

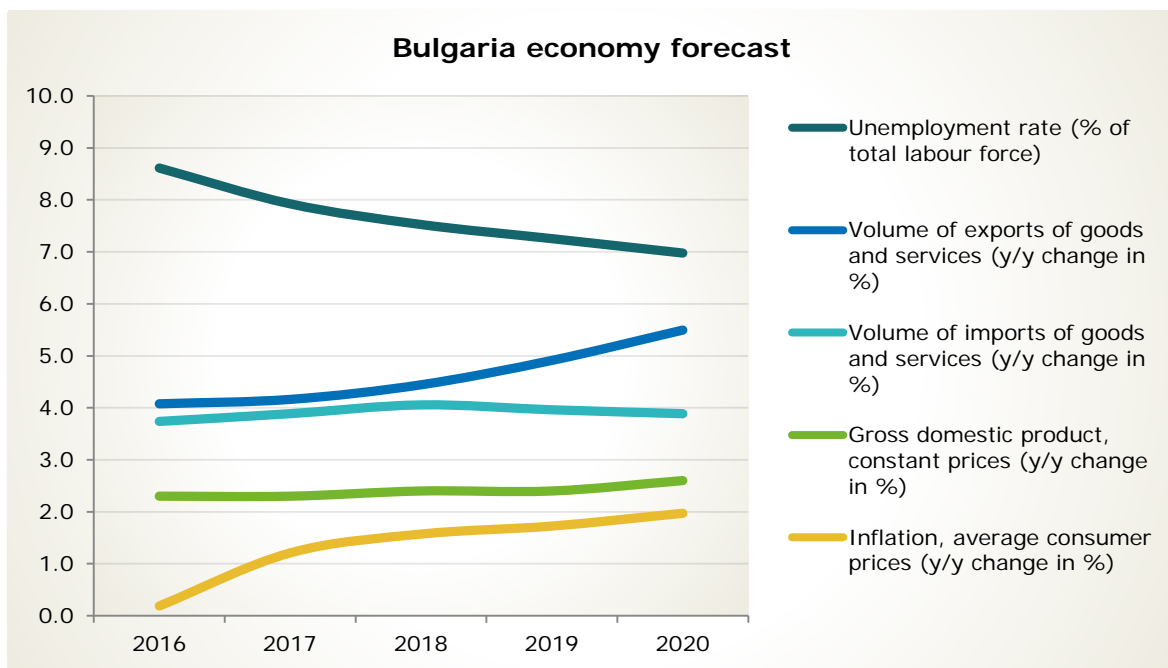
BULGARIA ECONOMY REPORT
2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

BULGARIA – MACROECONOMIC SNAPSHOT AS OF 2015	
GDP Growth	3.0% y/y
Business confidence indicator	-0.7 pp m/m
Industrial output	3.5% y/y
Industrial sales index	123.9% (2010=100)
Wholesales	10.9% y/y
Retail sales	1.7% y/y
Average annual inflation	-0.1%
Unemployment rate	9.1%
Number of building permits	1.1% y/y
Money supply growth (M3)	8.8% y/y
Household loans	-1.3% y/y
SOFIX blue-chip index	-14.9% y/y
Gross external debt	EUR 34.090 bln
Current account surplus	EUR 609.0 mln
FDI inflow	EUR 1.593 mln
Foreign trade deficit	EUR 3.163 bln
Number of foreign tourist overnights	-5.2% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

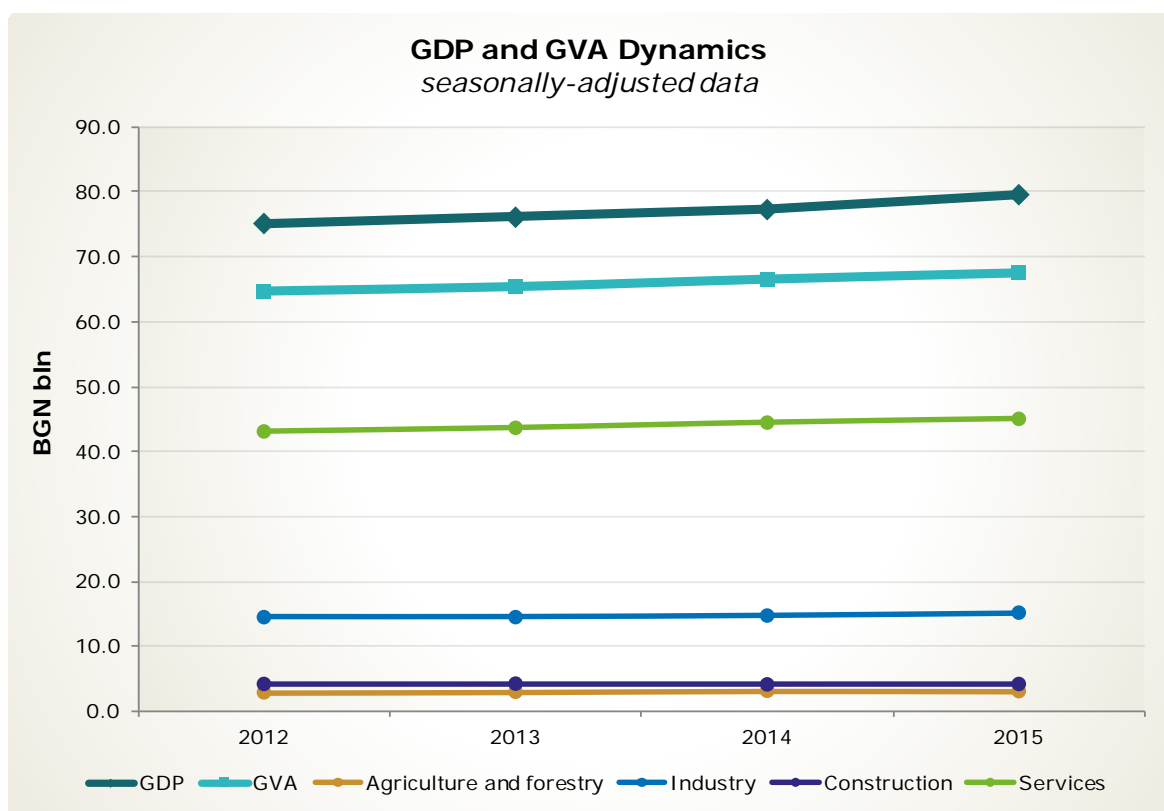
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by 3.0% y/y in 2015, compared to a 1.6% y/y growth a year ago

The country's seasonally-adjusted GDP increased by a real 3.0% y/y and totalled BGN 79.562 bln in 2015, according to preliminary data of the National Statistical Institute (NSI).

Final consumption, which contributed 78.5% to the GDP, increased by 0.4%. Gross capital formation went up by 0.4%, contributing 21.6% to the GDP. Both exports and imports grew - by 3.7% and 2.2%, respectively.



Source: NSI

The seasonally-adjusted gross value added (GVA) generated by the national economy increased in value terms by 1.0% y/y in 2015 and totalled BGN 67.548 bln. The industrial sector grew by 0.4% and its share in the GVA structure rose to 22.5% from 22.1%. The services sector recorded a 0.6% annual increase, slicing a 66.7% share in the GVA, decreasing from 66.8% in 2014. The agricultural sector remained unchanged, but narrowed its share in the GVA to 4.6%, from 4.7%. The construction industry reported an annual increase of 0.1% and its share in the GVA stood the same at 6.2%.

2.2. BUSINESS CLIMATE

Business Confidence Indicator went down by 0.7 percentage points m/m in December 2015

In December 2015 the business confidence indicator decreased by 0.7 percentage points m/m due to the worsened business climate in the services, retail trade and construction sectors, according to NSI.

Economic uncertainty, tough competition, weakness in economic legislation and low demand are among the key factors, which impede the development of the sectors.

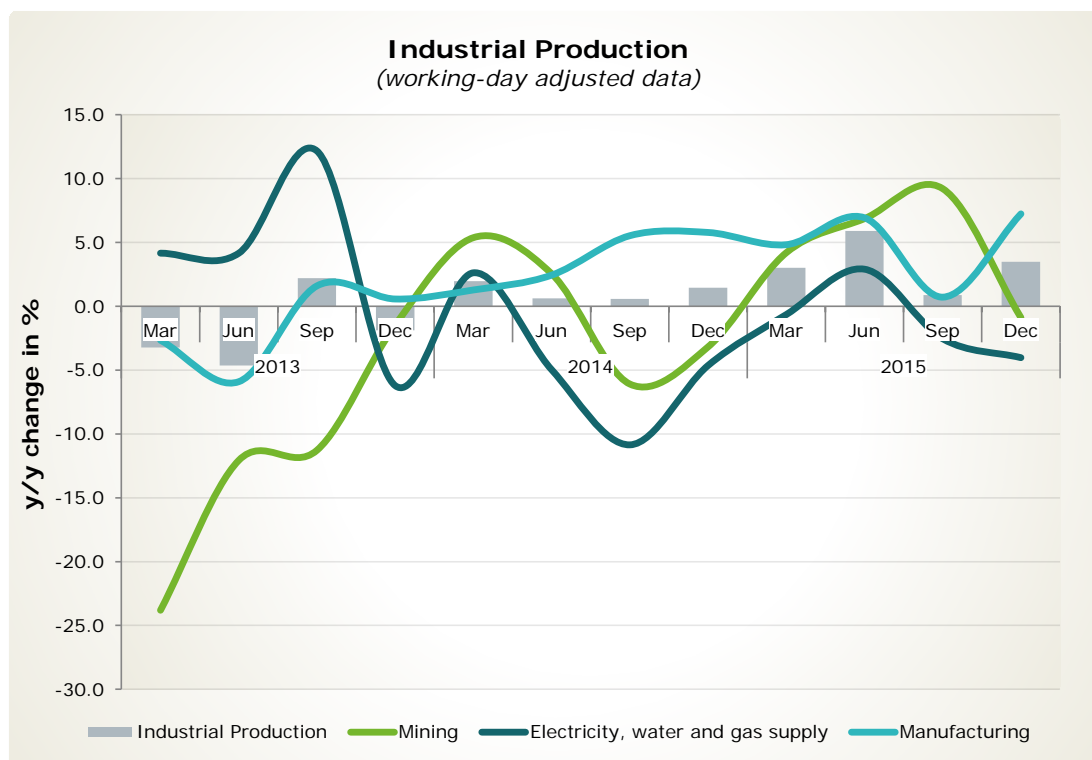
The business confidence indicator increased by 1.0 percentage points m/m in October 2015 and decreased by 0.5 percentage points m/m in November 2015.

2.3. INDUSTRIAL OUTPUT

Industrial output grew by 3.5% y/y in December 2015

Industrial output went up by 3.5% on the year in December 2015, according to NSI. The mining industry went down by 0.9%, but the manufacturing sector increased by 7.2%. The electricity, water and gas supply sector fell by 4.0%.

The other non-specialised production registered the sharpest annual growth, of 43.8%, while the sharpest drop, of 15.4%, was posted by mining of metal ores.

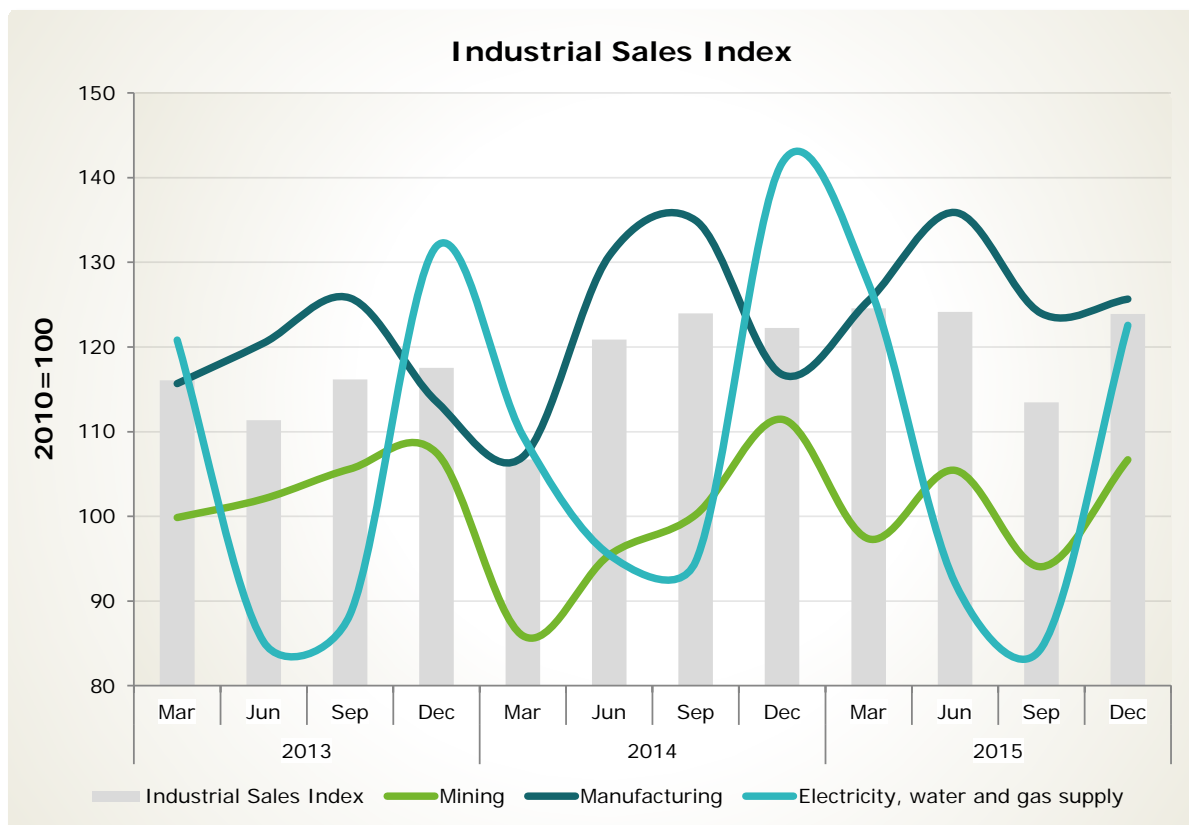


Source: NSI

2.4. INDUSTRIAL SALES

Industrial sales index at 123.9 in December 2015

The industrial sales index stood at 123.9 (2010=100) in December 2015, compared to 122.2 in December 2014, according to NSI. The highest index value, of 300.9, was reported by fabricated metal products, excluding machinery and equipment, not elsewhere classified, while the manufacture of basic metals was on the bottom with an index of 79.0.



Source: NSI

2.5. WHOLESALE/RETAIL

Wholesale and retail sale recorded an increase in December 2015

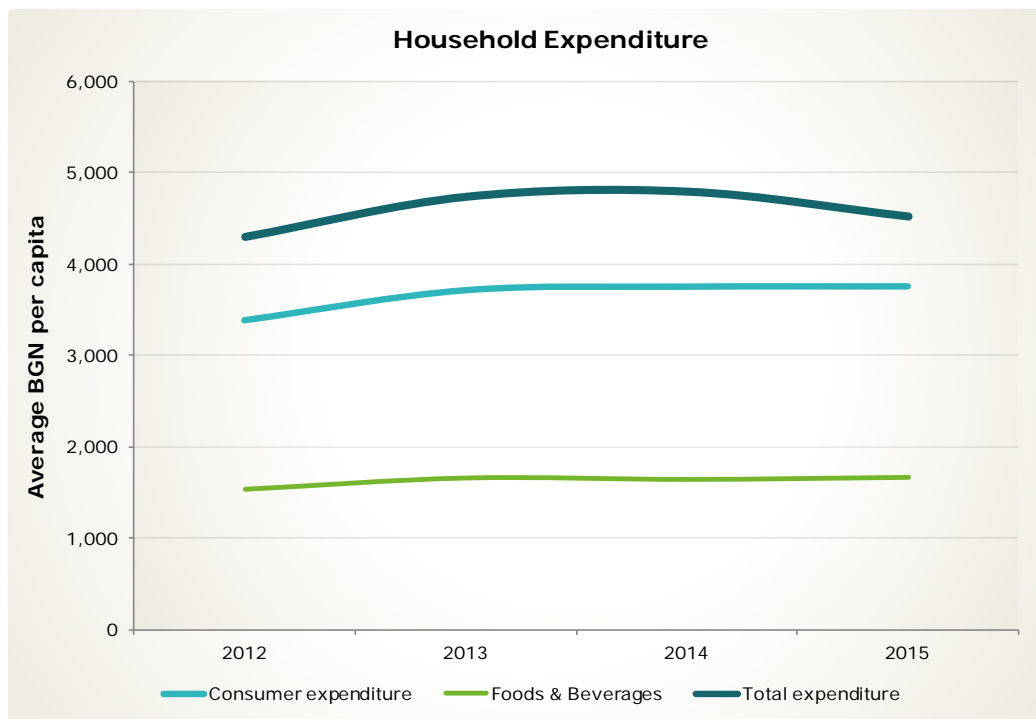
Retail sales increased, by 1.7% y/y, in December 2015, according to NSI data.

Retail sale of automotive fuel and lubricants marked the highest growth, of 16.6% y/y, in December 2015. Retail sale of computers and communication equipment and other consumer goods experienced the sharpest annual drop, of 2.5%.



Source: NSI

The wholesale sector went up by 10.9% y/y in Q4 2015. Wholesale of agricultural machinery and equipment and parts registered the highest rise, of 68.0%. Wholesale of computers and communication equipment was the segment to report the sharpest fall, of 29.9%.



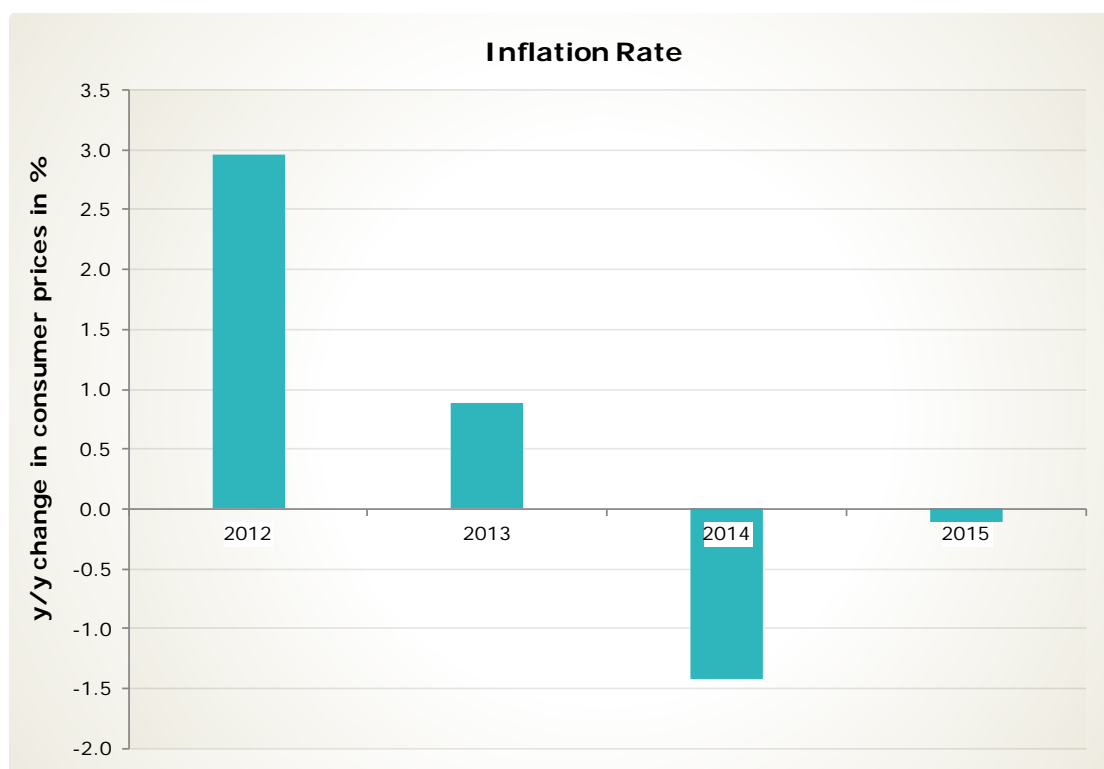
Source: NSI

2.6. INFLATION

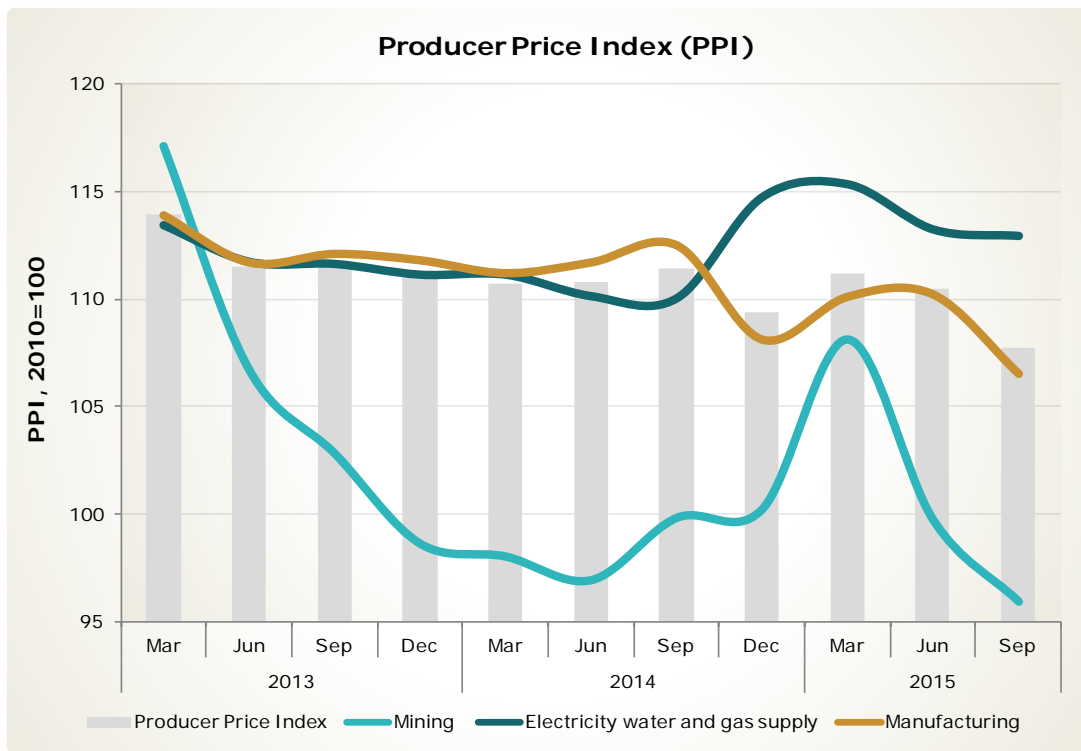
Annual average deflation of 0.1% y/y for 2015

Bulgaria reported an annual average deflation of 0.1% for the period January – December 2015, according to NSI data.

The highest annual decrease in consumer prices in the period under review was registered in automobile fuels and lubricants, of 14.5%, other liquid fuels with 13.9%, and motor cars with 10.8%. The consumer groups that recorded the sharpest growth in prices were electricity and fruits, with 8.1% each, and books with 6.9%.



Source: NSI



Source: NSI

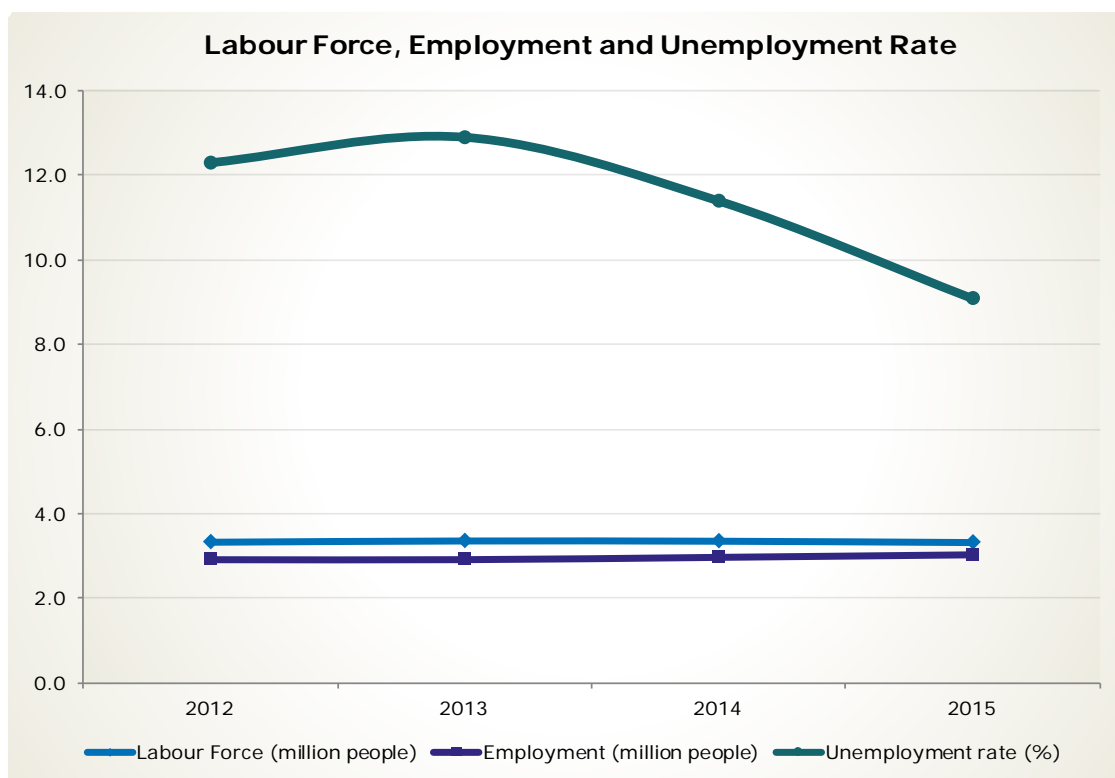
3. LABOUR MARKET

Unemployment rate went down to 9.1%, wages grow 9.1% y/y as of 2015

Unemployment in Bulgaria narrowed to 9.1% of the total labour force in 2015 from 11.4% a year earlier, according to data of NSI.

The employed population aged 15 years and older was 3.032 million in 2015, up by 1.7% y/y.

The youth (population aged 15-24) unemployment rate went down to 21.6%, compared to 23.8% in 2014.



Source: NSI

According to data of NSI, the average monthly salary in 2015 grew by 8.0% y/y to BGN 882. Wages in the private and public sectors went up by 9.3% and 4.3%, respectively. Employees in the IT and communication sector, and in electricity, water and gas supply services had the highest salaries of BGN 2,095 and BGN 1,771 respectively.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits grew by 1.1% y/y in 2015

The number of building permits issued in Bulgaria in 2015 increased by 1.1% y/y and totalled 8,849, according to NSI data. The permits for housing projects went up by 1.5% to 4,310, while permits for office buildings declined by 16.0% to 157.

The total built-up area of office units, covered by the permits, decreased by 1.2% y/y to 172,652 sq. m. The total built-up area of the housing units climbed, by 13.0%, to 2,316,803 sq. m.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. BGN EXCHANGE RATE

The average exchange rate of the BGN against the US dollar went up to BGN 1.76441 in 2015 from BGN 1.47437 in 2014, according to Bulgarian National Bank (BNB) data.

BGN Annual Average Exchange Rate				
Foreign Currency	2015	2014	2013	2012
USD	1.76441	1.47437	1.47362	1.52314
GBP	2.69672	2.42721	2.30321	2.41275
CHF	1.83486	1.61021	1.58888	1.62277
EUR*	1.95583	1.95583	1.95583	1.95583

*The Bulgarian lev (BGN) is pegged at a fixed exchange rate of BGN 1.95583 per EUR under a currency board system.

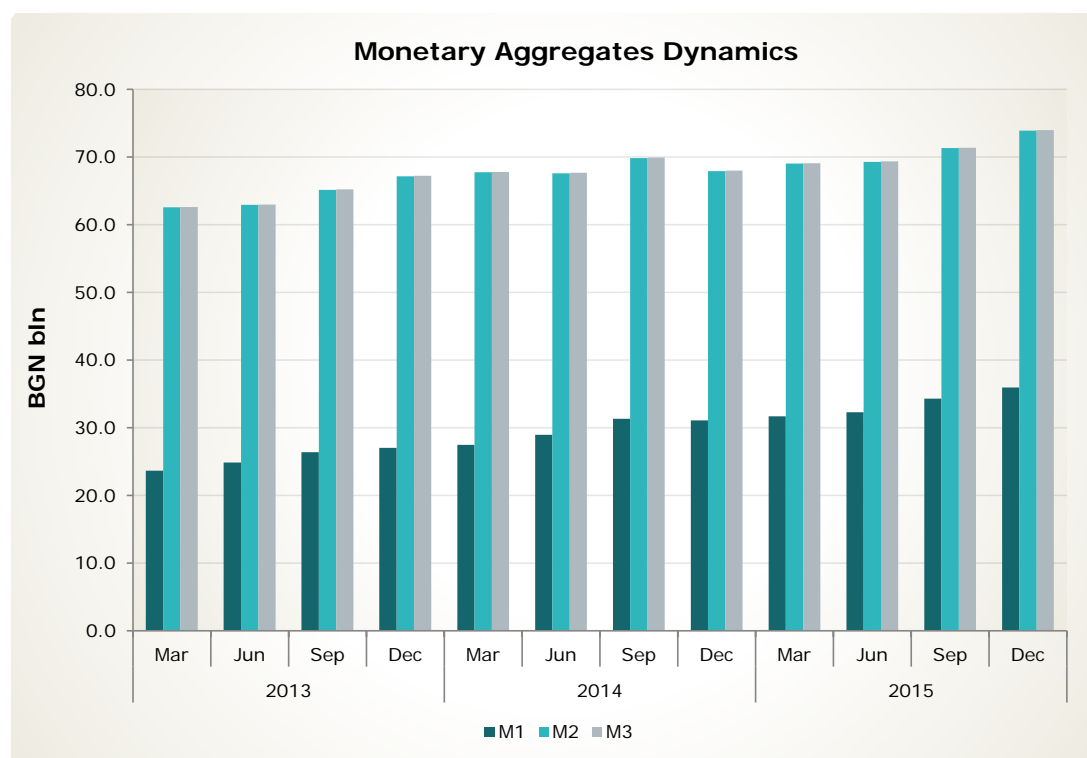
5.2. MONETARY AGGREGATES

Money supply growth was 8.8% y/y at end-December 2015

Broad money (money aggregate M3) increased by 8.8% y/y and reached BGN 73.961 bln in December 2015, according to data provided by BNB.

The M2 money supply grew by 8.8% y/y to BGN 73.890 bln.

Money aggregate M1, or narrow money, jumped by 15.6% to BGN 35.969 bln.



Source: BNB

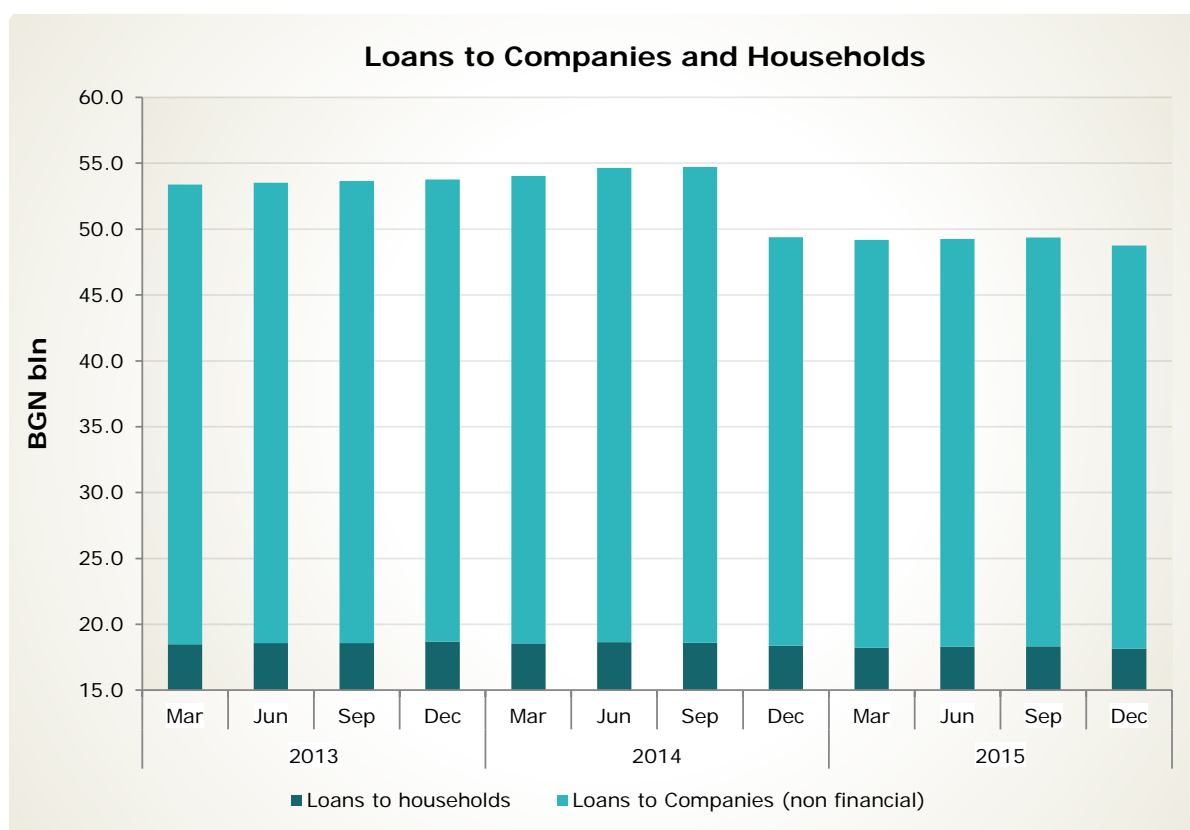
5.3. BANKING AND INSURANCE

Household loans decreased, by 1.3% y/y, as of December 2015

Loans to the non-government sector totalled BGN 48.757 bln as of December 2015, down by 1.3% y/y, according to BNB.

Loans to non-financial corporations went down by 1.3% y/y to BGN 30.615 bln. Household and non-profit institutions serving households (NPISHs) loans fell by 1.3% to BGN 18.142 bln.

House purchasing loans narrowed by 1.2% to BGN 8.647 bln, while consumer loans came in at BGN 7.269 bln compared to BGN 7.277 bln a year ago.



Source: BNB

As of September 2015, the total bad loans shrank by 8.5% y/y, amounting to BGN 9.078 bln, or 18.5% of the total loans.

At the end of December 2015 the assets of the banking system totalled BGN 87.524 bln, going up by 2.4% in comparison to September 2015, and by 2.8% compared to December 2014.

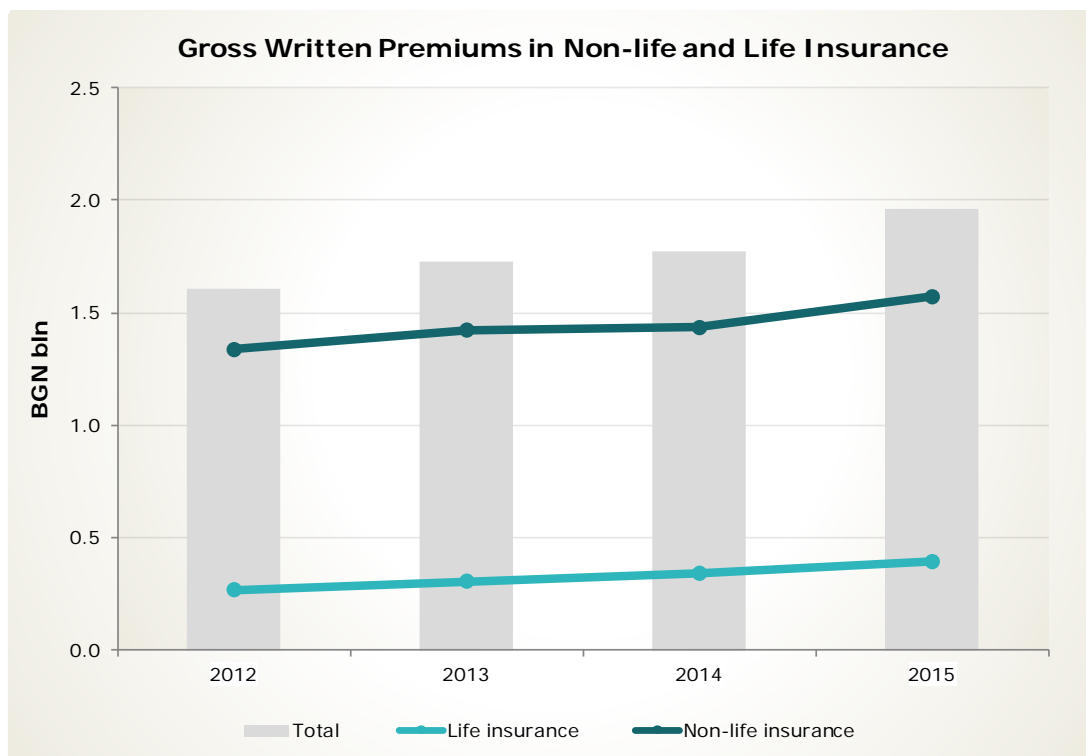
The banking sector's profit jumped by 13.1% in comparison to end-September 2015 and by 20.4% compared to a year earlier, reaching BGN 898.4 mln.

Insurance premium income up 10.6% y/y in 2015

The total gross written premiums (GWP) of the non-life and life insurance companies stood at BGN 1.964 mln, up by 10.6% y/y in 2015, according to the Financial Supervision Commission (FSC). The GWP of the non-life insurance market stood at BGN 1.571 mln, or by 9.6% more than in the previous year, while the life insurance market jumped by 15.2% y/y to BGN 392.9 mln.

In the non-life insurance sector the leading segment in GWP terms was motor vehicle liability with BGN 589.8 mln, followed by land vehicles insurance with BGN 483.8 mln, and insurance against fire and natural disasters with BGN 247.9 mln. The bottom position was occupied by legal expenses insurance with GWP of only BGN 5,927.

In 2015 among the life insurance segments, gross written premiums of life insurance and annuities jumped the most on the year – to BGN 283.5 mln, while permanent health insurance marked the sharpest fall to BGN 342,344 mln.



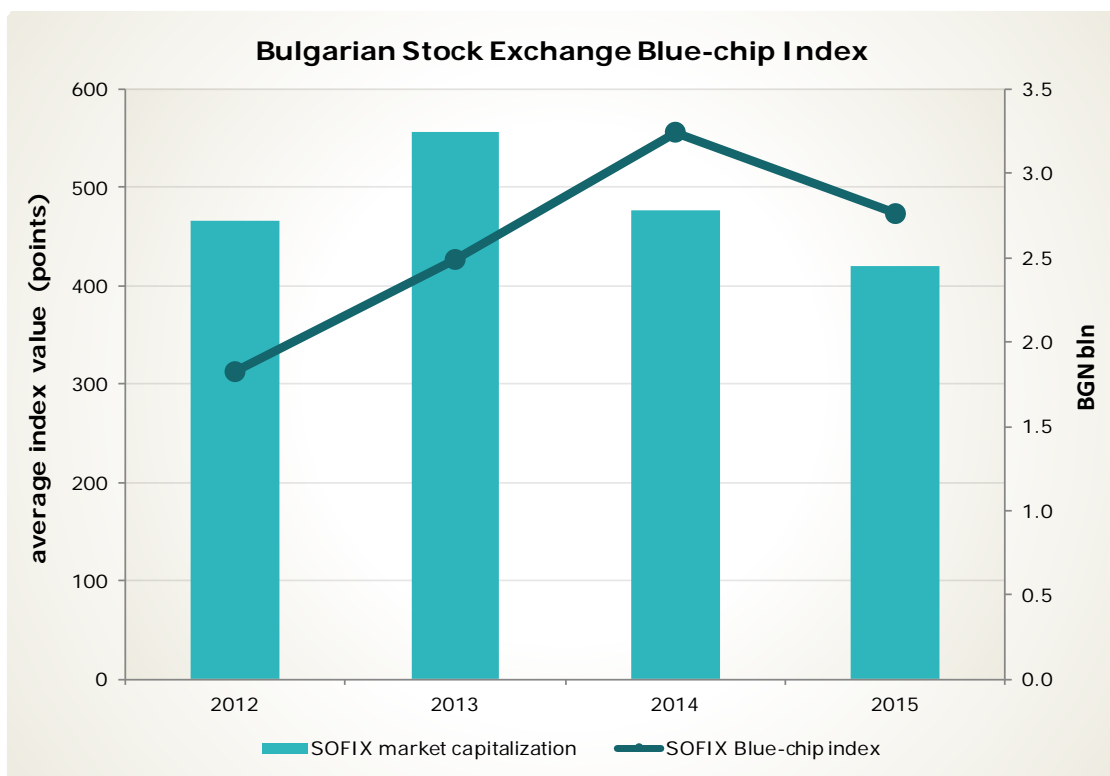
Source: FSC

6. CAPITAL MARKETS

Blue-chip SOFIX went down by 14.9% y/y in 2015

The average value of SOFIX, the blue-chip index of the Bulgarian Stock Exchange (BSE) fell by 14.9% in 2015 compared to a year ago, to 474 points, according to BSE data.

The total turnover on BSE's regulated market reached BGN 336.4 mln in 2015, compared to BGN 202.7 mln in 2014.



Source: BSE

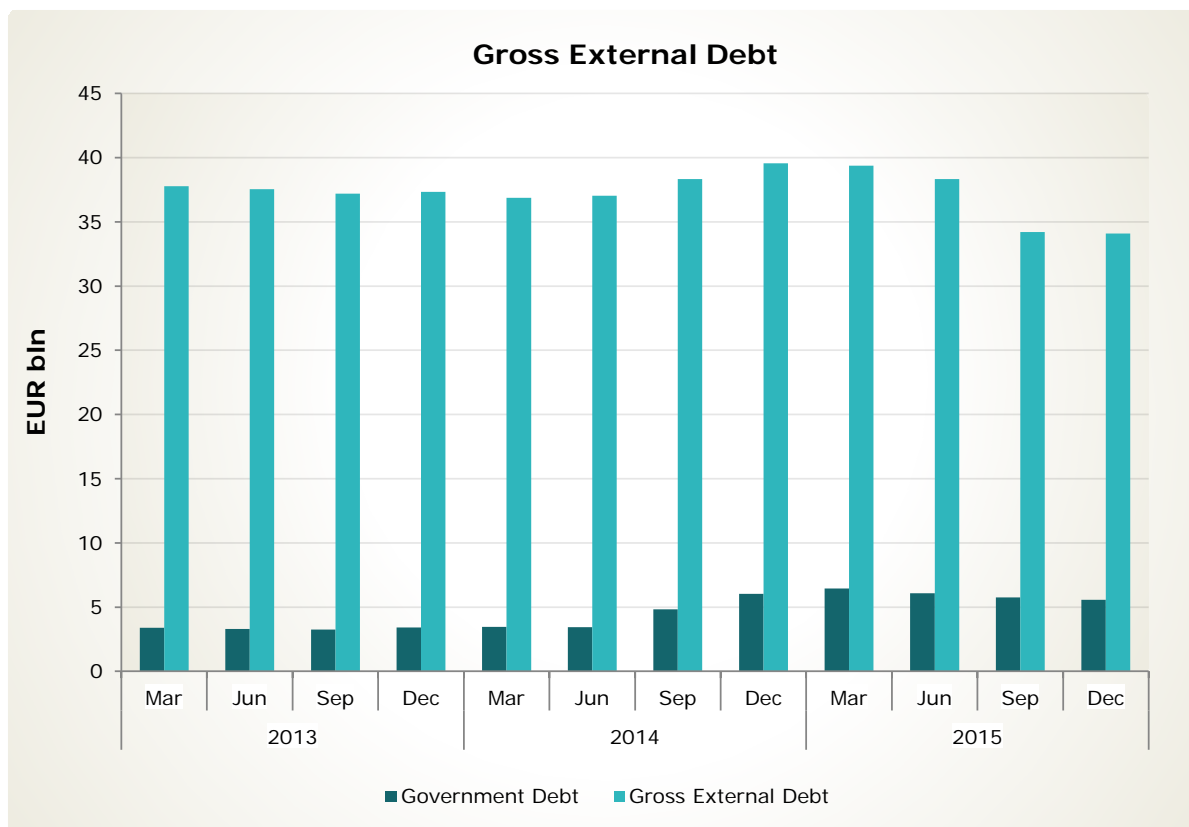
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

The gross external debt decreased to EUR 34.090 bln at end-December 2015

The gross external debt decreased, totalling EUR 34.090 bln at the end of December 2015, which was 83.8% of the projected full-year GDP, according to BNB data. It fell by 13.8% compared to December 2014.

As of end-December 2015 long-term liabilities amounted to EUR 13.556 bln, , and short-term liabilities totalled EUR 7.882 bln.

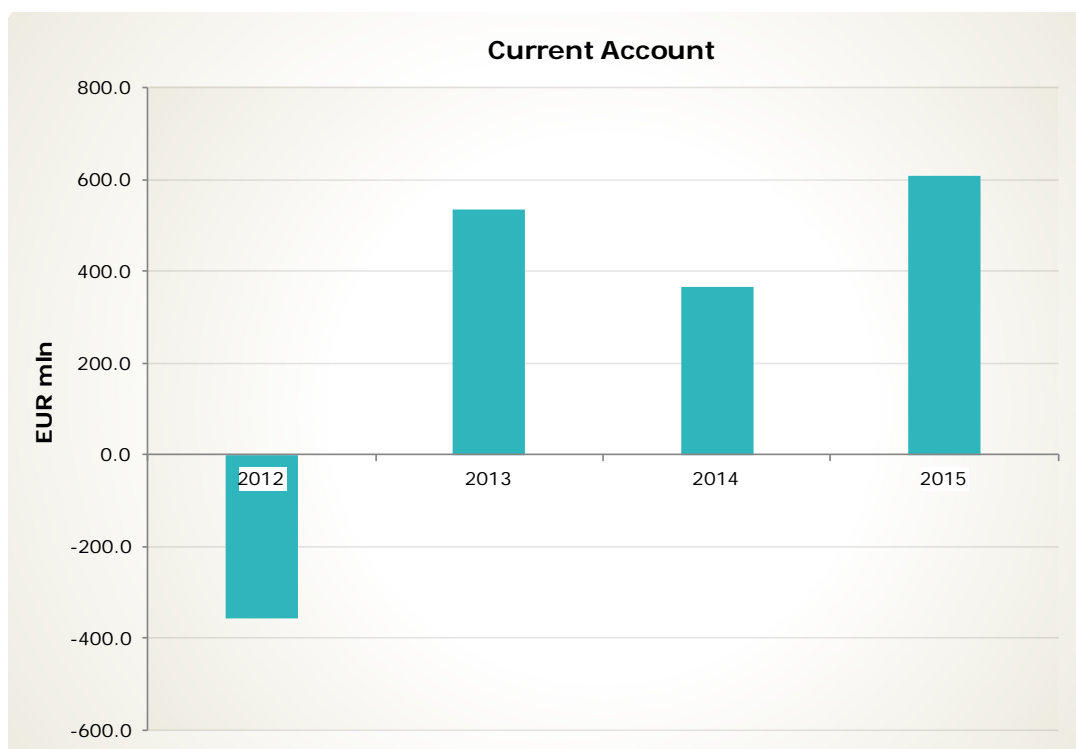


Source: BNB

7.2. BALANCE OF PAYMENTS

Current account surplus at EUR 609.0 mln in 2015

The current account surplus expanded to EUR 609.0 mln in 2015 from EUR 364.6 mln in 2014, according to central bank statistics data.



Source: BNB

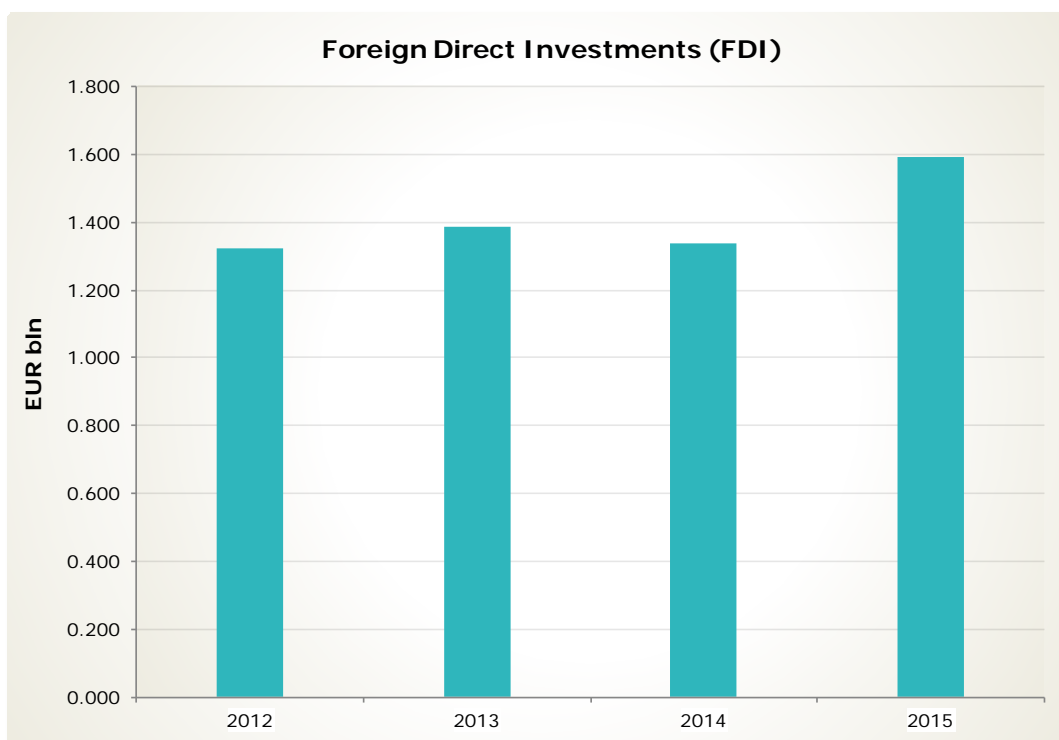
7.3. FDI

Annual jump of 19.0% in FDI in 2015

FDI in Bulgaria jumped to EUR 1.593 bln in 2015 from EUR 1.339 bln a year earlier, according to BNB data.

In 2015 FDI accounted for 3.9% of the country's GDP for the period, compared to a 3.4% share in 2014.

Equity investments accounted for the bulk, or 71.2% of the total FDI inflow, while reinvestment earnings amounted to EUR 644.1 mln and debt instruments outflow was EUR 184.5 mln.



Source: BNB

7.4. FOREIGN TRADE

Foreign trade deficit narrowed by 21.3% y/y in 2015

The trade deficit stood at EUR 3.163 bln in 2015, compared to EUR 4.021 bln in 2014, according to BNB data.

Bulgaria's most exported goods in 2015 were other raw materials, which accounted for 10.4% of the total exports, followed by raw materials for the food industry with a 9.9% share, and non-ferrous metals with a 8.2% share.

In terms of imports, the main goods were crude petroleum and natural gas, which made up 10.5% of the total, followed by machinery and equipment, slicing an 8.3% share, and other raw materials, which had a 7.8% share.



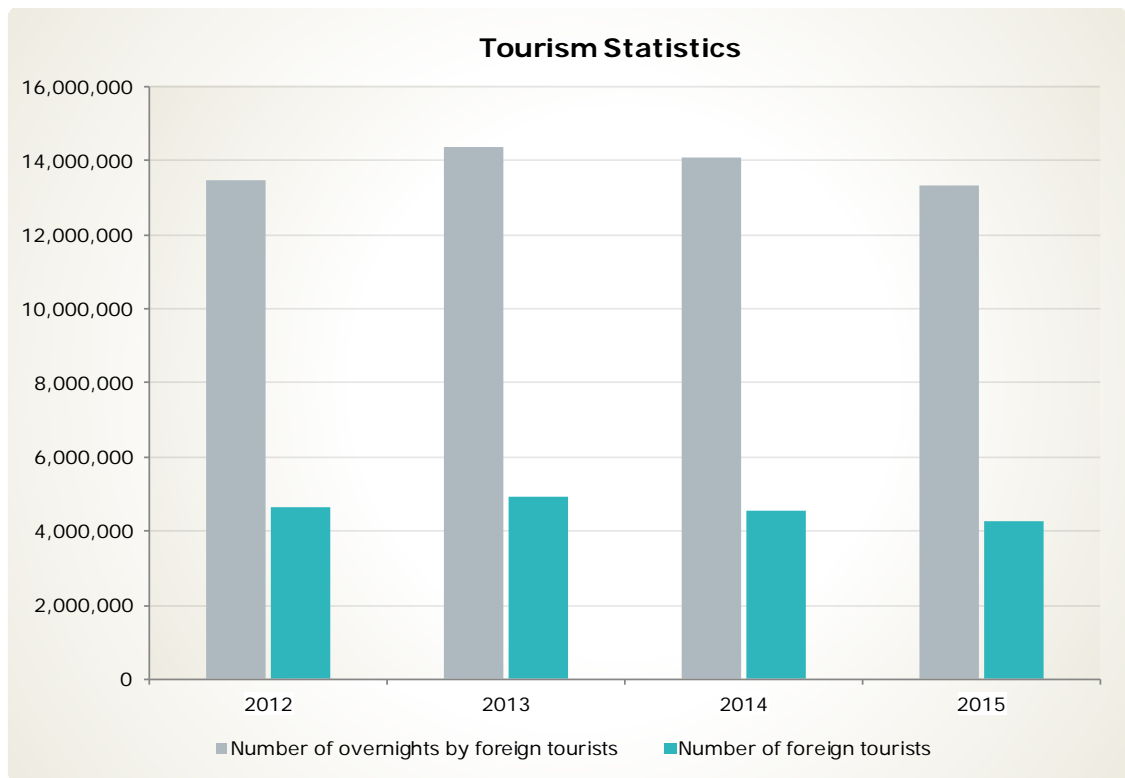
Source: BNB

7.5. TOURSIM

Number of foreign tourist overnights fell by 5.2% y/y in 2015

Tourist overnights of foreigners dropped by an annual 5.2% to 13,352,281 in 2015, according to NSI data.

The number of foreign tourists also went down - by 5.8% y/y to 4,269,102. Most foreign tourists visiting Bulgaria in 2015 came from Germany - 480,488, followed by Macedonia - 422,879, and Russia - 417,967.



Source: NSI

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