

BULGARIA ECONOMY REPORT

Q3 2020

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MACROECONOMIC SNAPSHOT

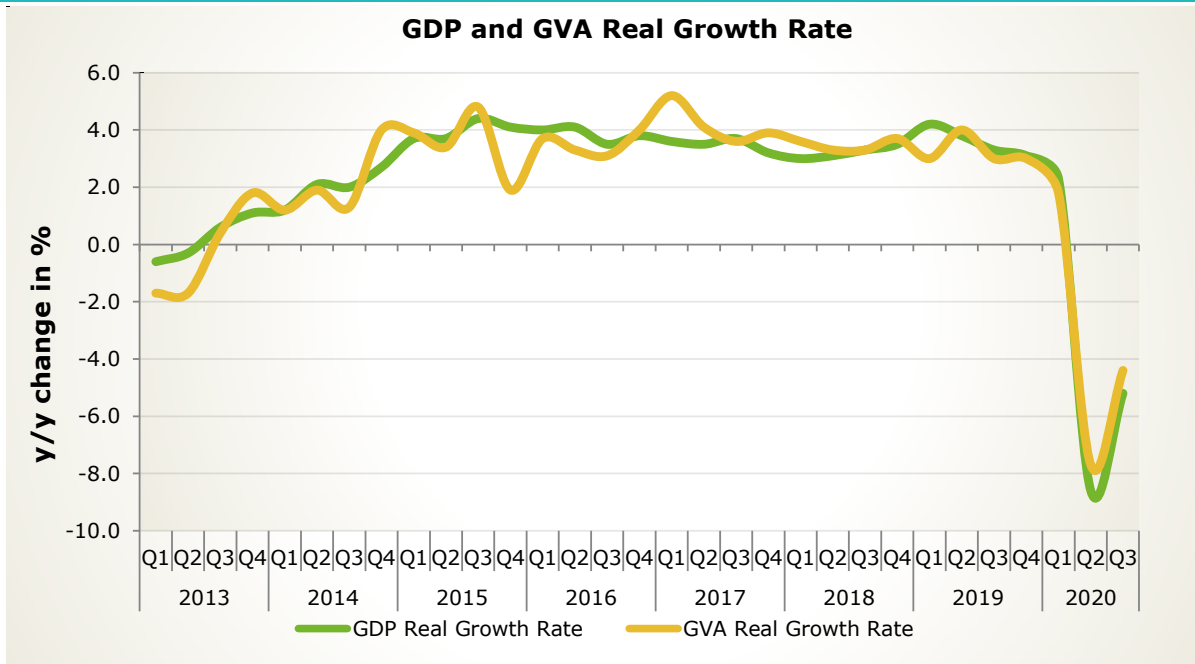
| BULGARIA – MACROECONOMIC SNAPSHOT AS OF Q3 2020 | |
|--|---------------|
| GDP Growth | 0.0% y/y |
| Business confidence indicator | 83.2 |
| Industrial output | -2.8% y/y |
| Industrial sales | -7.0% y/y |
| Wholesale | -15.9% y/y |
| Retail sales | -13.4% y/y |
| Average annual inflation | 1.7% |
| Unemployment rate | 4.8% |
| Number of building permits | 0.1% y/y |
| Money supply growth | 9.3% y/y |
| Household loans | 7.7% y/y |
| Gross external debt | EUR 37.9 bln |
| Current account surplus | EUR 146.9 mln |
| FDI inflow | EUR 242.7 mln |
| Foreign trade deficit | EUR 573.4 mln |

1. NATIONAL ACCOUNTS

1.1. GROSS DOMESTIC PRODUCT

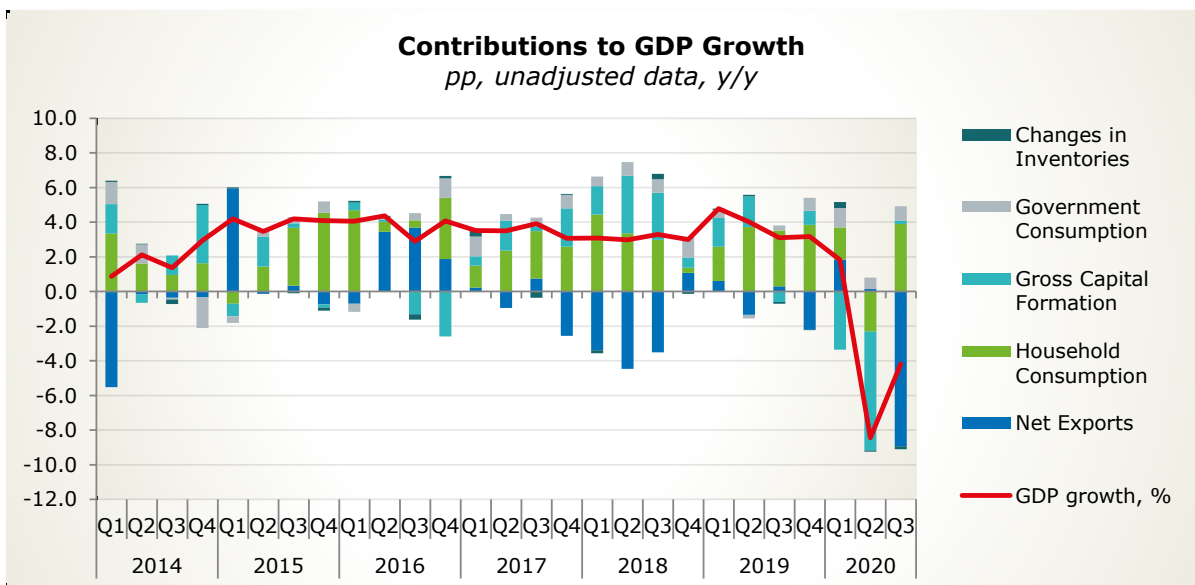
GDP down again, by 5.2% y/y in Q3 2020

The Bulgarian economy managed to stop the heavy plunge in the second quarter of 2020, brought about by the global COVID-19 crisis, and its real GDP lost a more moderate 5.2% on the year in Q3 2020, Eurostat data shows. The end of the lockdown and the attempt to revive the tourism sector for the active summer season were the main drivers of the improvement. Compared with most of its neighbours and EU members, Bulgaria performed below average, with only Croatia and Romania recording sharper drops among the five large SEE economies. According to estimates by the IMF, the World Bank and the European Commission, a new wave of COVID-19 cases could be expected in the autumn of 2020, with a possibility of further deterioration of the GDP growth rate, although not as severe as in the second quarter of the year. Despite the relaxation of measures and improvement of consumer and business expectations, there continues to be a high level of uncertainty in the global economic conditions, especially in the light of recurring surge of infection numbers throughout Europe in October.



Source: Eurostat

The main component pulling GDP down was net exports, which took away 8.9 pp from the GDP growth in Q3 2020, followed by changes in inventories with 0.2 pp. Both indicators reflected the almost complete interruption of international economic relations after the onset of the pandemic, especially in the transport and tourism sectors. Household consumption marked a recovery after the end of the lockdown and contributed with 3.9 pp to the real GDP growth. Government consumption was positively affected by the state packages in response to economic and health issues implemented again in Q3 2020 and contributed by 0.8 pp to the real GDP growth, while gross capital formation added another 0.2 pp.



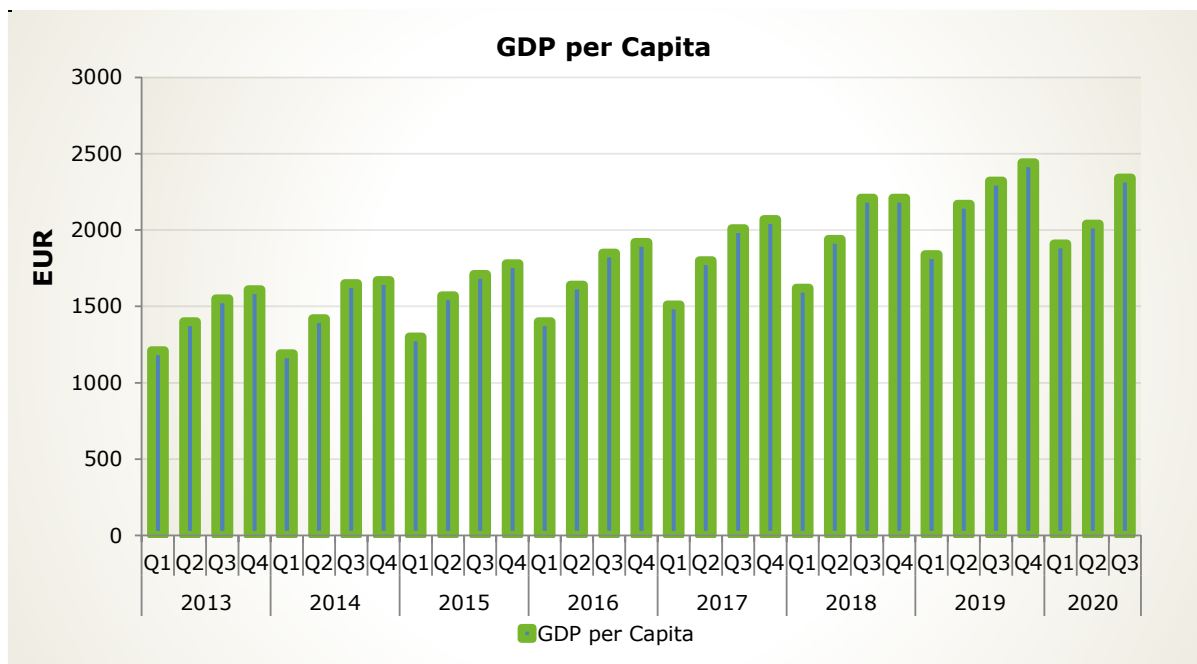
Source: SeeNews calculations; Eurostat

Note: Non-additive data due to direct chain-linking of GDP and its components. Contribution of changes in inventories has been derived as a residual.

1.2. GDP PER CAPITA

GDP per capita resumed its upwards movement in Q3 2020

GDP per capita stood at EUR 2,340 in Q3 2020, up by 0.9% from the corresponding quarter of the previous year. On a q/q basis, it increased by 14.7%, but this can be attributed mainly to the clear seasonality of the indicator.

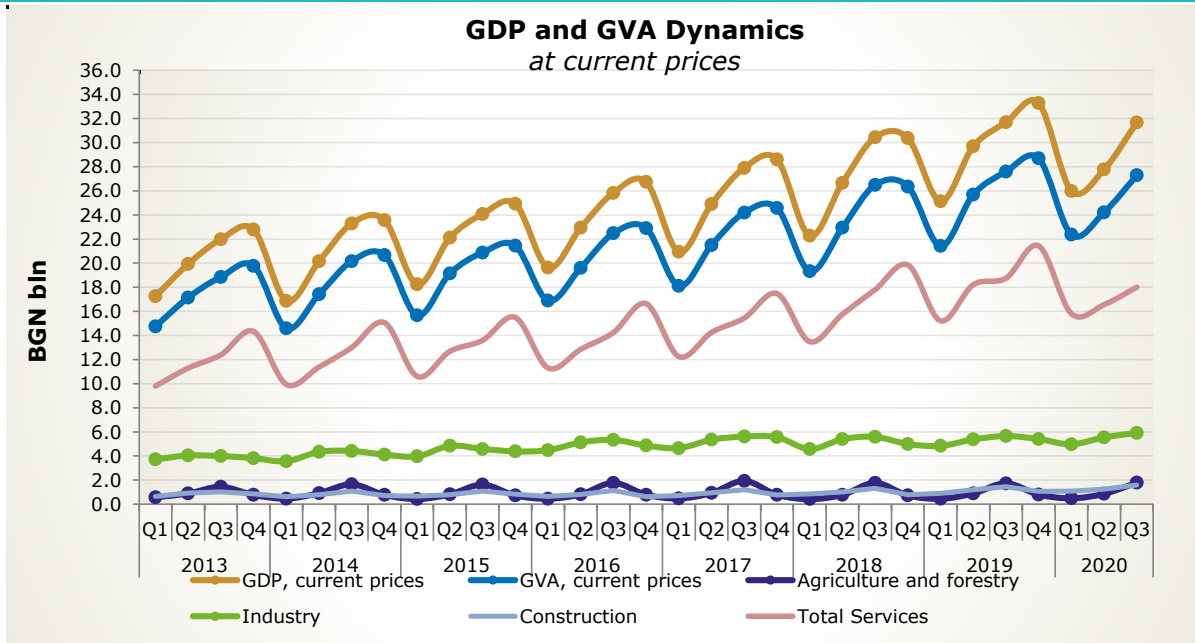


Source: Eurostat

1.3. GROSS VALUE ADDED

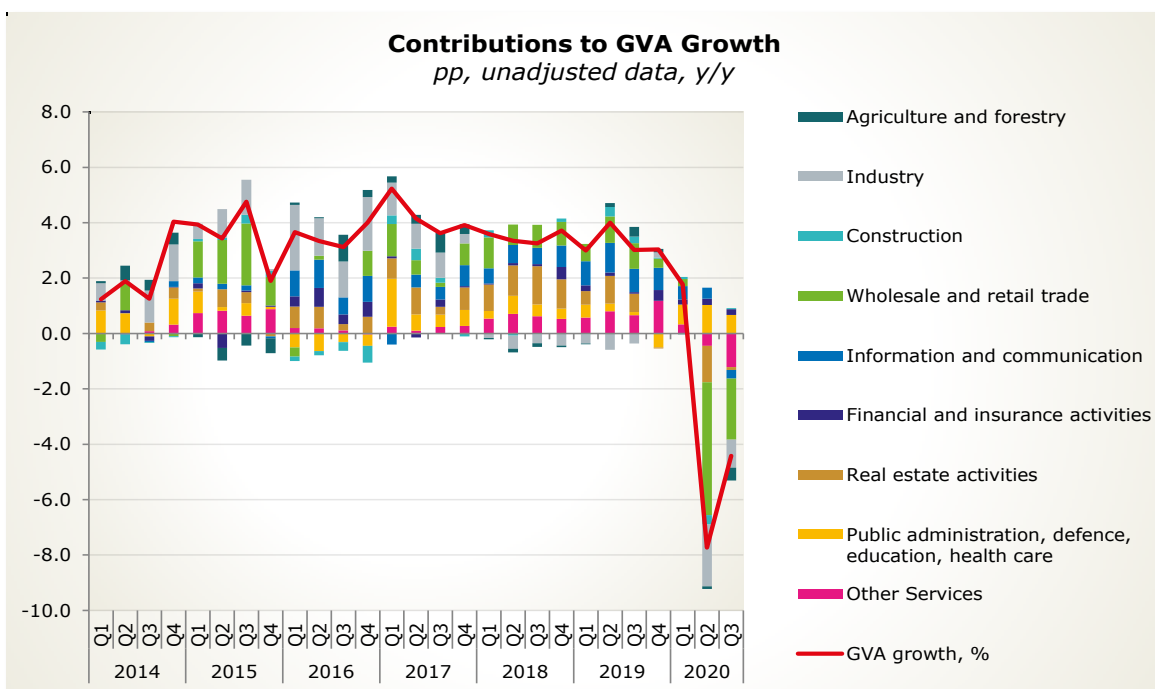
Real GVA down by 4.4% y/y, services sector was the hardest hit component

The unadjusted gross value added (GVA) generated by the national economy decreased by 4.4% y/y in real terms in Q3 2020 and totalled BGN 27.288 bln in current prices. The services sector shrank by 4.0% y/y in value terms and was the largest contributor to annual GVA drop, taking away 2.8 pp.



Source: Eurostat

Within the services sector, public administration, defence, education and healthcare, as well as financial and insurance activities, were the most resilient to the economic downturn and the only ones with positive contribution to GVA in Q3 2020, with 0.7 pp and 0.2 pp, respectively. All other service subsectors reported negative annual growth and took away between 2.2 pp for wholesale and retail trade and 0.1 pp for real estate activities. Industry and agriculture and forestry also had negative contributions, of 1.0 pp and 0.5 pp, respectively, while construction, despite climbing by 9.6% y/y in current prices, reported neutral contribution to the GVA.



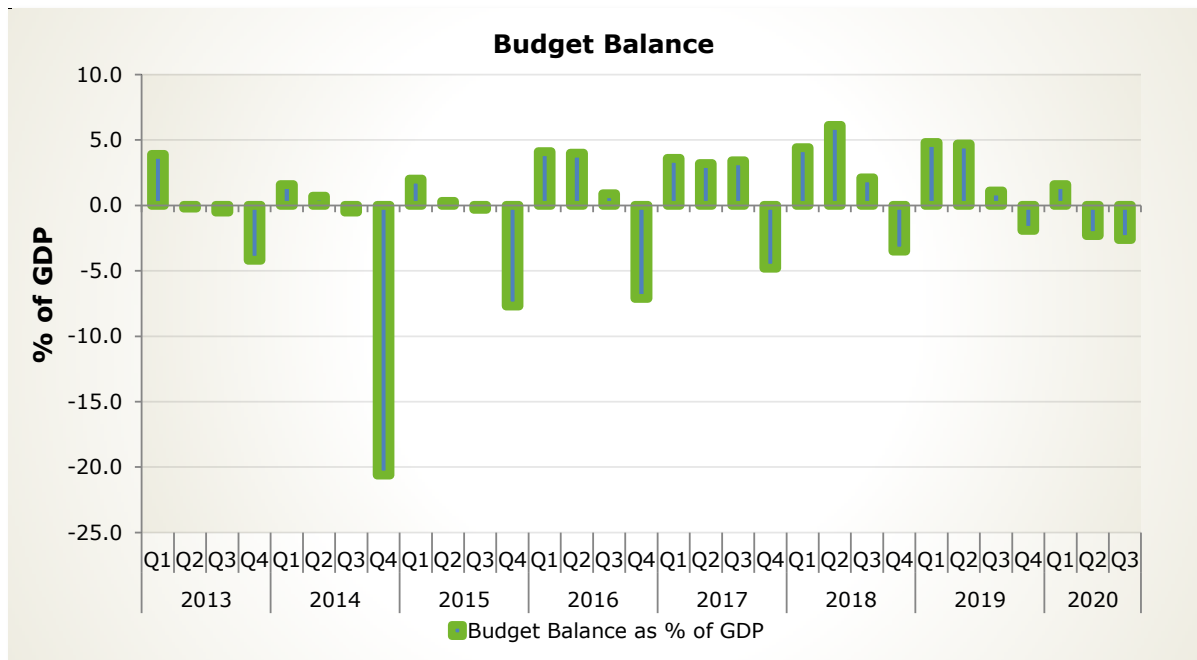
Source: SeeNews Calculations; Eurostat

Note: Non-additive data due to direct chain linking of GDP and its components.

1.4. BUDGET BALANCE

Budget deficit at 2.6% of GDP in Q3 2020

The budget balance of the Bulgarian government, which had turned to deficit in Q2 2020, maintained the trend and recorded a new gap of 2.6% of GDP. Compared to the same quarter of the previous year, the balance deteriorated significantly – it stood at positive 1.1% of GDP in Q3 2019. The balance is expected to stay negative in the rest of the year, amidst the deepening COVID-19 global crisis. Increased government expenses in the form of packages of fiscal incentives and social payments will hardly be compensated by the diminishing tax revenues caused by decreased economic activity and prolonged deadlines for various tax payments, valid until 2021 as a part of the economic measures to fight recession.



Source: Eurostat

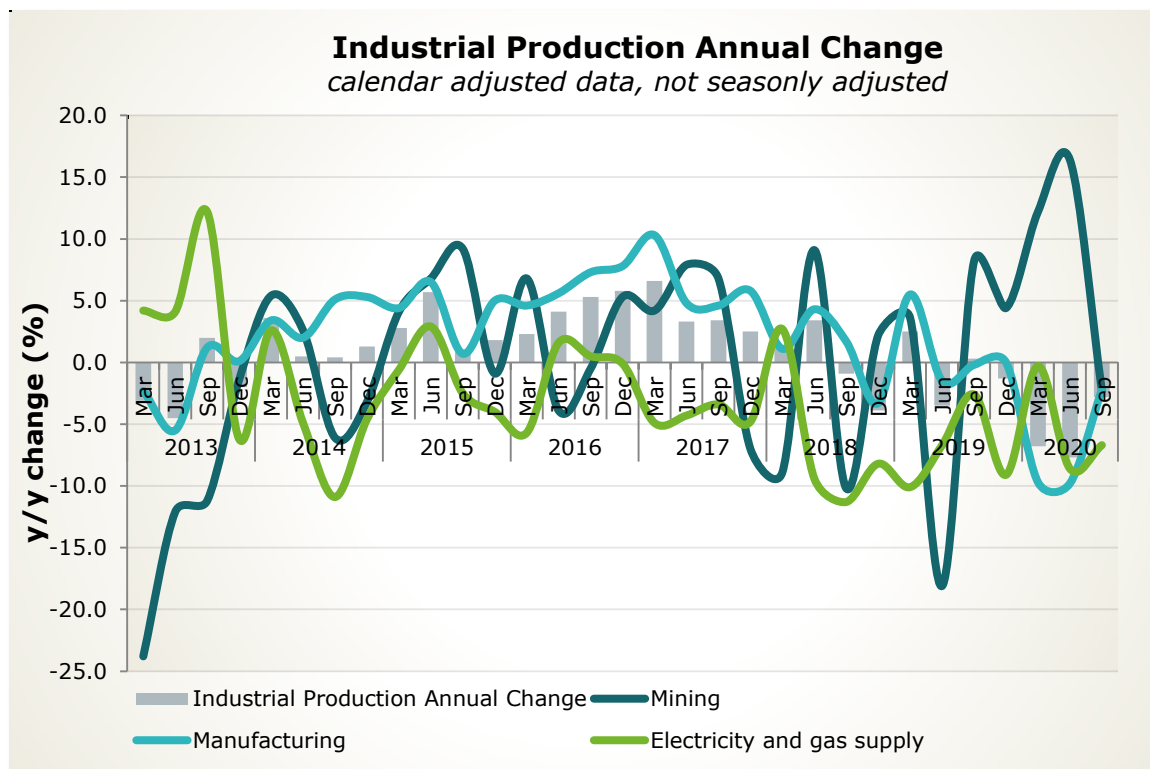
2. OUTPUT AND CONSUMPTION

2.1. INDUSTRIAL PRODUCTION

Industrial production down by 2.8% annually in September 2020

In September 2020, industrial production annual change in Bulgaria stood at -2.8%, according to Eurostat. The mining sector lost 2.3% on the year, which was among the most moderate growth rates in September, together with manufacturing, which inched down by 2.2% y/y.

Electricity and gas supply activity suffered the most and decreased by 6.7% over the same month of the previous year, mainly as a result from narrowing demand.



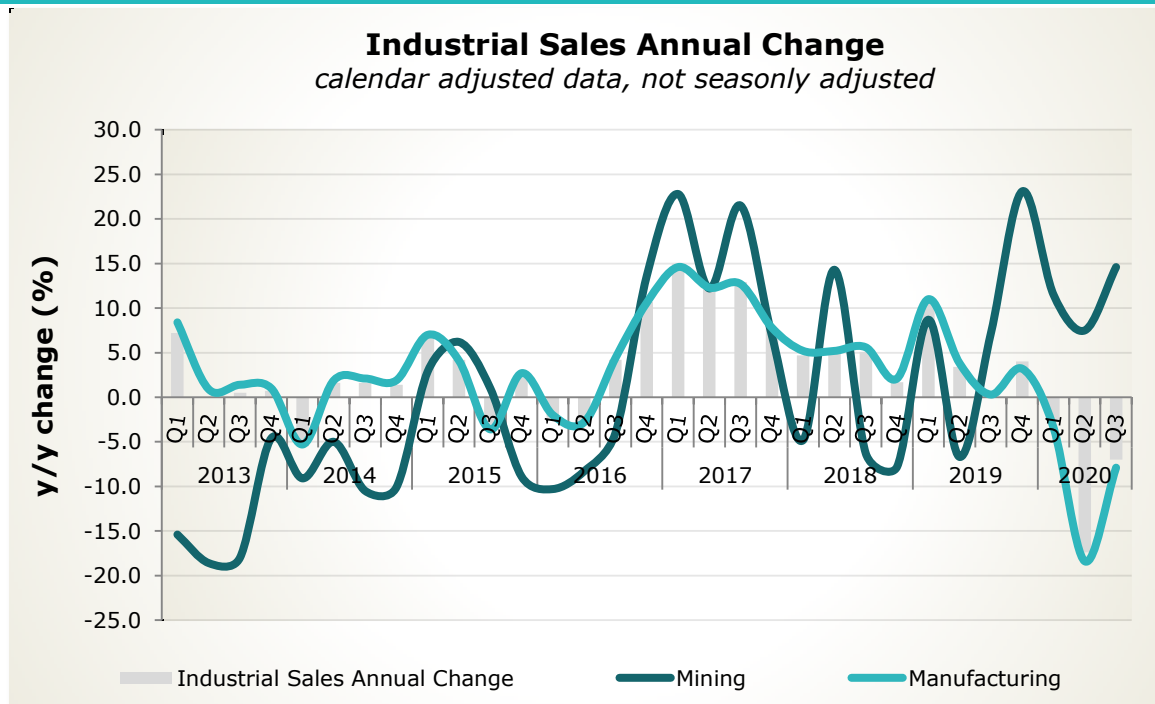
Source: Eurostat

2.2. INDUSTRIAL SALES

Industrial sales sank by 7.0% y/y in Q3 2020

Industrial sales declined by 7.0% y/y in the third quarter of 2020, according to Eurostat, for the third consecutive quarter. The drop reflected above all the lower demand of most industrial goods in period of high uncertainty, despite the relaxation of anti-pandemic measures during the period. Although Bulgaria's industrial sales narrowed by a smaller rate than the EU average of -7.8% y/y, in regional context only Croatia reported a sharper drop.

Sector-wise, the contraction in Q3 2020 was due to the 7.9% decline in manufacturing sales – the sector which was negatively affected earlier and in larger extent by the furlough than mining. The latter reported a sound annual growth of 14.6% during the July - September period, but its share in the national industry is too small to prevent the overall drop.



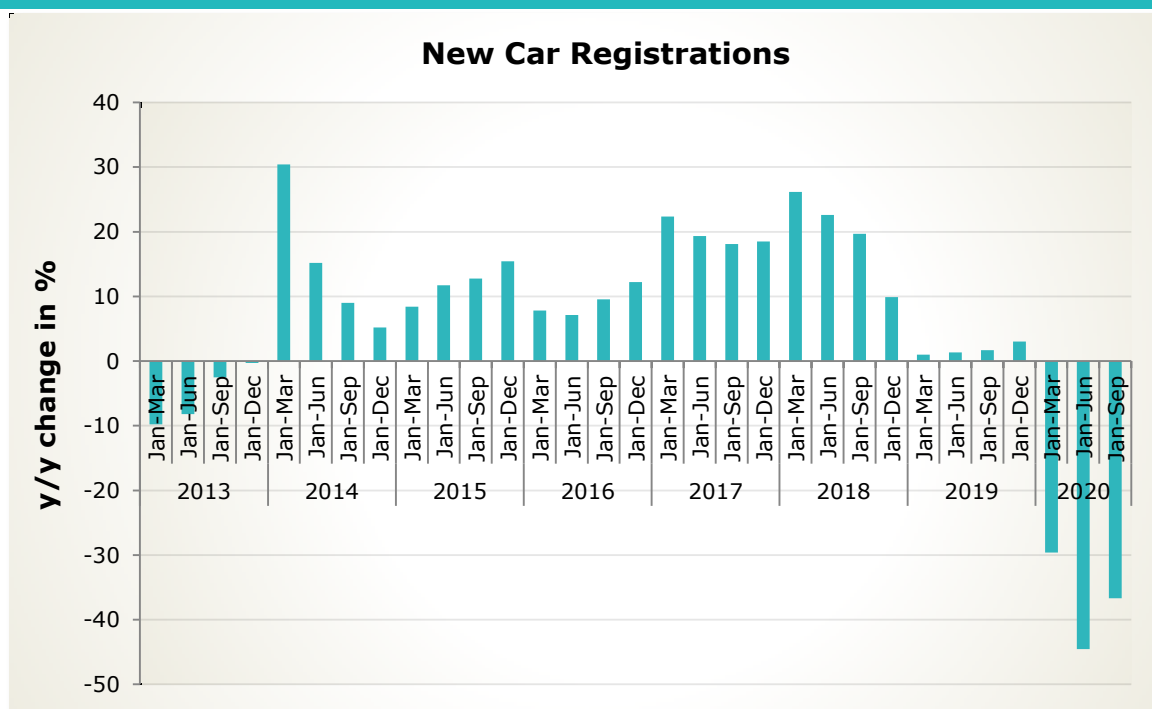
Source: Eurostat

2.3. NEW CAR REGISTRATIONS

New car registrations plummeted in Jan - Sept 2020

In the first nine months of 2020 the number of new car registrations in Bulgaria fell by 36.7% y/y, ACEA data shows. Only two markets in the EU were hit more heavily since the beginning of the coronavirus crisis – Croatia and Portugal. The slowdown, which had already begun in 2019, continued to be aggravated by the change of consumer preferences during the pandemic. In September alone, Bulgaria recorded the by far largest decline in the EU, of 27.7% y/y.

The new car market is expected to further recover from the decrease in production of most major European manufacturers, which encompassed the second quarter of the year, but at a much weaker rate than the drop, given the limited demand. The change towards a more cautious spending by consumers and investors will play a negative role on the new car market in Bulgaria well into 2021.



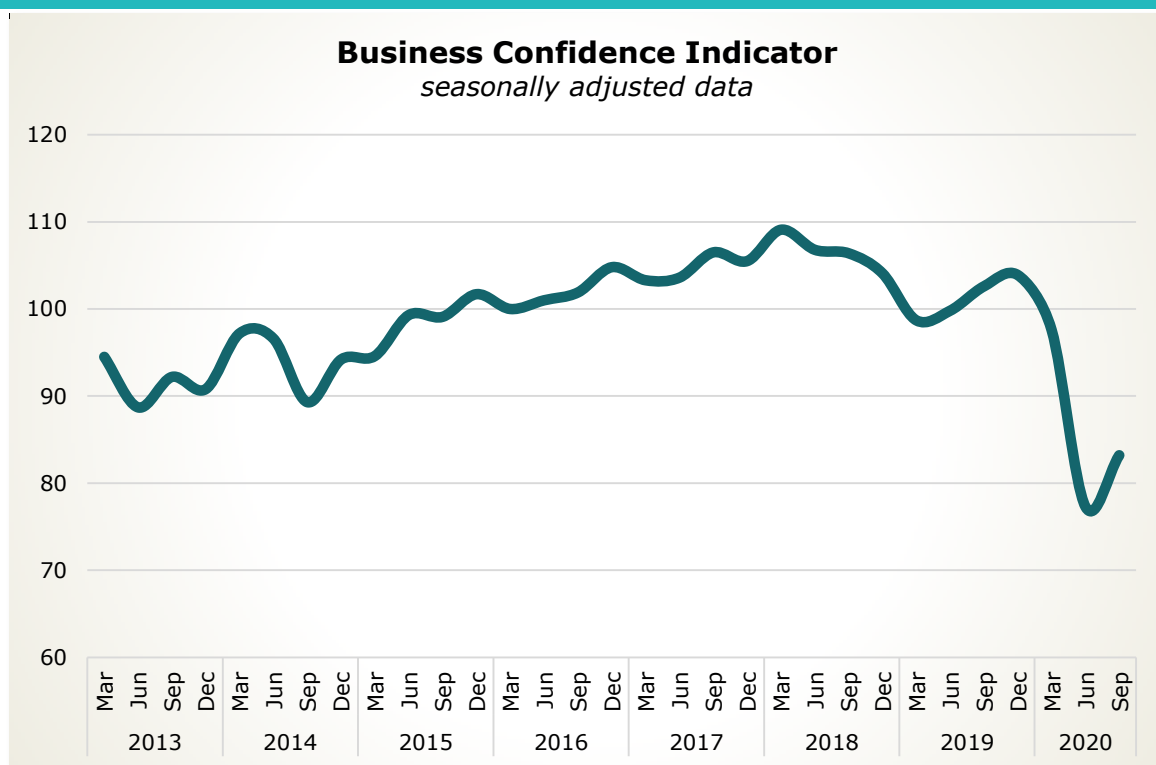
Source: ACEA

2.4. BUSINESS CONFIDENCE INDICATOR

Business confidence indicator on the path to recovery in Q3 2020

The business confidence indicator in Bulgaria slowly turned the trend upwards after the bottom reached during the first peak of the COVID-19 pandemic in the second quarter of 2020, when pessimism among investors reached its highest level since 1997. The value of the Economic Sentiment Index by the European Commission rose to 83.2 in September 2020, slightly climbing in comparison to 77.7 in July and 78.3 in August.

Compared with the other SEE countries, the economic sentiment in Bulgaria in the end of Q3 2020 was among the worst, only better than North Macedonia. Bulgaria was near the lower end of the business confidence ranking in the region even before the coronavirus crisis, due to their larger exposure to the Eurozone economy and the signs of economic slowdown there, which were evident throughout 2019.



Source: Eurostat

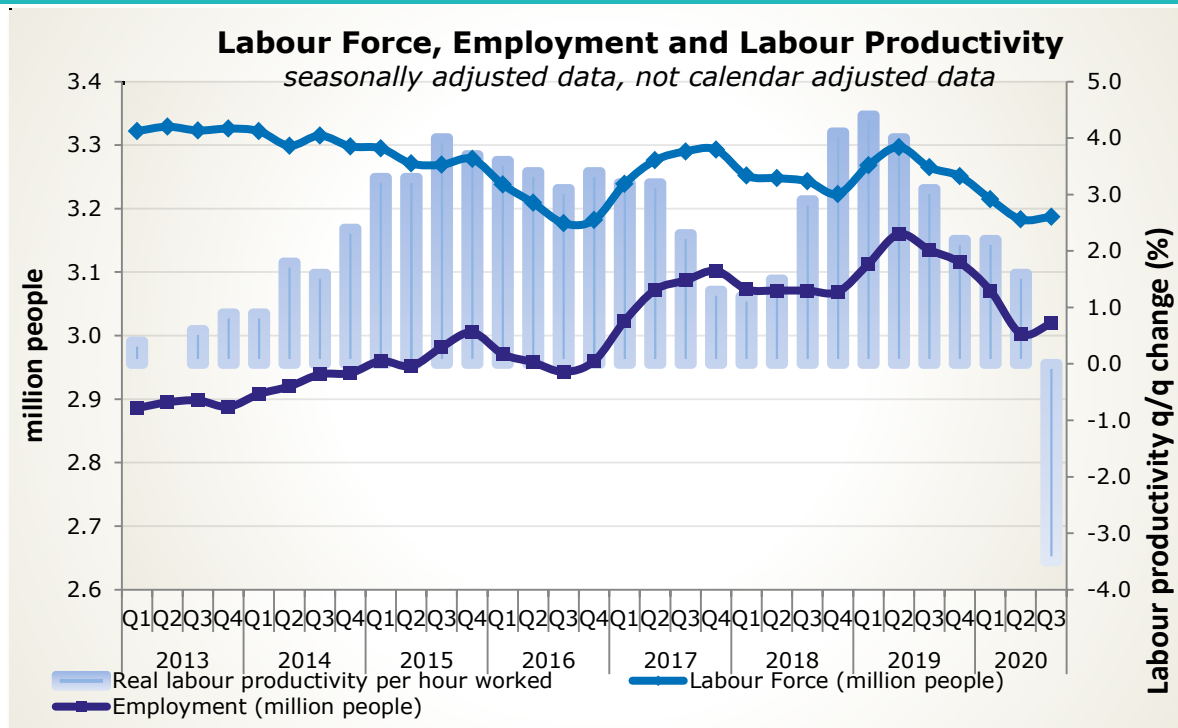
3. LABOUR MARKET

3.1. LABOUR FORCE, EMPLOYMENT AND REAL LABOUR PRODUCTIVITY

Labour force narrowed by 2.4% in Q3 2020, real labour productivity growth turned to negative

The labour force in Bulgaria narrowed to 3.187 million people in Q3 2020, down by 2.4% y/y, according to Eurostat. The employed population aged 15 years and older counted 3.019 million, also down, by 3.7%, compared to the corresponding period of the previous year. The decrease in employment can be explained by the wave of redundancies in some sectors that require close interaction with customers, such as personal services and hospitality, which affected negatively the employment in the summer tourism season.

Real labour productivity per hour worked in Bulgaria continued to deteriorate according to Eurostat, worsening by an annual rate, of -3.5% in Q3 2020, for the first time in the last eight years. This was a significant slowdown in comparison to 2019, when productivity grew by an annual average of 3.2% and to Q2 2020, when it inched up by 1.6%. In regional context Bulgaria performed well in terms of productivity, second only to Slovenia, but convergence with EU suffered, as Bulgaria fell below the EU average, of -0.4% y/y, for the first time in ten quarters.



Source: Eurostat

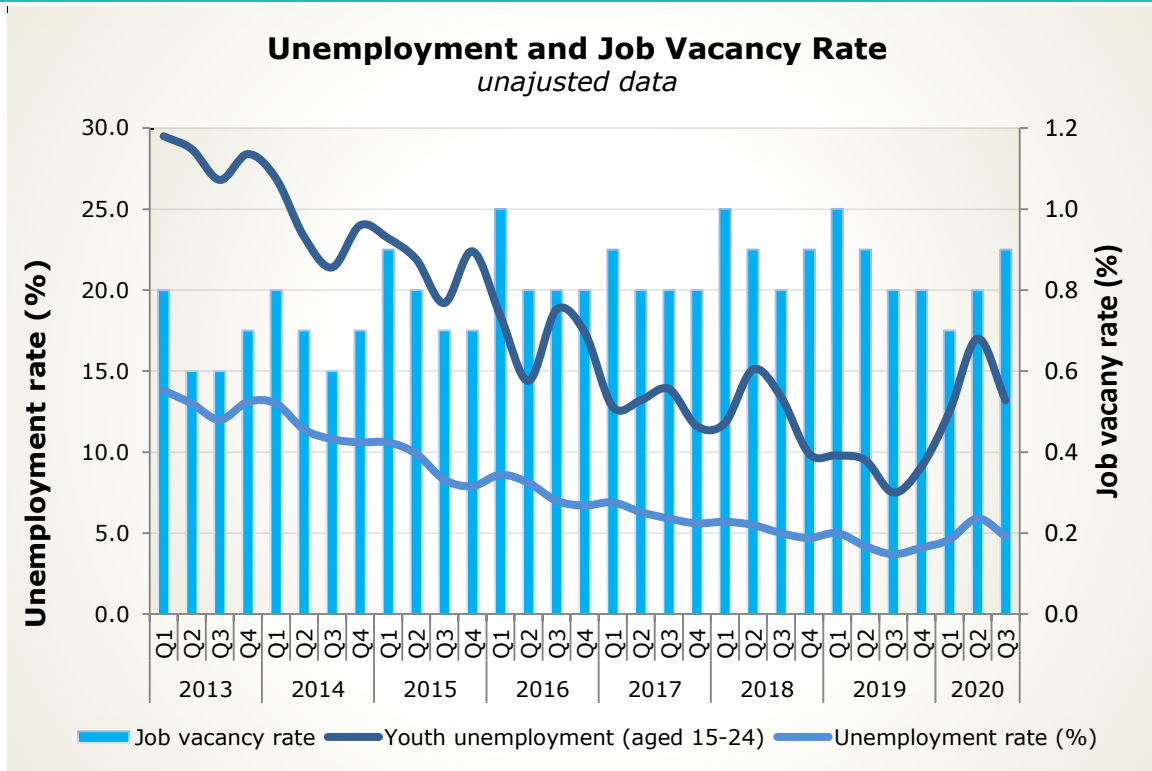
3.2. UNEMPLOYMENT RATE AND JOB VACANCIES

Unemployment rate rose to 4.8% due to COVID-19, youth unemployment also on the rise

The unemployment rate in Bulgaria in Q3 2020 climbed to 4.8%, compared to 3.7% in Q3 2019, but by 0.9 pp lower than in the previous quarter. The reason behind the rise of the unemployment rate was the devastating impact of the COVID-19 pandemic on the Bulgarian economy, mainly on sectors such as transport, tourism and hospitality, which practically ceased to operate for the larger part of the period and accounted for 28.1% of the employment in the country in 2019, according to NSI. The gradual reopening of these businesses after June in an attempt to rescue at least partially the summer tourist season mitigated the initial effect of the crisis on employment.

Youth (population aged 15-24) unemployment rate rose to 13.2%, compared to 7.5% in the corresponding quarter of the previous year, but slightly calmed down from the previous quarter when it reached a four-year peak of 17.0%. This negative development of youth unemployment is attributed to the higher share of people aged 15-24 in the sectors directly hit by the pandemic.

The job vacancy rate in Q3 2020 stood at 0.9%, a notch up from the corresponding quarter of the previous year and the second quarter of 2020, when it amounted to 0.8%. In absolute terms, job vacancies counted 18,818 in the third quarter, which represented a second consecutive q/q increase, of 1.5%, after the bottom reached in the first three months of 2020, Eurostat data shows. At the same time, the number of occupied jobs reached its bottom for the last 10 years, at 2.188 million, up by 12,000 compared with the previous quarter, which indicates a gradual recovery of the economic activity in Bulgaria in Q3 2020.

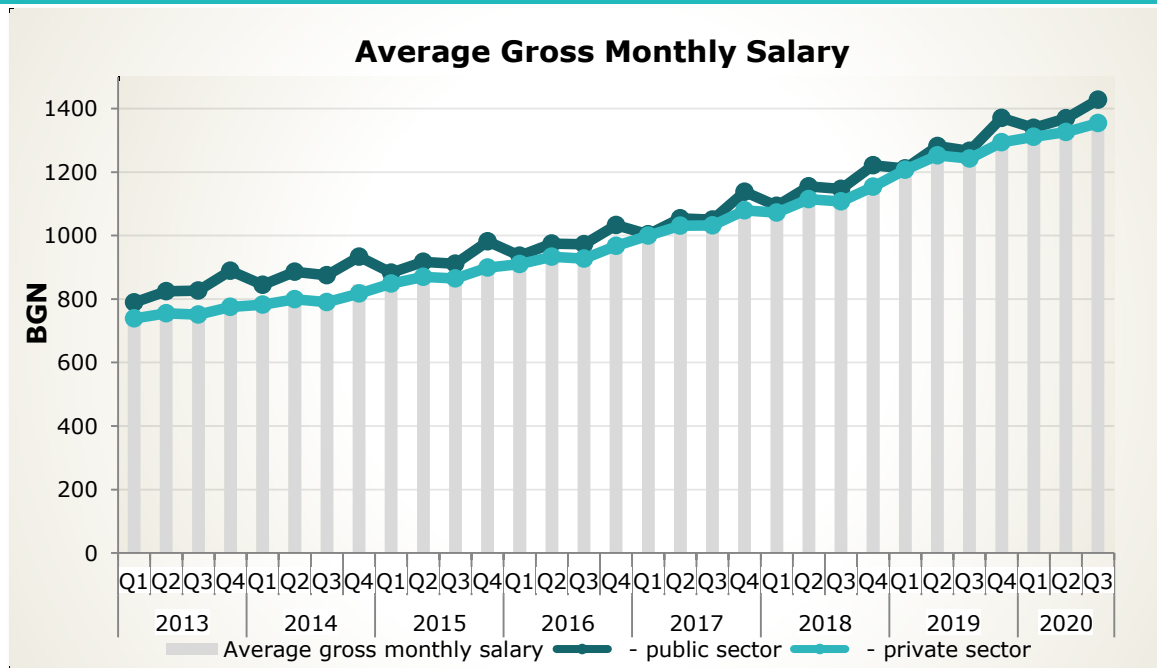


Source: Eurostat

3.3 AVERAGE MONTHLY SALARY

Average gross monthly salary up by 9.9% in Q3 2020

The average gross monthly salary in Q3 2020 grew by 6.9% y/y to BGN 1,373, according to NSI data. Salaries in the private and public sectors went up by 9.0% y/y and 12.7% y/y, respectively, and reached an average of BGN 1,355 in the private and BGN 1,428 in the public sector. Employees in IT and communication were again the highest paid with average gross monthly salary of BGN 3,208, followed by financial and insurance activities with BGN 2,106 and energy with BGN 2,097. At the other end of the ranking stood three sectors with average gross monthly salaries lower than BGN 1,000. The employees in tourism and hospitality earned BGN 890 on average, which is lower than the national average by more than a third and four times lower than the highest earning sector IT and communication.



Source: NSI

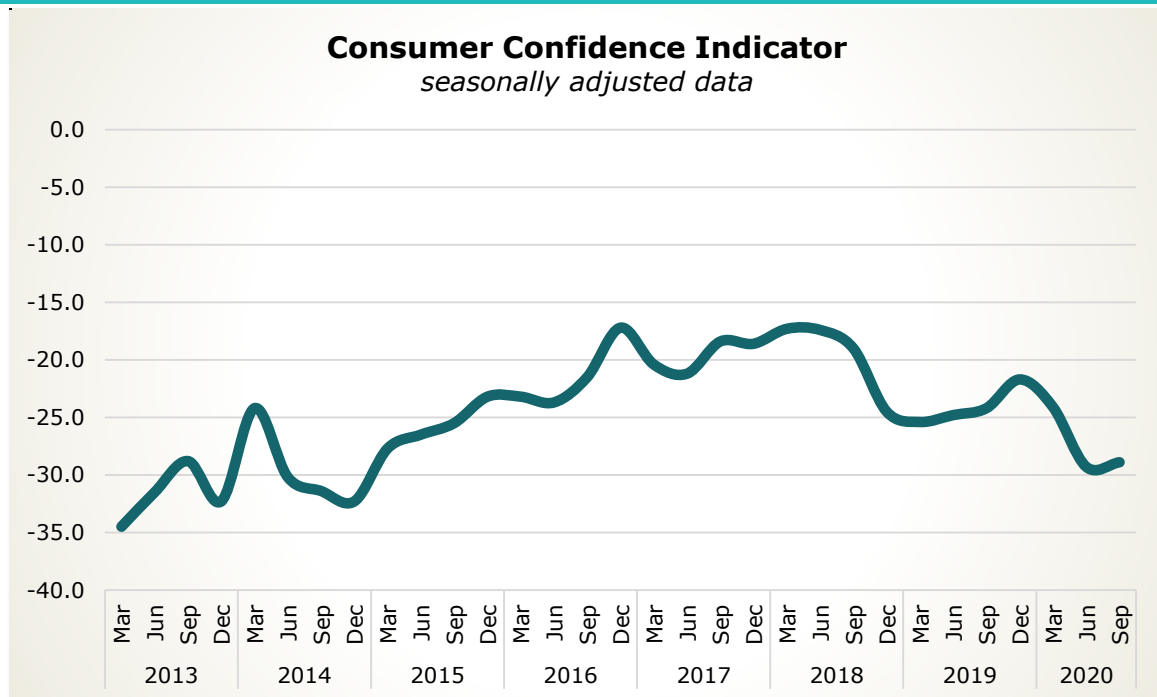
4. HOUSEHOLDS

4.1. CONSUMER CONFIDENCE INDICATOR

Consumer confidence indicator stabilised in Q3 2020

The consumer confidence indicator in Bulgaria put an end to the sharp fall in the previous quarter and stood at -28.9 points in September, according to the European Commission. Its value was higher, although still negative, even before the onset of the COVID-19 pandemic and the surge of pessimism associated with it.

The consumer sentiment in Bulgaria in September 2020 was the lowest among all SEE countries, and more than two times lower than the EU average of -14.6 points. This is due not only to the coronavirus outbreak and the pessimism has no direct connection to the extent of the crisis in Bulgaria in comparison to its neighbours, since the country has continuously had the worst score in consumer expectations in SEE since Q1 2014.



Source: European Commission

4.2. WHOLESALE AND RETAIL

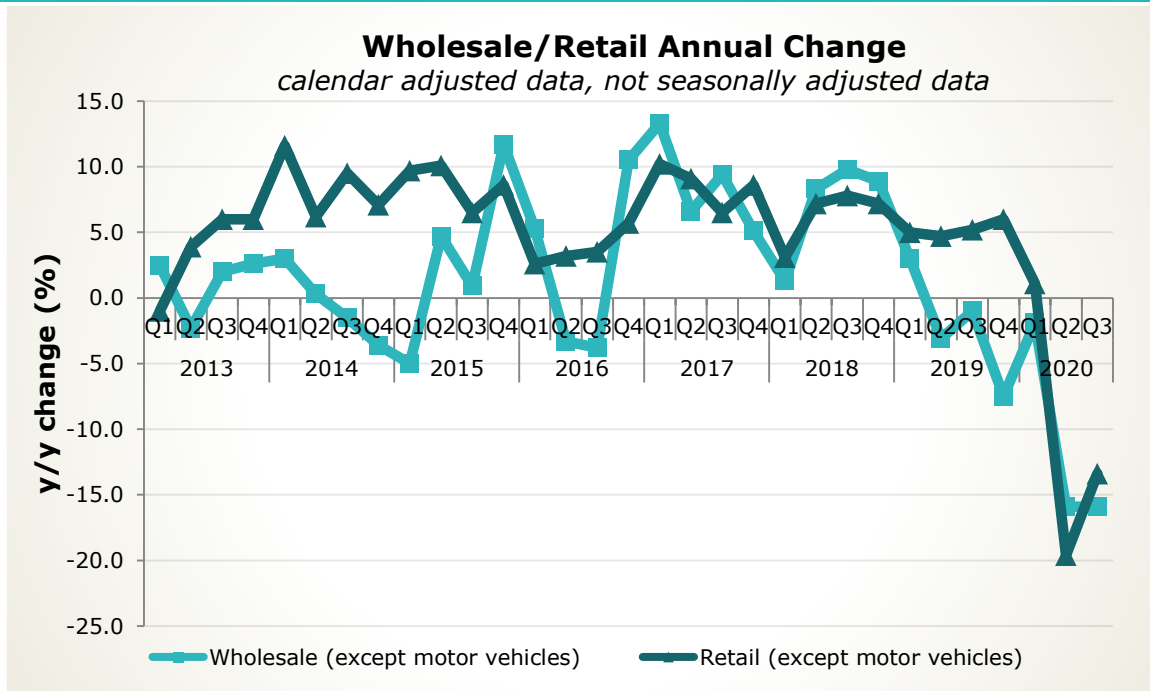
Retail and wholesale down again in Q3 2020

In the third quarter of 2020, wholesale and retail sales registered a 17.1% annual drop, according to Eurostat data. This was the fourth quarter in a row with negative trend and the quarter with the second sharpest drop on record for the Bulgarian economy in this century, after Q2 2020.

Retail sales, except motor vehicles, plunged by 13.4% y/y, while wholesale recorded a more severe 15.9% y/y decline. Wholesale, retail and repair of motor vehicles, having experienced the bulk of the negative effect of the shutdown in the second quarter, calmed down and lost only 7.7% y/y in Q3 2020.

Retail sales decreased the most during the period in the sector of retail sale of automotive fuel in specialised stores, by 32.8% y/y, followed by retail sales in non-specialised stores with 13.9% and food, beverages and tobacco with 4.2% y/y. On the other hand, sales via mail order houses and internet skyrocketed by 40.0%.

As far as wholesale is concerned, wholesale on fee or contract basis, information and communication equipment and machinery still performed better than in the same quarter of the previous year, while food, beverages and tobacco, agricultural raw materials and live animals and all kinds of non-specialised wholesale trade dropped significantly on the year.



Source: Eurostat

5. PRICES

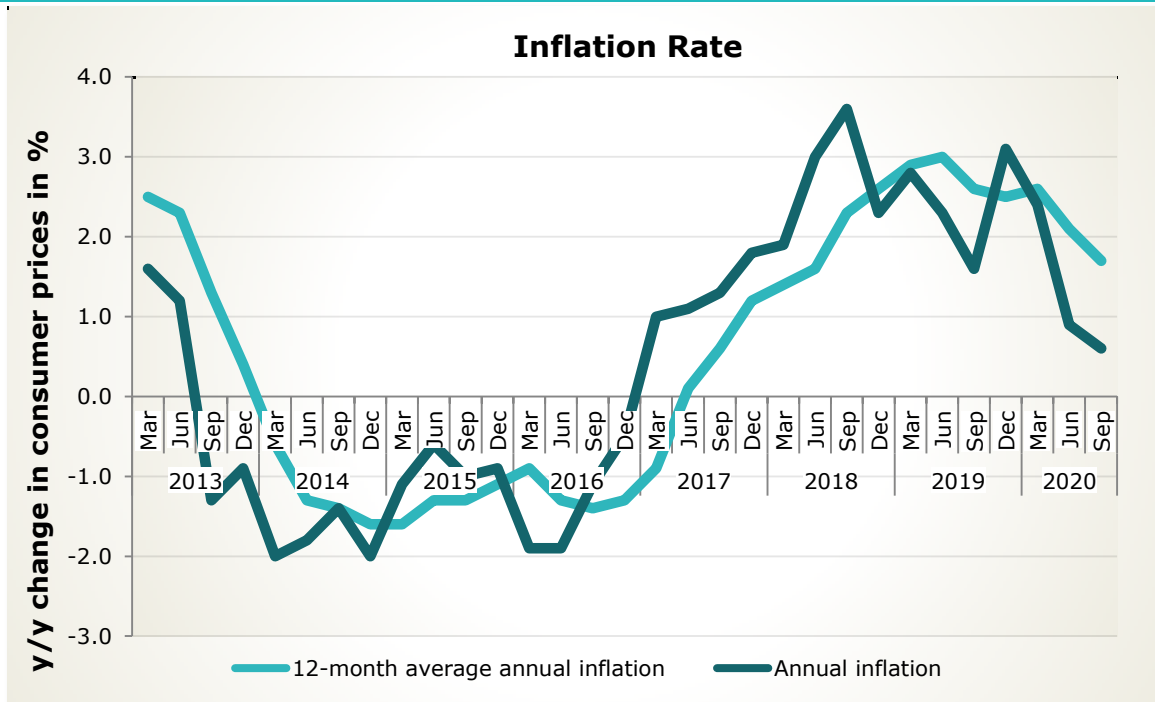
5.1. INFLATION

Inflation slowed down in Q3 2020 to 1.7%

In Q3 2020, the moving twelve-month average inflation in Bulgaria came in at 1.7%, according to Eurostat, down from 2.6% in the corresponding quarter of the previous year. Bulgaria had the third highest moving twelve-month average inflation in SEE in Q3 2020, after Romania and Serbia, but well above Slovenia and Croatia, as well as the EU average.

Annual inflation also slowed down to 0.6% y/y, compared to 1.6% in Q3 2019 and reached its lowest point since the last quarter of 2016. Consumer prices are expected to further calm down due to the prioritisation of spending and pessimistic short-term expectations among consumers, who avoid or postpone expensive and non-essential purchases during the COVID-19 crisis.

The highest twelve-month average inflation, of 5.8%, was registered by food and non-alcoholic beverages, followed by restaurants and hotels with 3.6%. Prices of transport declined the most, by 3.6% y/y.



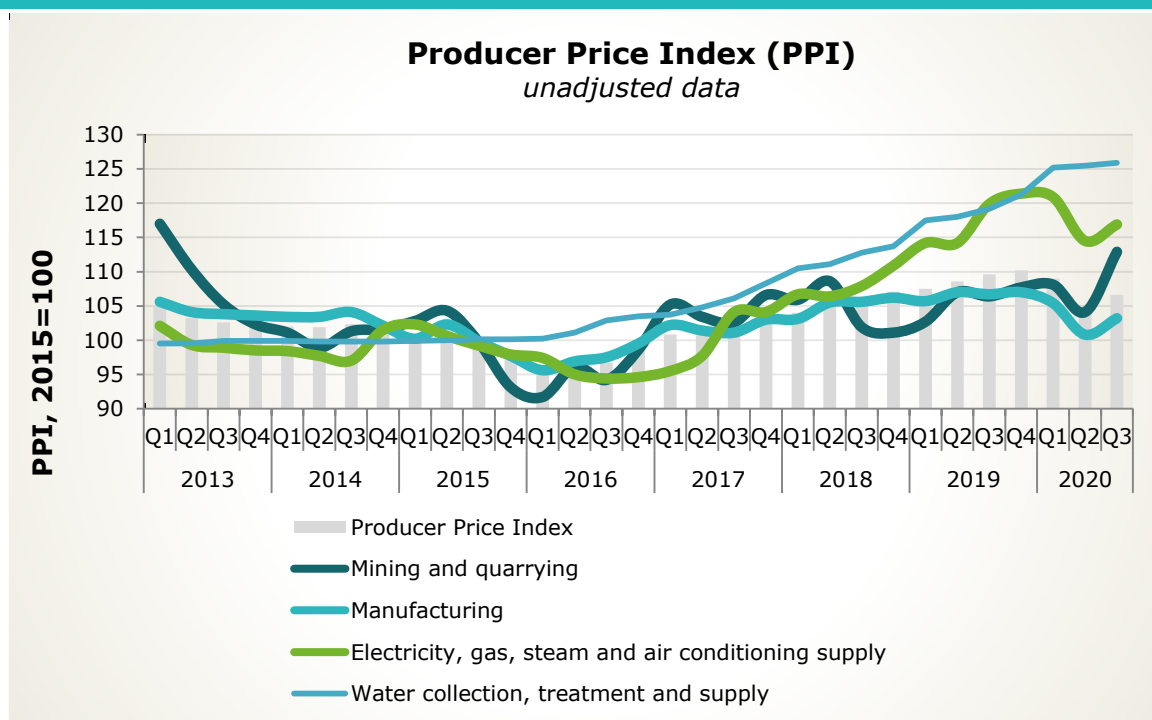
Source: Eurostat

5.2. PRODUCER PRICE INDEX

Producer price index at 106.6 points in Q3 2020

Eurostat's unadjusted producer price index in Bulgaria stood at 106.6 points in Q3 2020, which represented an increase compared to Q2 2020, by 2.6 pp, while on an annual basis it marked a drop of 3.0 pp.

Water collection, treatment and supply and mining and quarrying were the only sectors to register an increase in producer prices in Q3 2020 on both annual and quarterly basis. Electricity, gas, steam and air conditioning supply also advanced compared with Q2 2020, but lost 3.0 pp on annual basis. The producer price index in manufacturing declined by 3.5 pp compared with the year-ago quarter, despite the q/q rise of 2.4 pp.



Source: Eurostat

6. CONSTRUCTION AND REAL ESTATE

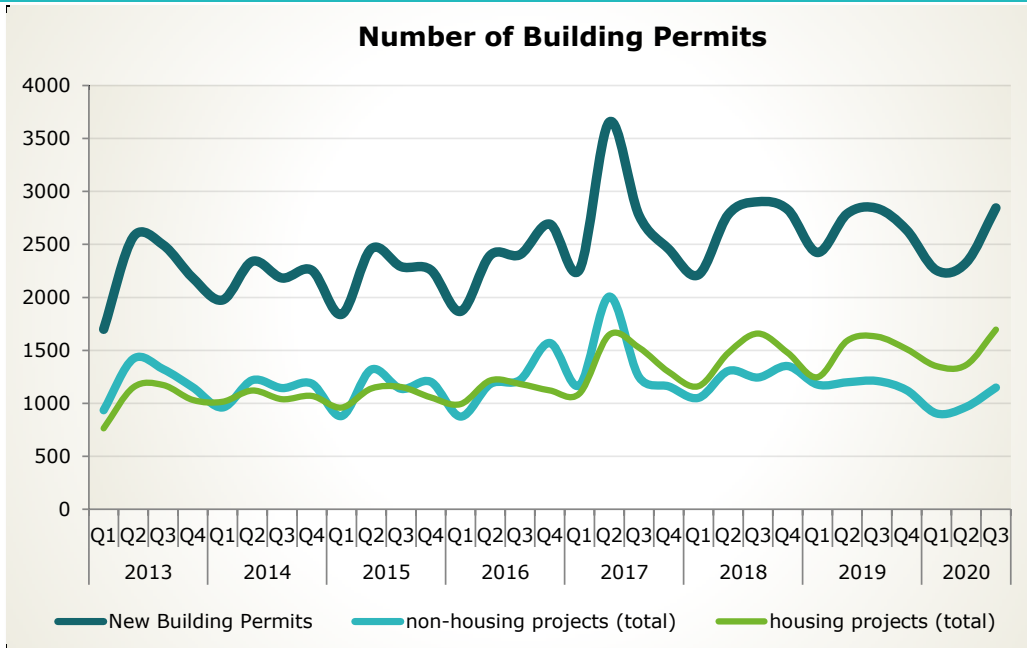
6.1. NEW BUILDING PERMITS

New building permits stayed flattish y/y in Q3 2020

The number of building permits issued in Bulgaria between July and September 2020 inched up by 0.1% y/y and totalled 2,845, according to NSI data. Housing projects, which had slowed down in the second quarter of the year in the peak of the lockdown, switched to positive again with the relaxation of anti-pandemic measures and the general improvement of consumer and investor confidence and gained 4.0% y/y. Permits for non-housing and administrative buildings, however, narrowed again, under the influence of long-term uncertainty and continuing home office policy in many major sectors. They declined by 5.1% y/y to 1,149, compared to 1,211 a year earlier.

The total built-up area of both residential and non-residential units declined on an annual basis in Q3 2020. The built-up area covered by new non-residential permits narrowed by 26.7% to 552,278 sq m, while the total built-up area of the residential space slumped by 13.2% to 964,166 sq m.

In the short term the still slight recovery of the housing market will persist, while non-housing permits are likely to remain low during the period of high uncertainty and recurring restrictions, caused by new waves of the pandemic, at least until the second half of 2021.



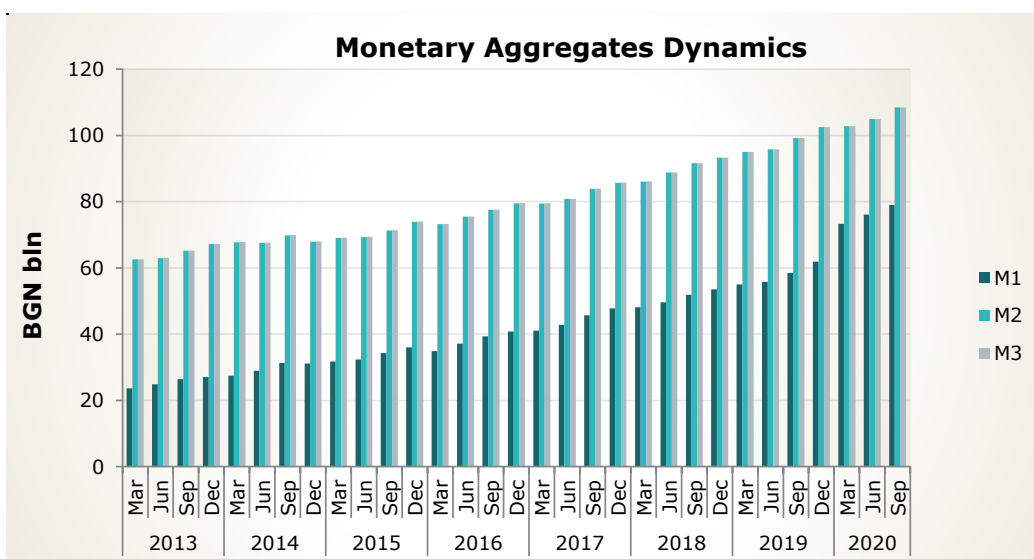
Source: NSI

7. MONEY

7.1. MONETARY AGGREGATES

Money supply growth was 9.3% y/y in Q3 2020, narrow money jumped by 35.0%

At the end of Q3 2020 the broad monetary aggregate M3 rose by 9.3% on an annual basis and the total money supply in the Bulgarian economy stood at BGN 108.4 bln. The M2 money supply equalled the M3 aggregate, thus also growing by 9.3% y/y. The monetary aggregate M1, or narrow money, soared by 35.0% to BGN 79.0 bln. Banknotes and coins in circulation increased by 5.2% y/y, underpinned by the low interest rates on deposits.



Source: BNB

7.2. BANKS' CAPITAL RATIOS

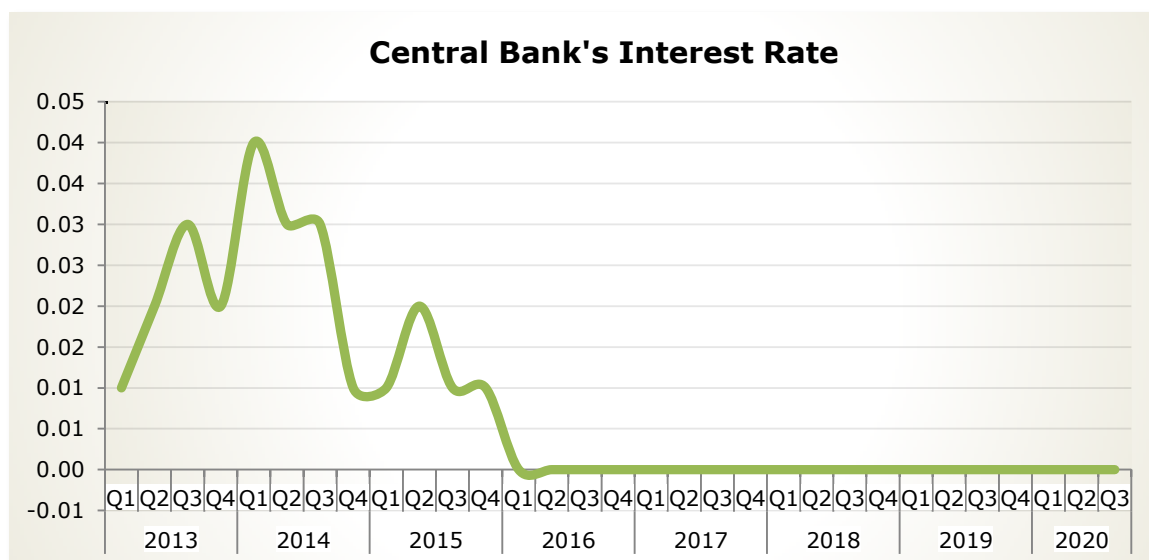
Financial soundness indicators of the banking system improve in Q3 2020

As of end-September 2020, the banking system's capital ratios marked an annual rise, according to BNB data. Regulatory Tier 1 capital to risk-weighted assets ratio increased to 22.27%, compared to 20.22% in the corresponding quarter of the previous year. The regulatory Tier 1 capital to total assets ratio stood at 12.47%, up from 12.11% in Q3 2019.

7.3. CENTRAL BANK'S INTEREST RATE

BNB base interest rate unchanged in Q3 2020

In Q3 2020 the base interest rate of BNB remained at 0.0%, unchanged since the beginning of 2016. Although it has a very limited significance as a monetary policy instrument, the base interest rate indicates the determination of Bulgaria's central bank to stimulate investment and consumer spending in order to boost economic activity as a counter measure to the global slowdown.

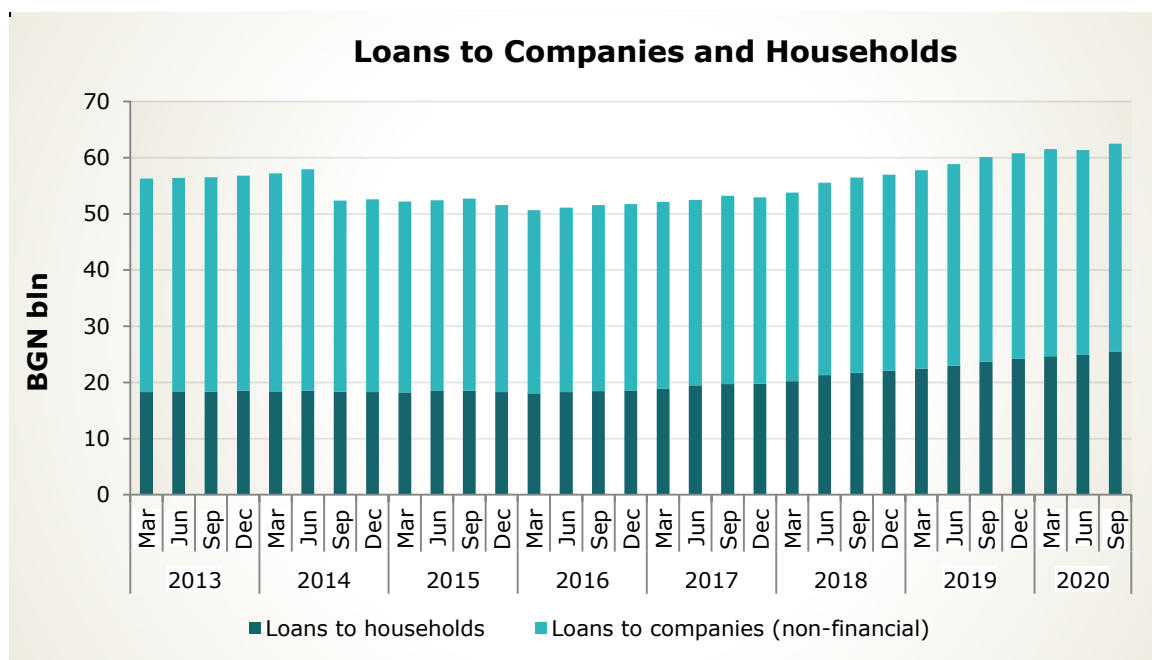


Source: BNB

7.4. LOANS TO COMPANIES AND HOUSEHOLDS

Loans to companies up by 1.5% y/y, household loans rose by 7.7% y/y in Q3 2020

In September 2020 the loans to non-financial corporations increased by 1.5% on the year to BGN 37.0 bln. The annual growth of loans to households was stronger, at 7.7% and they totalled BGN 25.5 bln. The rise was supported mainly by housing loans, which grew at a rate significantly higher than the average for all household loans, of 10.8%. Consumer loans expanded by 4.5% on the year. With the improvement of consumer and business sentiment and gradual revival of economic activity, corporate and consumer loans bounced back in the third quarter after the slowdown from the previous period.

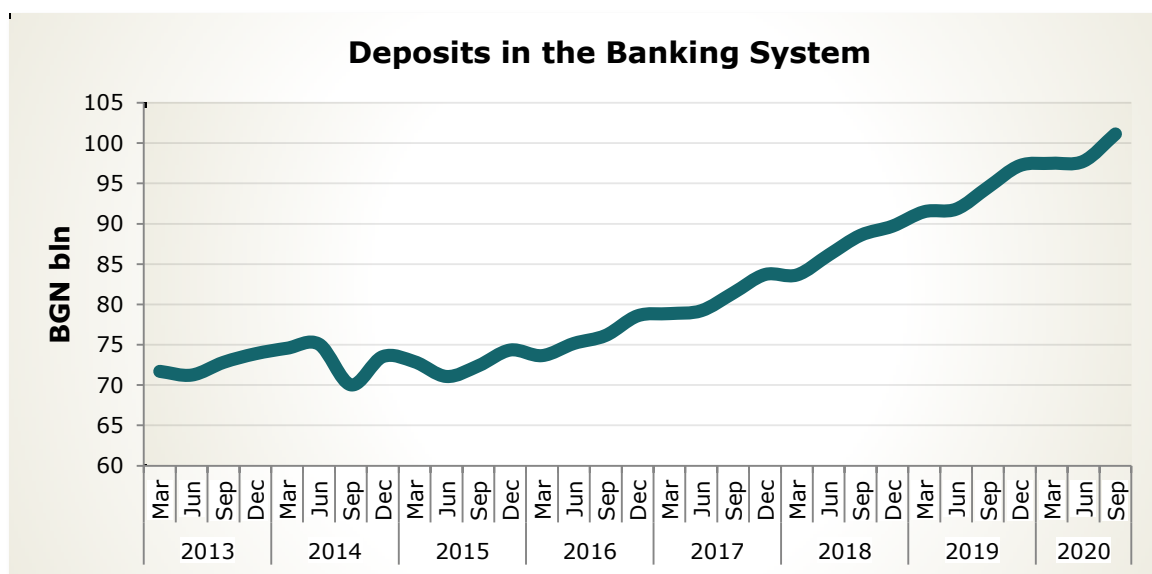


Source: BNB

7.5. DEPOSITS

Deposits increased by 7.0% y/y in Q3 2020

The total amount of deposits in the banking system, as of end-September 2020, grew by 7.0% y/y and stood at BGN 101.1 bln, compared to BGN 94.5 bln in the same month of the previous year. The growth accelerated in the third quarter of 2020 and is expected to do so until the end of the year as a consequence of the increased savings rate in Bulgaria as a reaction to the high uncertainty associated with the coronavirus crisis.



Source: BNB

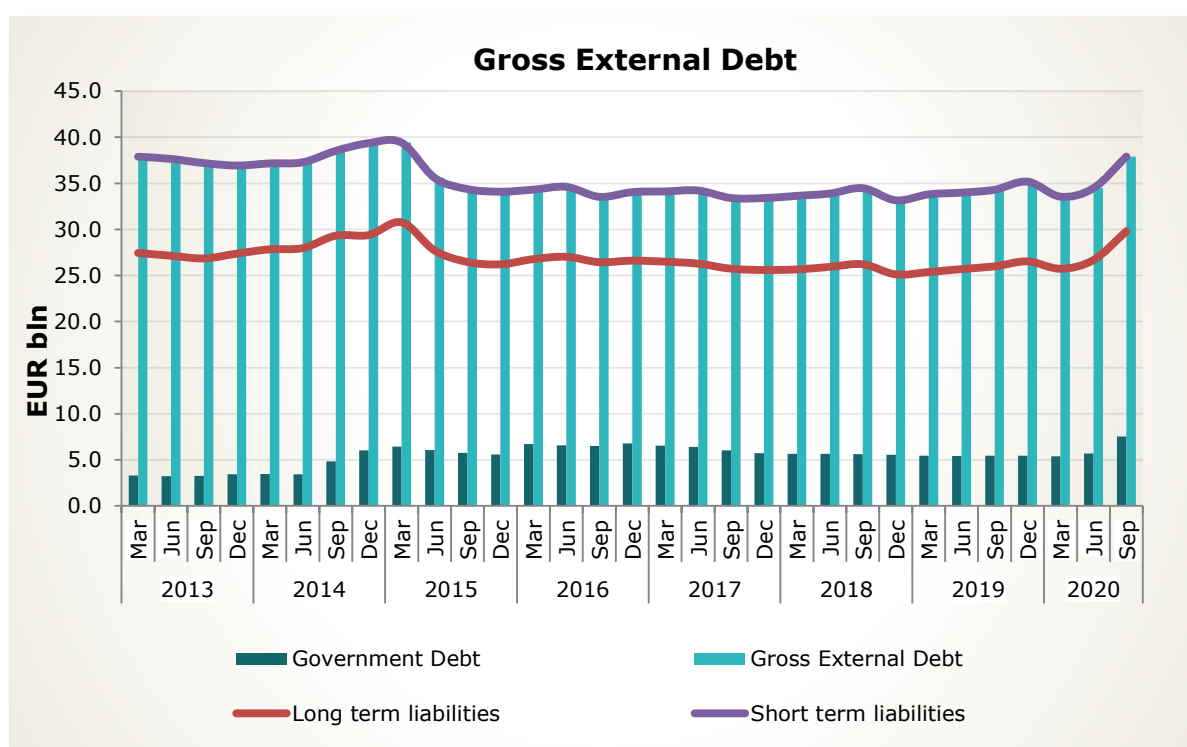
8. EXTERNAL SECTOR

8.1. DEBT

Gross external debt rose by 10.5% y/y in Q3 2020

The gross external debt went up by 10.5% y/y totalling EUR 37.9 bln as of end-September 2020, according to BNB. Relative to the economy, the gross external debt accounted for 61.9% of the country's latest annual GDP. This makes Bulgaria well positioned in regional and global aspect in the group of countries with low risk for additional indebtedness as a result of the fiscal measures packages introduced by the governments to combat the negative economic effects of the COVID-19 pandemic.

Government debt jumped on an annual basis in Q3 2020, by 38.4% to EUR 7.5 bln at the end of the period. Long-term liabilities rose by 14.6% y/y and amounted to EUR 29.8 bln, or 78.6% of the total debt, and short-term liabilities totalled EUR 8.1 bln, following a 2.4% annual drop and equalled 21.4% of the total debt.



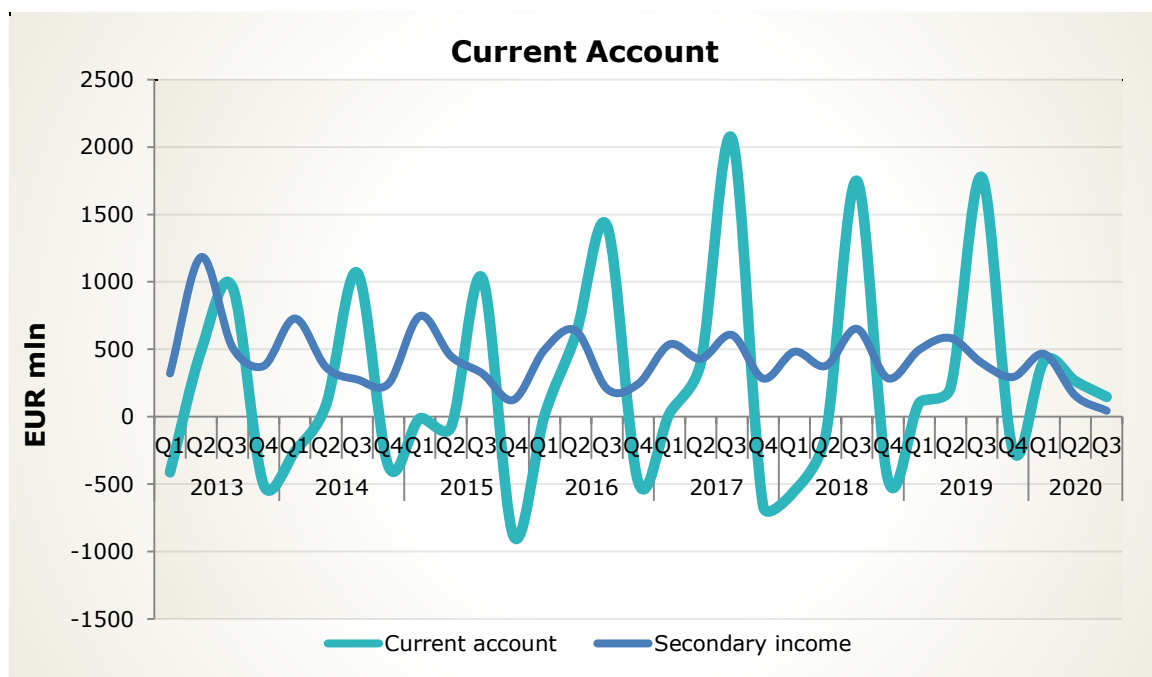
Source: BNB

8.2. CURRENT ACCOUNT

Current account surplus down by 91.7% in Q3 2020 due to weak high season

The current account surplus totalled EUR 146.9 mln in Q3 2020, down by 91.7% y/y from EUR 1.8 bln in the corresponding quarter of the previous year, according to Eurostat data. The

enormous drop was caused by the practically non-existent mass international sea tourism between July and September, which traditionally is responsible for almost the entire current account surplus of Bulgaria in the summer months. As a share of Bulgaria's GDP, the current account melted down to 0.9%, compared with 11.0% in Q3 2019. Secondary income in Q3 2020 stood at EUR 43.9 mln, down by 89.0% y/y.



Source: Eurostat

8.3. TRADE BALANCE

Foreign trade deficit narrowed by 13.2% y/y in Q3 2020

Exports shrank at a slower rate than imports in annual terms in Q3 2020, which resulted in a 13.2% decrease of the foreign trade gap to EUR 573.4 mln, according to BNB data. In the third quarter of 2020, exports narrowed by 8.6% and reached EUR 7.069 bln. Imports came in at EUR 7.642 bln, or by 8.9% less than in the period July - September 2019. A further decline in both exports and imports is expected in the rest of 2020 under the negative impact of the global COVID-19 crisis and the tight integration of Bulgaria with the market of the European Union.

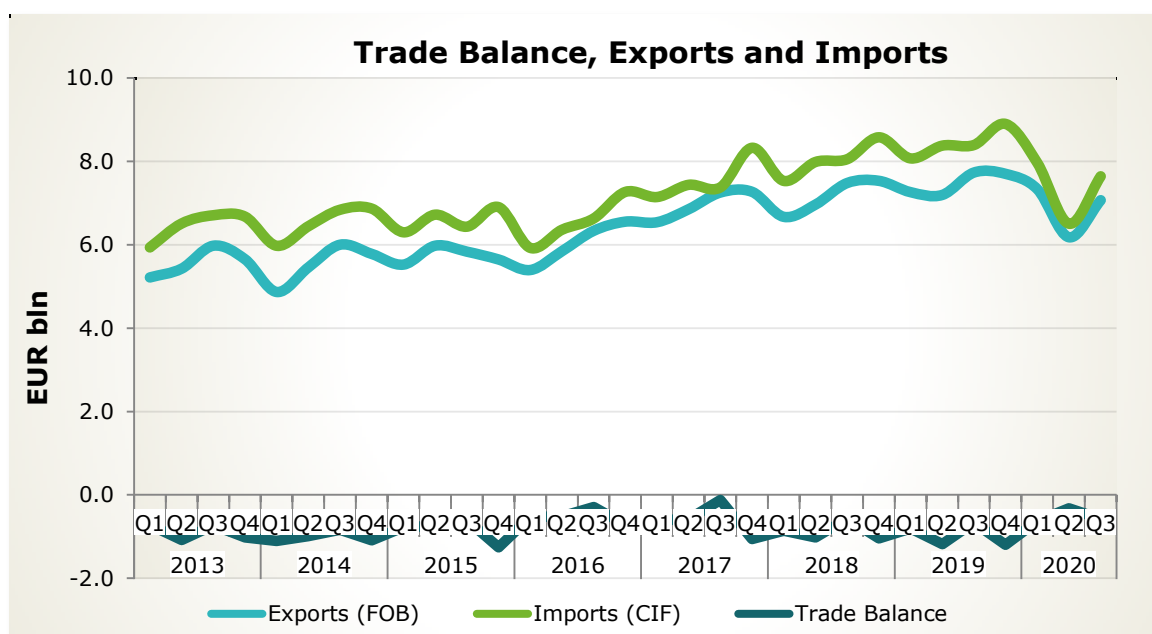
In the third quarter of 2020, Bulgaria exported mainly other raw materials, non-ferrous metals and raw materials for the food industry. Export of cement jumped the most, by 36.7% y/y to EUR 8.2 mln, followed by beverages and non-ferrous metals, while petroleum products exports sank the sharpest, by 66.7% y/y.

Other raw materials and machinery and equipment were the leading product groups in Bulgaria's imports in Q3 2020, slicing together a 17.5% share of the total. Six product groups registered rise in imports. The highest, of 63.8%, was recorded by ores, followed by raw materials for the food industry and furniture, while imports of petroleum and natural gas

contracted the most, by 55.2%, closely followed by tobacco, fuels and coal, all of which saw their imports halving on annual basis.

The main export markets for Bulgarian goods and services in the third quarter of 2020 were Germany, Romania and Italy. The European Union accounted for 67.0% of the total exports of Bulgaria, up from 66.1% in Q3 2019, despite UK's exclusion of EU in the BNB external trade statistics. As far as the exports risk exposure during the coronavirus crisis in Q3 2020 is concerned, Bulgaria was in comparatively favourable position, with no dependency on a single foreign market or region.

The main trading partners of Bulgaria in terms of imports in Q3 2020 were Germany, China and Turkey. Imports from Germany were weaker on annual basis, while China and Turkey recorded significant growth, mainly resulting from the faster recovery of economic activity after easing of the first pandemic-related restrictions in those countries. Expectations that Bulgarian imports from China would be the first and strongest in their recovery in terms of volume were justified.



Source: BNB

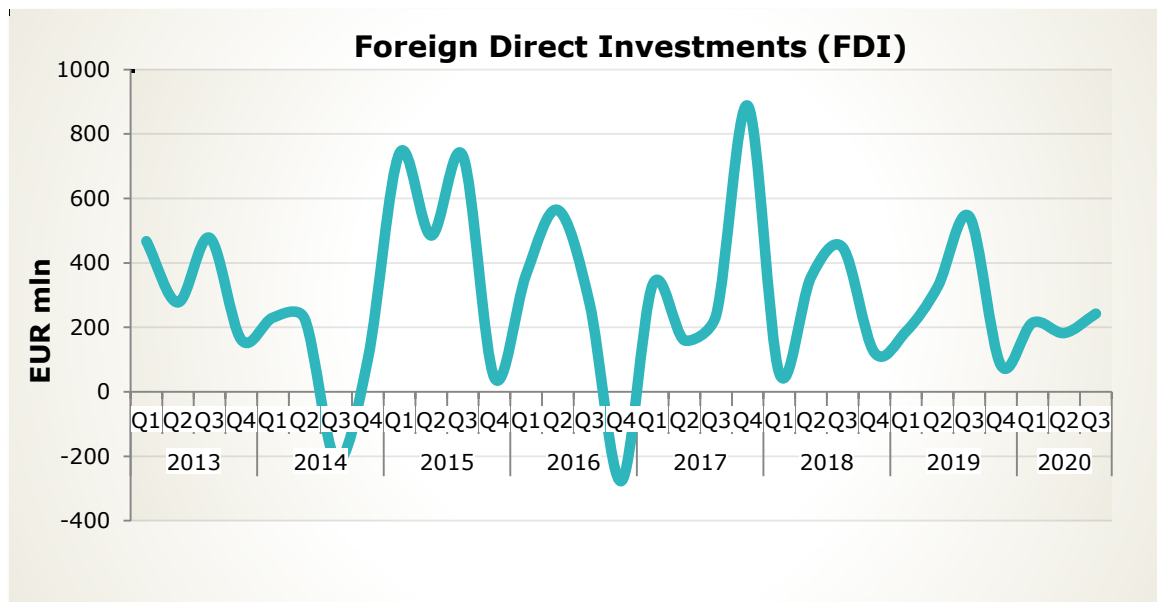
8.4. FDI

FDI inflow contracted by 55.4% y/y in Q3 2020

Net FDI flow in Bulgaria slumped to EUR 242.7 mln in Q3 2020, down by 55.4% y/y, according to BNB data. Thus it accounted for 1.5% of the country's GDP for the period, or less than half of its share in the corresponding quarter of the previous year.

Professional activities, research and developments attracted the highest amount of FDIs among the economy sectors – EUR 1.267 bln, but they were offset by the outflow of EUR 1.373 bln in the IT and telecommunications sector. Other attractive sectors during the quarter were financial and insurance activities with EUR 220.4 mln and manufacturing with EUR 110.9 mln.

The Netherlands reclaimed its top foreign investor position from Italy, with an FDI inflow of EUR 238.4 mln, followed by Austria with EUR 185.8 mln and Germany with EUR 96.0 mln. The geographical structure of Bulgaria's FDI inflow proved comparatively favourable in the third quarter of 2020 in the light of global decrease in investments, especially outside Europe.



Source: BNB

FORECAST AND ANALYSIS

The international financial institutions, such as the IMF and the World Bank, see Bulgaria as one of the better positioned SEE countries with prospects for economic recovery to pre-coronavirus levels by the end of 2022. According to IMF, Bulgaria's GDP will shrink by 4.6% in 2020, followed by a stable growth of 3.6% in 2021 and 3.7% in 2022.

The World Bank sticks to a more conservative forecast with 5.1% decrease in 2020 and a slower rebound of 3.3% in 2021, followed by accelerating growth of 3.7% in 2022, when the national economy will reach its 2019 level. Compared to its previous forecast in June, the World Bank has made an upward revision for the full-year 2020 rate, due to better than expected Q2 2020 figures.

However, these forecasts were corrected downwards to reflect the second lockdown starting in November 2020. The unpredictability in the behaviour of the COVID-19 infection rates and the recent surge in Bulgaria and in Europe impose a risk of downward revision of the GDP prospects, strict containment measures being implemented at least until March 2021. The political instability, spanning more than six months and the upcoming government elections, also undermine the chances for speedy recovery of the Bulgarian economy.

MAJOR DEVELOPMENTS

Foreign tourist arrivals to Bulgaria fall 68% y/y in August

Sep 29, 2020

The number of foreign tourists who visited Bulgaria in August declined by 67.9% year-on-year to 747,100, the National Statistical Institute (NSI) said on Tuesday.

[Read the full story here](#)

Bulgarian non-life insurers boost H1 net profit, GWP flattish

Sep 21, 2020

Bulgarian non-life insurance companies increased their combined net profit to BGN 134.8 mln (USD 81.1 mln/EUR 68.9 mln) in the first half of 2020 from BGN 77.2 mln in the same period of 2019, according to data from the Financial Supervision Commission.

[Read the full story here](#)

Bulgarian life insurers lower H1 net profit on 14.3% decrease in GWP

Sep 21, 2020

Bulgarian life insurance companies lowered their combined net profit to BGN 16 mln (USD 9.6 mln/EUR 8.2 mln) in the first half of 2020 from BGN 24.9 mln in the same period of 2019, according to data from the Financial Supervision Commission.

[Read the full story here](#)

Bulgaria's hourly labour costs rise 9.9% y/y in Q2

Sep 21, 2020

Hourly labour costs in Bulgaria increased by 9.9% year-on-year in the second quarter of 2020, the National Statistical Institute (NSI) said on Monday, citing preliminary data.

[Read the full story here](#)

Bulgaria's parl ratifies EU regulation on SURE agreement

Sep 10, 2020

Bulgaria's parliament said that it has ratified the EU regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE), in accordance with which Bulgaria is expected to get a BGN 1 bln (USD 605 mln/EUR 511 mln) loan.

[Read the full story here](#)

Bulgaria's Fund of Funds to finance low-interest loans for businesses in rural areas

Sep 4, 2020

The Fund of Funds (FoF) in Bulgaria said on Friday that it will finance low-interest loans for agriculture producers and other businesses in the country's rural areas with a total of EUR 20 mln (USD 23.6 mln).

[Read the full story here](#)

Bulgaria to put EUR 20 mln into Three Seas Initiative's investment fund - govt

Sep 4, 2020

Bulgaria has committed to join the investment fund of the Three Seas Initiative of 12 EU member states by contributing some EUR 20 mln (USD 23.7 mln) to it, the government said.

[Read the full story here](#)

Foreign tourist arrivals to Bulgaria fall 66.1% y/y in July

Aug 27, 2020

The number of foreign tourists who visited Bulgaria in July decreased by 66.1% on the year to 705,600, the National Statistical Institute (NSI) said on Thursday.

[Read the full story here](#)

Bulgaria expects to save 22,000 jobs in transport, tourism through new support scheme

Aug 25, 2020

Bulgaria expects to save some 22,000 jobs through a BGN 40 mln (USD 24.2 mln/EUR 20.4 mln) programme for support of transport and tourism companies hit by the coronavirus crisis, the government's employment agency said.

[Read the full story here](#)

EU Commission proposes EUR 511 mln in coronavirus support for Bulgaria

Aug 25, 2020

The European Commission said that it has proposed to the Council to provide EUR 511 mln (USD 604 mln) in financial support to Bulgaria under the SURE instrument to tackle the effects of the coronavirus pandemic.

[Read the full story here](#)

Fitch affirms Bulgaria at 'BBB'; outlook stable

Aug 24, 2020

Fitch Ratings said that it has affirmed Bulgaria's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB' with a stable outlook.

[Read the full story here](#)

Bulgaria's household spending per capita falls 1.3% y/y in Q2, income up 9.7%

Aug 18, 2020

The average household expenditure per capita in Bulgaria decreased by 1.3% year-on-year in the second quarter of 2020, while the average income per household member rose by 9.7%, the National Statistical Institute (NSI) said on Tuesday.

[Read the full story here](#)

Bulgaria redirects EU funds, to back bus transport sector

Jul 29, 2020

Bulgaria's government said that it has decided to transfer BGN 192.6 mln (USD 115.6 mln/EUR 98.5 mln) of the budget of the EU-backed operational programme Transport and Transport Infrastructure to operational programme Innovations and Competitiveness.

[Read the full story here](#)

Bulgaria's govt unveils EUR 971 mln anti-crisis package

Jul 27, 2020

Bulgaria's government will allocate a further BGN 1.9 bln (USD 1.1 bln/EUR 971 mln) to measures aimed to cushion the impact of the coronavirus pandemic, prime minister Boyko Borissov said on Monday.

[Read the full story here](#)

Bulgarian parl approves cabinet reshuffle

Jul 24, 2020

Bulgaria's parliament said on Friday that it has approved the proposed changes to the cabinet lineup which involve five ministries - of the interior, economy, finance, tourism and health.

[Read the full story here](#)

Bulgaria to receive EUR 29 bln in EU funding in next seven years - PM

Jul 21, 2020

Bulgaria will receive some EUR 29 bln (USD 33.2 bln) under the EU's Next Generation instrument for recovery from the coronavirus crisis and the EU long-term budget for the period 2021-2027, prime minister Boyko Borissov said on Tuesday.

[Read the full story here](#)

Bulgarian govt survives no-confidence vote over corruption

Jul 21, 2020

Bulgaria's ruling coalition comprising GERB and the nationalist alliance United Patriots survived on Tuesday a no-confidence vote over corruption filed by the Bulgarian Socialist Party (BSP), parliament said.

[Read the full story here](#)

Bulgaria, Croatia join ERM II - ECB

Jul 10, 2020

The European Central Bank (ECB) said on Friday it is accepting Bulgaria and Croatia to the Exchange Rate Mechanism (ERM II), the mandatory training grounds for the euro adoption.

[Read the full story here](#)

Bulgarian parl paves way for establishment of state oil company

Jul 10, 2020

Bulgaria's parliament adopted legal amendments paving the way for the establishment of a state-owned company to manage the warehousing and replenishment of the country's reserves of oil products, it said.

[Read the full story here](#)

Bulgaria to invest BGN 3.3 bln in railway infrastructure with EU help by 2027 - report

Jul 8, 2020

Bulgaria will invest some BGN 6.5 bln (USD 3.8 bln/EUR 3.3 bln) in the construction of railway infrastructure on its territory jointly with the European Union (EU) between 2021 and 2027, local media reported.

[Read the full story here](#)

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