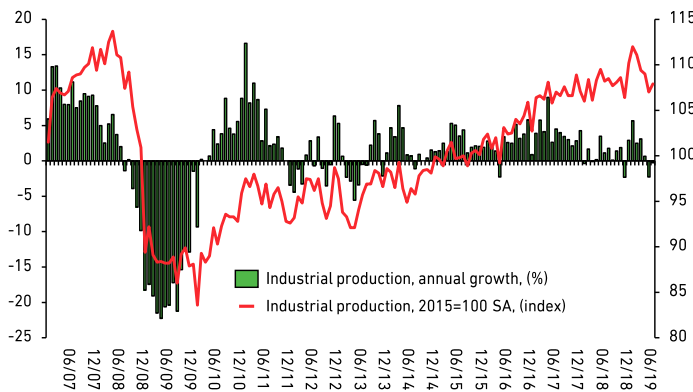


Macroeconomic bulletin

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 ↓ 0.1%	08/19
	ANNUAL INFLATION ↓ 2.9%	08/19
	UNEEMPLOYMENT ↑ 5.3%	07/19
	NOMINAL GDP ↑ 29.1 BGN bn	2Q 2019
	REAL GROWTH OF GDP ↑ 3.7%	2Q 2019
	CONSOLIDATED BUDGET ↓ +2.8% of GDP	07/19
	CURRENT ACCOUNT ↑ +3.0% of GDP	06/19
	TRADE BALANCE ↑ -0.9% of GDP	06/19
	EXPORTS ANNUAL GROWTH ↓ 7.3%	06/19
	IMPORTS ANNUAL GROWTH ↓ 1.1%	06/19

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 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.

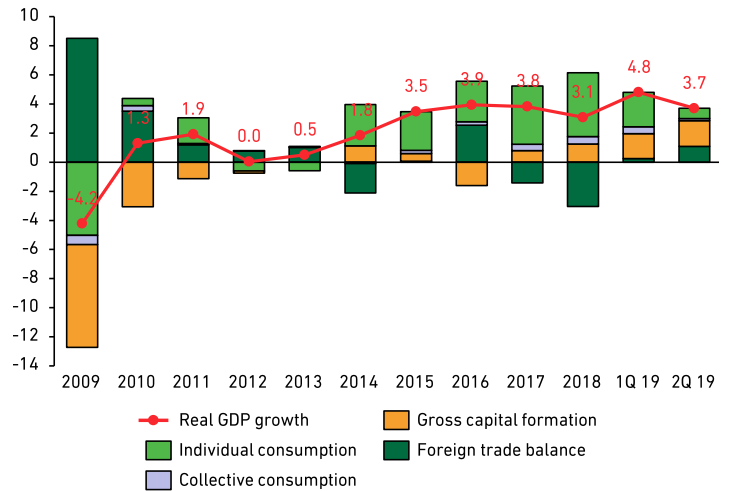
REAL GDP GROWTH FORECAST

	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 August 2019 compared to July 2019 is 100.1%, i.e. the monthly inflation is 0.1%.

■ The annual inflation in August 2019 compared to August 2018 is 2.9%.

■ The annual average inflation, measured by CPI, in the last 12 months (September 2018 - August 2019) compared to the previous 12 months (September 2017 - August 2018) is 3.2%.

■ The inflation rate since the beginning of the year (August 2019 compared to December 2018) is 2.1%.

■ During the month, the highest increase is reported in the prices of sector "Restaurants and hotels" (a growth of 0.6%). The highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 3.3%). 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%

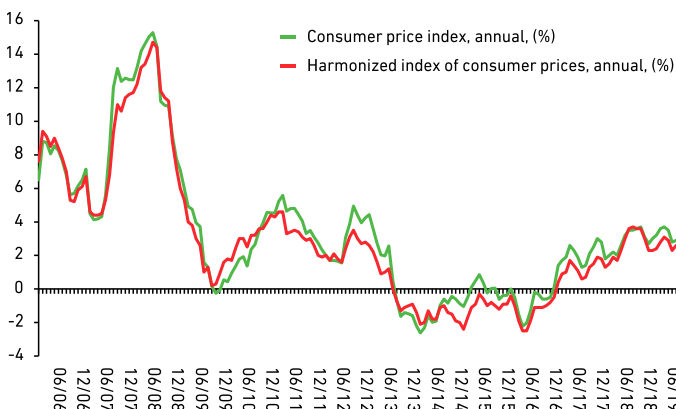
HARMONIZED INDEX OF CONSUMER PRICES

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

■ The annual inflation in August 2019 compared to August 2018 is 2.5%.

■ The annual average inflation, measured by HICP, in the last 12 months (September 2018 - August 2019) compared to the previous 12 months (September 2017 - August 2018) is 2.8%.

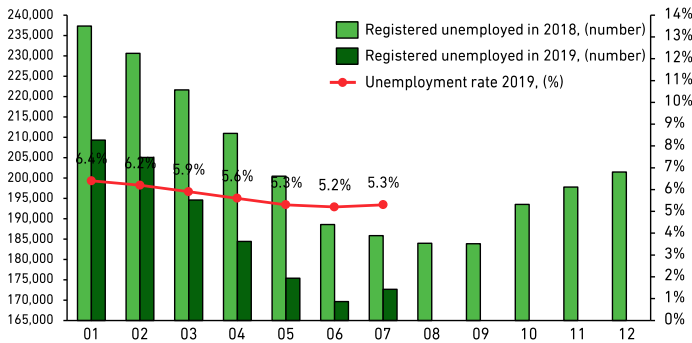
■ The inflation rate since the beginning of the year (August 2019 compared to December 2018) is 3.0%.



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

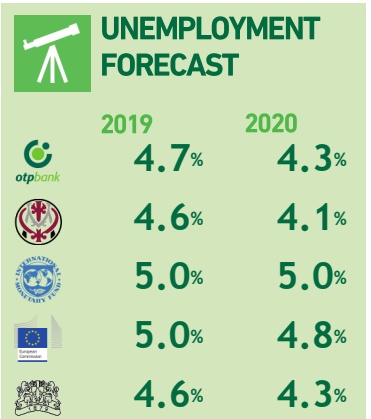
■ According to data from the Employment Agency in July 2019, the number of unemployed individuals increases by 2 984 compared to the previous month. The number of unemployed



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 4.5% at the end of July 2019. During the same period last year, unemployment is 5.2% or reports a decrease of 0.7 pp.

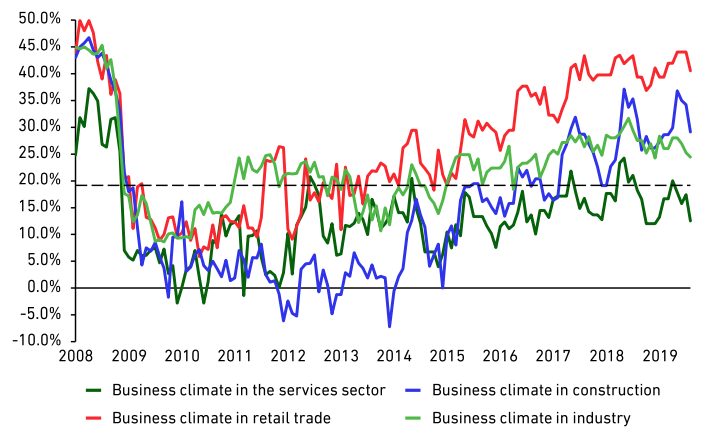
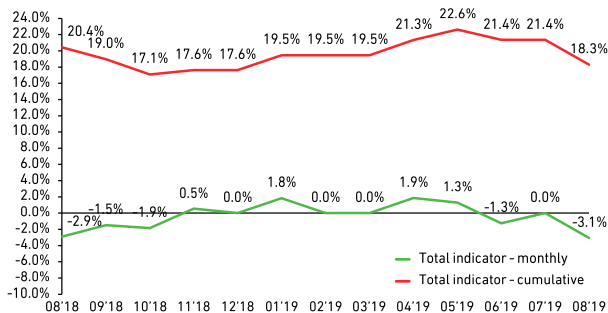


BUSINESS CLIMATE

During August 2019 the total business climate indicator decreases by 3.1 pp compared to July.

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

■ 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 growth of 18.3%.

STATE BUDGET

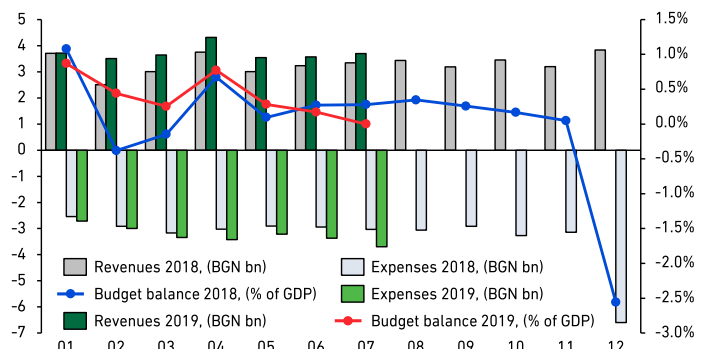
BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of July 2019 is positive amounting to BGN 3 224 million (2.8% of the forecasted GDP).

■ It is formed by a national budget surplus of BGN 3 033 million and by a surplus of EU funds at the amount of BGN 191 million.

■ For comparison, by the end of July 2018, the CFP reports a surplus amounting to BGN 2 015 million (1.9% of GDP), which means that as a relative share of GDP the budget position

improves by 0.9%.

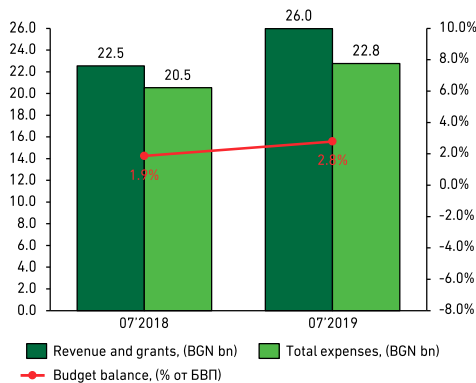


REVENUES

■The CFP revenues and grants at the end of July 2019 stand at BGN 25 980 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 3 432 million (an annual growth of 15.2%).

■At the end of July, the receivables accounts for 59.2% 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 July 2019 amounts to BGN 22 756 million.

■The data, reported as of the end of July shows an annual growth of expenditures by 10.8%. As of the end of the month, they were by BGN 2 224 million higher compared to the same period of the previous year.

■The expenses reported by the end of July form 51.2% of the annual volume, planned in the „State Budget Act for 2019“.

GOVERNMENT DEBT

■Government debt by the end of July amounts to BGN 21 698 million or 18.7% of the estimated GDP. Compared to the same period of the previous year, the debt decreases by BGN 617 million (2.8%).

FISCAL RESERVES

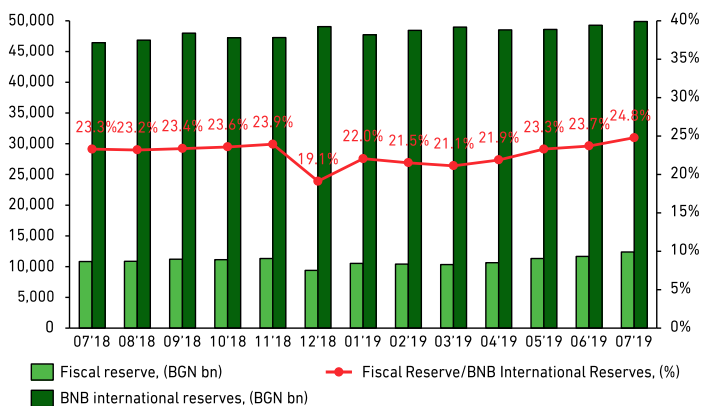
■The total balance of the Fiscal reserve (FR) at the end of July 2019 is BGN 12 356 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of July 2019 amounts to BGN 11 801 million.

■In comparison to the previous month, the FR increase by BGN 688 million or 5.9%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of July 2019, the Fiscal reserve forms 24.8% of the country's International reserves and the indicator reports an increase of 1.1 pp compared to the previous month.



FOREIGN EXCHANGE RESERVES

■At the end of August 2019 International reserves of BNB amounts to BGN 48 423 million.

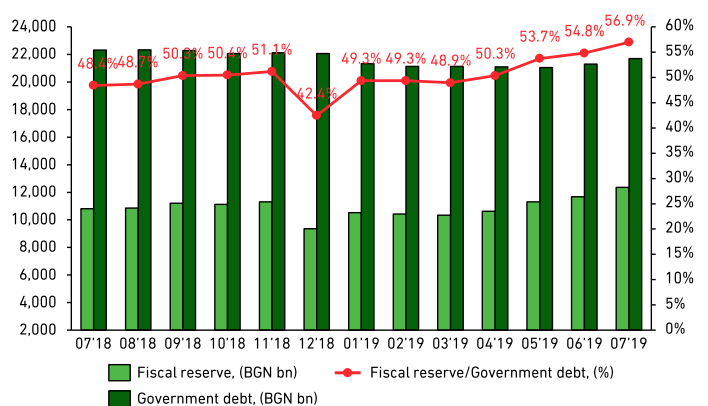
■During the month they decrease by BGN 1 468 million (2.9%).

■Compared to the same period of the previous year, International reserves increase by BGN 1 562 million (3.3%).

■Since the beginning of the year they decrease by BGN 614 million or 1.3%.

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of July 2019 the Fiscal reserve covers 56.9% of the Government debt, as the indicator grows by 2.2 pp compared to the previous month.



BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

In January – June 2019 the current account is positive and amounts to EUR 1 759 million (3.0% of GDP), compared with a surplus of EUR 266 million (0.5% of GDP) in January – June 2018.



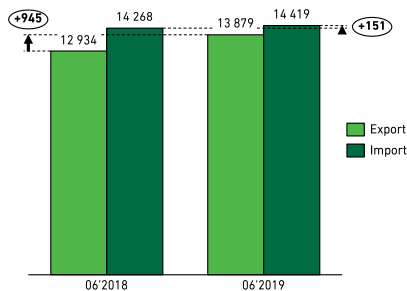
CURRENT ACCOUNT FORECAST

	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 – June 2019 the trade balance is negative and amounts to minus EUR 540 million (0.9% of GDP), compared with a deficit of minus EUR 1 334 million (2.4% of GDP) in January – June 2018.

In January – June 2019 exports amounts to EUR 13 879 million, which is an increase of EUR 945 million (7.3%) compared to the same period of 2018 (EUR 12 934 million). Exports for January – June 2018 grows on an annual basis by 0.3%.

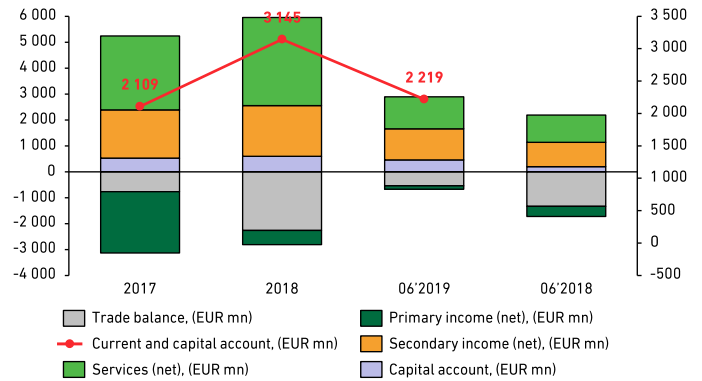
In January – June 2019 imports amounts to EUR 14 419 million, increasing by EUR 151 million (1.1%) compared to the same period of 2018 (EUR 14 268 million). Imports for January – June 2018 grows on an annual basis by 7.1%.



In January – June 2019 the services balance is positive at EUR 1 226 EUR million (2.1% of GDP) against a positive balance EUR 1 050 million (1.9% of GDP) in January – June 2018.

CAPITAL ACCOUNT

In January – June 2019 the capital account is positive, amounting to EUR 461 million (0.8% of GDP) against positive, balance amounting to EUR 195 million (0.4% of GDP) in January – June 2018.



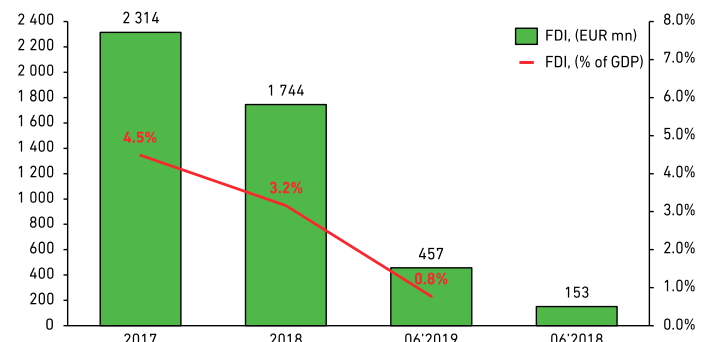
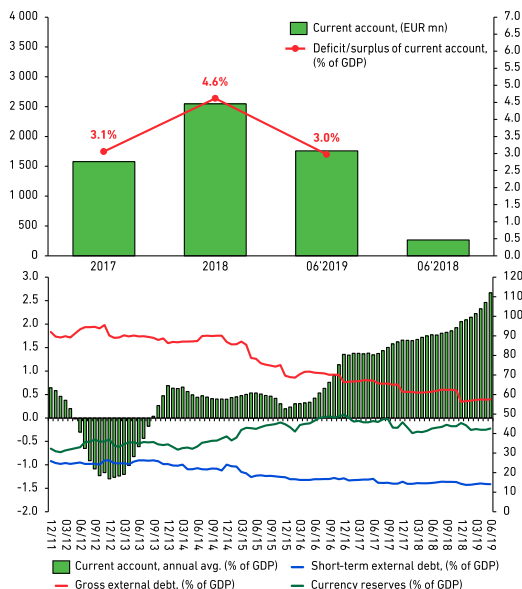
FINANCIAL ACCOUNT

In January – June 2019 the financial account is positive, amounting to EUR 746 million (1.3% of GDP) compared to positive, amounting to EUR 1 295 million (2.3% of GDP) for the same period of 2018.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – June 2019 presented according to the directional principle records a value of EUR 457 million (0.8% of GDP), growing by EUR 304 million (199.6%) compared to January – June 2018 (value of EUR 153 million, 0.3% of GDP).

Foreign direct investments abroad for January – June 2019 records a value of EUR 170 million (0.29% of GDP), dropping by EUR 8 million (4.5%) compared to January – June 2018 (value of EUR 178 million, 0.32% 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

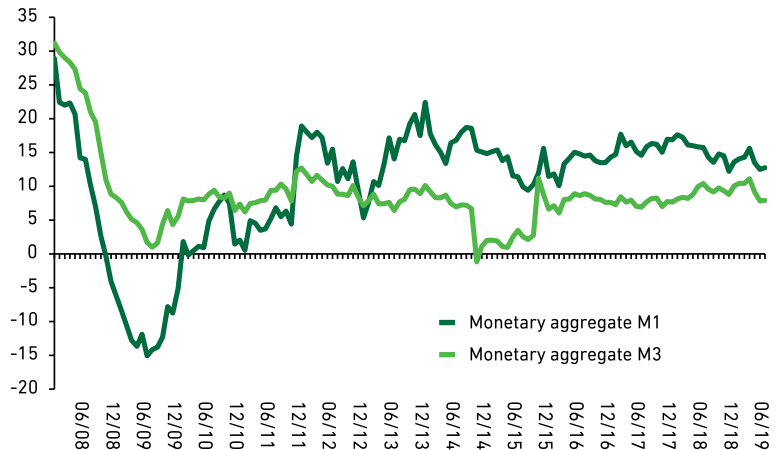
MONEY

In July 2019 broad money (monetary aggregate M3) increases annually by 7.9% compared to an annual growth of 7.8% as in June 2019.

■ At the end of July 2019 M3 is BGN 97 571 million (84.3% of GDP) compared to BGN 95 821 million in June 2019 (82.8% of GDP).

■ Its most liquid component – monetary aggregate M1 - increases in July 2019 by 12.7% on an annual basis (an annual growth of 12.5% in June 2019).

■ Quasi-money reports an increase of 1.8% on an annual basis, as their volume reaches BGN 40 216 million.



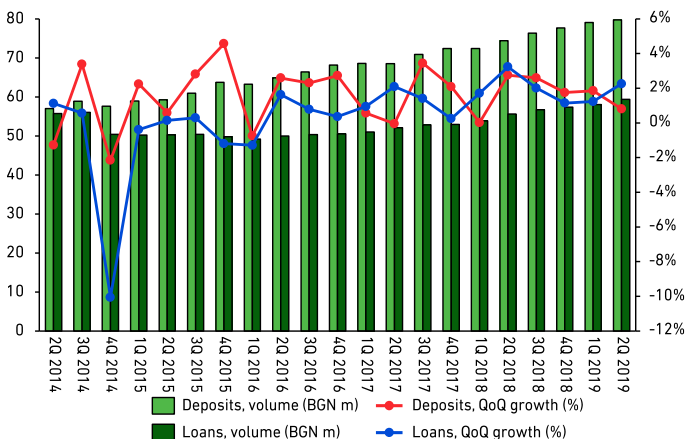
DEPOSITS

■ At the end of July 2019 deposits of the non-government sector reach BGN 81 015 million (70.0% of GDP) and increasing by 7.7% on an annual basis (in June 2019 they report annual growth of 7.2%).

■ Deposits of the non-financial enterprises amount to BGN 24 144 million (20.9% of GDP) at the end of July 2019. Compared to the same month of 2018 they increase by 3.8% (in June 2019 report an annual growth of 2.4%).

■ Deposits of the financial corporations are BGN 3 500 million (3.0% of GDP) at the end of July 2019, and on annual basis increase by 35.1% (in June 2019 report an annual growth of 28.2%).

■ Deposits of households and NPISHs reach BGN 53 371 million (46.1% of GDP) at the end of August 2019. They increase by 8.1% compared to the same month of 2018 (in June 2019 report an annual growth of 8.2%).



LOANS³

■ At the end of July 2019 loans to the non-government sector amount to BGN 59 860 million (51.7% of GDP) compared to BGN 59 372 million in June 2019 (51.3% of GDP). In July 2019 they increase by 6.6% on an annual basis (in June 2019 report an annual growth of 6.8%).

■ As July 2019 loans to non-financial enterprises amount to BGN 33 757 million (29.2% of GDP). Compared to the same period of 2018 they increase by 4.3% (by June 2019 report an annual growth of 4.6%).

■ At the end of July 2019 loans to households and NPISHs reach BGN 22 985 million (19.9% of GDP). On annual basis they increase by 8.7% (in June 2019 report an annual growth of 8.1%).

■ Housing loans are BGN 11 275 million and increase by 12.3% compared to July 2018 (as of June 2019 the annual increase is 11.8%).

■ Consumer loans amount to BGN 9 783 million and report an increase of 11.2% on an annual basis (by the end of June 2019 they increase by 10.6% compared to the same period of the previous year).

■ Other loans amount to BGN 589 million and on an annual basis they decrease by 40.5% compared to July 2018 (in June 2019 report an annual drop of 38.5%).

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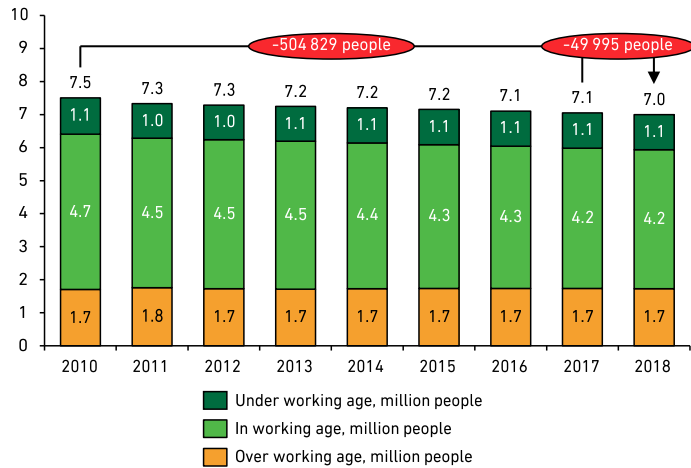
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³The other loans indicator also includes loans granted to associations of owners in accordance with the National Program for Energy Efficiency of Multi-family Residential Buildings.

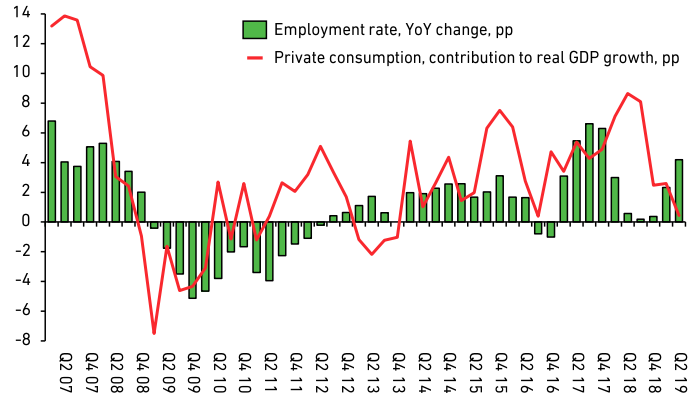
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

Population structure.

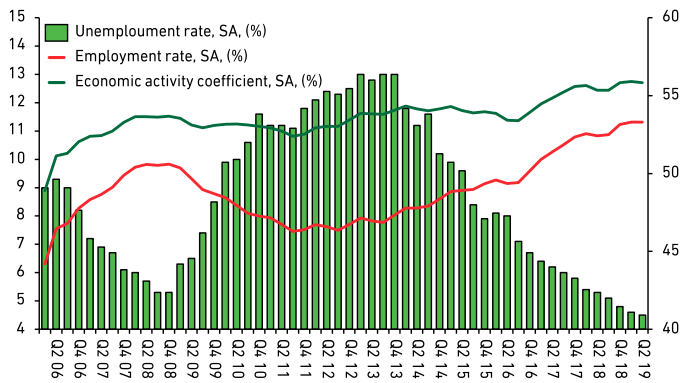


Individual consumption and employment rate.

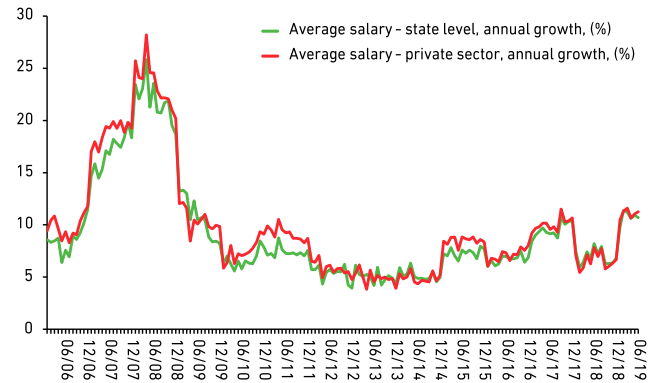


LABOR MARKET

Unemployment, employment and economic activity rates according to Eurostat.

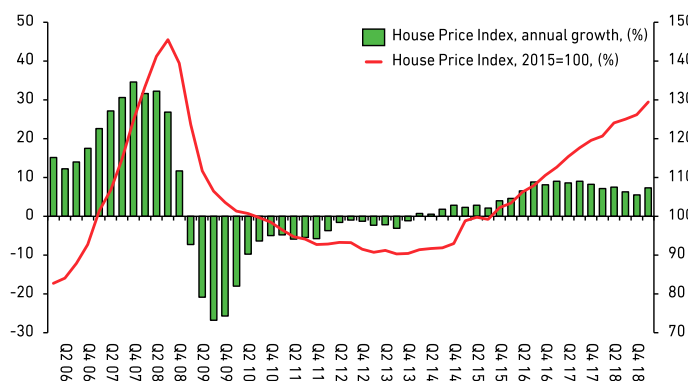


Annual average wage growth in private sector and on a state level.



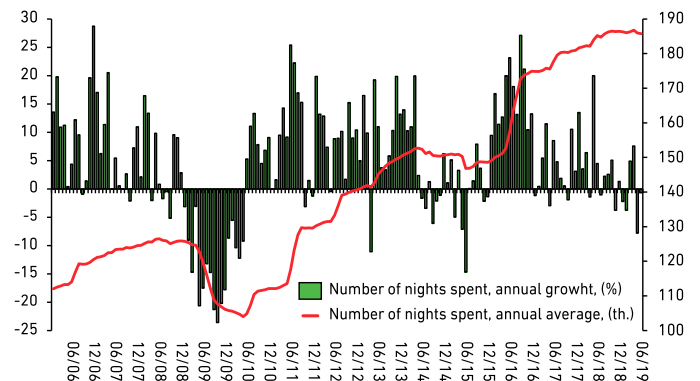
REAL ESTATES

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**, 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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