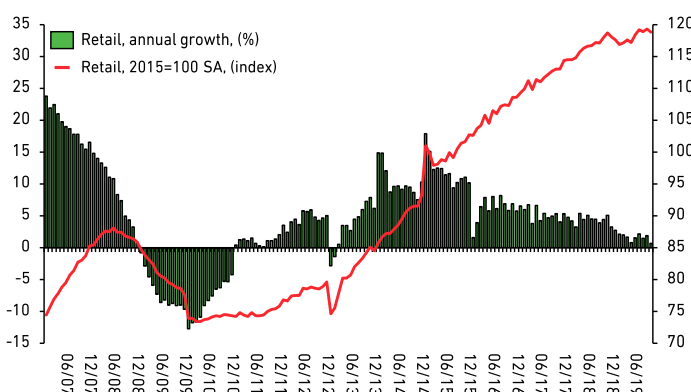
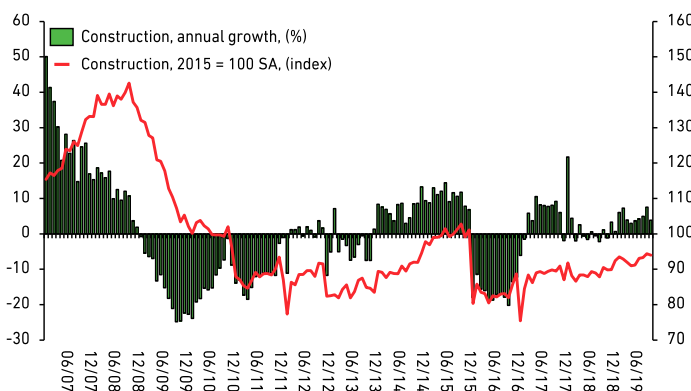
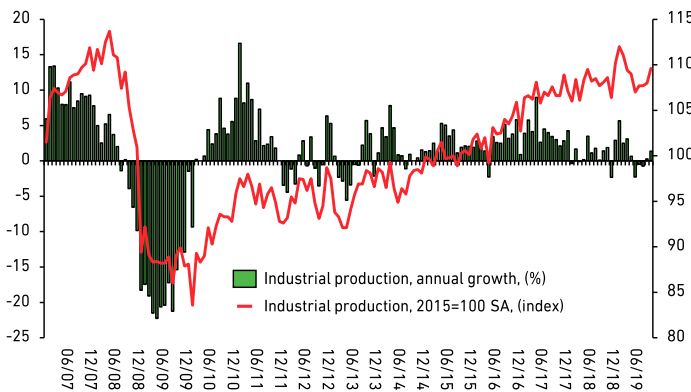


# Macroeconomic bulletin

## 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

↓ **0.5%**

11/19



ANNUAL INFLATION

↑ **3.0**

11/19



UNEEMPLOYMENT

↑ **5.6%**

10/19



NOMINAL GDP

↑ **31.8** BGN bn

3Q 2019



REAL GROWTH OF GDP

↓ **3.1%**

3Q 2019



CONSOLIDATED BUDGET

↓ **+0.9** of GDP

10/19



CURRENT ACCOUNT

↑ **+8.2%** of GDP

09/19



TRADE BALANCE

↑ **-0.5%** of GDP

09/19



EXPORTS ANNUAL GROWTH

↓ **4.1%**

09/19



IMPORTS ANNUAL GROWTH

↓ **-0.5%**

09/19

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 third quarter of 2019 amounted to BGN 31 764 million, reporting an annual growth of 3.1% in real terms.

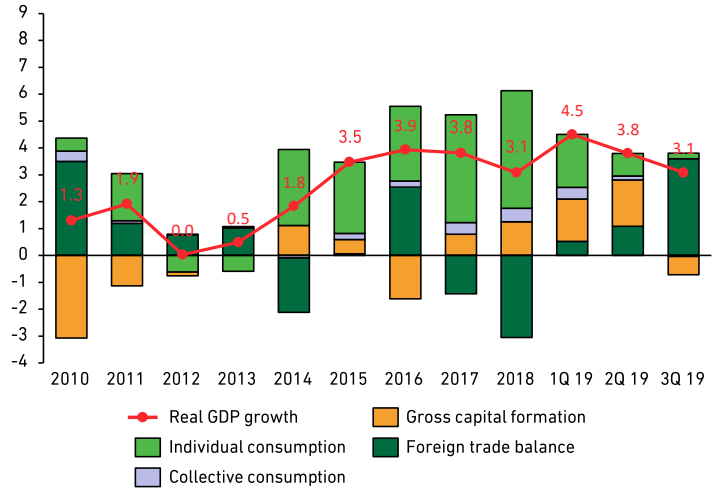
■ According to the seasonally adjusted data, the GDP growth rate in the third quarter of 2019 is 3.7% compared to the same quarter of the previous year and 0.8% compared to the second quarter of 2019.

### REAL GDP GROWTH FORECAST

	2019	2020
	3.7%	3.6%
	3.4%	3.3%
	3.7%	3.2%
	3.6%	3.0%
	3.7%	3.6%

■ As regards the expenditure components of GDP, the main contributors to the registered positive economic growth are the individual final consumption - with growth of 5.1%, collective final consumption - 5.0% and gross fixed capital formation - 1.8%. Exports of goods and services increased by 1.3% and imports of goods and services increased by 1.2%.

■ Gross value added (GVA) at current prices in the third quarter of 2019 equals to 27 395 million BGN.



■ The real value of the indicator is 3.5%, higher than that reached in third quarter of 2018.

■ In the third quarter of 2019 compared with the third quarter of 2018, the relative share of the agricultural sector in the value added of the economy decreases by 0.6 pp. The share of industrial sector increases with 0.9 percentage points to 27.0%. The relative share of value added from service activities decreases from 67.2% in third quarter of 2018, to 66.9% in third quarter of 2019.

## INFLATION

### CONSUMER PRICE INDEX

The consumer price index in November 2019 compared to October 2019 is 100.5%, i.e. the monthly inflation is 0.5%.

■ The annual inflation in November 2019 compared to November 2018 is 3.0%.

■ The annual average inflation, measured by CPI, in the last 12 months (December 2018 - November 2019) compared to the previous 12 months (December 2017 - November 2018) is 3.0%.

■ The inflation rate since the beginning of the year (November 2019 compared to December 2018) is 3.1%.

■ During the month, the highest increase is reported in the prices of sector "Food and non-alcoholic beverages" (a growth of 1.1%). The highest decline is recorded in the prices of sector "Furnishings, household equipment and routine household maintenance" (a drop of 0.3%). 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	2.5%	2.1%
AVE	2.5%	2.3%
AVE	2.4%	1.6%
EOP	2.6%	1.9%

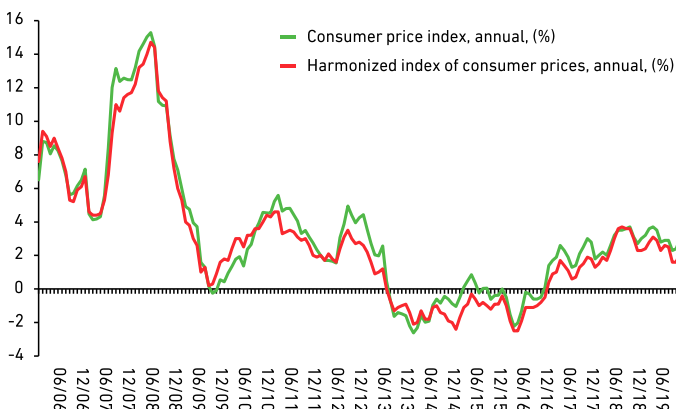
### HARMONIZED INDEX OF CONSUMER PRICES

■ The harmonized index of consumer prices in November 2019 compared to October 2019 was 100.3%, i.e. the monthly inflation is 0.3%.

■ The annual inflation in November 2019 compared to November 2018 is 2.2%.

■ The annual average inflation, measured by HICP, in the last 12 months (December 2018 - November 2019) compared to the previous 12 months (December 2017 - November 2018) is 2.4%.

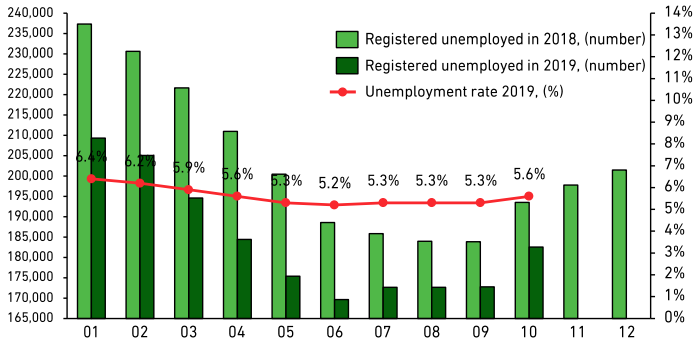
■ The inflation rate since the beginning of the year (November 2019 compared to December 2018) is 2.3%.



<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

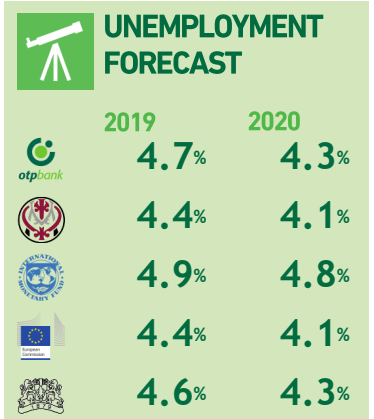
■ According to data from the Employment Agency in October 2019, the number of unemployed individuals increases by 9 748 compared to the previous month. The number of unemployed



persons at the end of the month is 182 529.

■ The reported unemployment at the end of the month is 5.6%.

■ Unemployment in Bulgaria (according to Eurostat) is 4.0% at the end of October 2019. During the same period last year, unemployment is 4.7% or reports a decrease of 0.7 pp.

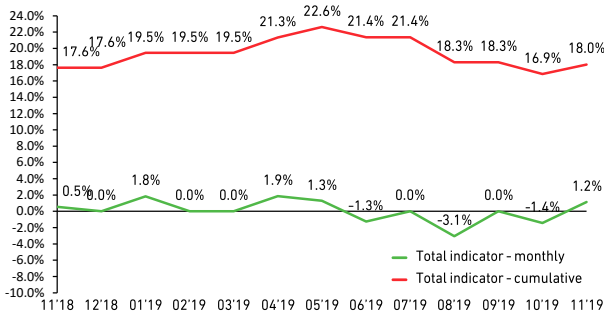
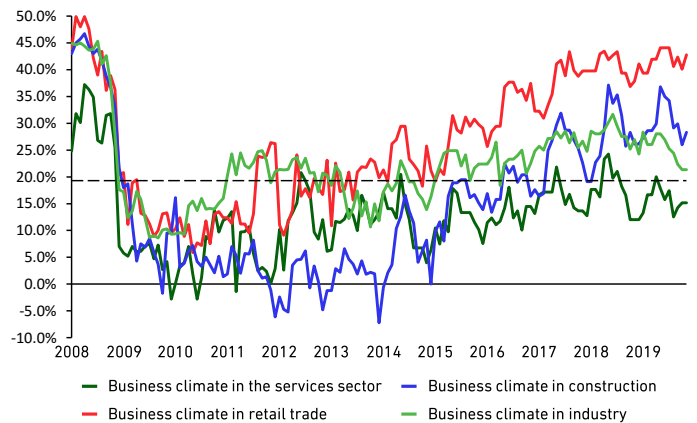


## BUSINESS CLIMATE

■ During November 2019 the total business climate indicator increases by 1.2 pp compared to October.

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

■ Decline in business conjuncture was not observed in any of the sectors during the month, while in industry and services it



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 18.0%.

## STATE BUDGET

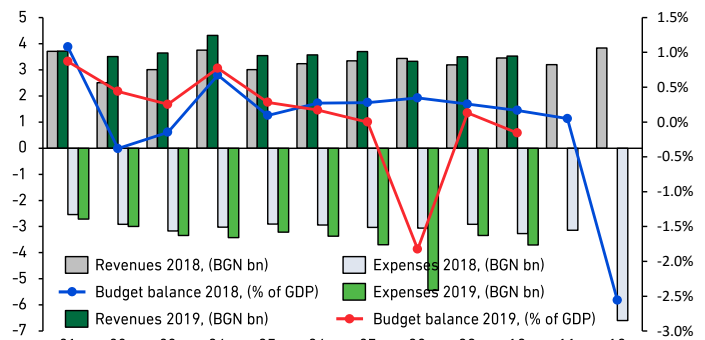
### BUDGET BALANCE

■ The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of October 2019 is positive amounting to BGN 1 083 million (0.9% of the forecasted GDP).

■ It is formed by a national budget surplus of BGN 1 217 million and by a deficit of EU funds at the amount of BGN 134 million.

■ For comparison, by the end of October 2018, the CFP reports a surplus amounting to BGN 2 844 million (2.6% of GDP), which means that as a relative share of GDP the budget position

worsens by 1.7%.

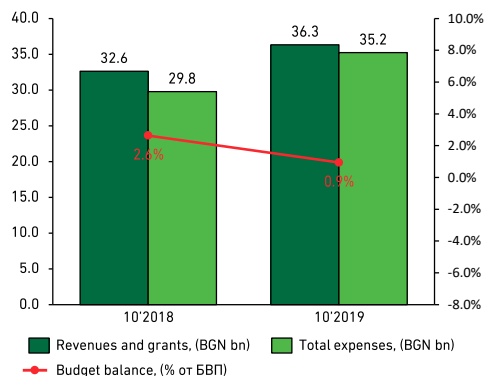


## REVENUES

■The CFP revenues and grants at the end of October 2019 stand at BGN 36 318 million.

■Compared to the same period of the previous year, revenues and grants increase by BGN 3 706 million (an annual growth of 11.4%).

■At the end of October, the receivables accounts for 82.8% of the annual estimates, as per the „Amendment to the State Budget Act for 2019“.



## FISCAL RESERVES

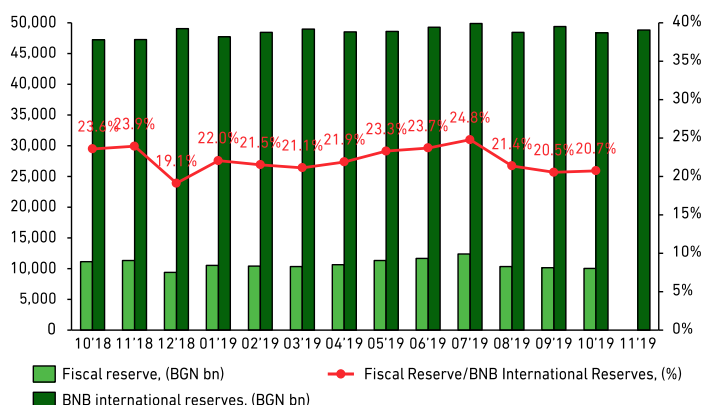
■The total balance of the Fiscal reserve (FR) at the end of October 2019 is BGN 10 020 million.

■The FR deposits in BNB and in banks (excluding receivables under EU Funds for certified expenditure, advance payments and etc.) at the end of October 2019 amounts to BGN 9 826 million.

■In comparison to the previous month, the FR decrease by 118 BGN million or 1.2%.

## FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

■At the end of October 2019, the Fiscal reserve forms 20.7% of the country's International reserves and the indicator reports an increase of 0.2 pp compared to the previous month.



## COSTS

■The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for October 2019 amounts to BGN 35 236 million.

■The data, reported as of the end of October shows an annual growth of expenditures by 18.4%. As of the end of the month, they were by BGN 5 467 million higher, compared to the same period of the previous year.

■The expenses reported by the end of October form 76.1% of the annual volume, planned in the „Amendment to the State Budget Act for 2019“.

## GOVERNMENT DEBT

■Government debt by the end of October amounts to BGN 21 924 million or 18.9% of the estimated GDP. Compared to the same period of the previous year, the debt decreases by BGN 139 million (0.6%).

## FOREIGN EXCHANGE RESERVES

■At the end of November 2019 International reserves of BNB amounts to BGN 48 810 million.

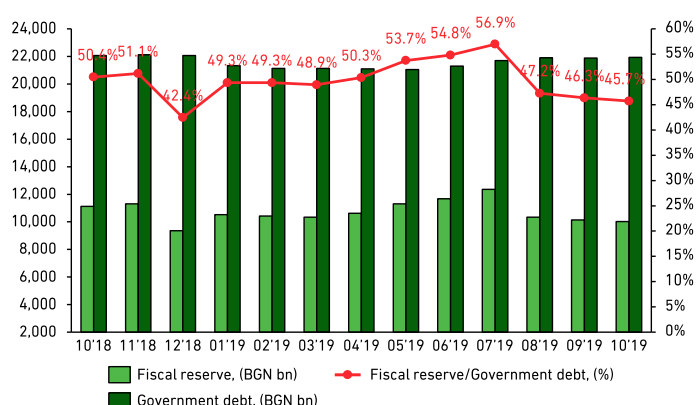
■During the month they increase by BGN 463 million (1.0%).

■Compared to the same period of the previous year, International reserves increase by BGN 1 555 million (3.3%).

■Since the beginning of the year they decrease by BGN 227 million or 0.5%.

## COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

■At the end of October 2019 the Fiscal reserve covers 45.7% of the Government debt, as the indicator drops by 0.6 pp compared to the previous month.



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

## CURRENT ACCOUNT

In January – September 2019 the current account is positive and amounts to EUR 4 862 million (8.2% of GDP), compared with a surplus of EUR 2 798 million (5.1% of GDP) in January – September 2018.

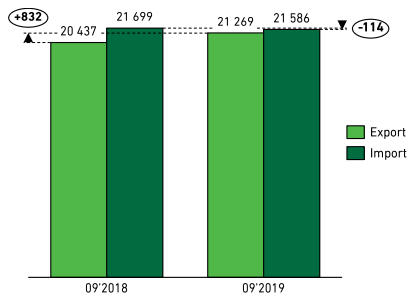
### CURRENT ACCOUNT FORECAST

	2019	2020
	5.4%/БВП	2.2%/БВП
	5.2%/БВП	4.1%/БВП
	3.2%/БВП	2.5%/БВП
	5.5%/БВП	5.5%/БВП
	2.8%/БВП	1.1%/БВП

In January – September 2019 the trade balance is negative and amounts to minus EUR 316 million (0.5% of GDP), compared with a deficit of minus EUR 1 262 million (2.3% of GDP) in January – September 2018.

In January – September 2019 exports amounts to EUR 21 269 million, which is an increase of EUR 832 million (4.1%) compared to the same

period of 2018 (EUR 20 437 million). Exports for January – September 2018 grow on an annual basis by 2.6%.

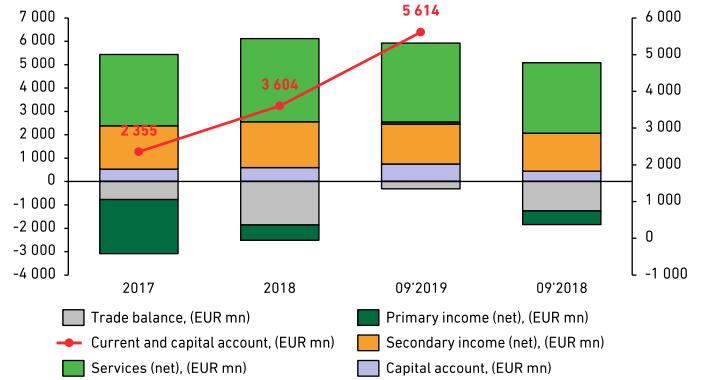


In January – September 2019 imports amounts to EUR 21 586 million, decreasing by EUR 114 million (0.5%) compared to the same period of 2018 (EUR 21 699 million). Imports for January – September 2018 grow on an annual basis by 7.9%.

In January – September 2019 the services balance is positive at EUR 3 384 EUR million (5.7% of GDP) against a positive balance EUR 3 016 million (5.5% of GDP) in January – September 2018.

## CAPITAL ACCOUNT

In January – September 2019 the capital account is positive, amounting to EUR 752 million (1.3% of GDP) against positive, balance amounting to EUR 443 million (0.8% of GDP) in January – September 2018.



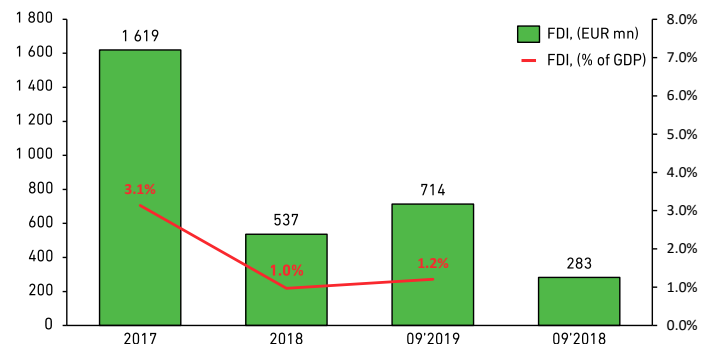
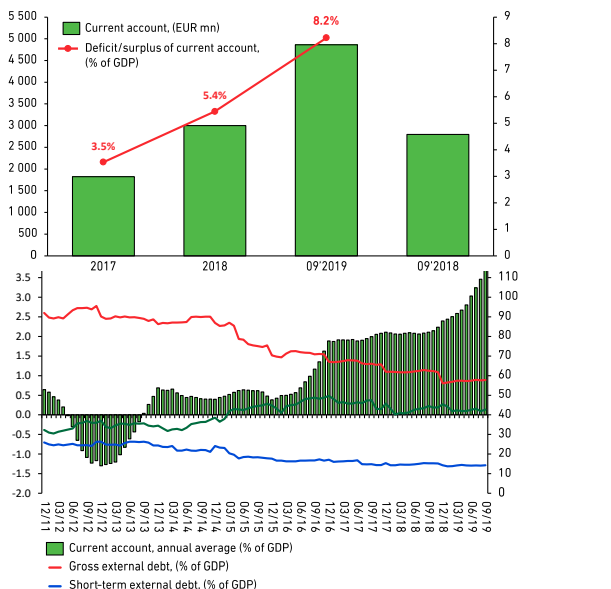
## FINANCIAL ACCOUNT

In January – September 2019 the financial account is positive, amounting to EUR 2 738 million (4.6% of GDP) compared to positive, amounting to EUR 2 809 million (5.1% of GDP) for the same period of 2018.

## DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – September 2019 presented according to the directional principle records a value of EUR 714 million (1.2% of GDP), growing by EUR 431 million (152.1%) compared to January – September 2018 (value of EUR 283 million, 0.5% of GDP).

Foreign direct investments abroad for January – September 2019 records a value of EUR 254 million (0.43% of GDP), growing by EUR 54 million (27.2%) compared to January – September 2018 (value of EUR 200 million, 0.36% 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

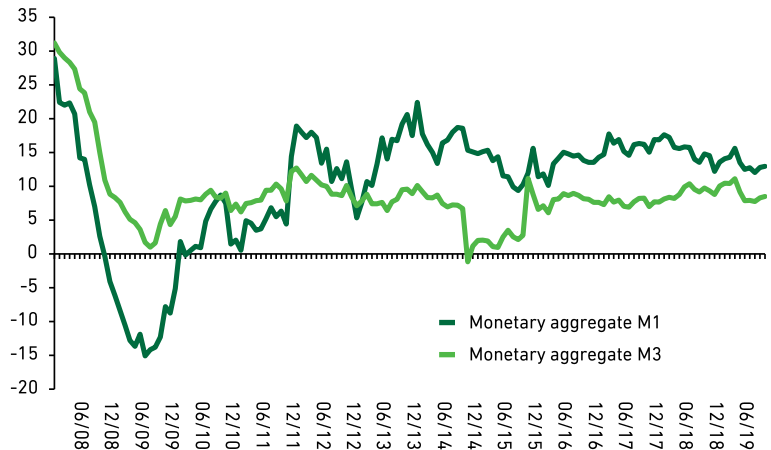
## MONEY

In October 2019 broad money (monetary aggregate M3) increases annually by 8.5% compared to an annual growth of 8.3% in September 2019.

■ At the end of October 2019 M3 is BGN 100 262 million (86.6% of GDP) compared to BGN 99 207 million in September 2019 (85.7% of GDP).

■ Its most liquid component – monetary aggregate M1 - increases in October 2019 by 12.9% on an annual basis (an annual growth of 12.8% in September 2019).

■ Quasi-money reports an increase of 2.6% on an annual basis, as their volume reaches BGN 40 747 million.



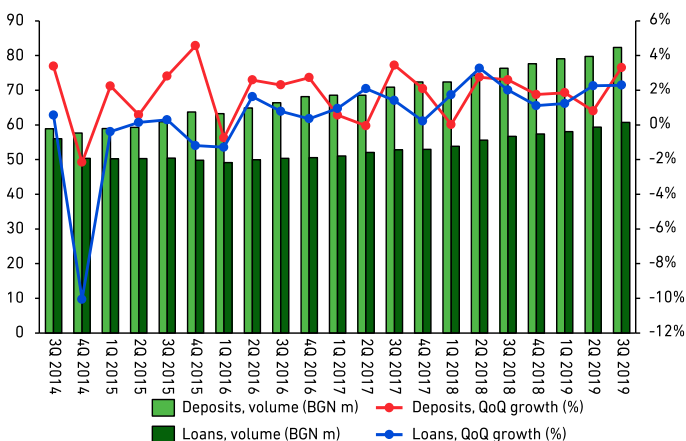
## DEPOSITS

■ At the end of October 2019 deposits of the non-government sector reach BGN 83 183 million (71.9% of GDP) and increasing by 7.9% on an annual basis (in September 2019 they report annual growth of 7.9%).

■ Deposits of the non-financial enterprises amount to BGN 25 803 million (22.3% of GDP) at the end of October 2019. Compared to the same month of 2018 they increase by 6.9% (in September 2019 report an annual growth of 6.4%).

■ Deposits of the financial corporations are BGN 3 192 million (2.8% of GDP) at the end of October 2019, and on annual basis increase by 13.7% (in September 2019 report an annual growth of 17.2%).

■ Deposits of households and NPISHs reach BGN 54 188 million (46.8% of GDP) at the end of October 2019. They increase by 8.2% compared to the same month of 2018 (in September 2019 report an annual growth of 8.2%).



## LOANS<sup>3</sup>

■ At the end of October 2019 loans to the non-government sector amount to BGN 61 320 million (53.0% of GDP) compared to BGN 60 731 million in September 2019 (52.5% of GDP). In October 2019 they increase by 7.3% on an annual basis (in September 2019 report an annual growth of 7.1%).

■ As October 2019 loans to non-financial enterprises amount to BGN 34 436 million (29.8% of GDP). Compared to the same period of 2018 they increase by 5.2% (by September 2019 report an annual growth of 4.8%).

■ At the end of October 2019 loans to households and NPISHs reach BGN 23 651 million (20.4% of GDP). On annual basis they increase by 9.4% (in September 2019 report an annual growth of 9.1%).

■ Housing loans are BGN 10 515 million and increase by 14.1% compared to October 2018 (as of September 2019 the annual increase is 13.6%).

■ Consumer loans amount to BGN 11 226 million and report an increase of 10.8% on an annual basis (by the end of September 2019 they increase by 10.9% compared to the same period of the previous year).

■ Other loans amount to BGN 563 million and on an annual basis they decrease by 38.0% compared to October 2018 (in September 2019 report an annual drop of 40.4%).

### PREPARED BY

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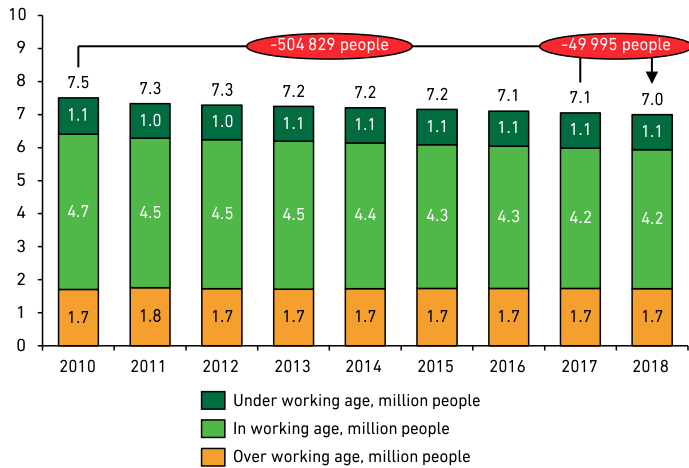
✉ Stefan.Hristov@dskbank.bg ☎ 02/80 10 028

<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.

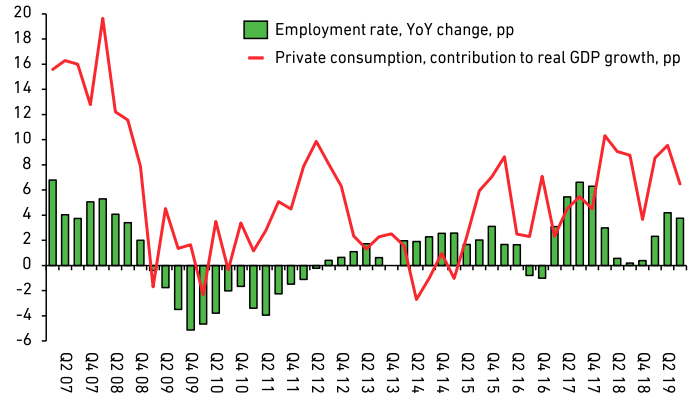
## ADDITIONAL INFORMATION

### POPULATION AND EMPLOYMENT

■ Population structure.

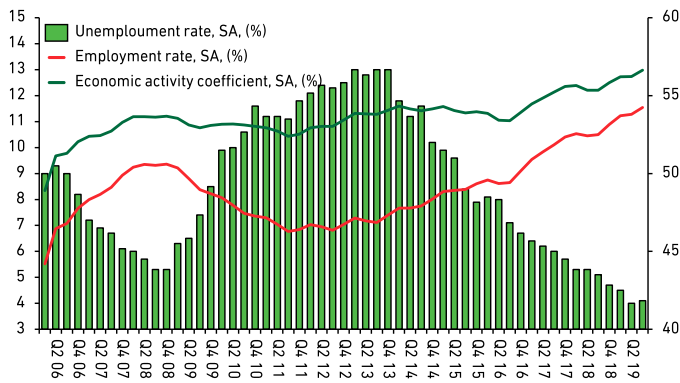


■ Individual consumption and employment rate.

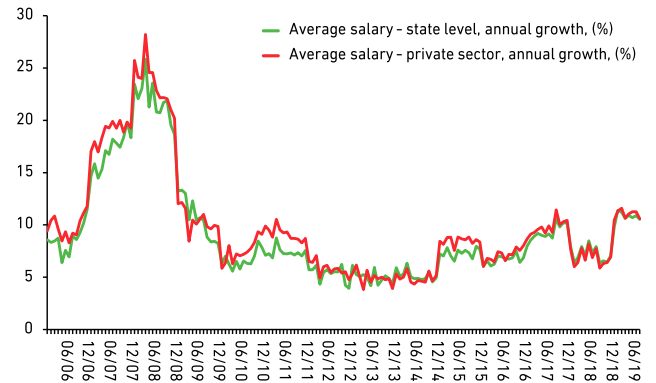


### LABOR MARKET

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

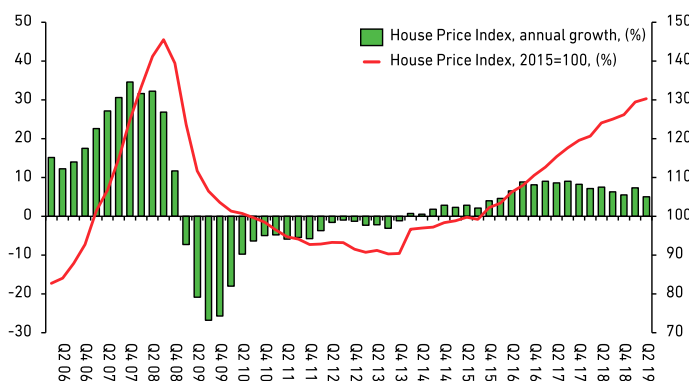


■ Annual average wage growth in private sector and on a state level.



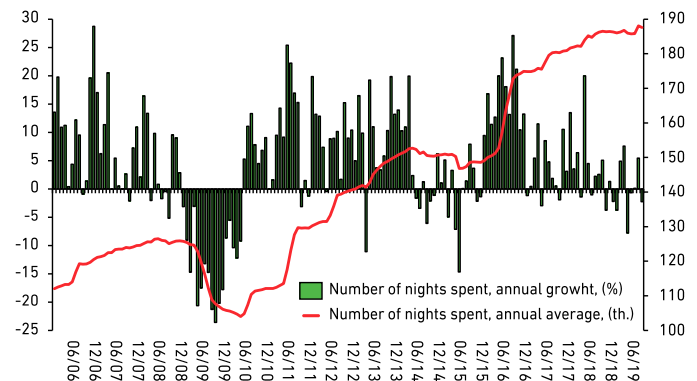
### REAL ESTATES

■ 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**, Autumn Forecast, October 2019
-  **International Monetary Fund**, World Economic Outlook, November 2019
-  **Ministry of Finance of the Republic of Bulgaria**, Autumn Macroeconomic Forecast, October 2019
-  **Bulgarian National Bank**, Macroeconomic forecast June 2019

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