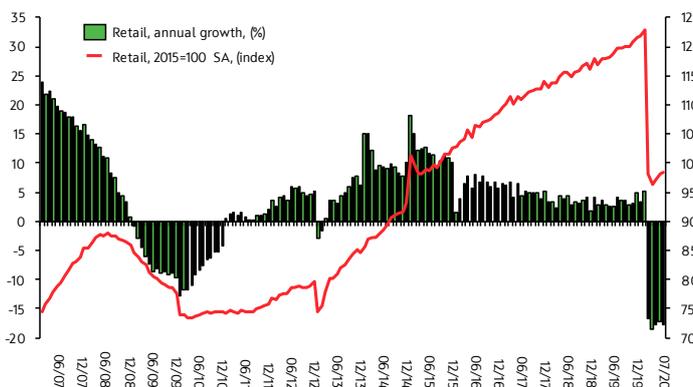
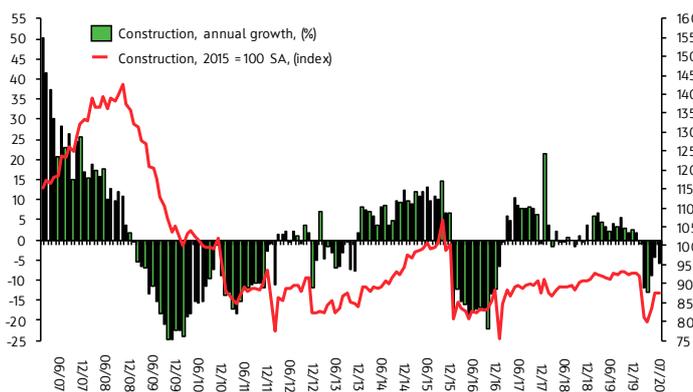
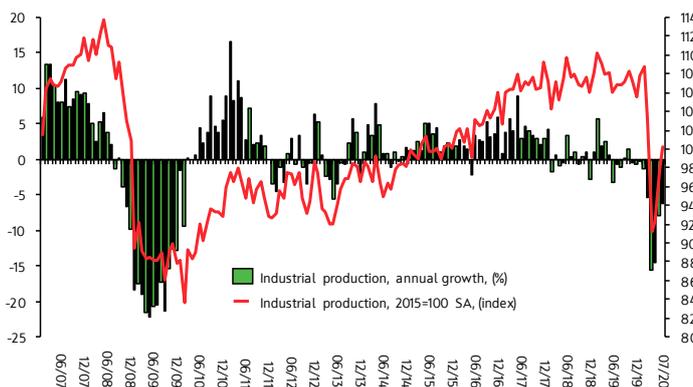


# Macroeconomic bulletin

ISSUE 45 • SEPTEMBER 2020

## BUSINESS ENVIRONMENT INDICATORS

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



	<b>MONTHLY INFLATION</b>	↓ <b>0.0%</b>	08/20
	<b>ANNUAL INFLATION</b>	→ <b>1.2%</b>	08/20
	<b>UNEMPLOYMENT</b>	↓ <b>7.5%</b>	08/20
	<b>NOMINAL GDP</b>	↓ <b>27.4</b> BGN bn	2Q/20
	<b>REAL GDP GROWTH</b>	↓ <b>-8.7%</b>	2Q/20
	<b>CONSOLIDATED BUDGET</b>	↑ <b>1.6%</b> OF GDP	07/20
	<b>CURRENT ACCOUNT</b>	↑ <b>1.9%</b> OF GDP	07/20
	<b>TRADE BALANCE</b>	↓ <b>-0.4%</b> OF GDP	07/20
	<b>EXPORTS ANNUAL GROWTH</b>	↓ <b>-7.6%</b>	07/20
	<b>IMPORTS ANNUAL GROWTH</b>	↓ <b>-12.0%</b>	07/20

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



-3.5% 4.2%



-8.5% 5.1%



-7.1% 5.3%



-4.0% 6.0%



-6.2% 4.3%

• 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.

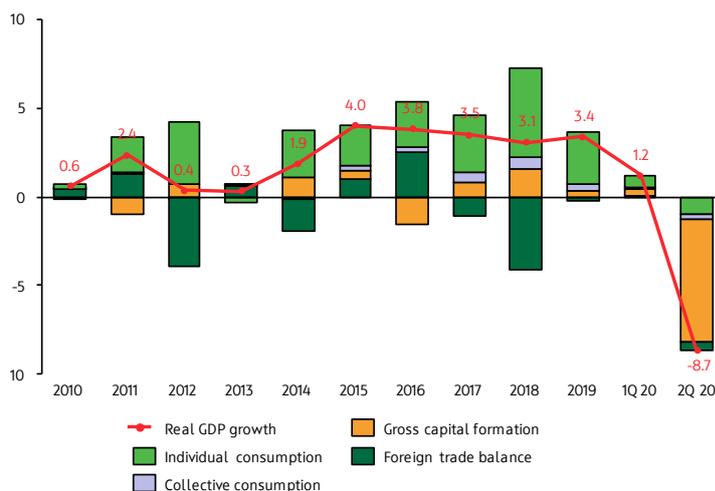
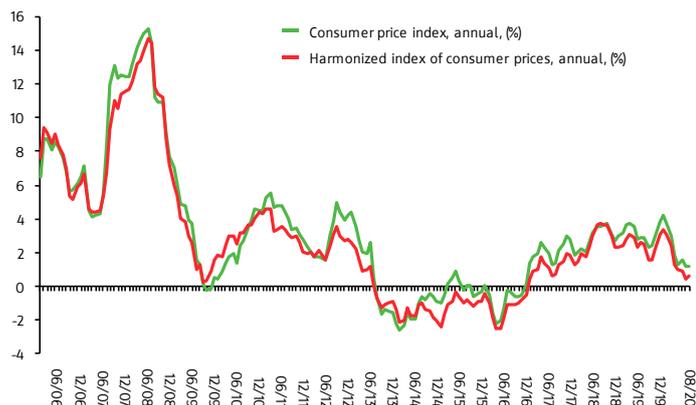
- Gross Value Added in the second quarter of 2020 amounted to BGN 23 848 million and decreased by 7.6% compared to the same quarter of the previous year.

## INFLATION

### CONSUMER PRICE INDEX

The consumer price index in August 2020 compared to July 2020 is 100.0%, i.e. the monthly inflation is 0.0%.

- The annual inflation in August 2020 compared to August 2019 is 1.2%.
- The annual average inflation, measured by CPI, in the last 12 months (September 2019 - August 2020) compared to the previous 12 months (September 2018 - August 2019) is 2.5%.
- The inflation rate since the beginning of the year (August 2020 compared to December 2019) is minus 0.5%.



- 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 "Transport" (a growth of 2.2%). The highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 4.0%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



### INFLATION FORECAST

2020 2021



AVE 0.8% 2.1%



AVE 0.8% 1.4%



AVE 1.0% 1.1%



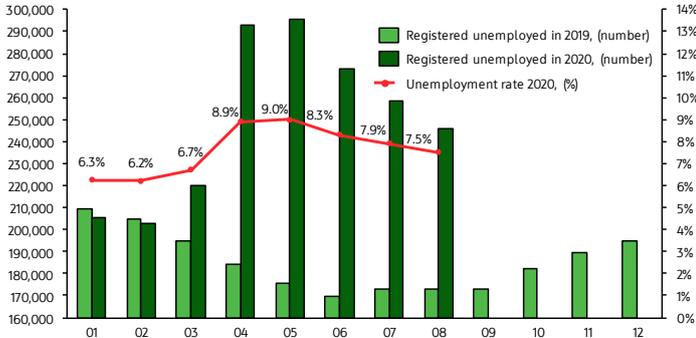
AVE 1.0% 1.9%

### HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in August 2020 compared to July 2020 was 100.4%, i.e. the monthly inflation is 0.4%.
- The annual inflation in August 2020 compared to August 2019 is 0.6%.
- The annual average inflation, measured by HICP, in the last 12 months (September 2019 - August 2020) compared to the previous 12 months (September 2018 - August 2019) is 1.8%.
- The inflation rate since the beginning of the year (August 2020 compared to December 2019) is 0.5%.

## UNEMPLOYMENT

- According to data from the Employment Agency in August 2020, the number of unemployed individuals decreases by 12 779 compared to the previous month. The number of unemployed persons at the end of the month is 245 774.



- The reported unemployment at the end of the month is 7.5%.



### UNEMPLOYMENT FORECAST

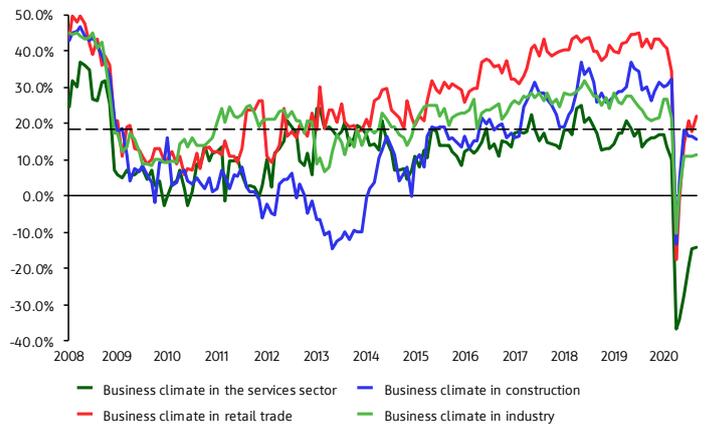
	2020	2021
otpbank	8.6%	6.6%
Government	7.0%	5.8%
European Commission	7.0%	5.8%
IMR	8.0%	4.5%

- In August, the number of newly registered unemployed was 23 548, which is by 515 people more than those who started work during the month.

## BUSINESS CLIMATE

During September 2020 the total business climate indicator increases by 0.8 pp compared to August.

- This is mainly due to the more favorable business climate in retail trade.
- The business conjuncture in construction reports a decrease during the month, while in industry and services preserves the level from the previous 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.

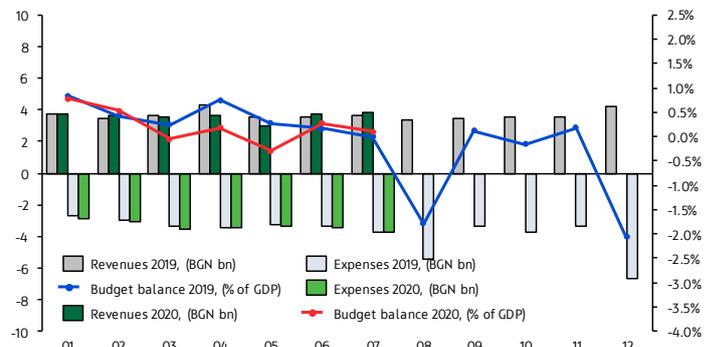
- Compared to 2008, the indicator registers a growth of 1.1%.

## STATE BUDGET

### BUDGET BALANCE

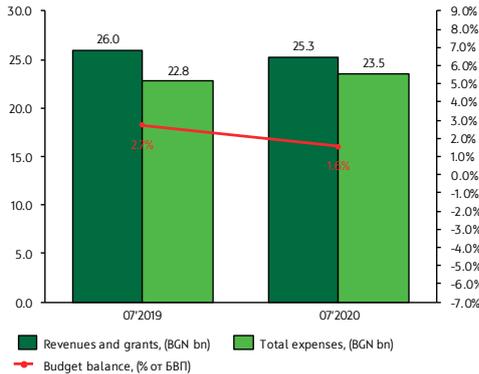
The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of July 2020 is positive amounting to BGN 1724 million (1.6% of the forecasted GDP).

- It is formed by a national budget surplus of BGN 1 183 million and by a surplus of EU funds at the amount of BGN 541 million.
- For comparison, by the end of July 2019, the CFP reports a surplus amounting to BGN 3 224 million (2.7% of GDP), which means that as a relative share of GDP the budget position worsens by 1.2%.



## REVENUES

- The CFP revenues and grants at the end of July 2020 stand at BGN 25 267 million.
- Compared to the same period of the previous year, revenues and grants decrease by BGN 713 million (an annual drop of 2.7%).
- At the end of July, the receivables accounts for 56.9% of the annual estimates, as per the „Amendment to the State Budget Act for 2020“.

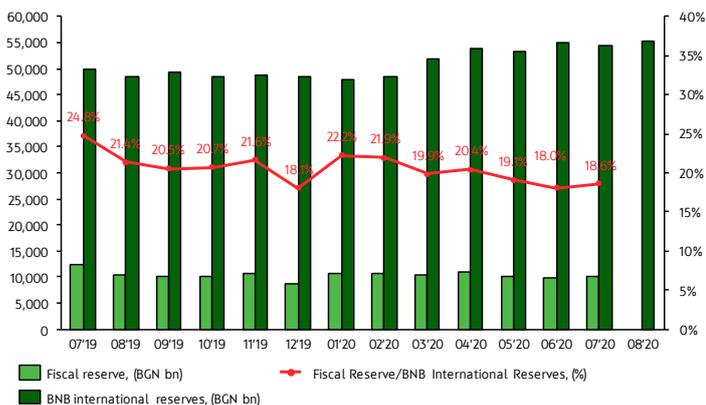


## FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of July 2020 is BGN 10 139 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 2020 amounts to BGN 9 781 million.
- In comparison to the previous month, the FR increase by BGN 245 million or 2.5%.

## FISCAL RESERVES TO FOREIGN EXCHANGE

- At the end of July 2020, the Fiscal reserve forms 18.6% of the country's International reserves and the indicator reports an increase of 0.5 pp compared to the previous month.



## COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for July 2020 amounts to BGN 23 543 million.
- The data, reported as of the end of July shows an annual growth of expenditures by 3.5%. As of the end of the month, they were by BGN 786 million higher, compared to the same period of the previous year.
- The expenses reported by the end of July form 49.2% of the annual volume, planned in the „Amendment to the State Budget Act for 2020“.

## GOVERNMENT DEBT

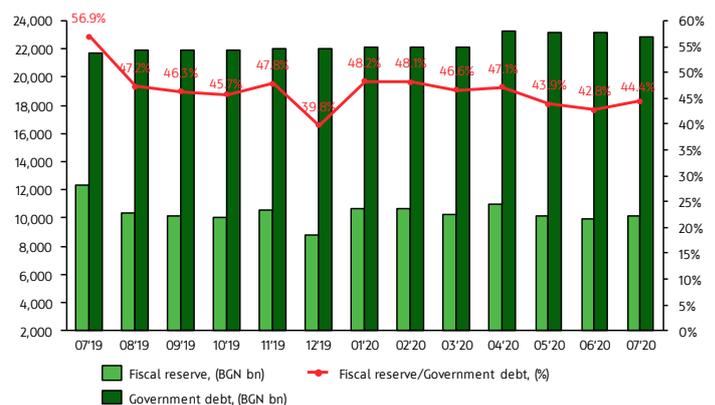
- Government debt by the end of July amounts to BGN 22 824 million or 20.6% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 1 126 million (5.2%).

## FOREIGN EXCHANGE RESERVES

- At the end of August 2020 International reserves of BNB amounts to BGN 55 380 million.
- During the month they increase by BGN 838 million (1.5%).
- Compared to the same period of the previous year, International reserves increase by BGN 6 957 million (14.4%).
- Since the beginning of the year they increase by BGN 6 805 million or 14.0%.

## COVERAGE RATIO OF GOVERNMENT DEBT WITH

- At the end of July 2020 the Fiscal reserve covers 44.4% of the Government debt, as the indicator grows by 1.7 pp compared to the previous month.

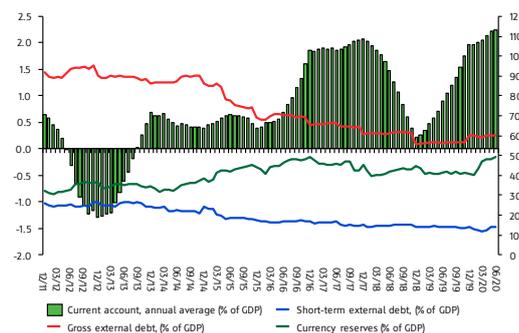
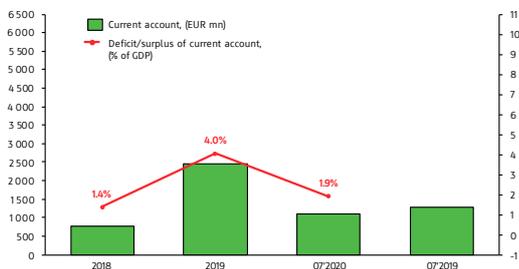
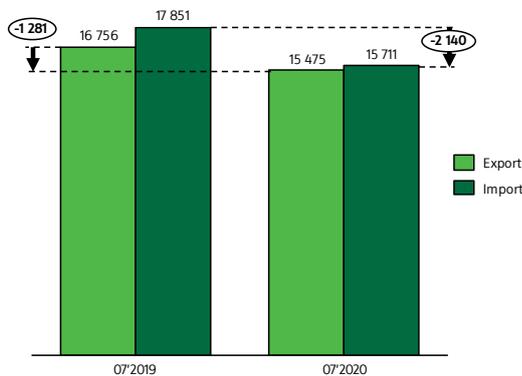


## BALANCE OF PAYMENTS AND DIRECT INVESTMENTS<sup>2</sup>

### CURRENT ACCOUNT

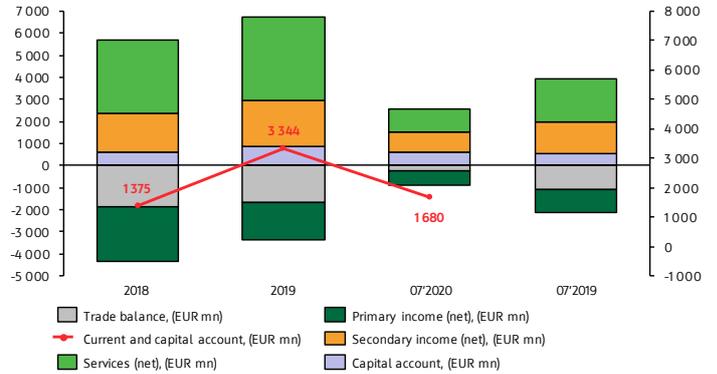
**In January – July 2020 the current account is positive and amounts to EUR 1 087 million (1.9% of GDP), compared with a surplus of EUR 1 275 million (2.1% of GDP) in January – July 2019.**

- In January – July 2020 the trade balance is negative and amounts to minus EUR 236 million (0.4% of GDP), compared with a deficit of minus EUR 1 095 million (1.8% of GDP) in January – July 2019.
- In January – July 2020 exports amounts to EUR 15 475 million, which is an decrease by EUR 1 281 million (7.6%) compared to the same period of 2019 (EUR 16 756 million). Exports for January – July 2019 grow on an annual basis by 6.6%.
- In January – July 2020 imports amounts to EUR 15 711 million, decreasing by EUR 2 140 million (12.0%) compared to the same period of 2019 (EUR 17 851 million). Imports for January – July 2019 grow on an annual basis by 5.6%.
- In January – July 2020 the services balance is positive at EUR 1 072 EUR million (1.9% of GDP) against a positive balance EUR 1 959 million (3.2% of GDP) in January – July 2019.



### CAPITAL ACCOUNT

- In January – July 2020 the capital account is positive, amounting to EUR 593 million (1.0% of GDP) against positive, balance amounting to EUR 565 million (0.9% of GDP) in January – July 2019.



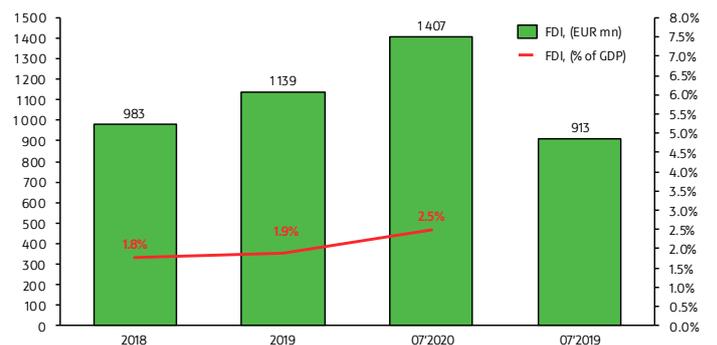
### FINANCIAL ACCOUNT

- In January – July 2020 the financial account is positive, amounting to EUR 1 480 million (2.6% of GDP) compared to positive, amounting to EUR 1 377 million (2.3% of GDP) for the same period of 2019.

### DIRECT INVESTMENTS

**Foreign direct investments in Bulgaria for January – July 2020 presented according to the directional principle records a value of EUR 1 407 million (2.48% of GDP), growing by EUR 495 million (54.2%) compared to January – July 2019 (value of EUR 913 million, 1.5% of GDP).**

- Foreign direct investments abroad for January – July 2020 record a value of EUR 75 million (0.13% of GDP), dropping by EUR 155 million (67.4%) compared to January – July 2019 (value of EUR 229 million, 0.38% of GDP).

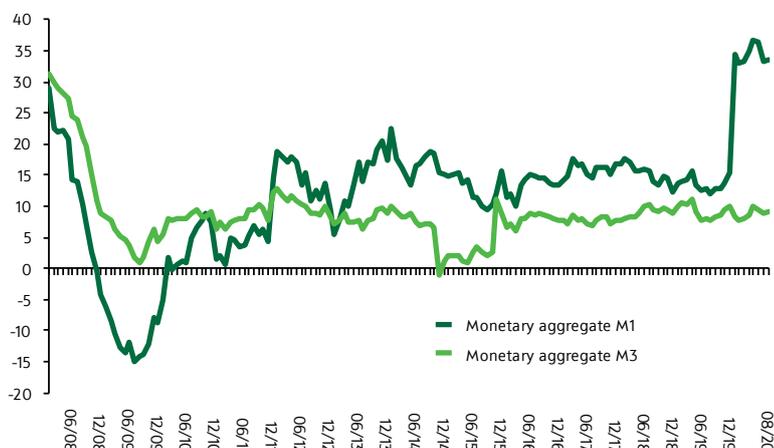


## MONETARY, DEPOSITS AND LOANS INDICATORS

### MONEY

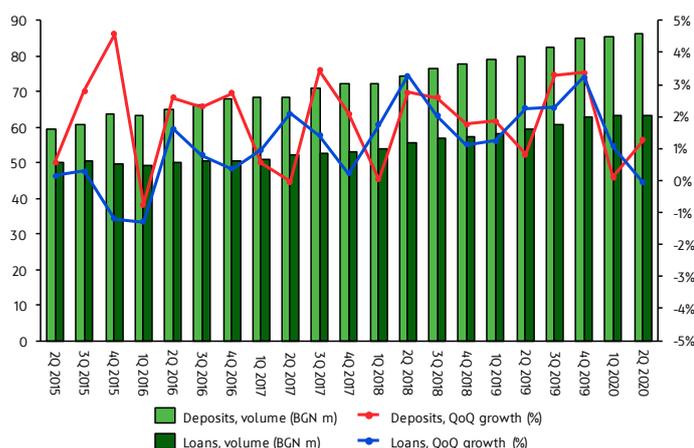
In August 2020 broad money (monetary aggregate M3) increases annually by 9.1% compared to an annual growth of 8.7% in July 2020.

- At the end of August 2020 M3 is BGN 107 442 million (96.8% of GDP) compared to BGN 106 074 million in July 2020 (95.6% of GDP).
- Its most liquid component - monetary aggregate M1 - increases in August 2020 by 33.7% on an annual basis (an annual growth of 33.2% in July 2020).
- Quasi-money reports a decrease of 26.2% on an annual basis, as their volume reaches BGN 29 915 million.



### DEPOSITS

- At the end of August 2020 deposits of the non-government sector reach BGN 88 847 million (80.0% of GDP) and increasing by 8.9% on an annual basis (in July 2020 they report annual growth of 8.4%).
- Deposits of the non-financial enterprises amount to BGN 27 547 million (24.8% of GDP) at the end of August 2020. Compared to the same month of 2019 they increase by 12.2% (in July 2020 report an annual growth of 10.0%).
- Deposits of the financial corporations are BGN 3 547 million (3.2% of GDP) at the end of August 2020, and on annual basis increase by 5.2% (in July 2020 report an annual growth of 8.9%).
- Deposits of households and NPISHs reach BGN 57 753 million (52.0% of GDP) at the end of August 2020. They increase by 7.6% compared to the same month of 2019 (in July 2020 report an annual growth of 7.7%).



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

- At the end of August 2020 loans to the non-government sector amount to BGN 63 580 million (57.3% of GDP) compared to BGN 63 479 million in July 2020 (57.2% of GDP). In August 2020 they increase by 6.1% on an annual basis (in July 2020 report an annual growth of 6.0%).
- At the end of August 2020 loans to non-financial enterprises amount to BGN 34 313 million (30.9% of GDP). Compared to the same period of 2019 they increase by 2.2% (by July 2020 report an annual growth of 1.8%).
- At the end of August 2020 loans to households and NPISHs reach BGN 24 934 million (22.5% of GDP). On annual basis they increase by 7.4% (in July 2020 report an annual growth of 7.7%).
- Housing loans are BGN 11 515 million and increase by 12.3% compared to August 2019 (as of July 2020 the annual increase is 12.7%).
- Consumer loans amount to BGN 11 725 million and report an increase of 6.2% on an annual basis (by the end of July 2020 they increase by 6.7% compared to the same period of the previous year).
- Other loans amount to BGN 444 million and on an annual basis they decrease by 24.4% compared to August 2019 (in July 2020 report an annual drop of 25.6%).

### PREPARED BY

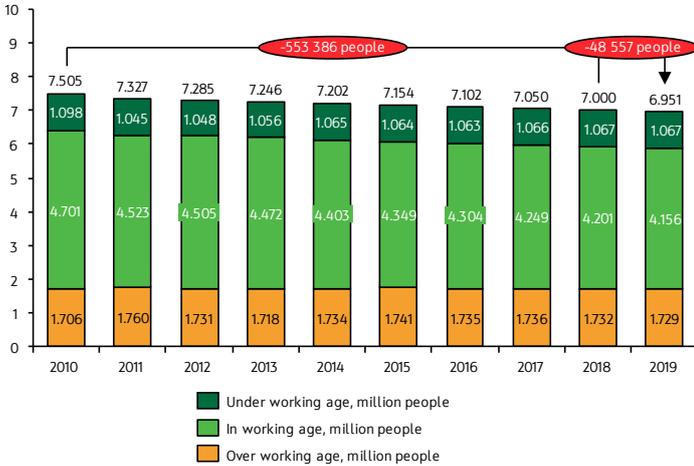
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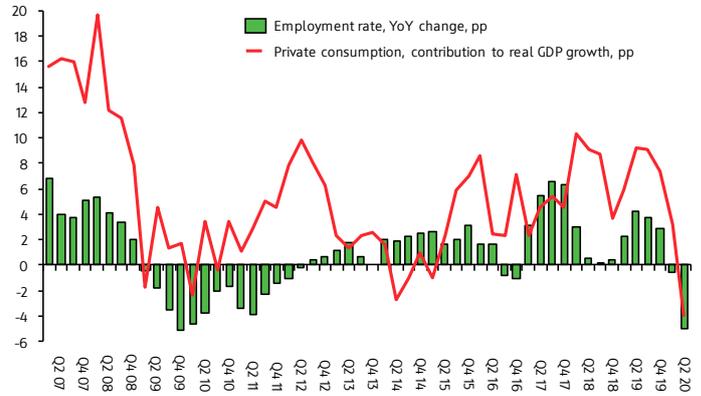
## ADDITIONAL INFORMATION

### POPULATION AND EMPLOYMENT

- Population structure.

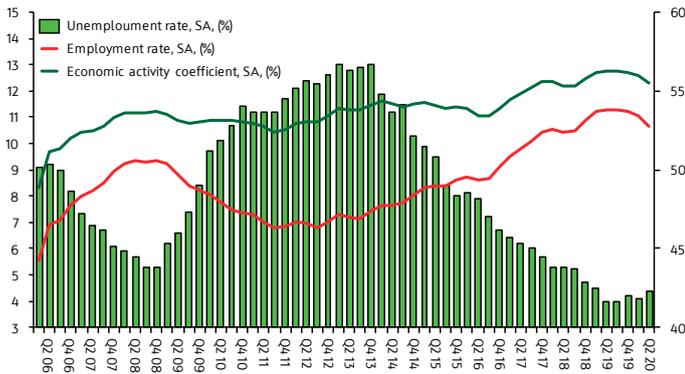


- Individual consumption and employment rate.

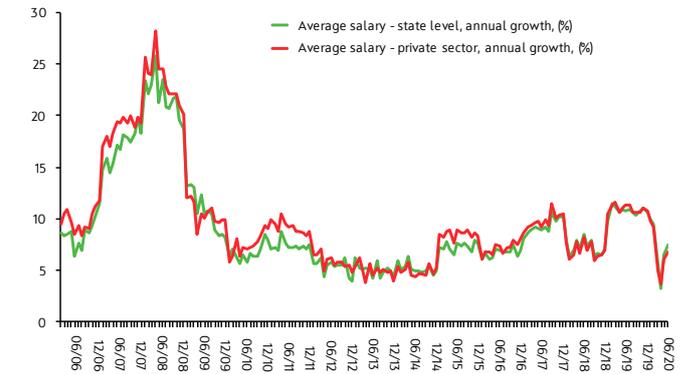


### LABOR MARKET

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

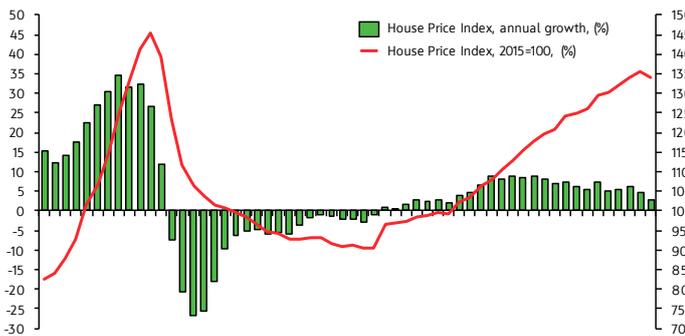


- Annual average wage growth in private sector and on a state level.



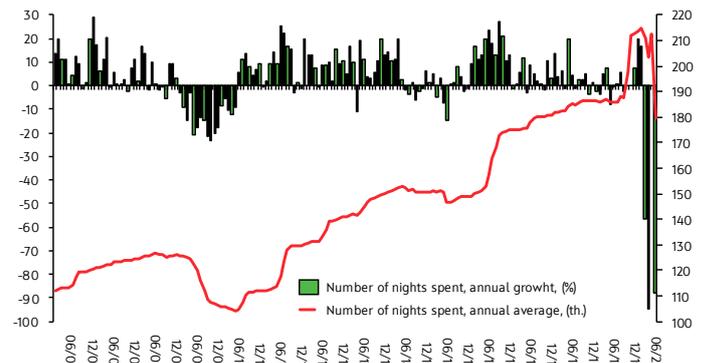
### REAL ESTATES

- 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, June 2020
-  **Bulgarian National Bank**, Macroeconomic forecast, September 1, 2020
-  **International Monetary Fund**, World Economic Outlook, April 14, 2020
-  **World Bank**, Global Economic Prospects, June 8, 2020
-  **European Commission**, Summer Forecast, July 7, 2020

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