

BULGARIA ECONOMY REPORT

Q4 2020

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MACROECONOMIC SNAPSHOT

BULGARIA – MACROECONOMIC SNAPSHOT AS OF Q4 2020	
GDP Growth	-3.8% y/y
Business confidence indicator	79.1
Industrial output	-3.5% y/y
Industrial sales	-6.5% y/y
Wholesale	-14.8% y/y
Retail sales	-9.0% y/y
Average annual inflation	1.2%
Unemployment rate	5.3%
Number of building permits	-6.3% y/y
Money supply growth	10.9% y/y
Household loans	7.0% y/y
Gross external debt	EUR 36.8 bln
Current account deficit	EUR 837.9 mln
FDI outflow	EUR 94.8 mln
Foreign trade deficit	EUR 1.1 bln

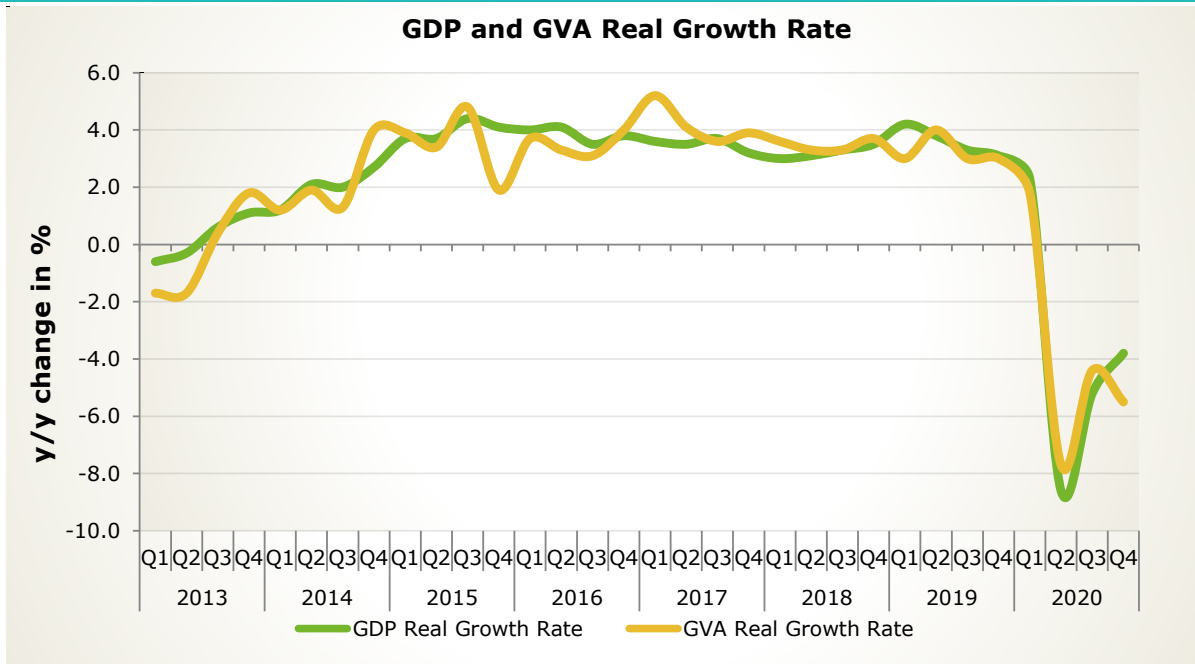
1. NATIONAL ACCOUNTS

1.1. GROSS DOMESTIC PRODUCT

GDP down again, by 3.8% y/y in Q4 2020

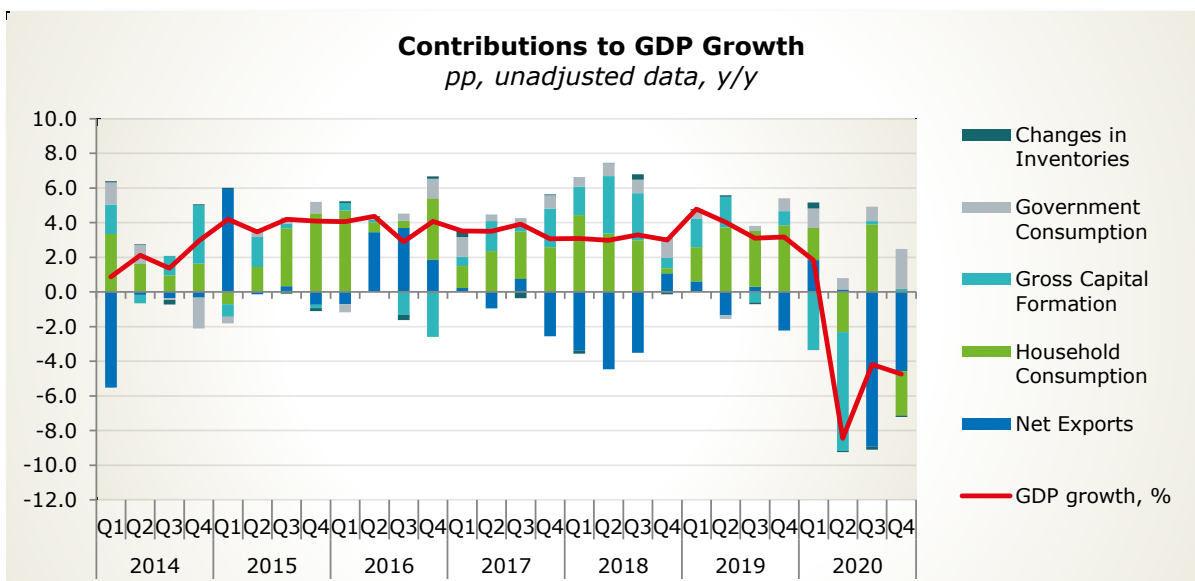
The Bulgarian economy shrank for the third quarter in a row in Q4 2020, although at a slower rate than in the previous two quarters, of 3.8% y/y. This improvement reflects the less strict second lockdown in force since November and the gradual pick-up in business and consumer confidence. Compared with most of its neighbouring EU members, Bulgaria performed above average, with only Serbia and Romania recording smaller drops among the five large SEE economies. Bulgaria's economy also lost less than the EU average of 4.6% y/y. The new wave of COVID-19 cases in the autumn of 2020, which stretched well into the first quarter of 2021, could possibly further deteriorate the GDP growth rate, although not as severely as throughout 2020. 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.

As far as full year 2020 is concerned, Eurostat data shows an annual decrease of 4.2%, following five years of sound growth rates exceeding 3.0%.



Source: Eurostat

The main component pulling GDP down was net exports, which took away 4.6 pp from the GDP growth in Q4 2020, followed by household consumption with negative contribution of 2.6 pp as a result of the second closure of many non-essential businesses. Net exports, together with gross capital formation, were the two negative contributors for full year 2020, as well, reflecting the almost complete interruption of international economic relations after the onset of the pandemic. Government consumption, on the other hand, was the only component to support GDP growth, mainly through the extensive public expenditure schemes to combat the health and economic effects of the pandemic. In Q4 2020 it contributed with 2.3 pp to the real GDP growth. In full year terms, public expenditure brought GDP up by 1.3 pp. While gross capital formation gradually recovered in the fourth quarter and added another 0.2 pp to the GDP growth, its overall influence throughout the year remained negative at 2.3 pp in line with the slump of investment activity at the outbreak of the pandemic.



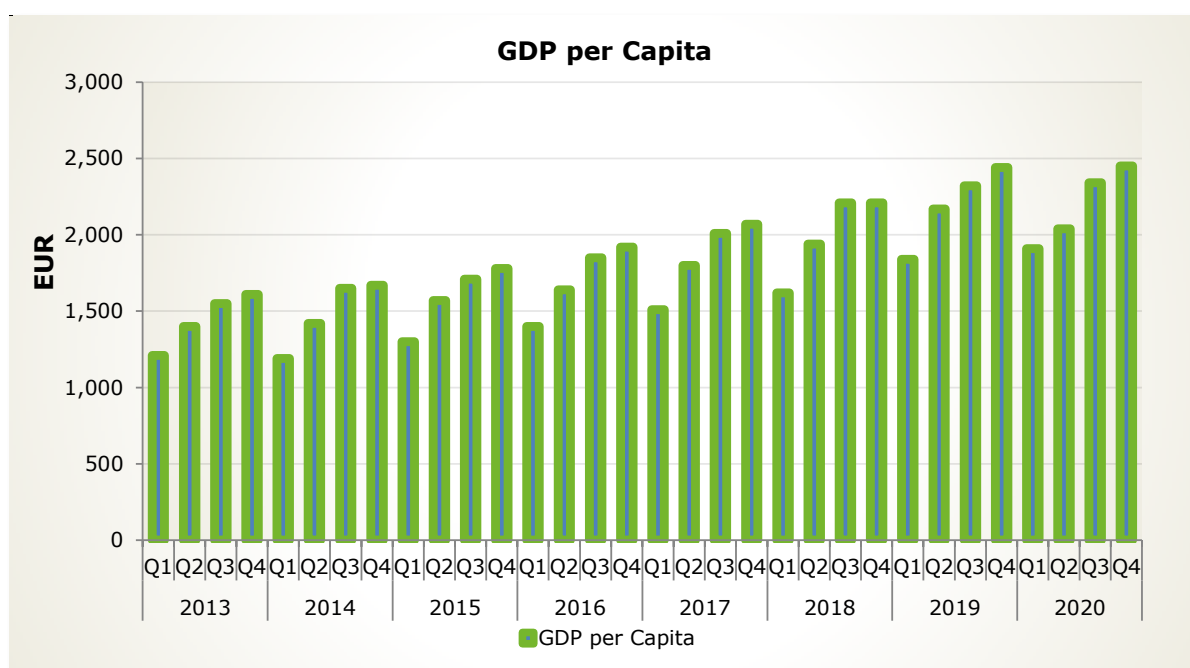
Source: SeeNews calculations; Eurostat

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 continued its annual uptrend in Q4 2020

GDP per capita stood at EUR 2,450 in Q4 2020, up by 0.4% from the corresponding quarter of the previous year. Although equalling less than a third of the EU average, Bulgaria's quarterly GDP per capita advanced in terms of convergence with the rest of Europe. In regional aspect, Bulgaria was the third best performing economy after Serbia and Romania. On a q/q basis, it increased by 4.7%. Bulgaria's full year GDP per capita amounted to EUR 8,750, down by 0.3% y/y.

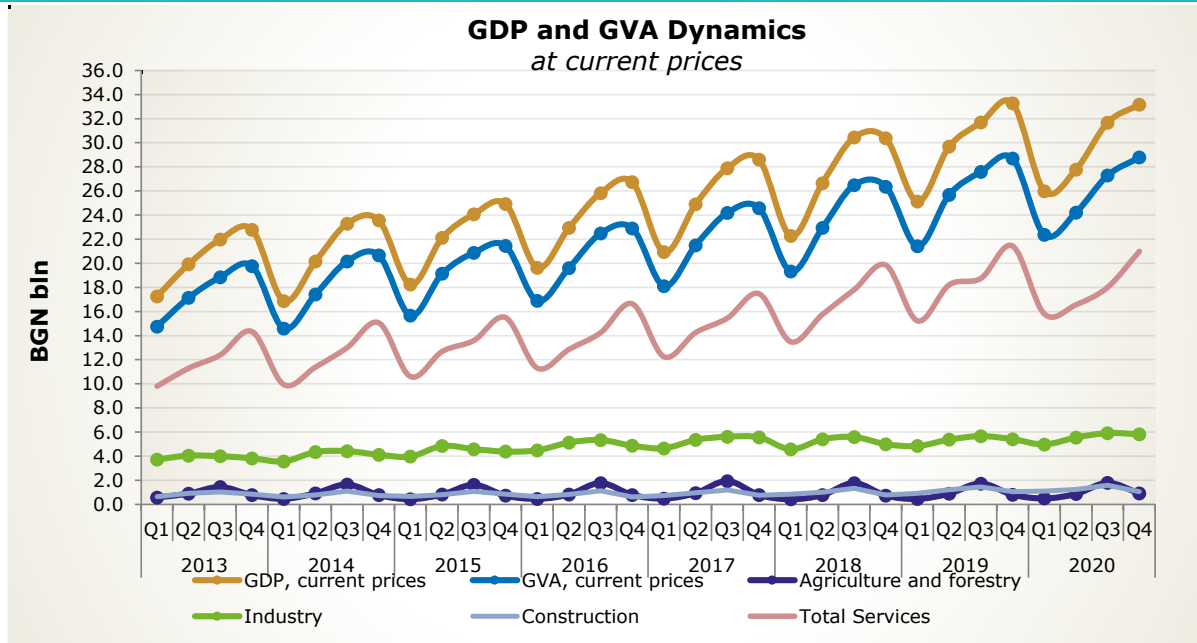


Source: Eurostat

1.3. GROSS VALUE ADDED

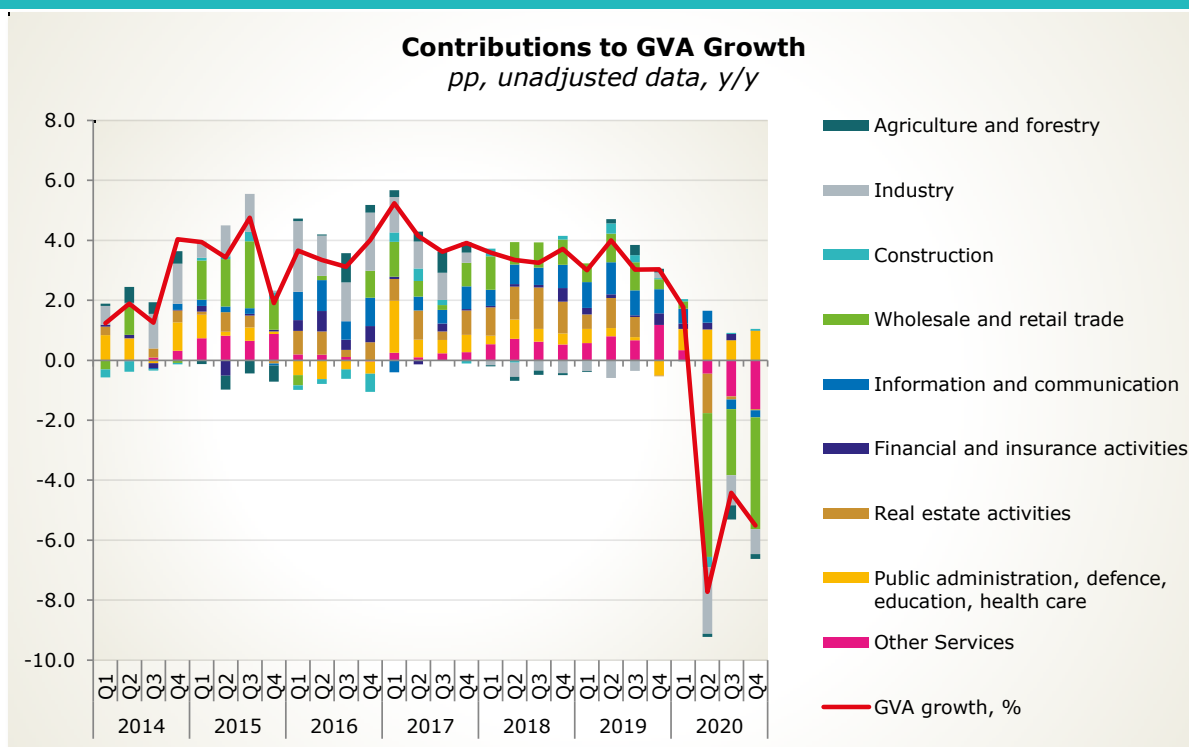
Real GVA went down by 5.5% y/y, services sector still struggling

The unadjusted gross value added (GVA) generated by the national economy decreased by 5.5% y/y in real terms in Q4 2020 and totalled BGN 28.780 bln in current prices. The services sector was the hardest hit component for a third consecutive quarter since the outbreak of the COVID-19 pandemic, narrowing by 2.1% y/y in value terms and being the largest negative contributor to annual GVA drop, taking away 4.5 pp.



Source: Eurostat

Within the services sector, public administration, defence, education and healthcare was the most resilient component to the economic downturn and the only one with positive contribution to GVA in Q4 2020, with 1.0 pp. Three service subsectors, wholesale and retail trade, other services and information and communication, reported negative annual growth and took away between 3.7 pp and 0.2 pp. Financial and insurance activities and real estate activities reported neutral contribution to the GVA. Industry and agriculture and forestry also had negative contributions, of 0.8 pp and 0.2 pp, respectively, however both sectors registered a y/y increase in current prices by 7.6% y/y and 14.0% y/y. Construction was the only positive contributor to the GVA, outside the services sector, with 0.1 pp.



Source: SeeNews Calculations; Eurostat

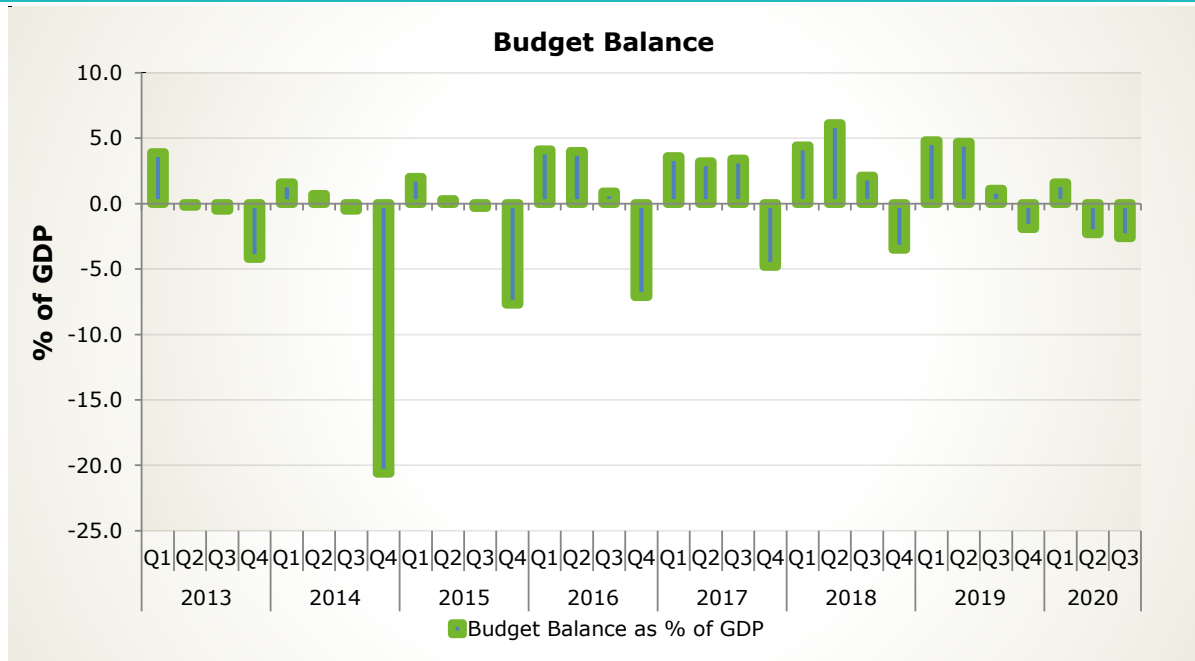
Note: Non-additive data due to direct chain linking of GDP and its components.

1.4. BUDGET BALANCE

Budget deficit at 2.6% of GDP in Q3 2020¹

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.

¹ Data for Q4 2020 was not available at the time of preparation of this report.



Source: Eurostat

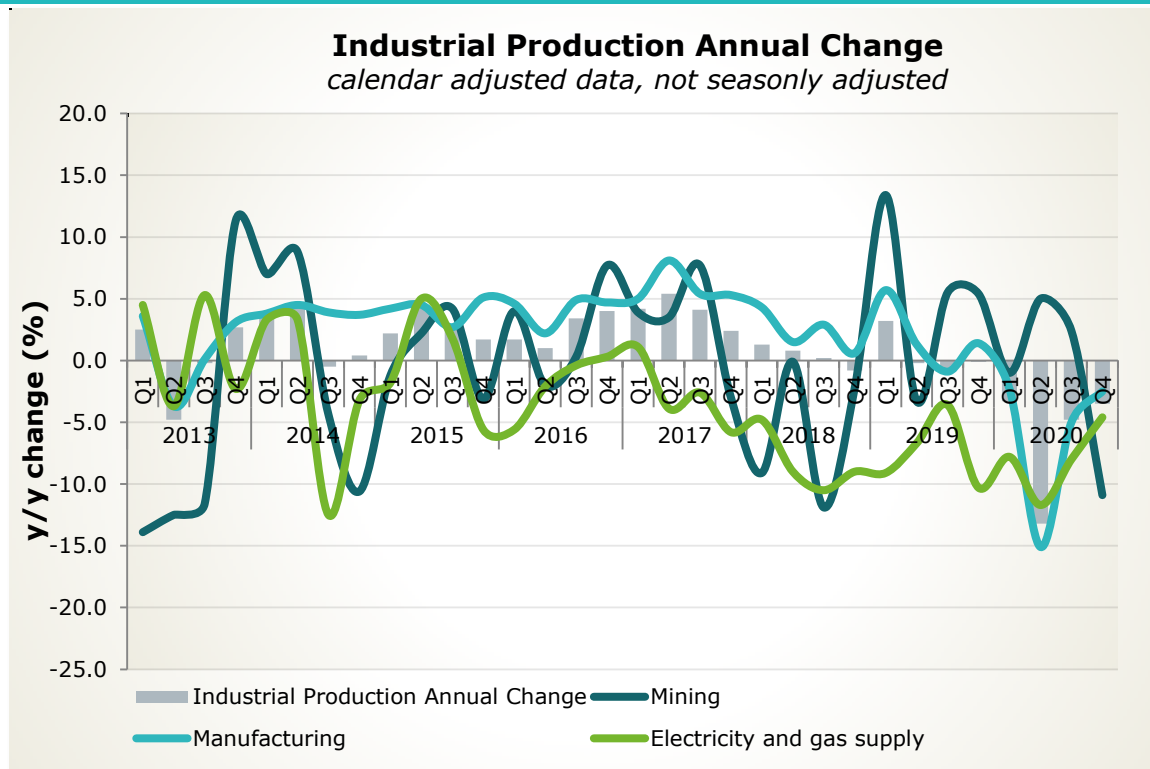
2. OUTPUT AND CONSUMPTION

2.1. INDUSTRIAL PRODUCTION

Industrial production down by 3.5% annually in Q4 2020

In Q4 2020, industrial production annual change in Bulgaria stood at -3.5%, according to Eurostat. All sectors registered a decrease on the year with the mining sector suffering the most with a decrease of 10.9% y/y followed by electricity and gas supply activity, which inched down by 4.6% y/y.

Manufacturing suffered the least and dropped down by 2.5% over the same quarter of the previous year.



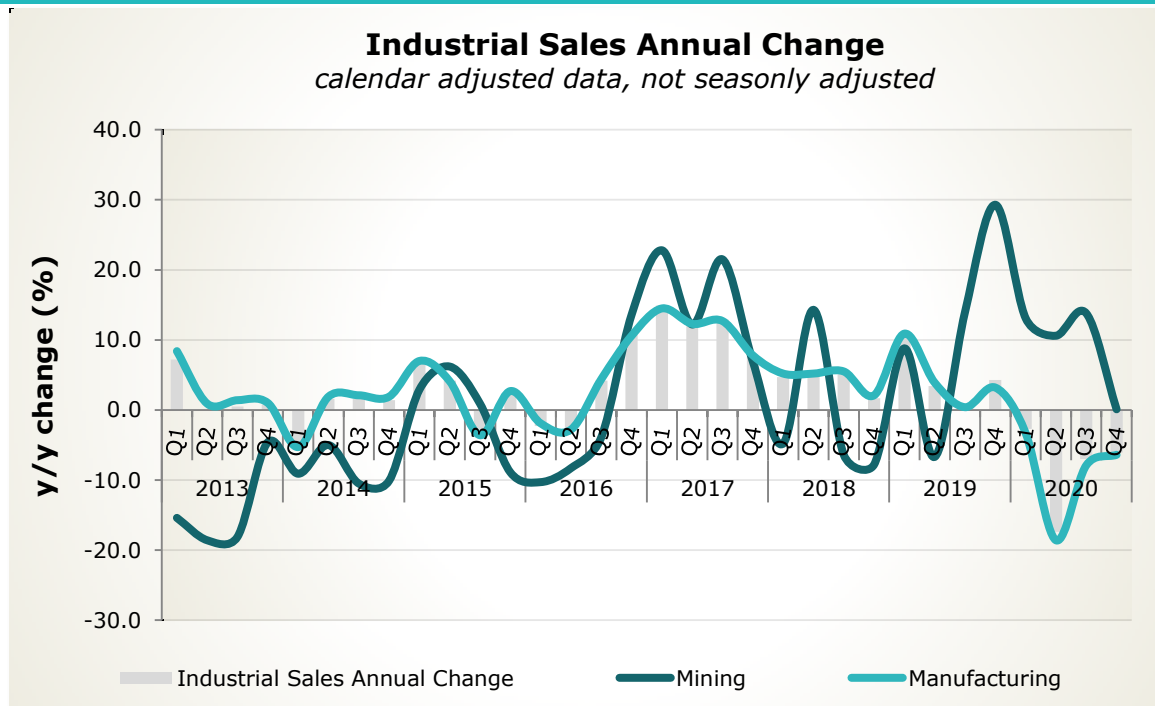
Source: Eurostat

2.2. INDUSTRIAL SALES

Industrial sales shrank by 6.5% y/y in Q4 2020

Industrial sales declined by 6.5% y/y in the fourth quarter of 2020, according to Eurostat, for the fourth consecutive quarter. The drop reflected above all the lower demand of most industrial goods in period of high uncertainty. Bulgaria's industrial sales reported the sharpest drop both in regional context and compared to the EU average of -3.2% y/y.

Sector-wise, the contraction in Q4 2020 was due to the 6.9% decline in manufacturing sales – the sector which was negatively affected for a longer time and in larger extent by the furlough than mining. The latter reported a minor annual decrease of 0.3% during the October - December period, but its share in the national industry is too small to prevent the overall drop.



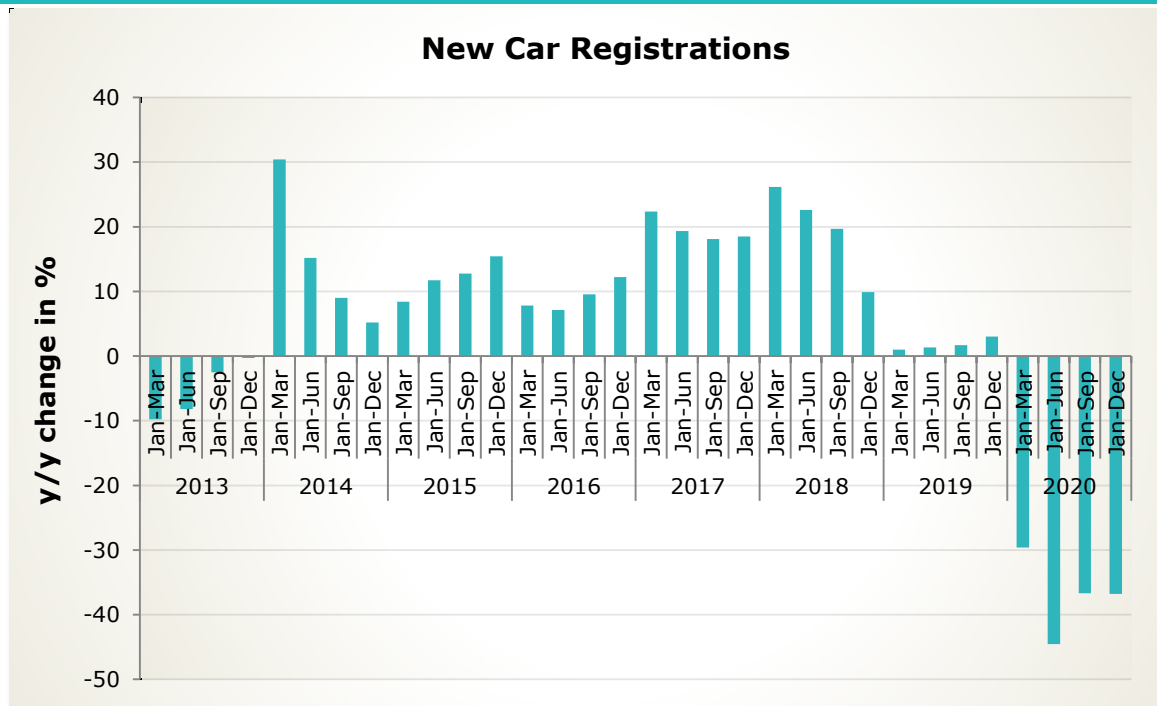
Source: Eurostat

2.3. NEW CAR REGISTRATIONS

New car registrations collapsed in 2020

In 2020 the number of new car registrations in Bulgaria fell by 36.8% y/y, ACEA data shows. Among all EU markets, only Croatia was hit more heavily since the beginning of the coronavirus crisis. The containment measures, including full-scale lockdowns and other restrictions throughout the year, had an unprecedented impact on car sales across all European Union countries.

The new car market is expected to start recovering from the decrease in production of most major European manufacturers, which encompassed the larger part 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.



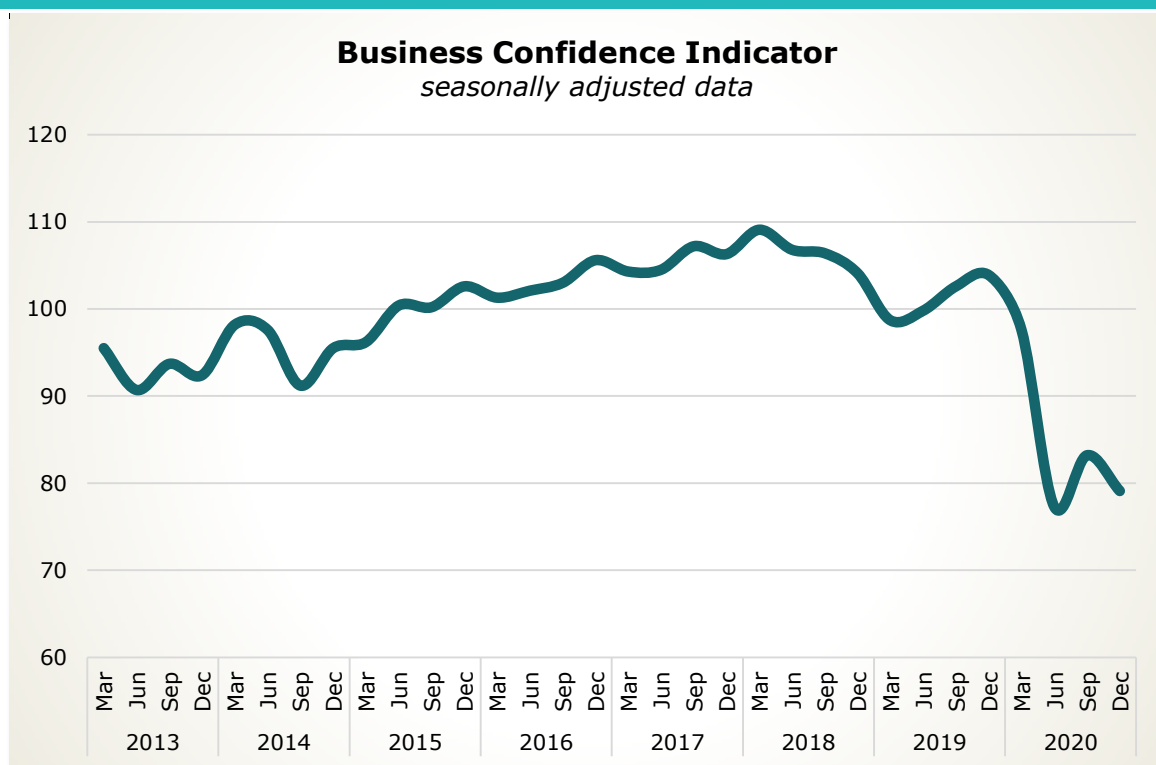
Source: ACEA

2.4. BUSINESS CONFIDENCE INDICATOR

Business confidence indicator inconsistent for another three months

The business confidence indicator in Bulgaria headed downwards again in Q4 2020 after a short-lived recovery in the previous quarter, following 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 decreased to 79.1 in December 2020, slightly descending in comparison to 81.0 in November and 83.0 in October.

Compared with the other SEE countries, the economic sentiment in Bulgaria in the end of Q4 2020 was among the worst, only better than North Macedonia and Montenegro. 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

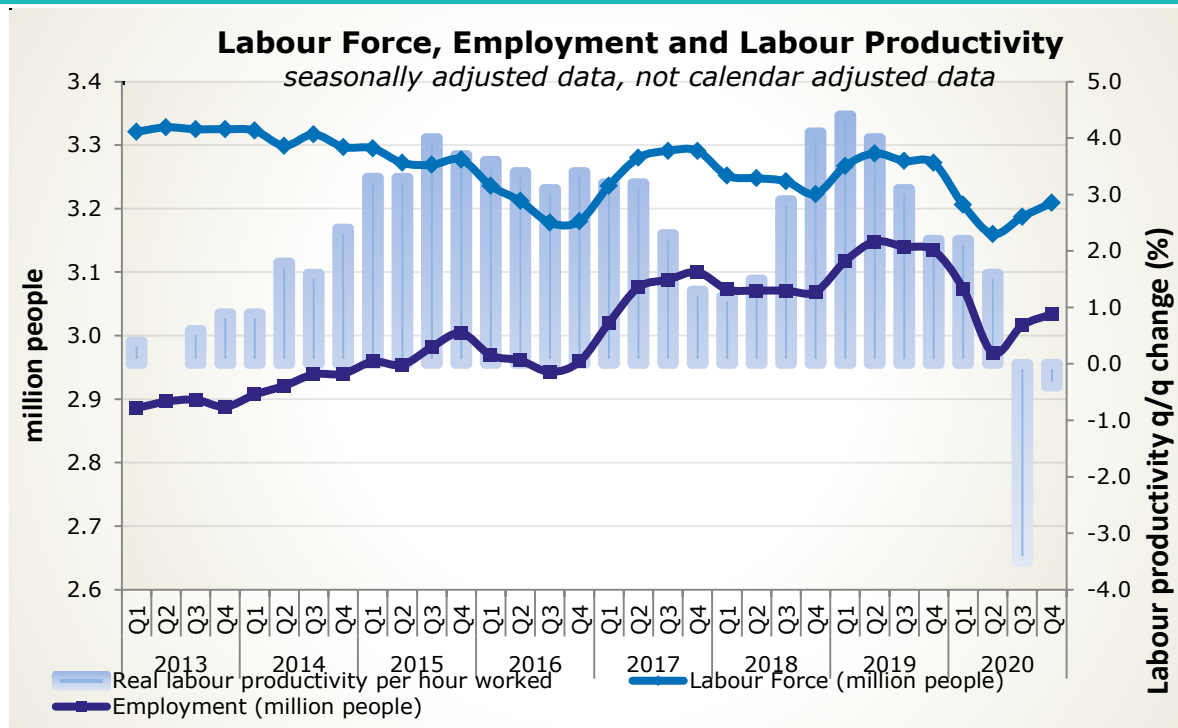
3. LABOUR MARKET

3.1. LABOUR FORCE, EMPLOYMENT AND REAL LABOUR PRODUCTIVITY

Labour force narrowed by 1.9% in Q4 2020, real labour productivity positive again

The labour force in Bulgaria narrowed to 3.209 million people in Q4 2020, down by 1.9% y/y, according to Eurostat. The employed population aged 15 years and older counted 3.034 million, also down, by 3.2%, 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.

Real labour productivity per hour worked in Bulgaria gradually stabilised according to Eurostat, registering an annual drop of 0.4% in Q4 2020, compared to the previous quarter slump of -3.5%. This was a significant slowdown in comparison to 2019, when productivity grew by an annual average of 3.4%. In regional context Bulgaria performed well in terms of productivity, sharing the first place with Romania, but for second consecutive quarter falling below the EU average, of 0.7% y/y.



Source: Eurostat

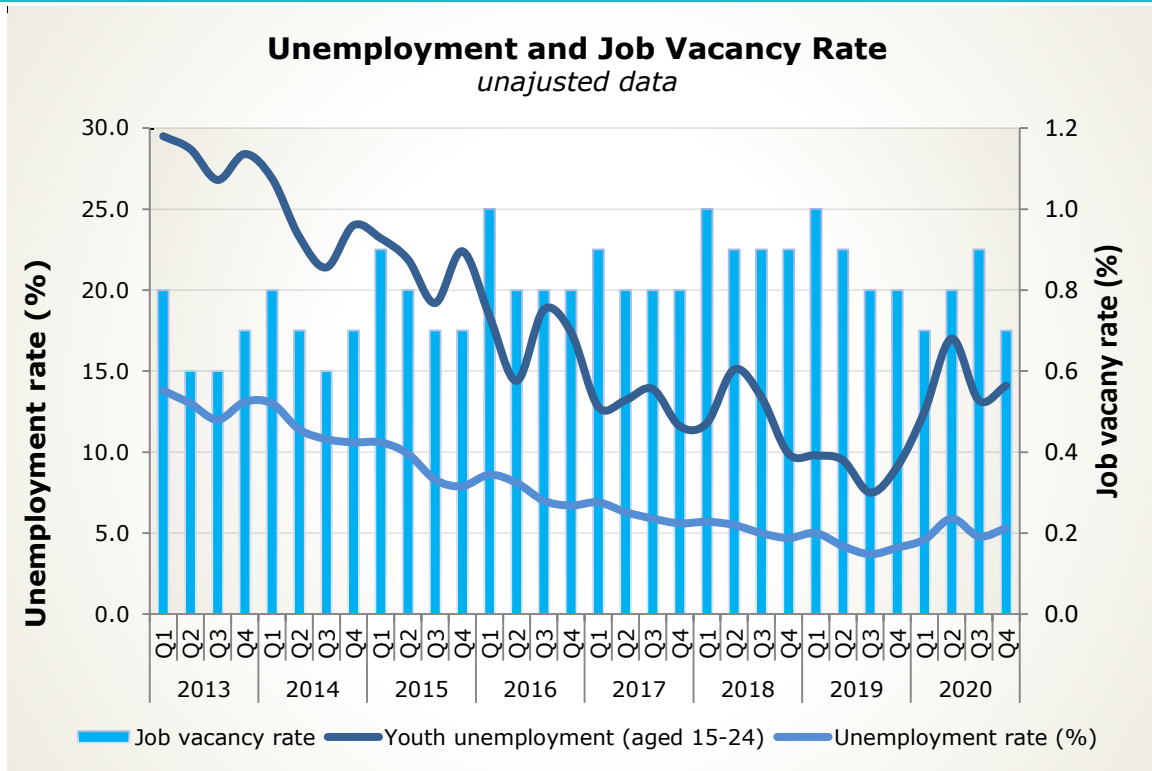
3.2. UNEMPLOYMENT RATE AND JOB VACANCIES

Unemployment rate rose to 5.3% during the second COVID-19 wave, youth unemployment also on the rise

The unemployment rate in Bulgaria in Q4 2020 climbed to 5.3%, compared to 4.1% in Q4 2019, also being by 0.5 pp higher than in the previous quarter. The driver behind the rise of the unemployment rate was the negative impact of the COVID-19 pandemic on the Bulgarian economy, mainly on sectors such as tourism, hospitality and personal services, which practically ceased to operate for the second time in 2020 from November onwards. Despite the increase, Bulgaria still has the third lowest unemployment rate in SEE after Slovenia and Romania.

Youth (population aged 15-24) unemployment rate rose to 14.1%, compared to 9.1% in the corresponding quarter of the previous year, also rising from the previous quarter when it stood at 13.2%. 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. On the positive side, Bulgaria's youth unemployment was the lowest in the region and also below the EU average of 16.9%.

The job vacancy rate in Q4 2020 stood at 0.7%, a notch down from the corresponding quarter of the previous year and the third quarter of 2020, when it amounted to 0.9%. In absolute terms, job vacancies counted 14,962 in the fourth quarter, which recorder a drastic q/q decrease, of 20.5%, due mostly to the lack of seasonal jobs in tourism and agriculture typical for the period July - September. At the same time, the number of occupied jobs notched down to 2.169 million from 2.188 million in the previous quarter.

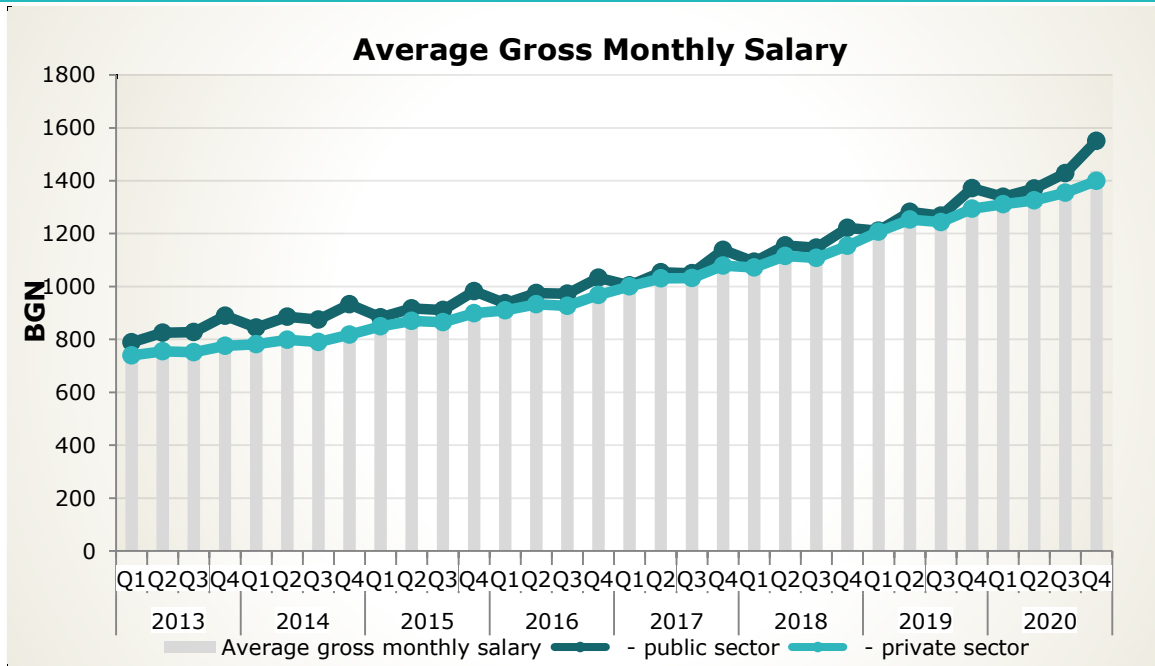


Source: Eurostat

3.3 AVERAGE MONTHLY SALARY

Average gross monthly salary on the rise in Q4 2020

The average gross monthly salary in Q4 2020 grew by 9.4% y/y to BGN 1,437, according to NSI data. Salaries in the private and public sectors went up by 8.1% y/y and 13.1% y/y, respectively, and reached an average of BGN 1,399 in the private and BGN 1,551 in the public sector. Employees in IT and communication were again the highest paid with average gross monthly salary of BGN 3,346, followed by financial and insurance activities with BGN 2,250 and energy with BGN 2,196. 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 were the most affected by the COVID-19 crisis, earning BGN 783 on average which is lower than the national average by more than a third.



Source: NSI

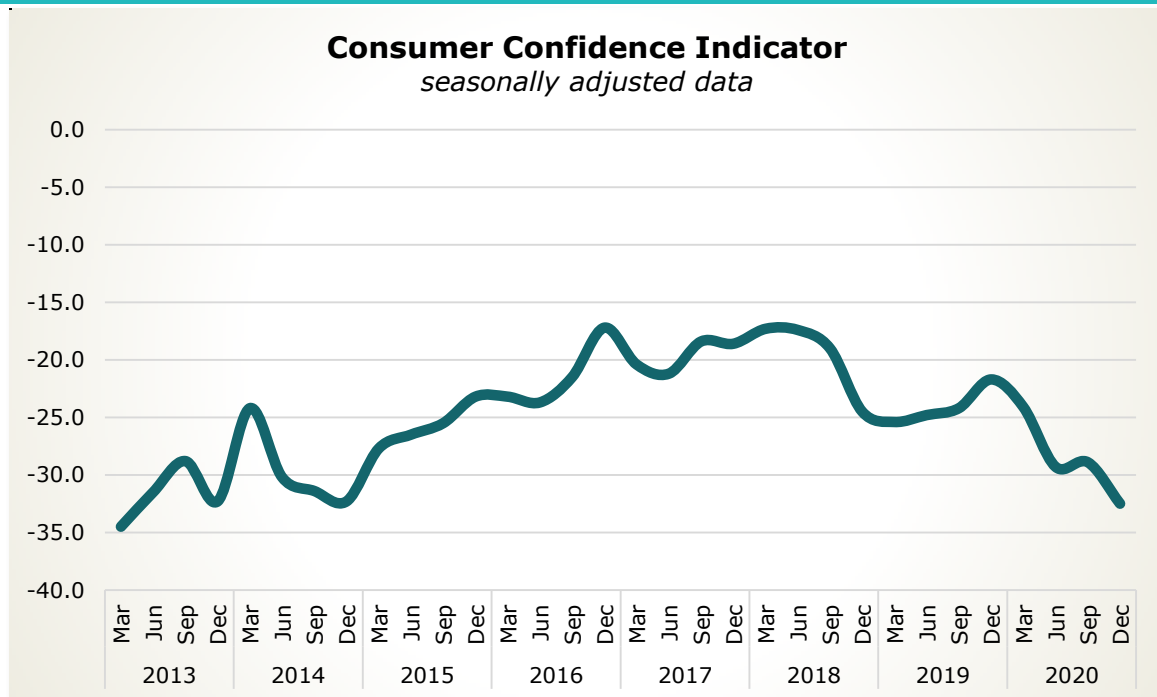
4. HOUSEHOLDS

4.1. CONSUMER CONFIDENCE INDICATOR

Consumer confidence indicator reached a new record low in Q4 2020

The consumer confidence indicator in Bulgaria sank again after stabilising in the previous quarter and stood at -32.5 points in December, according to the European Commission, better only than the first full month of lockdown – April 2020. 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 December 2020 was for consecutive quarter the lowest among all SEE countries, and more than two times lower than the EU average of -14.9 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

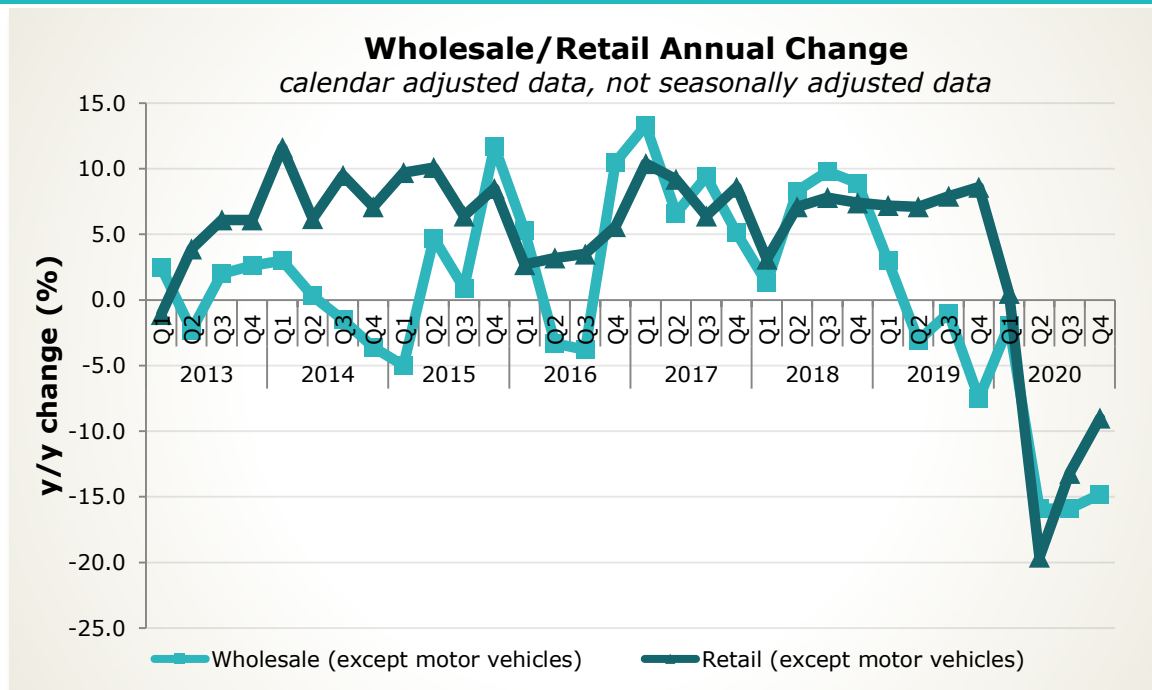
Retail and wholesale down again in Q4 2020

In the fourth quarter of 2020, wholesale and retail sales registered a 16.3% annual drop, according to Eurostat data. This was the fifth quarter in a row with negative trend and the quarter with the third sharpest drop on record for the Bulgarian economy in this century, after the previous two quarters of 2020.

Retail sales, except motor vehicles, calmed down and lost a more humble 9.0% y/y, while wholesale recorded a severe 14.8% y/y decline. Wholesale, retail and repair of motor vehicles, having experienced a slight stabilisation in the third quarter, plunged further down, by 25.3% y/y in Q4 2020.

Retail sales decreased the most during the period in the sector of retail sale of automotive fuel in specialised stores, by 33.8% y/y, followed by retail sale of textiles, clothing, footwear and leather goods in specialised stores with 31.7% and food, beverages and tobacco in non-specialised stores with 9.5% y/y. On the other hand, sales via mail order houses and internet continued to soar, by 53.8%.

As far as wholesale is concerned, only wholesale on fee or contract basis and wholesale of household goods remained positive in the fourth quarter, while food, beverages and tobacco, other machinery, equipment and supplies and all kinds of other specialised and non-specialised wholesale trade sank by more than 20.0% y/y.



Source: Eurostat

5. PRICES

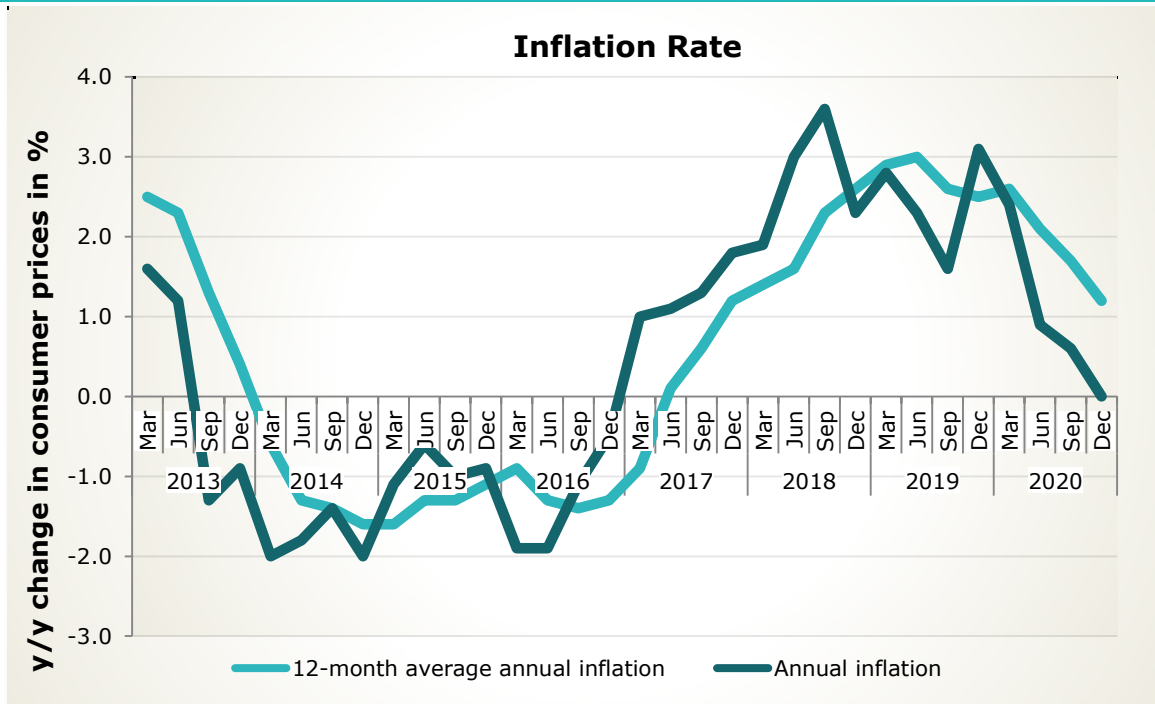
5.1. INFLATION

Inflation slowed down in Q4 2020 to 1.2%

In Q4 2020, the moving twelve-month average inflation in Bulgaria came in at 1.2%, according to Eurostat, down from 2.5% in the corresponding quarter of the previous year. Bulgaria, along with North Macedonia had the third highest moving twelve-month average inflation in SEE in Q4 2020, after Romania and Serbia, but well above Slovenia and Croatia, as well as the EU average of 0.7%.

Annual inflation also slowed down, coming neutral to 0.0% y/y, compared to 3.1% in Q4 2019 and reached its lowest point since the last quarter of 2016. Consumer prices growth is expected to remain subdued, resulting from 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 5.1%, was registered by food and non-alcoholic beverages, followed by education with 3.6%. Prices of transport declined the most, by 5.0% y/y.



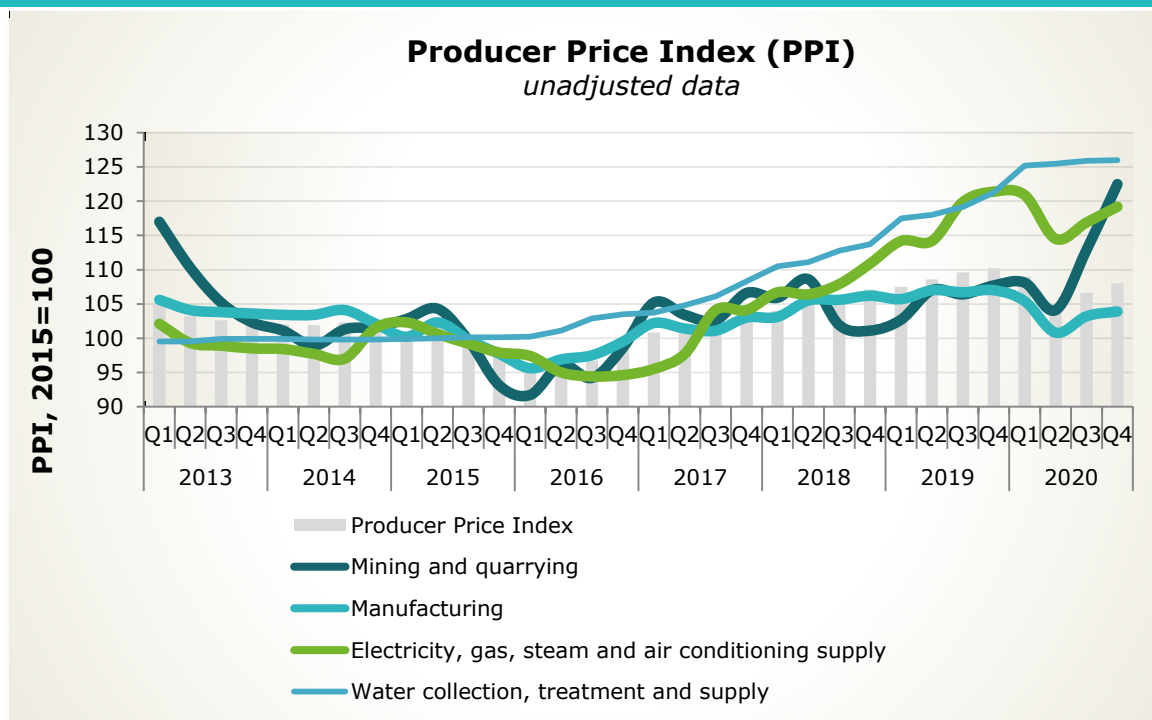
Source: Eurostat

5.2. PRODUCER PRICE INDEX

Producer price index at 108.0 points in Q4 2020

Eurostat's unadjusted producer price index in Bulgaria stood at 108.0 points in Q4 2020, which represented a slight increase compared to Q3 2020, by 1.4 pp, while on an annual basis it marked a drop of 2.2 pp.

Water collection, treatment and supply and mining and quarrying were the only sectors to register an increase in producer prices in Q4 2020 on both annual and quarterly basis. Electricity, gas, steam and air conditioning supply also advanced compared with Q3 2020, but lost 2.2 pp on annual basis. The producer price index in manufacturing declined by 3.1 pp compared with the year-ago quarter, but inched up on the quarter by 0.7 pp.



Source: Eurostat

6. CONSTRUCTION AND REAL ESTATE

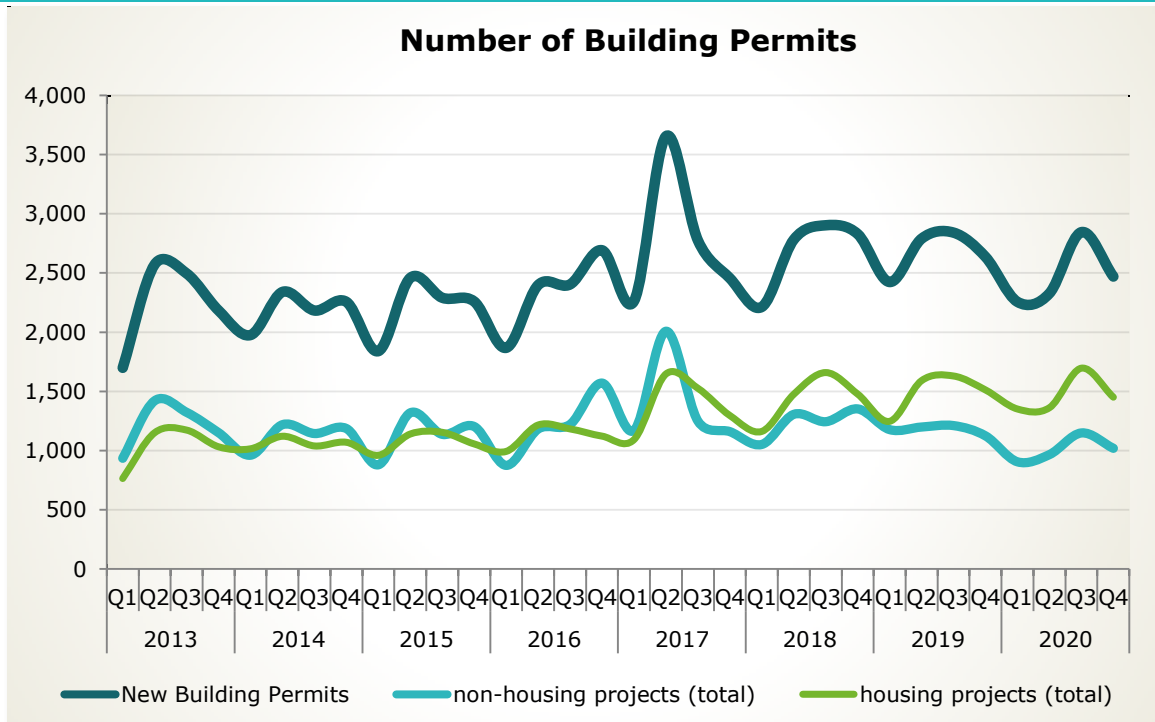
6.1. NEW BUILDING PERMITS

New building permits declined y/y in Q4 2020

The number of building permits issued in Bulgaria between October and December 2020 fell by 6.3% y/y and totalled 2,470, according to NSI data. Housing projects, which follow the trend to drop every last quarter of the year, lost 4.0% y/y. Permits for non-housing and administrative buildings continued to sink, under the influence of long-term uncertainty and continuing home office policy in many major sectors. They declined by 9.3% y/y to 1,019, compared to 1,124 a year earlier and 1,149 in the previous quarter.

The total built-up area of non-residential units decreased on an annual basis in Q4 2020 by 13.9% to 543,728 sq m, while the total built-up area covered by the residential space surged by 27.5% to 1,142,665 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.



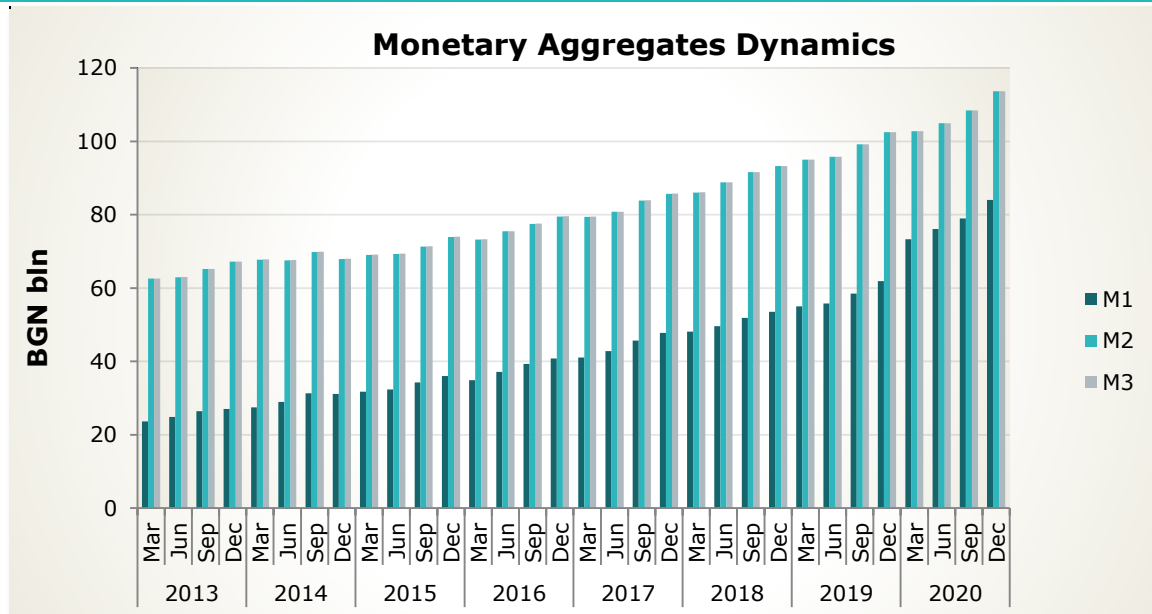
Source: NSI

7. MONEY

7.1. MONETARY AGGREGATES

Money supply growth was 10.9% y/y in Q4 2020, narrow money jumped by 35.8%

At the end of Q4 2020 the broad monetary aggregate M3 rose by 10.9% on an annual basis and the total money supply in the Bulgarian economy stood at BGN 113.6 bln. The M2 money supply equalled the M3 aggregate, thus also growing by 10.9% y/y. The monetary aggregate M1, or narrow money, soared by 35.8% to BGN 84.0 bln. Banknotes and coins in circulation increased by 12.2% y/y, underpinned by the low interest rates on deposits.



Source: BNB

7.2. BANKS' CAPITAL RATIOS

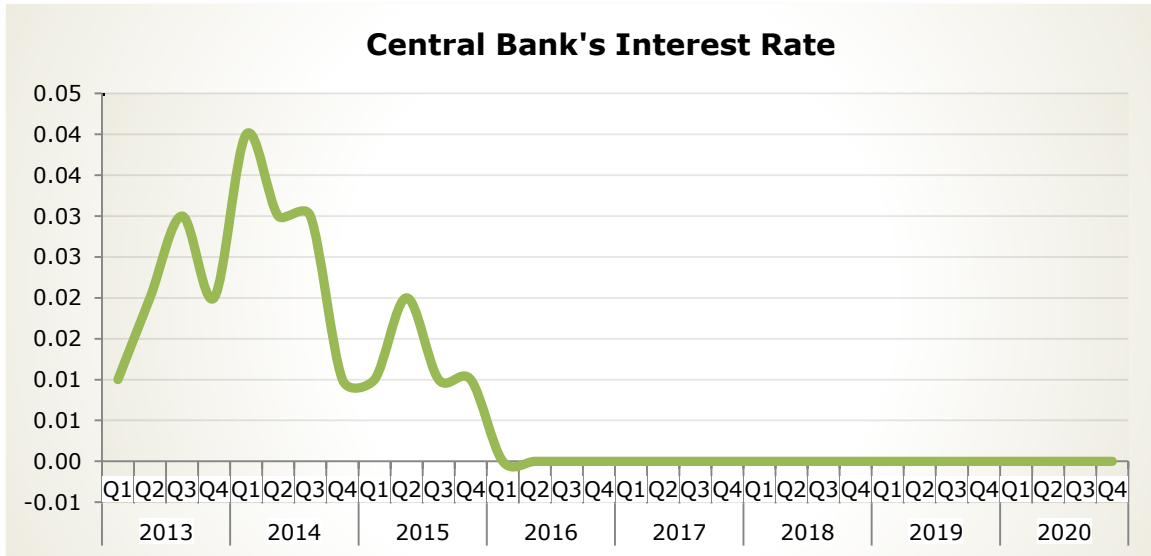
Financial soundness indicators of the banking system improve in Q4 2020

As of end-December 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 22.10%, compared to 19.55% in the corresponding quarter of the previous year. The regulatory Tier 1 capital to total assets ratio stood at 11.88%, up from 11.59% in Q4 2019.

7.3. CENTRAL BANK'S INTEREST RATE

BNB base interest rate unchanged in Q4 2020

In Q4 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.

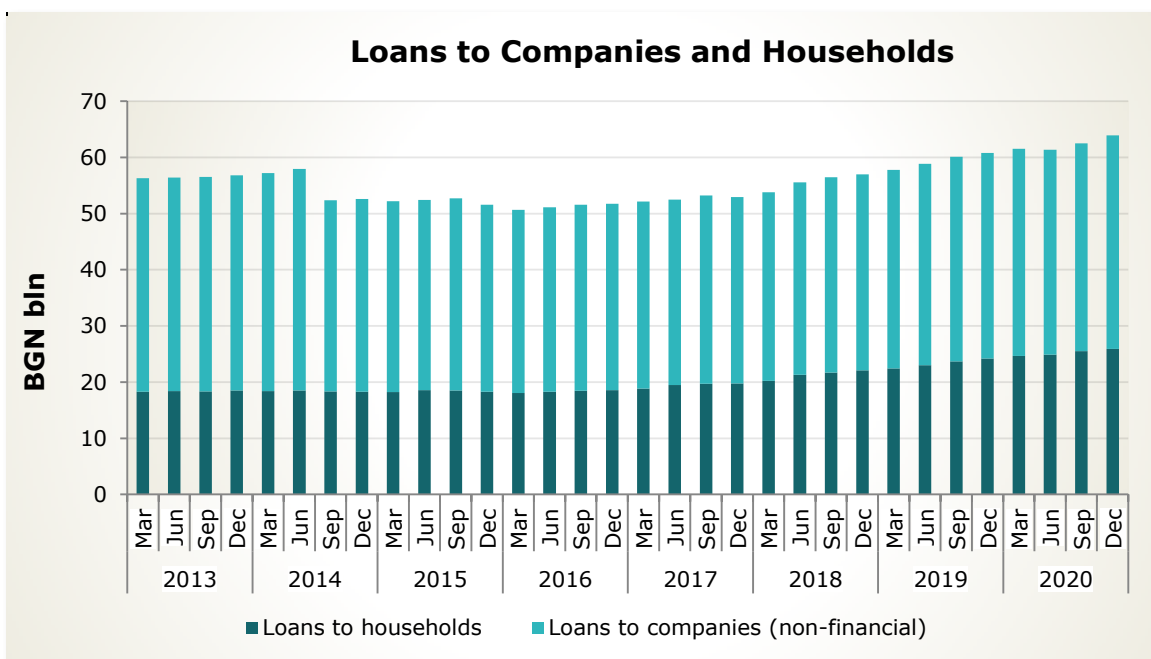


Source: BNB

7.4. LOANS TO COMPANIES AND HOUSEHOLDS

Loans to companies on the rise in Q4 2020

In December 2020 the loans to non-financial corporations increased by 4.0% on the year to BGN 38.0 bln. The annual growth of loans to households was stronger, at 7.0%, and they totalled BGN 25.9 bln. The rise was supported mainly by housing loans, which grew at a rate significantly higher than the average for all household loans, of 10.1%. Consumer loans expanded by 3.7% on the year. With the improvement of consumer and business sentiment and gradual revival of economic activity, corporate and consumer loans bounced further back in the fourth quarter after the slowdown from the first half of 2021.

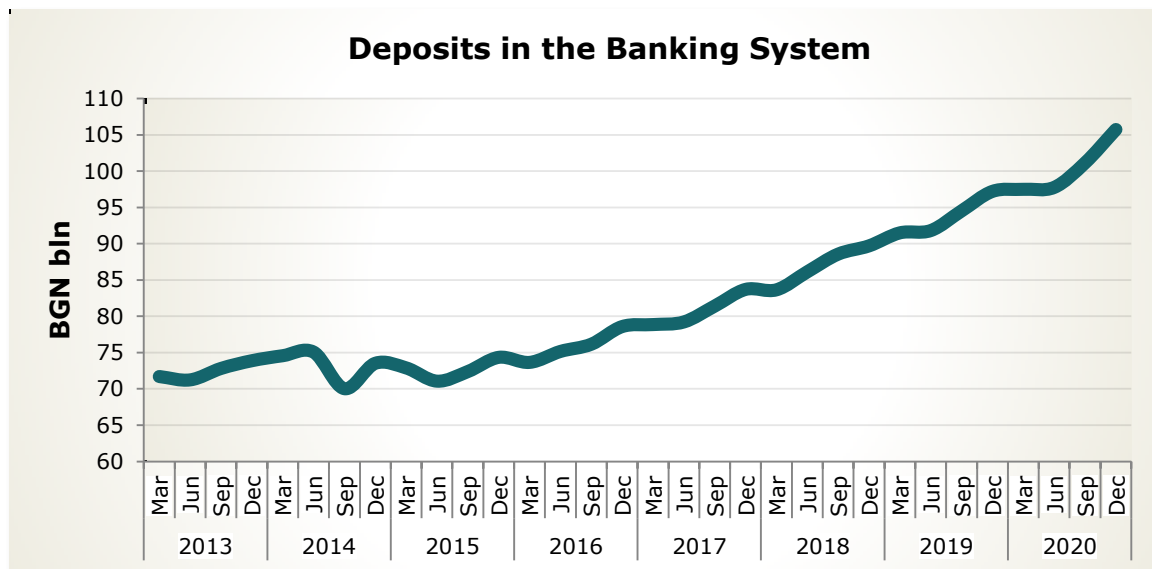


Source: BNB

7.5. DEPOSITS

Deposits increased by 8.8% y/y in Q4 2020

The total amount of deposits in the banking system, as of end-December 2020, grew by 8.8% y/y and stood at BGN 105.7 bln, compared to BGN 97.2 bln in the same month of the previous year. The growth acceleration came as a result of the increased savings rate in Bulgaria - a reaction to the high uncertainty associated with the coronavirus crisis.



Source: BNB

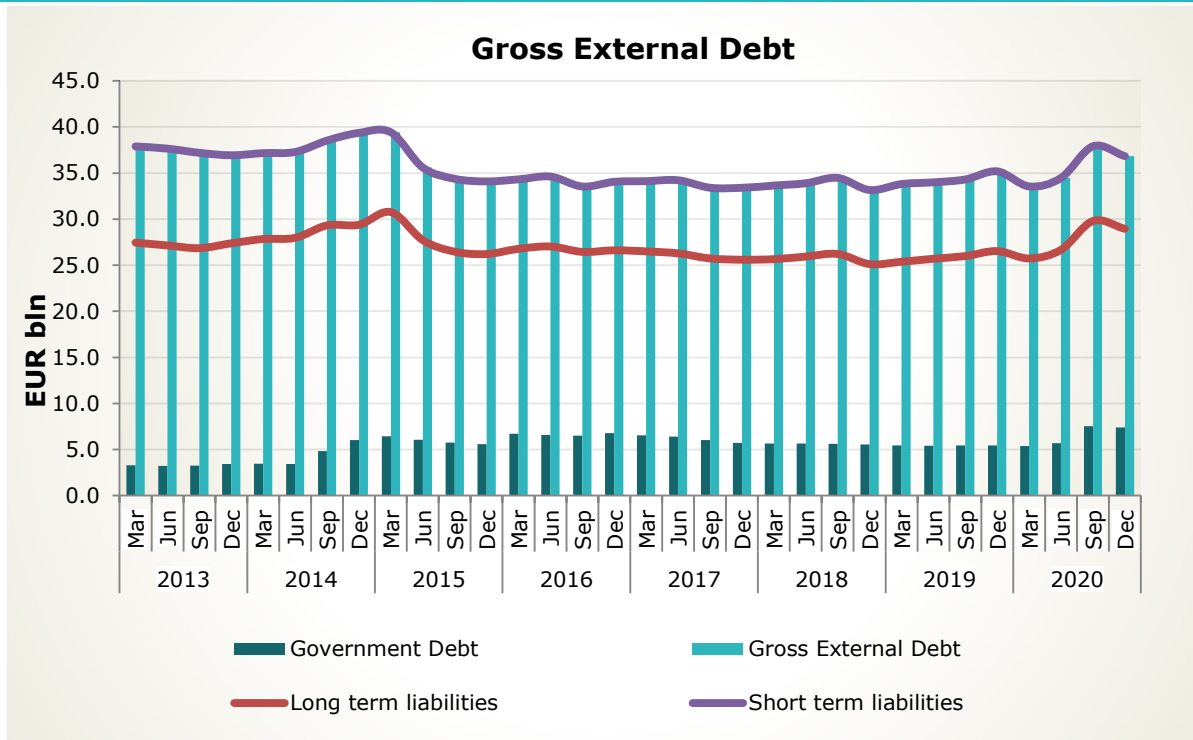
8. EXTERNAL SECTOR

8.1. DEBT

Gross external debt up by 4.7% y/y in Q4 2020

The gross external debt went up by 4.7% y/y totalling EUR 36.8 bln as of end-December 2020, according to BNB. Relative to the economy, the gross external debt accounted for 61.9% of the country's latest annual GDP. Thus Bulgaria has one of the lowest ratios in regional aspect and is exposed to 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 Q4 2020, by 36.1% to EUR 7.4 bln at the end of the period. Long-term liabilities rose by 9.1% y/y and amounted to EUR 28.9 bln, or 78.6% of the total debt, and short-term liabilities totalled EUR 7.9 bln, following an 8.9% annual drop and equalled 21.4% of the total debt.

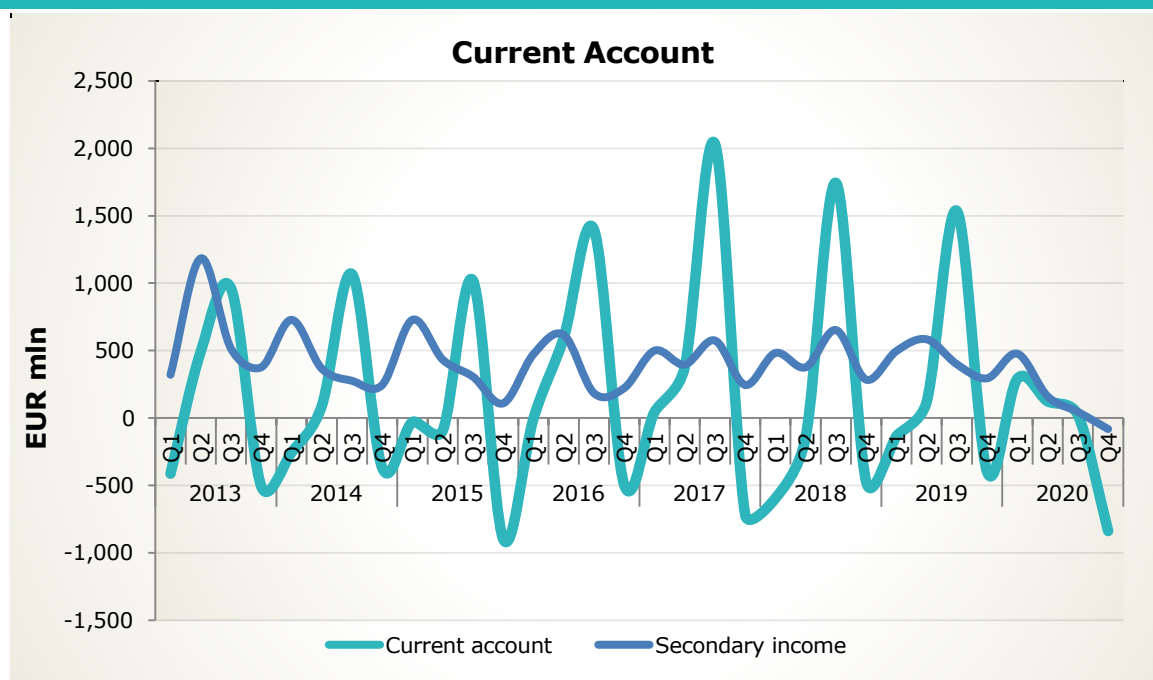


Source: BNB

8.2. CURRENT ACCOUNT

Current account surplus switched to deficit in Q4 2020

The current account deficit totalled EUR 837.9 mln in Q4 2020, more than two times higher than the EUR 399.4 mln in the corresponding quarter of the previous year, according to Eurostat data. As a share of Bulgaria's GDP, the current account gap doubled to 4.9%, compared with 2.3% in Q4 2019. Secondary income in Q4 2020 stood at a negative EUR 82.0 mln, down from a positive EUR 294.6 mln in the year-ago quarter.



Source: Eurostat

8.3. TRADE BALANCE

Foreign trade deficit narrowed by 4.9% y/y in Q4 2020

Exports and imports shrank at almost equal rate in annual terms, which resulted in a 4.9% decrease of the foreign trade gap to EUR 1.1 bln, according to BNB data. In the fourth quarter of 2020, exports narrowed by 5.1% and reached EUR 7.310 bln. Imports came in at EUR 8.449 bln, or by 5.0% less than in the period October - December 2019. Full year data for 2020 shows considerable narrowing of Bulgaria's international trade, both exports and imports, which went down by 6.4% and 8.9%, respectively, under the negative impact of the global COVID-19 crisis and the tight integration of Bulgaria with the market of the European Union.

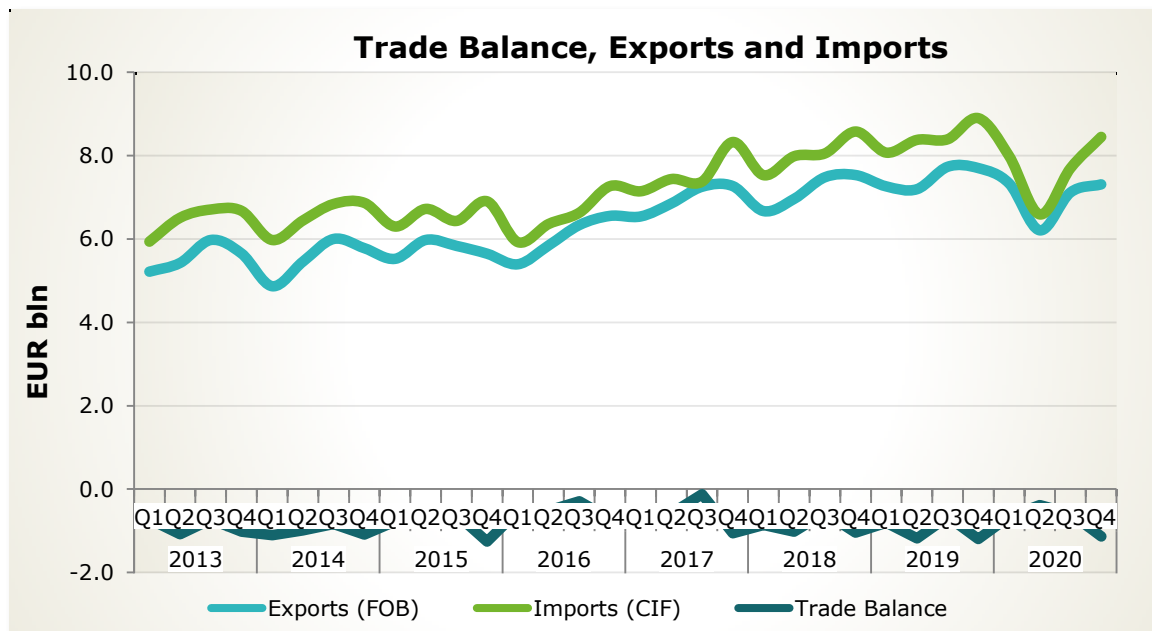
In Q4 2020, main exports of Bulgaria were raw materials, non-ferrous metals and other investment goods. Export of other investment goods jumped the most, by 45.3% y/y to EUR 573.8 mln, followed by furniture and household appliances, while petroleum products exports sank the sharpest, by 65.9% y/y.

Eleven product groups registered rise in imports in the fourth quarter of 2020. The highest, of 49.1%, was recorded by raw materials for the food industry, followed by coal with 16.0% and chemicals, while imports of crude oil and natural gas contracted the most, by 49.4%, closely followed by fuels raw tobacco.

The main export markets for Bulgarian goods and services in Q4 2020 were Germany, Romania and Italy. The European Union accounted for 65.2% of the total exports of Bulgaria, up from 64.5% in Q4 2019, despite UK's exclusion of EU data in the BNB external trade statistics. As far as the exports risk exposure during the coronavirus crisis in Q4 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 Q4 2020, as in the previous quarter, were Germany, China and Turkey. Imports from Turkey recorded a significant growth on annual basis with 16.3%, while Germany notched up by 1.7%.



Source: BNB

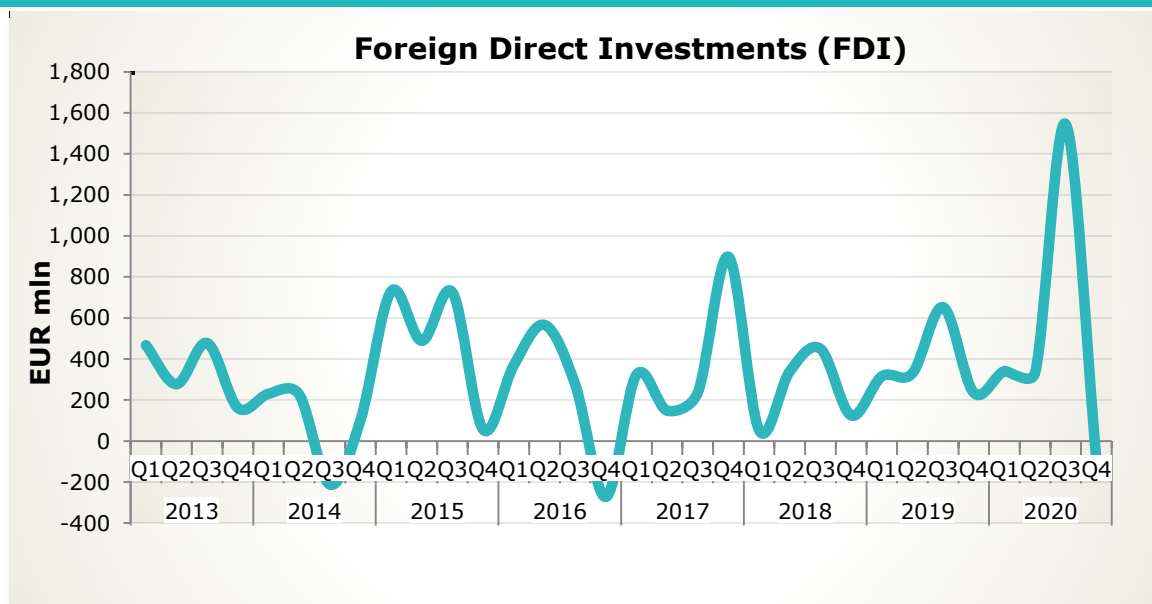
8.4. FDI

FDI changed to outflow in Q4 2020

Net FDI flow in Bulgaria switched to outflow and stood at EUR 94.8 mln in Q4 2020, down from an inflow of EUR 235.7 mln in the corresponding quarter of the previous year, according to BNB data. Thus it took away 0.6% of the country's GDP for the period.

In terms of economy sectors, professional activities, research and developments turned sharp to outflow of EUR 116.2 mln, which makes it the second most unattractive sector after wholesale and retail trade and repair of motor vehicles and motorcycles with outflow of EUR 299.2 mln. Information and communication sector attracted the highest FDIs – EUR 151.3 mln. Other attractive sectors during the quarter were manufacturing with EUR 96.1 mln and transportation and storage with EUR 52.2 mln.

The Netherlands held the top foreign investor position with an FDI inflow of EUR 308.9 mln, followed by Austria with EUR 120.4 mln and Germany with EUR 83.7 mln. In the bottom of the table stands Switzerland with an FDI outflow of EUR 539.5 mln.



Source: BNB

FORECAST AND ANALYSIS

The European Commission, the IMF and the World Bank count Bulgaria to the European economies that coped better with the negative impact of the coronavirus outbreak, with full-year 2020 GDP down by less than the EU average. Prospects for economic recovery to pre-coronavirus levels, however, seem bleaker, due to the weaker than the average expected annual growth rate in 2021. In regional aspect, Bulgaria weathered the crisis better than Slovenia, Croatia and Romania among the large SEE economies. According to IMF, Bulgaria's GDP shrank by 3.8% in 2020, less than the previously anticipated 4.6%. In the medium term, stable but slow annual growth of 4.4% will follow.

The World Bank sticks to a more conservative forecast with 4.2% decrease in 2020 and a slower rebound of 2.6% in 2021, followed by accelerating growth of 3.3% in 2022, when the national economy will reach its 2019 level. A central role in the launch of economic recovery will be played by the vaccination programme, which has been carried out at a far from satisfactory rate in the first quarter of 2021. According to the World Bank, if vaccination accelerates in Q2 and Q3, economy will also grow faster, benefitting from restored consumer and business confidence. A crucial prerequisite for swift recovery will be fast formation of a new government after the general elections in April, which should ensure continuity of the fiscal response to the coronavirus crisis.

The European Commission estimates the largest drop of GDP in Bulgaria in 2020 – at 4.9%. Recovery will be delayed by the institutional crisis and the containment measures still in place in the first half of 2021, but in H2 an expected boost in consumption and investment should bring the annual GDP growth rate to 2.7%. The start of EU's Recovery and Resilience Plan provides another upward push for the economy through public investment, which would presumably accelerate real GDP growth to 4.9% in 2022.

MAJOR DEVELOPMENTS

Bulgaria extends job retention scheme until September 2021

Dec 23, 2020

Bulgaria's government extended until September 2021 its job retention scheme known as the '60-40 measure' that was introduced in April to soften the impact of the coronavirus crisis on employment.

[Read the full story here](#)

EC approves Bulgaria's EUR 26 mln state aid scheme for tour operators, travel agents

Dec 22, 2020

The European Commission (EC) said that it has approved under the State aid Temporary Framework Bulgaria's BGN 51 mln (USD 31.9 mln/EUR 26.1 mln) scheme for support of tour operators and travel agents in the light of the coronavirus outbreak.

[Read the full story here](#)

Bulgaria's parliament ratifies EUR 511 mln SURE loan agreement

Dec 17, 2020

Bulgaria's parliament said that it ratified the agreement for EUR 511 mln (USD 626 mln) loan under the EU's Support to mitigate Unemployment Risks in an Emergency (SURE) instrument.

[Read the full story here](#)

EC approves Bulgaria's EUR 40 mln support scheme for coronavirus-hit small companies

Dec 17, 2020

The European Commission (EC) said it approved under the State aid Temporary Framework Bulgaria's BGN 78.2 mln (USD 48.9 mln/EUR 40.0 mln) scheme to support small enterprises affected by the coronavirus outbreak.

[Read the full story here](#)

Bulgarian SMEs to get further EUR 79.8 mln in EU funding to tackle Covid-19 crisis

Dec 16, 2020

Bulgaria's government said that it will provide an additional BGN 156 mln (USD 97.2 mln/EUR 78.9 mln) of EU funding for measures supporting small and medium-sized enterprises (SMEs) that have suspended or limited their operations due to the Covid-19 restrictions.

[Read the full story here](#)

Bulgaria's revenue from tourist overnights falls 39% y/y in Oct

Dec 10, 2020

The revenue from tourist overnights spent in Bulgaria fell 39% on the year in October, to BGN 31.7 mln (USD 19.6 mln/EUR 16.2 mln), due to the coronavirus crisis, the statistical office.

[Read the full story here](#)

Bulgarian non-life insurers grow 9-mo net profit, GWP rise 1.7%

Dec 7, 2020

Bulgarian non-life insurance companies increased their combined net profit to BGN 157 mln (USD 97.2 mln/EUR 80.3 mln) in the first nine months of 2020 from BGN 109.2 mln in the same period of 2019, according to data released by the financial regulator.

[Read the full story here](#)

Bulgarian life insurers lower 9-mo net profit on 13.3% decrease in GWP

Dec 7, 2020

Bulgarian life insurance companies lowered their combined net profit to BGN 19.8 mln (USD 12.3 mln/EUR 10.1 mln) in the first nine months of 2020 from BGN 33.5 mln in the same period of 2019, according to data released by the financial regulator.

[Read the full story here](#)

Foreign tourist arrivals to Bulgaria down 45% y/y in October

Nov 27, 2020

The number of foreign tourists who visited Bulgaria in October fell 45.3% year-on-year to 419,100, the National Statistical Institute (NSI) said.

[Read the full story here](#)

EC approves amendment to Bulgaria's OP Innovation and Competitiveness

Nov 27, 2020

The European Commission said that it has approved an amendment to Bulgaria's Operational Programme Innovation and Competitiveness, allowing the mobilisation of EUR 511 mln (USD 609 mln) to support the local economy during the coronavirus crisis.

[Read the full story here](#)

Bulgaria's parliament adopts 2021 budget framework

Nov 25, 2020

Bulgaria's parliament said that it adopted the 2021 budget framework envisaging a deficit of some BGN 5.0 bln (USD 3.0 mln/EUR 2.6 bln) and a 2.5% rise of the country's gross domestic product.

[Read the full story here](#)

Bulgaria reallocates EUR 116 mln to construction of motorway to border with Serbia

Nov 20, 2020

Bulgaria's government said it is reallocating some EUR 116 mln (USD 137.7 mln) from the construction of part of Struma motorway connecting Sofia to the border with Greece to the construction of Europe motorway connecting the capital to the border with Serbia.

[Read the full story here](#)

Bulgaria asks EU for compensation mechanisms to cut CO2 emissions by 2030

Nov 5, 2020

Bulgaria could approve the EU's target to reduce carbon dioxide (CO2) emissions by 55% by 2030, provided that the country is supported through adequate compensation mechanisms, the government said.

Read the full story [here](#)

Bulgaria signs 5G security declaration, MoU on nuclear energy with US

Oct 26, 2020

Bulgaria's government said that it has signed agreements with the U.S. concerning the safety of 5G infrastructure and the use of nuclear energy for civilian purposes.

Read the full story [here](#)

Bulgaria asks EU Commission for help to phase out coal

Oct 16, 2020

Bulgaria, which is heavily dependent on coal for its electricity production, is proposing to work jointly with the European Commission towards developing a coal phase-out plan in order to meet the EU's emission reduction targets, prime minister Boyko Borissov said.

Read the full story [here](#)

Bulgaria to be ready to adopt euro in 2023-2024

Oct 2, 2020

Bulgaria will be ready to adopt the euro as early as 2023 or 2024, after it meets all Maastricht criteria for euro convergence, central bank governor Dimitar Radev said.

Read the full story [here](#)

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