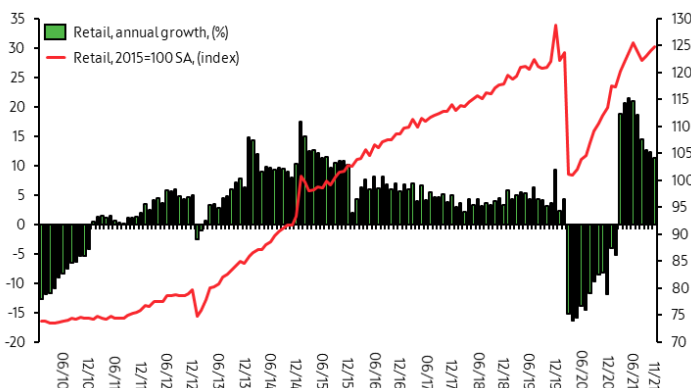
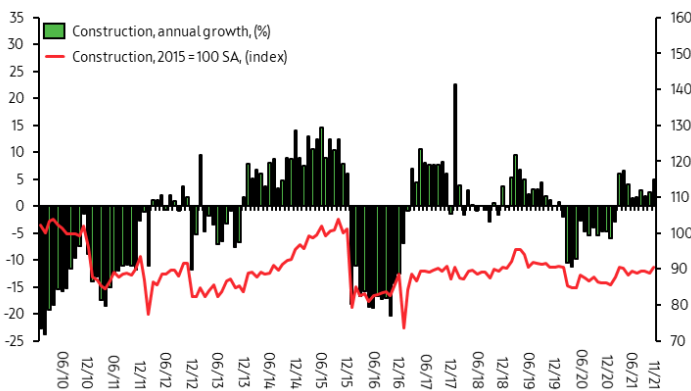
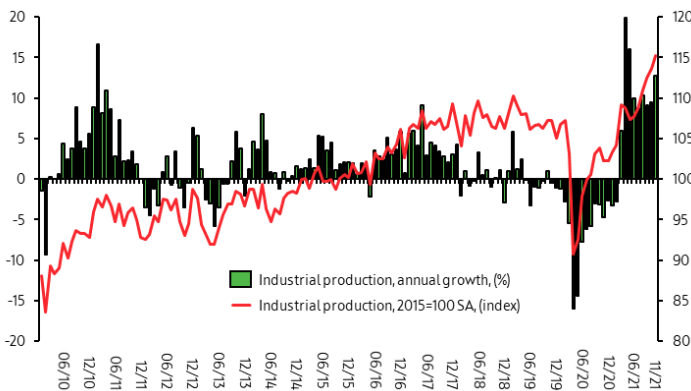


Macroeconomic bulletin

Issue 61 • January 2022

BUSINESS ENVIRONMENT INDICATORS

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



	MONTHLY INFLATION	
	↓ 0.9%	12/21
	ANNUAL INFLATION	
	↑ 7.8%	12/21
	UNEMPLOYMENT	
	→ 4.8%	12/21
	NOMINAL GDP	
	↑ 36.1 BGN bn	3Q/2021
	REAL GDP GROWTH	
	↑ 3.9%	3Q/2021
	CONSOLIDATED BUDGET	
	↓ 0.5% OF GDP	11/21
	CURRENT ACCOUNT	
	↓ -0.7% OF GDP	11/21
	TRADE BALANCE	
	↓ -4.3% OF GDP	11/21
	EXPORTS ANNUAL GROWTH	
	↑ 24.5%	11/21
	IMPORTS ANNUAL GROWTH	
	↑ 27.3%	11/21

The arrows indicate changes compared to the previous month, except for the GDP data, where the comparison is on an annual basis.

GROSS DOMESTIC PRODUCT¹

The accumulated Gross domestic product at current prices by the end of the third quarter of 2021 amounted to BGN 72 468 million, reporting annual growth of 3.6% in real terms.

- The main contributor to the realized increase by expenditure components was the final consumption, which reported a real growth compared to the first nine months of the previous year of 6.9% (private consumption increased by 7.7% and public consumption by 4.5%). Fixed capital formation decreased by 8.7%, while exports and imports of goods and services increased by 8.6% and 12.6%, respectively.



REAL GDP GROWTH FORECAST

2021 2022

	3.8%	3.5%
	3.7%	4.8%
	4.5%	4.4%
	3.8%	4.1%
	3.9%	4.7%

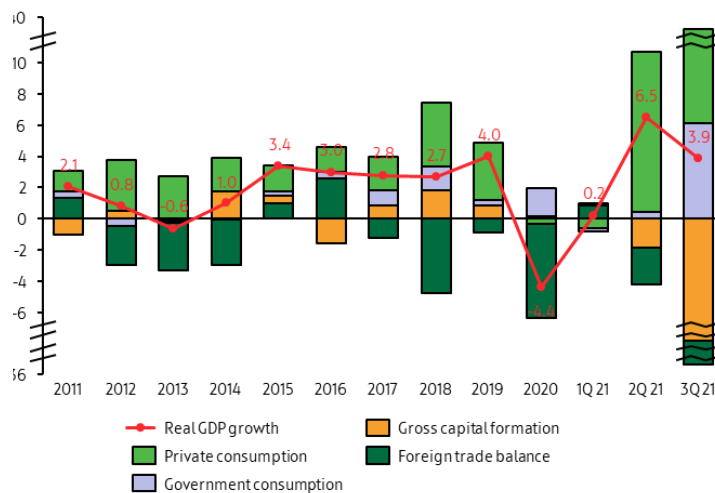
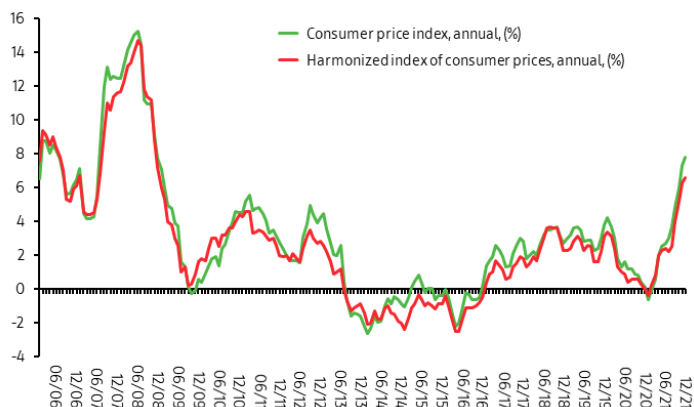
- In the third quarter of 2021, GDP increased to 4.6% compared to the same period in 2020 and generated growth of 0.6% (on a comparable basis) to the previous quarter.

INFLATION

CONSUMER PRICE INDEX

The consumer price index in December 2021 compared to November 2021 is 100.9%, i.e. the monthly inflation is 0.9%.

- The annual inflation in December 2021 compared to December 2020 is 7.8%.
- The annual average inflation, measured by CPI, in the last 12 months (January 2020 - December 2021) compared to the previous 12 months (January 2019 - December 2020) is 3.3%.
- The inflation rate since the beginning of the year (December 2021 compared to December 2020) is 7.5%.



- Gross value added for third quarter of 2021 at current prices amounts to BGN 31 201 million, and increases in real terms by 3.1% compared same period of 2020. Compared to the previous quarter it registered growth of 0.4%.
- The share of the agricultural sector in GVA is 7.6% and increases by 0.8 percentage points compared to the same period in 2020. Industry increased its relative share by 0.6 percentage points, up to 26.4%. Services reduced their share to 66.0%, from 67.4% in the third quarter of 2020.

- During the month, the highest increase is reported in the prices of sector "Recreation and culture" (a growth of 4.7%). The highest decline is recorded in the prices of sector "Clothing and footwear" (a drop of 0.8%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



INFLATION FORECAST

2021 2022

	AVG [CPI]	3.3%	5.6%
	AVG	2.9%	5.6%
	AVG	2.1%	1.9%
	AVG	2.4%	2.9%
	EOP	3.8%	1.5%

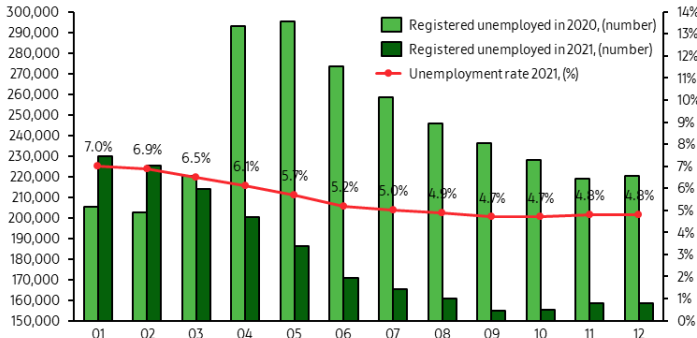
HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in December 2021 compared to November 2021 was 100.8%, i.e. the monthly inflation is 0.8%.
- The annual inflation in December 2021 compared to December 2020 is 6.6%.
- The annual average inflation, measured by HICP, in the last 12 months (January 2020 - December 2021) compared to the previous 12 months (January 2019 - December 2020) is 2.8%.
- The inflation rate since the beginning of the year (December 2021 compared to December 2020) is 6.5%.

¹The indicators, presented in relative share to the Gross Domestic Product, are calculated at a forecasted annual GDP of BGN 128 439 million for 2021 and actual GDP of BGN 119 951 million for 2020. In October 2021 the data according to the Gross Domestic Product was revised.

UNEMPLOYMENT

- According to data from the Employment Agency in December 2021, the number of unemployed individuals increases by 36 compared to the previous month. The number of unemployed persons at the end of the month is 158 283.



- The reported unemployment at the end of the month is 4.8%.



UNEMPLOYMENT FORECAST

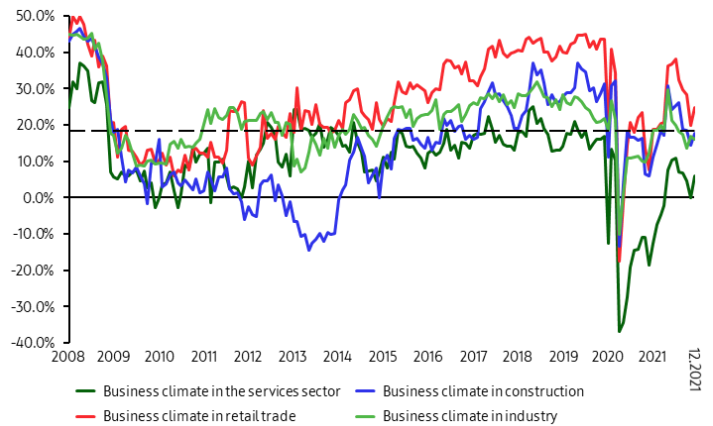
- Unemployment in Bulgaria (according to Eurostat) is 4.9% at the end of November 2021. During the same period last year, unemployment is 5.2% or reports a decrease of 0.3 pp.

	2021	2022
otpbank AVG	5.4%	5.0%
otpbank AVG	5.4%	5.0%
otpbank AVG	5.2%	4.7%
otpbank AVG	5.1%	4.6%
otpbank AVG	5.5%	4.9%

BUSINESS CLIMATE

During December 2021 the total business climate indicator increases by 2.6 pp compared to November.

- 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.

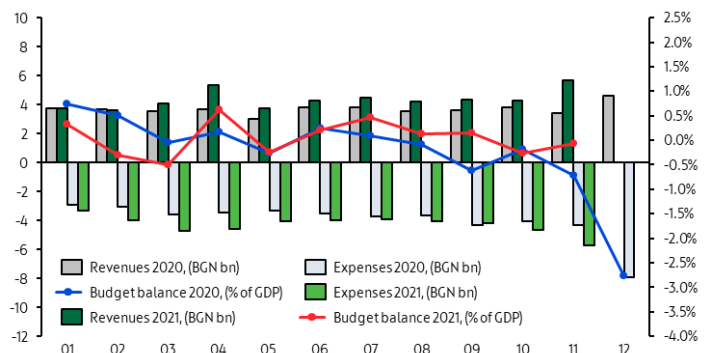
- Compared to 2008, the indicator registers a growth of 8.5%.

STATE BUDGET

BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of November 2021 is positive amounting to BGN 639 million (0.5% of the forecasted GDP).

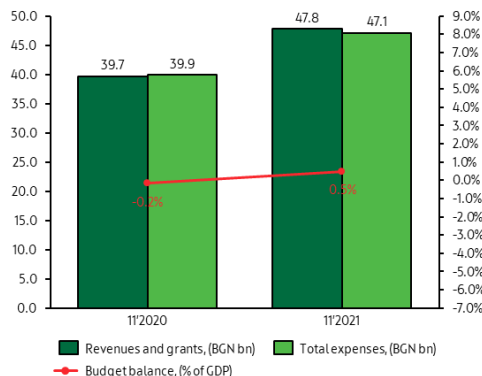
- It is formed by a national budget surplus of BGN 807 million and by a deficit of EU funds at the amount of BGN 168 million.
- For comparison, by the end of November 2020, the CFP reports a deficit amounting to BGN 214 million (minus 0.2% of GDP), which means that as a relative share of GDP the budget



position improves by 0.7%.

REVENUES

- The CFP revenues and grants at the end of November 2021 stand at BGN 47 779 million.
- Compared to the same period of the previous year, revenues and grants increase by BGN 8 080 million (an annual growth of 20.4%).
- At the end of November, the receivables accounts for 96.2% of the annual estimates, as per the „Amendment to the State Budget Act for 2021“.



COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for November 2021 amounts to BGN 47 141 million.
- The data, reported as of the end of November shows an annual growth of expenditures by 18.1%. As of the end of the month, they were by BGN 7 228 million higher, compared to the same period of the previous year.
- The expenses reported by the end of November form 86.8% of the annual volume, planned in the „Amendment to the State Budget Act for 2021“.

GOVERNMENT DEBT

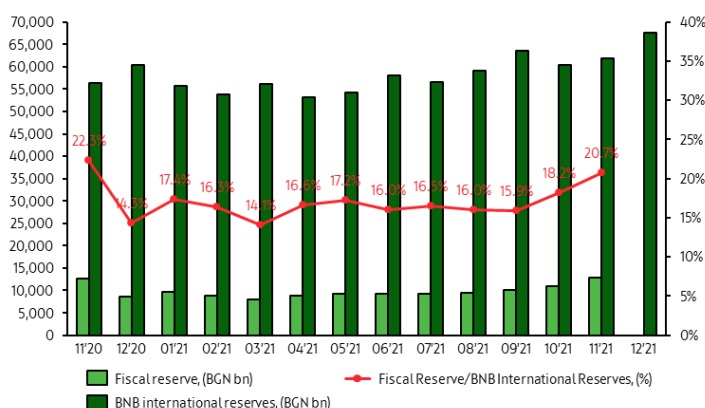
- Government debt by the end of November amounts to BGN 31 249 million or 24.3% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 3 650 million (13.2%).

FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of November 2021 is BGN 12 845 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 November 2021 amounts to BGN 12 529 million.
- In comparison to the previous month, the FR increase by BGN 1 848 million or 16.8%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

- At the end of November 2021, the Fiscal reserve forms 20.7% of the country's International reserves and the indicator reports an increase of 2.5 pp compared to the previous month.

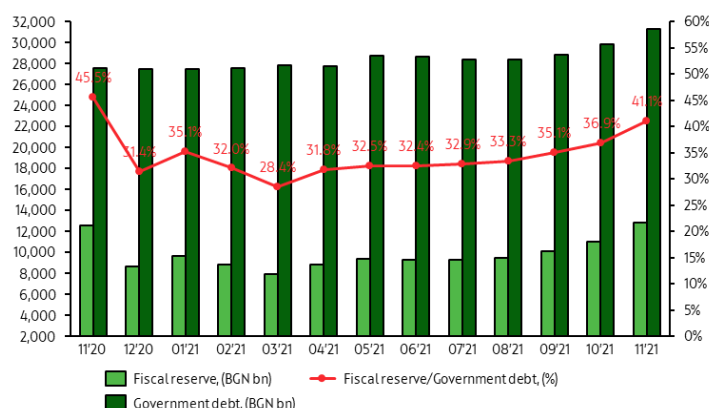


FOREIGN EXCHANGE RESERVES

- At the end of December 2021 International reserves of BNB amounts to BGN 67 666 million.
- During the month they increase by BGN 5 756 million (9.3%).
- Compared to the same period of the previous year, International reserves increase by BGN 7 332 million (12.2%).
- Since the beginning of the year they increase by BGN 7 332 million or 12.2%.

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

- At the end of November 2021 the Fiscal reserve covers 41.1% of the Government debt, as the indicator grows by 4.2 pp compared to the previous month.



BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

In January – November 2021 the current account is negative and amounts to minus EUR 477 million (0.7% of GDP), compared with a deficit of minus EUR 8 million (0.0% of GDP) in January – November 2020.



CURRENT ACCOUNT FORECAST

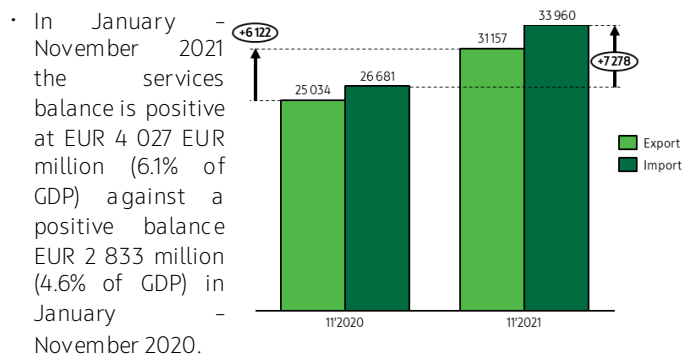
	2021	2022
	-0.6%/GDP	0.0%/GDP
	-1.0%/GDP	-1.3%/GDP
	0.5%/GDP	0.3%/GDP
	0.4%/GDP	1.2%/GDP
	1.0%/GDP	1.4%/GDP

In January – November 2021 the trade balance is negative and amounts to minus EUR 2 803 million (4.3% of GDP), compared with a deficit of minus EUR 1 647 million (2.7% of GDP) in January – November 2020.

In January – November 2021 exports amounts to EUR 31 157 million, which is an increase of EUR 6 122 million (24.5%) compared to the same period of 2020 (EUR 25 034 million).

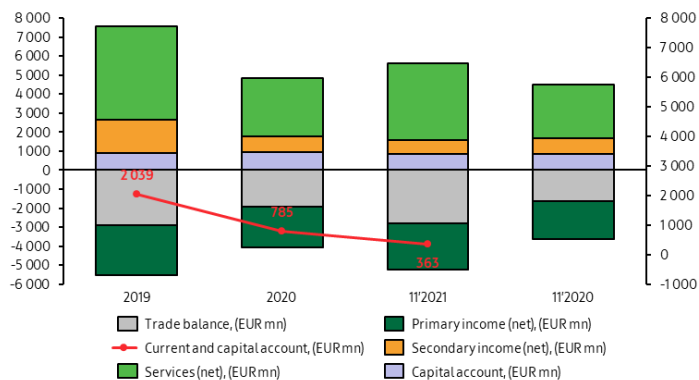
Exports for January – November 2020 decreases on annual basis by 7.4%.

In January – November 2021 imports amounts to EUR 33 960 million, increasing by EUR 7 278 million (27.3%) compared to the same period of 2020 (EUR 26 681 million). Imports for January – November 2020 decreases on annual basis by 9.1%.



CAPITAL ACCOUNT

In January – November 2021 the capital account is positive, amounting to EUR 841 million (1.3% of GDP) against positive, balance amounting to EUR 860 million (1.4% of GDP) in January – November 2020.



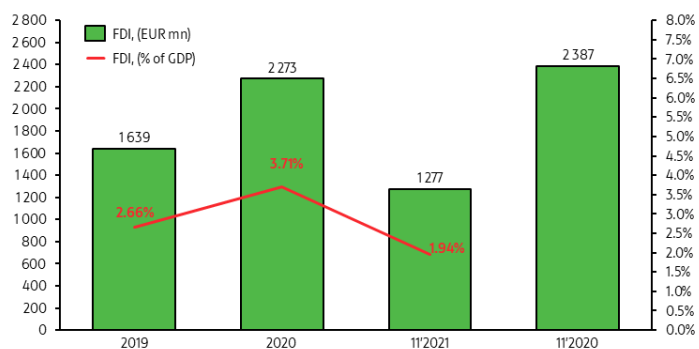
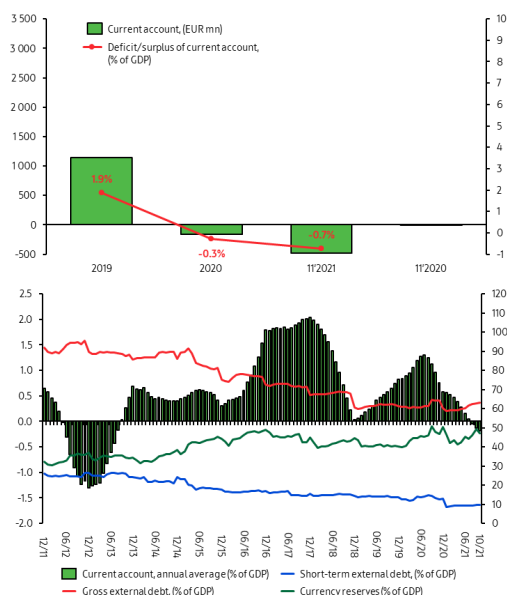
FINANCIAL ACCOUNT

In January – November 2021 the financial account is positive, amounting to EUR 2 911 million (4.4% of GDP) compared to positive, amounting to EUR 2 735 million (4.5% of GDP) for the same period of 2020.

DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – November 2021 presented according to the directional principle records a value of EUR 1 277 million (1.94% of GDP), dropping by EUR 1 110 million (46.5%) compared to January – November 2020 (value of EUR 2 387 million, 3.9% of GDP).

Foreign direct investments abroad for January – November 2021 record a value of EUR 149 million (0.23% of GDP), dropping by EUR 33 million (18.1%) compared to January – November 2020 (value of EUR 182 million, 0.30% of GDP).



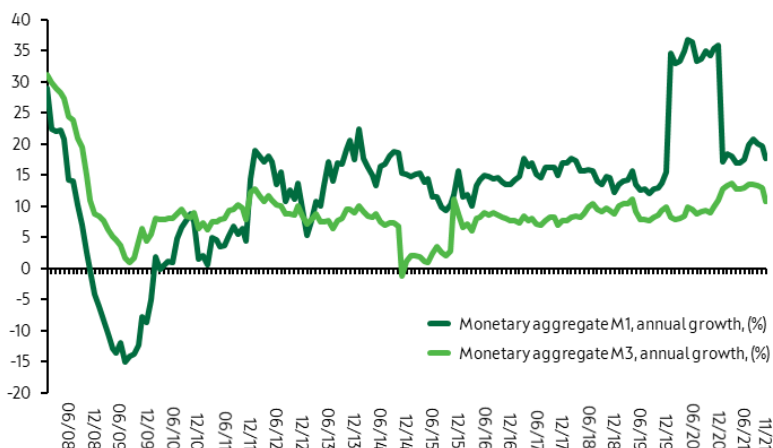
²In December 2021 the data according to Balance of Payments, International Investment Position and Reserve Assets of Republic of Bulgaria is being revised for January 2021– October 2021.

MONETARY, DEPOSITS AND LOANS INDICATORS

MONEY

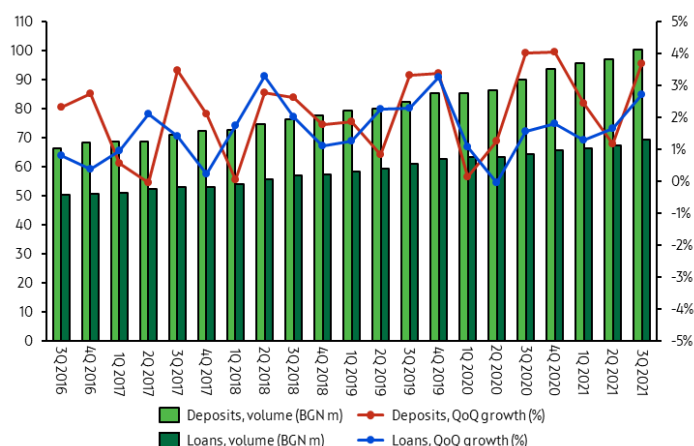
In November 2021 broad money (monetary aggregate M3) increases annually by 10.8% compared to an annual growth of 12.9% in October 2021.

- At the end of November 2021 M3 is BGN 122 300 million (95.2% of GDP) compared to BGN 123 394 million in October 2021 (96.1% of GDP).
- Its most liquid component – monetary aggregate M1 – increases in November 2021 by 17.6% on an annual basis (an annual growth of 19.7% in October 2021).
- Quasi-money reports a decrease of 7.9% on an annual basis, as their volume reaches BGN 27 207 million.



DEPOSITS

- At the end of November 2021 deposits of the non-government sector reach BGN 99 746 million (77.7% of GDP) and increasing by 9.1% on an annual basis (in October 2021 they report annual growth of 11.3%).
- Deposits of the non-financial enterprises amount to BGN 30 863 million (24.0% of GDP) at the end of November 2021. Compared to the same month of 2020 they increase by 8.1% (in October 2021 report an annual growth of 12.2%).
- Deposits of the financial corporations are BGN 3 766 million (2.9% of GDP) at the end of November 2021, and on annual basis increase by 7.6% (in October 2021 report an annual growth of 18.5%).
- Deposits of households and NPISHs reach BGN 65 117 million (50.7% of GDP) at the end of November 2021. They increase by 9.7% compared to the same month of 2020 (in October 2021 report an annual growth of 10.4%).



LOANS³

- At the end of November 2021 loans to the non-government sector amount to BGN 70 668 million (55.0% of GDP) compared to BGN 70 014 million in October 2021 (54.5% of GDP). In November 2021 they increase by 8.2% on an annual basis (in October 2021 report an annual growth of 7.9%).
- As November 2021 loans to non-financial enterprises amount to BGN 37 065 million (28.9% of GDP). Compared to the same period of 2020 they increase by 4.1% (by October 2021 report an annual growth of 4.4%).
- At the end of November 2021 loans to households and NPISHs reach BGN 28 659 million (22.3% of GDP). On annual basis they increase by 12.5% (in October 2021 report an annual growth of 12.1%).
- Housing loans are BGN 13 900 million and increase by 16.8% compared to November 2020 (as of October 2021 the annual increase is 16.5%).
- Consumer loans amount to BGN 13 164 million and report an increase of 10.4% on an annual basis (by the end of October 2021 they increase by 10.1% compared to the same period of the previous year).
- Other loans amount to BGN 390 million and on an annual basis they decrease by 4.7% compared to November 2020 (in October 2021 report an annual drop of 7.1%).

PREPARED BY

STEFAN HRISTOV
Head of Market analyses and Pricing
DSK Bank AD

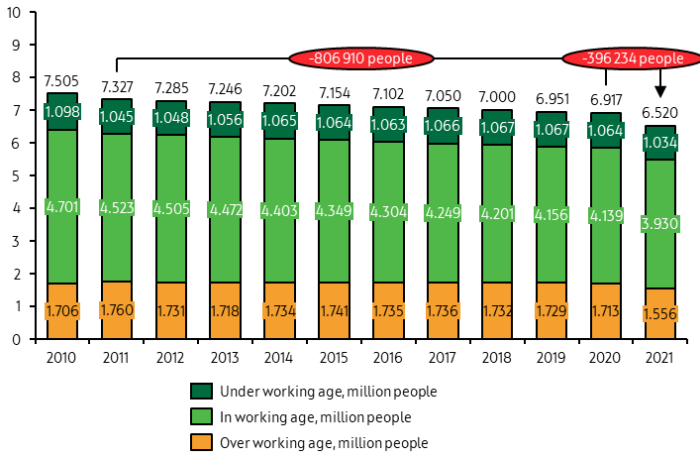
Stefan.Hristov@dskbank.bg 02/80 10 028

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.

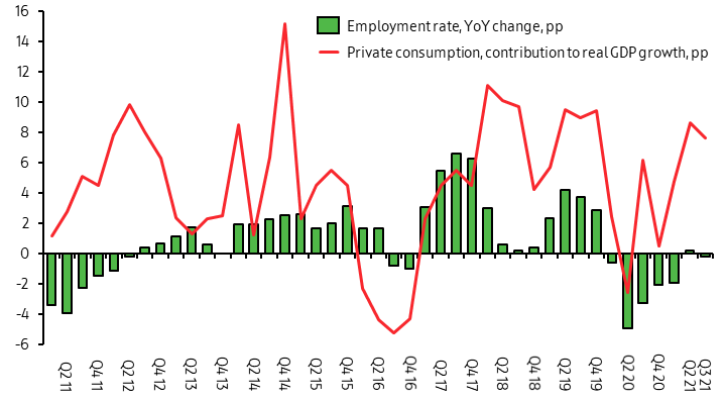
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

- Population structure.

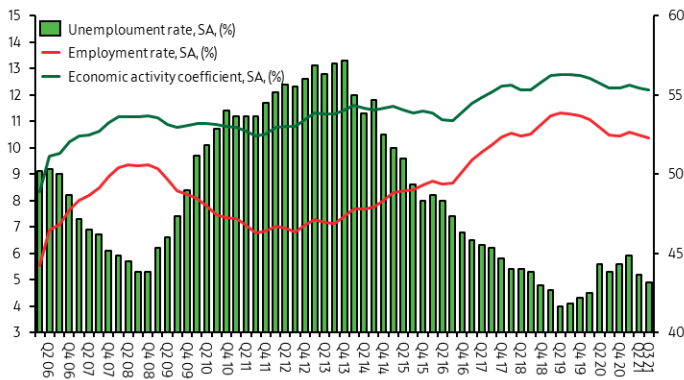


- Individual consumption and employment rate.

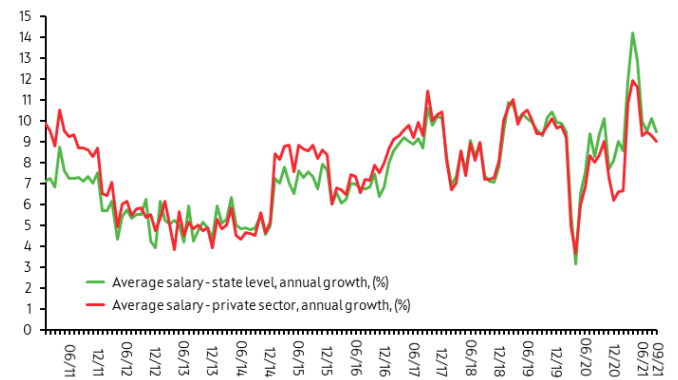


LABOR MARKET

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

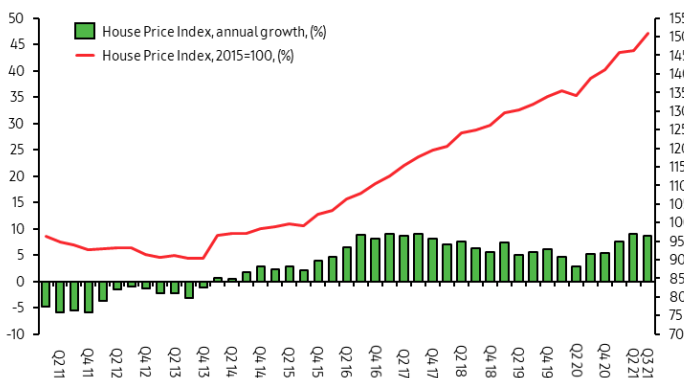


- Annual average wage growth in private sector and on a state level.



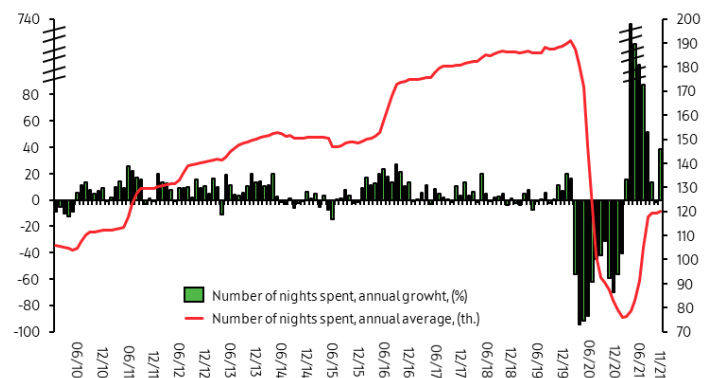
REAL ESTATES

- 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, January 2022
-  **Bulgarian National Bank**, Macroeconomic forecast, October 2021
-  **Ministry of Finance of the Republic of Bulgaria**, Macroeconomic forecast for State budget, January 2022
-  **European Commission**, Summer Economic Forecast, November 2021
-  **International Monetary Fund**, World Economic Outlook, October 2021

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