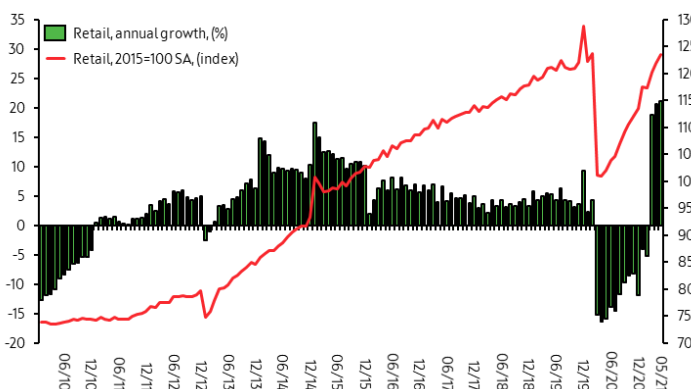
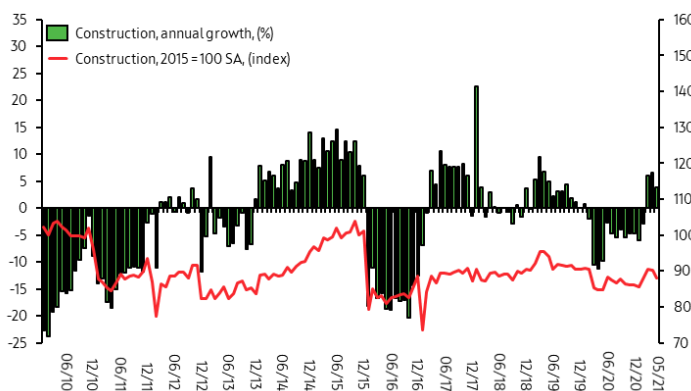
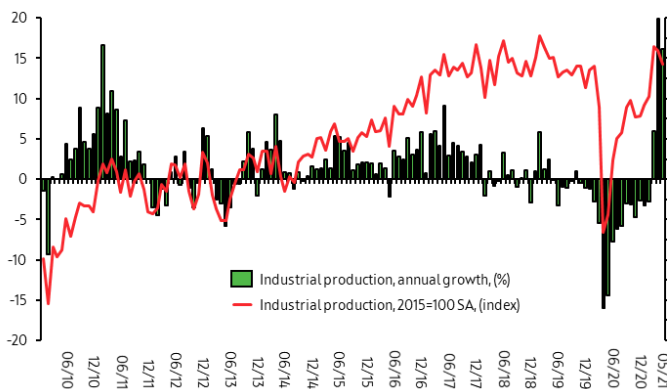


Macroeconomic bulletin

ISSUE 54 • JUNE 2021

BUSINESS ENVIRONMENT INDICATORS

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



MONTHLY INFLATION

↓ **-0.2%** 06/21



ANNUAL INFLATION

↑ **2.7%** 06/21



UNEMPLOYMENT

↓ **5.2%** 06/21



NOMINAL GDP

↑ **27.1** BGN bn 1Q/2021



REAL GDP GROWTH

↓ **-0.5%** 1Q/2021



CONSOLIDATED BUDGET

↑ **0.1%** OF GDP 06/21



CURRENT ACCOUNT

↓ **-0.2%** OF GDP 05/21



TRADE BALANCE

↓ **-1.4%** OF GDP 05/21



EXPORTS ANNUAL GROWTH

↑ **20.9%** 05/21



IMPORTS ANNUAL GROWTH

↑ **24.2%** 05/21

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 Gross Domestic Product at current prices in the first quarter of 2021 amounted to BGN 27 054 million, reporting a marginal annual decline by 0.5% in real terms and an increase of 2.5% compared to the fourth quarter of 2020.

- GDP shrinks to 1.8% compared to the same period of 2021 but generated 2.5% growth (on a comparable basis) to the last quarter of 2020.



REAL GDP GROWTH FORECAST

	2021	2022
	3.3%	4.7%
	2.7%	3.6%
	4.4%	4.4%
	4.6%	4.1%
	4.1%	4.6%

The main driver of the economy is final consumption (growth by 2.1% QoQ), mainly contributed by real wage growth and increasing temp in industry (in both production rate and exports). Average incomes of the population in the country grew by 11% in the first quarter, mainly in lower-income groups (due to the increase in the minimal wage and pensions), which

determines their direct effect on final consumption.

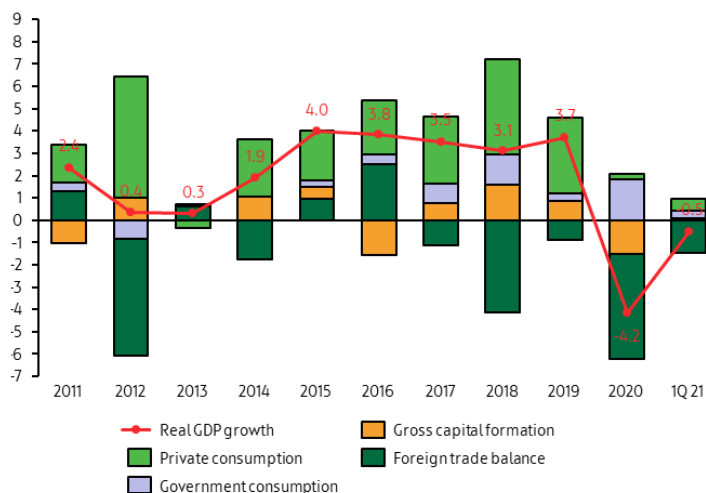
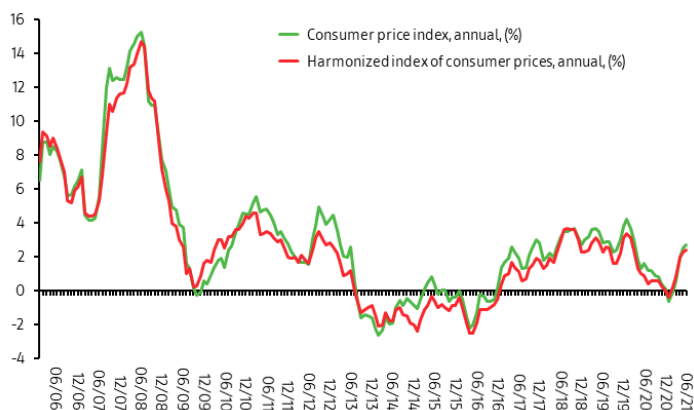
- Investments remained relatively flat, reporting quarterly growth of 0.1%. Export of goods and services increased by 6.7%,

INFLATION

CONSUMER PRICE INDEX

The consumer price index in June 2021 compared to May 2021 is 99.8%, i.e. the monthly inflation is minus 0.2%.

- The annual inflation in June 2021 compared to June 2020 is 2.7%.
- The annual average inflation, measured by CPI, in the last 12 months (July 2020 - June 2021) compared to the previous 12 months (July 2019 - June 2020) is 1.0%.
- The inflation rate since the beginning of the year (June 2021 compared to December 2020) is 1.5%.



while imports increased by 2.7%.

- Gross Value Added amounted to BGN 23 128 million and decreased by 1.7% compared to the same quarter of the previous year and increase by 2.6% compared previous quarter.
- The share of agricultural sector in GVA of the national economy is 2.2% and preserves its level compared to the same quarter of 2020. The Industry decreases its relative share in GVA with 0.6 p.p. to 26.5%. The relative share of services increased to the level of 71.3% compared to 70.7% in the first quarter of 2020.

- During the month, the highest increase is reported in the prices of sector "Furnishings, household equipment and routine household maintenance" (a growth of 0.7%). The highest decline is recorded in the prices of sector "Communication" (a drop of 1.1%). Varied price changes are observed for other user groups, but relatively close to the levels from the previous month.



INFLATION FORECAST

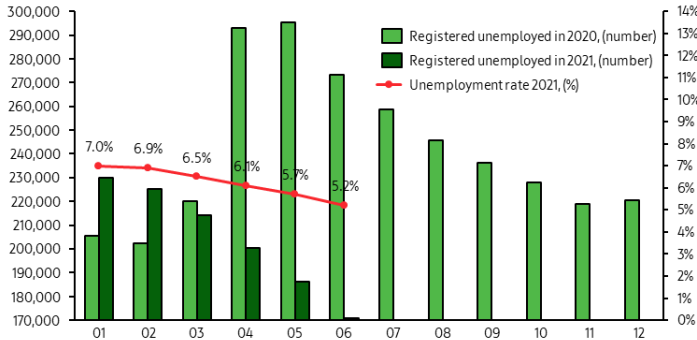
	2021	2022
AVG	1.7%	2.1%
EoP	1.8%	2.0%
AVG	1.0%	2.0%
AVG	1.9%	2.5%
AVG	3.5%	0.8%

HARMONIZED INDEX OF CONSUMER PRICES

- The harmonized index of consumer prices in June 2021 compared to May 2021 was 100.0%, i.e. the monthly inflation is 0.0%.
- The annual inflation in June 2021 compared to June 2020 is 2.4%.
- The annual average inflation, measured by HICP, in the last 12 months (July 2020 - June 2021) compared to the previous 12 months (July 2019 - June 2020) is 0.8%.
- The inflation rate since the beginning of the year (June 2021 compared to December 2020) is 1.7%.

UNEMPLOYMENT

- According to data from the Employment Agency in June 2021, the number of unemployed individuals decreases by 15 331 compared to the previous month. The number of unemployed persons at the end of the month is 170 716.



- The reported unemployment at the end of the month is 5.2%.



UNEMPLOYMENT FORECAST

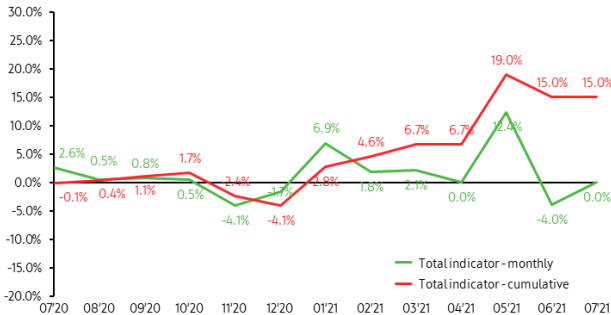
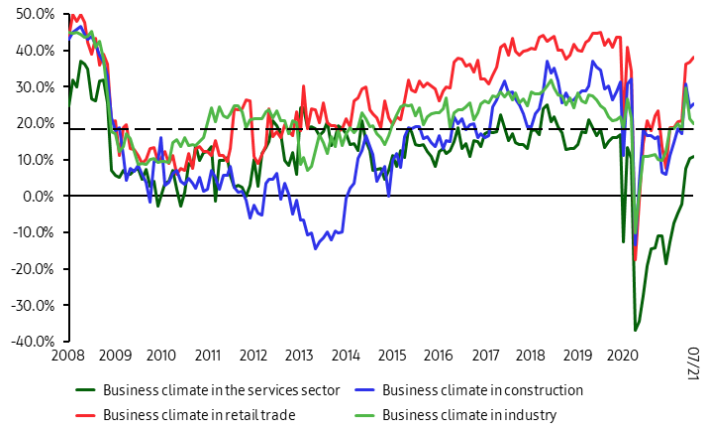
- In June, the number of newly registered unemployed was 20 541 which was by 2 576 people more than May 2021 and with 5 874 people less than to same period of previous year.

	2021	2022
otpbank	AVG 6.4%	5.9%
OTB	AVG 5.0%	4.7%
STATSOFT	AVG 4.8%	4.4%
EUROSTAT	AVG 4.8%	3.9%
STATISTICS	AVG 5.3%	4.6%

BUSINESS CLIMATE

During July 2021 the total business climate indicator preserves approximately its position from June.

- 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 labor force.

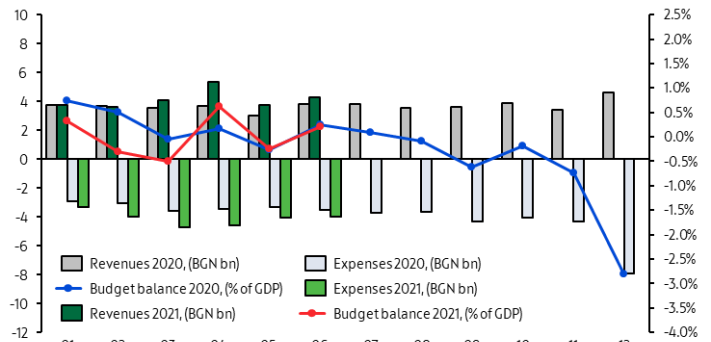
- Compared to 2008, the indicator registers a growth of 15.0%.

STATE BUDGET

BUDGET BALANCE

The Consolidated Fiscal Program (CFP) balance on a cash basis at the end of June 2021 is positive amounting to BGN 118 million (0.1% of the forecasted GDP).

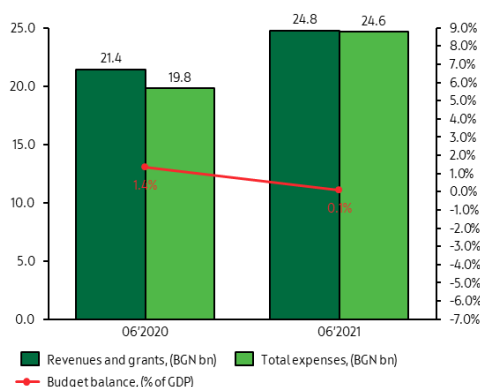
- It is formed by a national budget surplus of BGN 383 million and by a deficit of EU funds at the amount of BGN 264 million.
- For comparison, by the end of June 2020, the CFP reports a surplus amounting to BGN 1 613 million (1.4% of GDP), which means that as a relative share of GDP the budget position



worsens by 1.3%.

REVENUES

- The CFP revenues and grants at the end of June 2021 stand at BGN 24 759 million.
- Compared to the same period of the previous year, revenues and grants increase by BGN 3 328 million (an annual growth of 15.5%).
- At the end of June, the receivables accounts for 52.0% of the annual estimates, as per the „State Budget Act for 2021“.

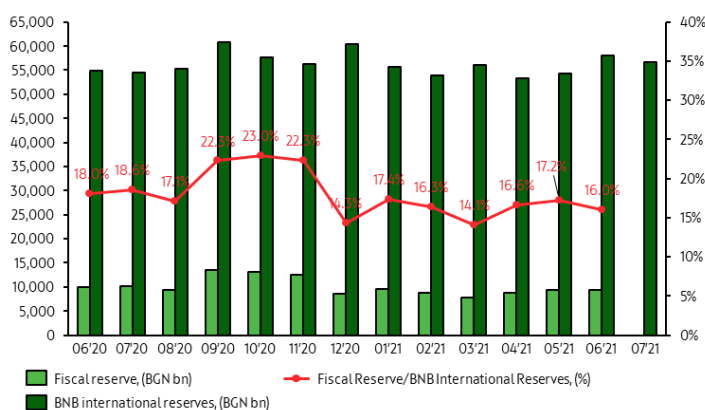


FISCAL RESERVES

- The total balance of the Fiscal reserve (FR) at the end of June 2021 is BGN 9 300 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 June 2021 amounts to BGN 8 940 million.
- In comparison to the previous month, the FR decrease by 40 BGN million or 0.4%.

FISCAL RESERVES TO FOREIGN EXCHANGE RESERVES RATIO

- At the end of June 2021, the Fiscal reserve forms 16.0% of the country's International reserves and the indicator reports a decrease of 1.2 pp compared to the previous month.



COSTS

- The CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for June 2021 amounts to BGN 24 641 million.
- The data, reported as of the end of June shows an annual growth of expenditures by 24.3%. As of the end of the month, they were by BGN 4 823 million higher, compared to the same period of the previous year.
- The expenses reported by the end of June form 46.9% of the annual volume, planned in the „State Budget Act for 2021“.

GOVERNMENT DEBT

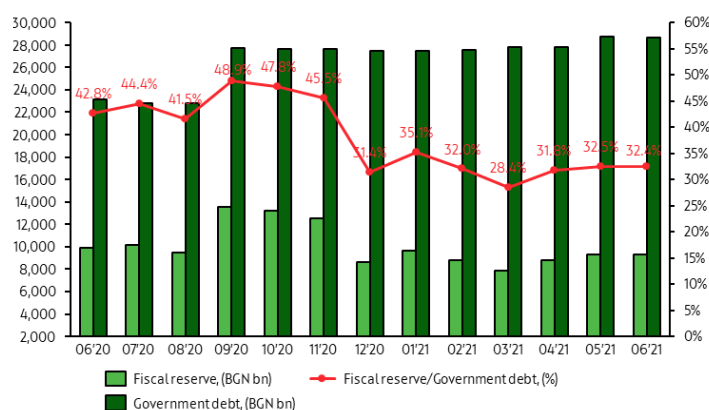
- Government debt by the end of June amounts to BGN 28 680 million or 22.8% of the estimated GDP. Compared to the same period of the previous year, the debt increases by BGN 5 538 million (23.9%) due to the emitted additional government securities aiming to cover the budget deficit caused by the funds allocated to deal with the consequences of the COVID 19 pandemic in 2020.

FOREIGN EXCHANGE RESERVES

- At the end of July 2021 International reserves of BNB amounts to BGN 56 581 million.
- During the month they decrease by BGN 1 530 million (2.6%).
- Compared to the same period of the previous year, International reserves increase by BGN 2 039 million (3.7%).
- Since the beginning of the year they decrease by BGN 3 753 million or 6.2%.

COVERAGE RATIO OF GOVERNMENT DEBT WITH FOREIGN EXCHANGE RESERVES

- At the end of June 2021 the Fiscal reserve covers 32.4% of the Government debt, as the indicator drops by 0.1 pp compared to the previous month.








BALANCE OF PAYMENTS AND DIRECT INVESTMENTS²

CURRENT ACCOUNT

In January – May 2021 the current account is negative and amounts to minus EUR 106 million (0.2% of GDP), compared with a surplus of EUR 318 million (0.5% of GDP) in January – May 2020.



CURRENT ACCOUNT FORECAST

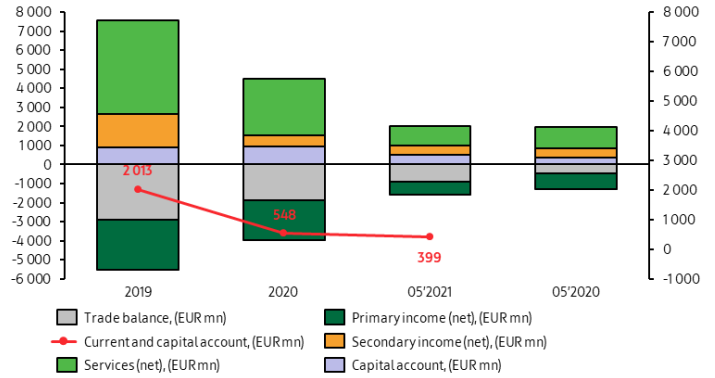
	2021	2022
	1.5%/GDP	1.9%/GDP
	0.8%/GDP	1.9%/GDP
	1.4%/GDP	1.2%/GDP
	6.0%/GDP	7.5%/GDP
	1.8%/GDP	2.8%/GDP

In January – May 2021 the trade balance is negative and amounts to minus EUR 915 million (1.4% of GDP), compared with a deficit of minus EUR 447 million (0.7% of GDP) in January – May 2020.

In January – May 2021 exports amounts to EUR 13 259 million, which is an increase of EUR 2 291 million (20.9%) compared to the same period of 2020 (EUR 10 968 million). Exports for January – May 2020 decreases on annual basis by 6.6%.

CAPITAL ACCOUNT

In January – May 2021 the capital account is positive, amounting to EUR 506 million (0.8% of GDP) against positive, balance amounting to EUR 370 million (0.6% of GDP) in January – May 2020.



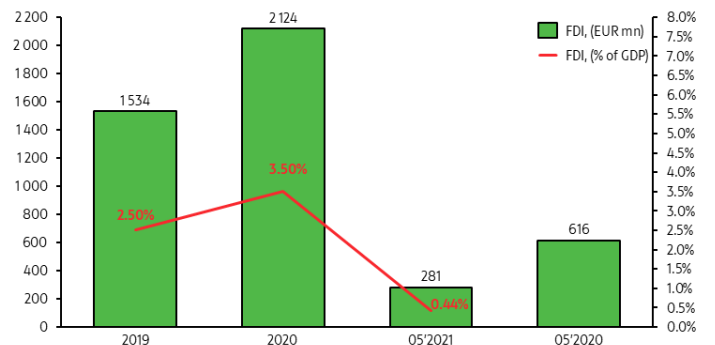
FINANCIAL ACCOUNT

In January – May 2021 the financial account is positive, amounting to EUR 1 753 million (2.7% of GDP) compared to positive, amounting to EUR 1 076 million (1.8% of GDP) for the same period of 2020.

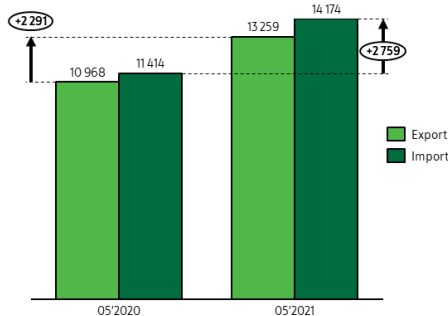
DIRECT INVESTMENTS

Foreign direct investments in Bulgaria for January – May 2021 presented according to the directional principle records a value of EUR 281 million (0.44% of GDP), dropping by EUR 336 million (54.4%) compared to January – May 2020 (value of EUR 616 million, 1.0% of GDP).

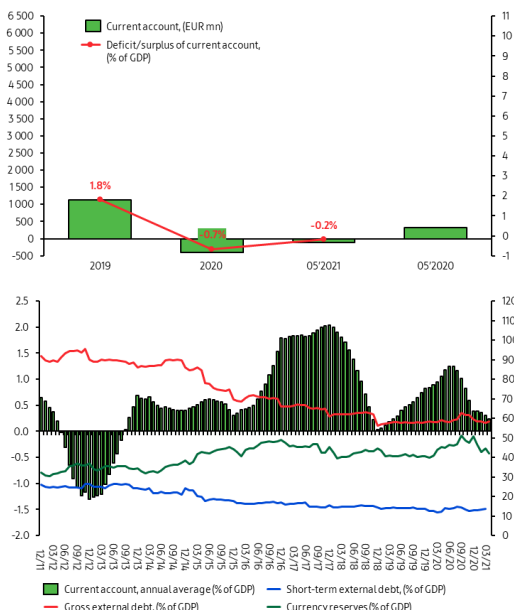
Foreign direct investments abroad for January – May 2021 record a value of EUR 57 million (0.09% of GDP), dropping by EUR 35 million (38.2%) compared to January – May 2020 (value of EUR 93 million, 0.15% of GDP).



In January – May 2021 imports amounts to EUR 14 174 million, increasing by EUR 2 759 million (24.2%) compared to the same period of 2020 (EUR 11 414 million). Imports for January – May 2020 decreases on annual basis by 12.6%.



In January – May 2021 the services balance is positive at EUR 1 032 million (1.6% of GDP) against a positive balance EUR 1 141 million (1.9% of GDP) in January – May 2020.

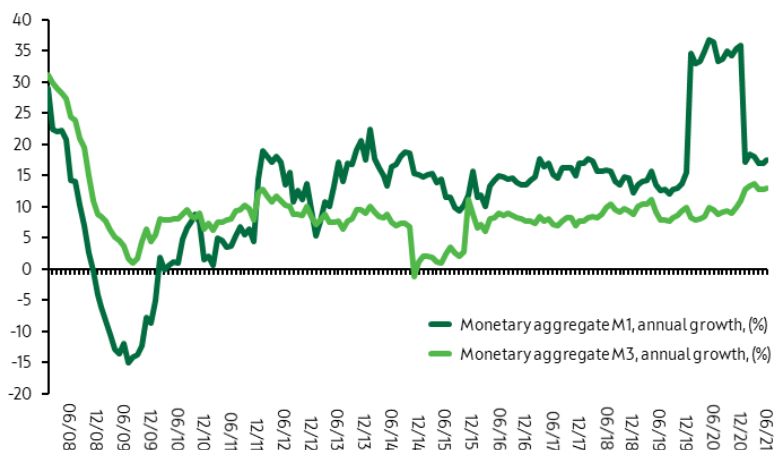


MONETARY, DEPOSITS AND LOANS INDICATORS

MONEY

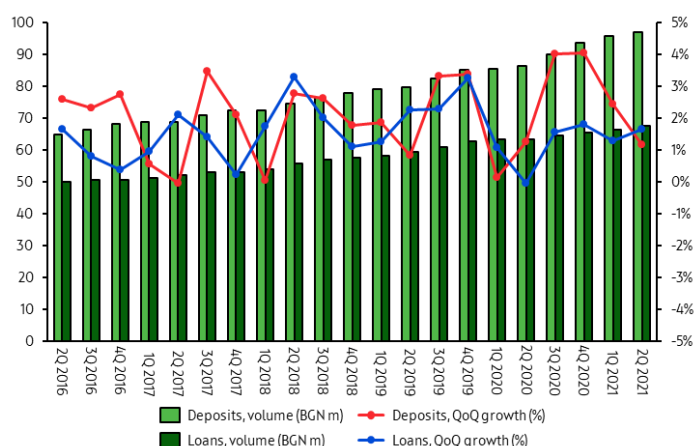
In June 2021 broad money (monetary aggregate M3) increases annually by 13.0% compared to an annual growth of 12.7% in May 2021.

- At the end of June 2021 M3 is BGN 118 615 million (94.1% of GDP) compared to BGN 118 192 million in May 2021 (93.8% of GDP).
- Its most liquid component - monetary aggregate M1 - increases in June 2021 by 17.5% on an annual basis (an annual growth of 17.0% in May 2021).
- Quasi-money reports an increase of 1.3% on an annual basis, as their volume reaches BGN 29 265 million.



DEPOSITS

- At the end of June 2021 deposits of the non-government sector reach BGN 96 773 million (76.8% of GDP) and increasing by 12.1% on an annual basis (in May 2021 they report annual growth of 11.7%).
- Deposits of the non-financial enterprises amount to BGN 29 356 million (23.3% of GDP) at the end of June 2021. Compared to the same month of 2020 they increase by 12.9% (in May 2021 report an annual growth of 12.5%).
- Deposits of the financial corporations are BGN 3 627 million (2.9% of GDP) at the end of June 2021, and on annual basis increase by 15.4% (in May 2021 report an annual growth of 6.9%).
- Deposits of households and NPISHs reach BGN 63 790 million (50.6% of GDP) at the end of June 2021. They increase by 11.6% compared to the same month of 2020 (in May 2021 report an annual growth of 11.6%).



LOANS³

- At the end of June 2021 loans to the non-government sector amount to BGN 67 376 million (53.5% of GDP) compared to BGN 67 067 million in May 2021 (53.2% of GDP). In June 2021 they increase by 6.4% on an annual basis (in May 2021 report an annual growth of 6.4%).
- As June 2021 loans to non-financial enterprises amount to BGN 35 563 million (28.2% of GDP). Compared to the same period of 2020 they increase by 3.2% (by May 2021 report an annual growth of 4.1%).
- At the end of June 2021 loans to households and NPISHs reach BGN 27 112 million (21.5% of GDP). On annual basis they increase by 10.4% (in May 2021 report an annual growth of 9.7%).
- Housing loans are BGN 12 945 million and increase by 14.5% compared to June 2020 (as of May 2021 the annual increase is 13.4%).
- Consumer loans amount to BGN 12 602 million and report an increase of 9.0% on an annual basis (by the end of May 2021 they increase by 8.7% compared to the same period of the previous year).
- Other loans amount to BGN 386 million and on an annual basis they decrease by 14.1% compared to June 2020 (in May 2021 report an annual drop of 16.8%).

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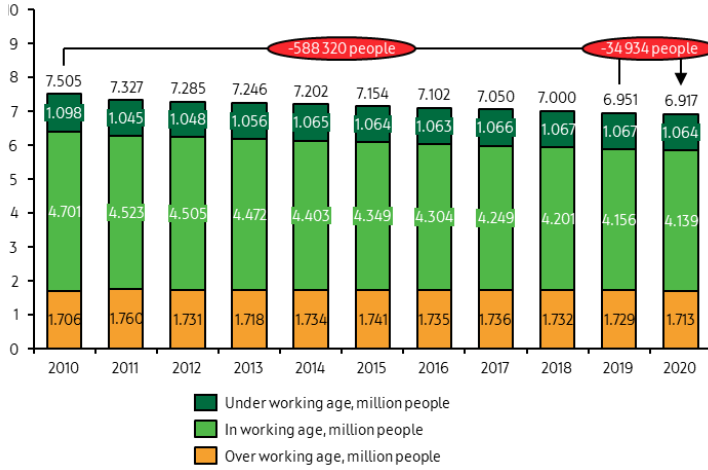
Stefan.Hristov@dskbank.bg 02/80 10 028

³ 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.

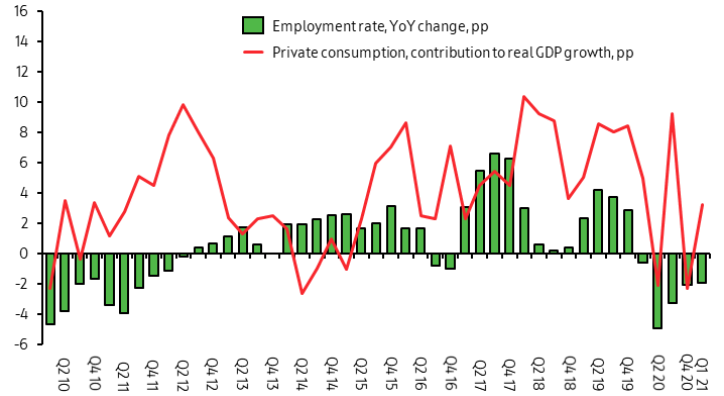
ADDITIONAL INFORMATION

POPULATION AND EMPLOYMENT

- Population structure.

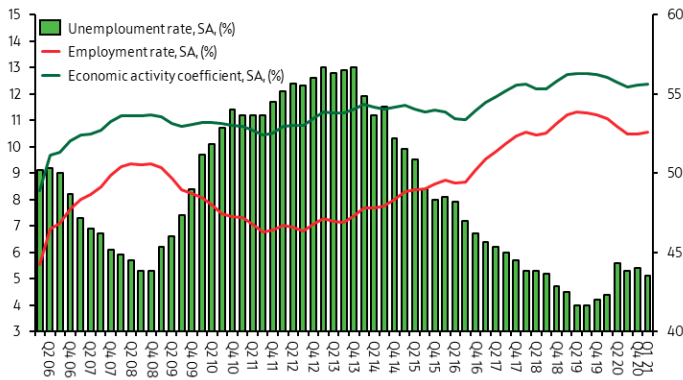


- Individual consumption and employment rate.

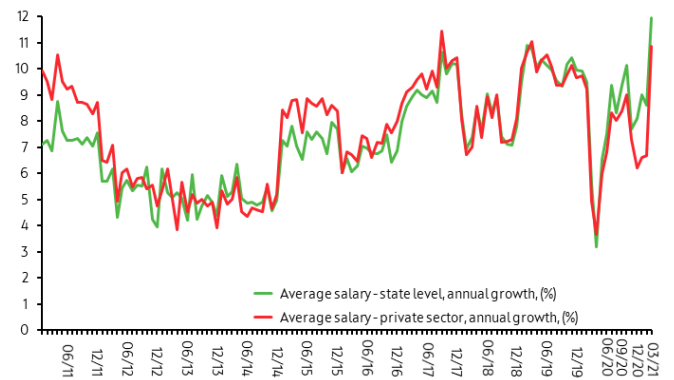


LABOR MARKET

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

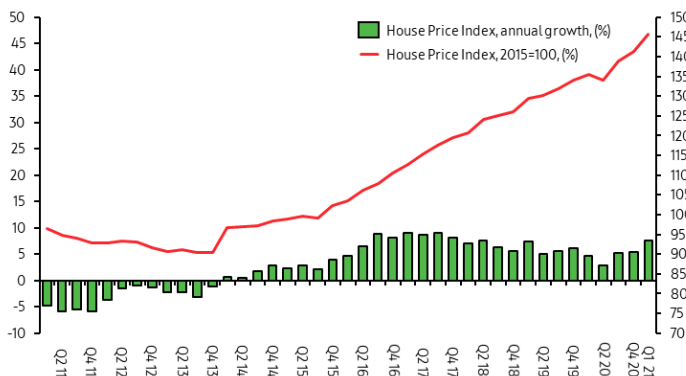


- Annual average wage growth in private sector and on a state level.



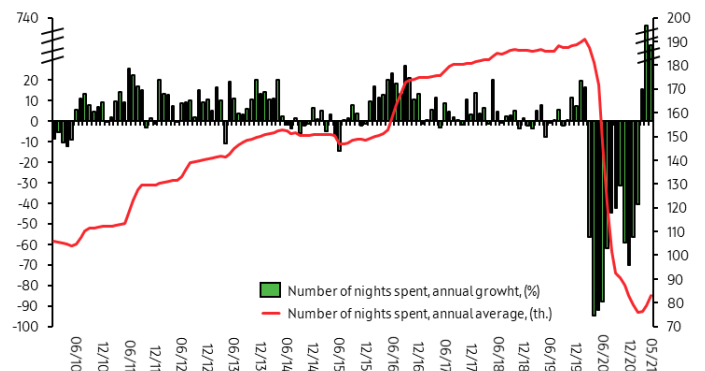
REAL ESTATES

- 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, February 2021
-  **Bulgarian National Bank**, Macroeconomic forecast, July 2021
-  **Ministry of Finance of the Republic of Bulgaria**, Spring macroeconomic forecast, March 2021
-  **European Commission**, Spring Forecast, July 2021
-  **International Monetary Fund**, World Economic Outlook, April 2021

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