All data in the edition are the last available data published as of 31 July 2020

The quoted data set in this report are the last available data, published in the official source's web sites. The sources are Ministry of Finance, Bulgarian National Bank, National Statistic Institute, National Employment Agency, Bulgarian Industrial Association. The electronic system used for collecting the data from the official sources is Macrobond.

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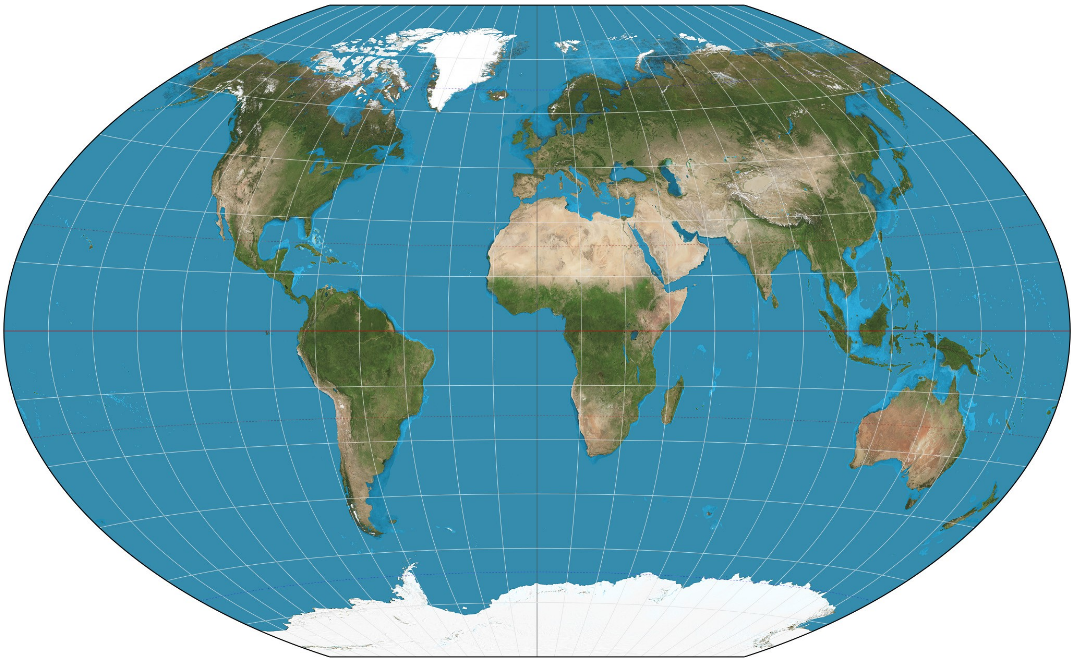
HIGHLIGHTS AND FORECASTS

MONTHLY ECONOMIC REPORT



August, 2020

- **The Euro area economy shrank by 12.1% in Q2 2020, entering a steep recession, a preliminary estimate showed. That was the biggest contraction on record, as lockdowns imposed to contain the spread of the coronavirus pandemic hit activity and global demand. The annual inflation rate in the Euro area is expected to pick up to 0.4% in July of 2020 from 0.3% in the previous month and above market expectations of a 0.2% gain. The Euro area seasonally-adjusted unemployment rate increased to 7.8% in June 2020 from an upwardly revised 7.7% in the previous month and above market expectations of 7.7%. It was the highest jobless rate since February last year amid the coronavirus crisis. Considering the European Union as a whole, the jobless rate was 7.1% in June, up from 7.0% in the prior month. Our 2020 base case annual growth forecast for euro area is -8.3%. We expect recovery of 5.2% in 2021.**

- **Italy's gross domestic product shrank by -12.4% Q2 2020, following a revised -5.4% contraction in the previous period and compared to market expectations of a -15% fall. That was the steepest pace of contraction since comparable series began in the 1960s as the country was one of the hardest hit by the coronavirus pandemic. Consumer prices in Italy are expected to fall -0.3% year-on-year in July 2020, following a -0.2% decrease in the previous month and compared with market expectations of a -0.1% drop. Italy's unemployment rate rose to 8.8% in June of 2020 from an upwardly revised 8.3% in the previous month and above market expectations of 8.6%, as the coronavirus pandemic continues to hit the labour market. We expects a contraction of Italian GDP of -10.7% in 2020. We expect a recovery in Italy of 4.1% in 2021.**

- **The French economy shrank at a record 13.8% Q2 2020, compared to market forecasts of a 15.3% contraction and after a revised 5.9% decline in the prior quarter. The economic recession deepened as the COVID-19 outbreak took a huge toll on the economy, with non-essential activities being closed between mid-March and the beginning of May. The unemployment rate in France declined to 7.8% in Q1 of 2020, the lowest level since the three months to December 2008 and below market expectations of 8.4%, due to a sharp fall in the number of unemployed declaring themselves available or actively looking for work during the period of lockdown. In metropolitan France only, the unemployment rate stood at 7.6%. The inflation rate in France increased to 0.8% in July of 2020 from 0.2% in June, beating market forecasts of 0.3%. We expect a decline of GDP growth in France of -10.5% in 2020 and recovery of 6.4% in 2021.**

- **Spain's gross domestic product shrank by 18.5% in Q2 2020 the steepest period of contraction on record and compared to market expectations of a 16.6% fall. The contraction was triggered by one of Europe's strictest coronavirus lockdowns, which dragged the country to its steepest recession ever. Spain's economy shrank by a record 22.1% year-on-year in Q2 2020, entering a steep recession and compared to market expectations of a 19.7% fall as coronavirus-induced lockdowns hit activity and consumption. Spain's unemployment rate rose to 15.33% in Q2 2020, the highest since the first quarter of 2018, but below market expectations of 16.70% with the extent of the coronavirus crisis being masked by leaving out people on furlough and those not meeting technical jobless criteria. The number of unemployed increased by 55 thousand to 3.368 million, while employment declined by a record 1.074 million to 18.607 million. In addition, 1.019 million people dropped out of the labor force. Spain's consumer prices is expected to fall 0.6 percent from a year earlier in July 2020, following a 0.3% decline in the previous month and compared to market expectations of a 0.3% decrease. We expect a decline of GDP in Spain of -12.7% in 2020 and recovery of 7.2% in 2021.**

- **Lithuania's economy shrank 5.1% qoq and by 3.7% yoy in Q2 2020, entering a technical recession due to the coronavirus crisis. Lithuania's annual inflation rate came in at 1.0% in July of 2020, unchanged from the previous month. Unemployment Rate in Lithuania increased to 12.8% in July from 12.1% in June of 2020.**

- **Slovenia's economy shrank -2.3% yoy in Q1 of 2020, after expanding 1.7% in the previous period. It was the first contraction since the third quarter of 2013, as the coronavirus pandemic began to hit the economy. On a seasonally adjusted quarterly basis, the economy shrank -4.5%, following a 0.4% growth in the prior period. That was the first contraction since the last quarter of 2012. Unemployment Rate in Slovenia increased to 9.10% in April from 8% in March of 2020. Slovenia's consumer prices increased by 0.3% from a year earlier in July 2020, rebounding from three consecutive months of deflation. The harmonized index of CPI dropped 0.3%, easing from a 0.8% decline in June. We expect a decline of GDP in Slovenia of -10.0% in 2020 and recovery of 7.0% in 2021.**

- **Poland's gross domestic product shrank by 8.2% yoy in Q2 of 2020. Poland's annual inflation rate fell to 3% in July 2020 from 3.3% in the previous month and below a preliminary estimate of 3.1%. Poland's unemployment rate came in at 6.1% in July of 2020, unchanged from the previous month.**

- **The Romanian gross domestic product contracted by 12.3% qoq and by 10.5% yoy in Q2 of 2020. Romania's annual inflation rate increased to 2.8% in July 2020 from 2.6% in the previous month. Romania's seasonally adjusted unemployment stood at 5.2% in June 2020, unchanged from the previous month.We expect a decline of GDP in Romania of-7% in 2020 and recovery of 6% in 2021.**

- **On annual base UK gross domestic product decreased by 21.7%. There was a widespread disruption to economic activity due to the coronavirus pandemic and the government's efforts to contain it. Annual inflation rate in the UK jumped to 1% in July of 2020 from 0.6% in June, beating market forecasts of 0.6%. The UK unemployment rate stood at 3.9% in the Q2 of 2020, unchanged from the previous three-month period and below market expectations of 4.2%, as many people gave up looking for work and who were therefore not considered to be unemployed.For the UK, we expect a contraction of -9.0% in 2020. We expect a recovery in UK of 6% in 2021.**

- **The US economy shrank by -32.9% qoq in Q2 2020, compared to forecasts of a -34.1% plunge. It is the biggest contraction ever, pushing the economy into a recession as the coronavirus pandemic forced many businesses including restaurants, cafes, stores and factories to close and people to stay at home, hurting consumer and business spending. GDP in the United States contracted -9.50% in Q2 of 2020 over the same quarter of the previous year. The US unemployment rate dropped to 11.1% in June 2020, easing further from an all-time high of 14.7% reached in April and remaining below market expectations of 12.3%, as many people returned to the labor market following weeks of coronavirus-induced restrictions. Annual inflation rate in the US increased to 0.6% in June of 2020 from May's four-and-a-half-year low of 0.1% and matching market forecasts. It is the highest reading in three months as businesses reopened after the coronavirus lockdown. In the US, we expect growth to contract -6.5% in 2020. We expect a recovery in US of 4.4% in 2021.**

- **The Japanese economy shrank 7.8% qoq in Q2 2020, compared with market forecasts of a 7.6% decline, and after a 0.6% fall in the previous period. GDP in Japan contracted 9.90% in Q2of 2020 over the same quarter of the previous year. Japan's consumer price inflation climbed to 0.3% in July from an over 3-year low of 0.1% yoy in June 2020, as the pandemic continued to hamper consumption excluding food. The unemployment rate in Japan edged down to 2.8% in June 2020 compared to 2.9% in the prior month and market expectations of 3.1%.We expect a recovery in Japan of 3.0% in 2021.**

- **The Chinese economy grew by a seasonally adjusted 11.5% on Q2 2020 months to June 2020, following a revised 10.0% contraction in the previous quarter and compared with market expectations of a 9.6% increase. This was the strongest pace of quarterly expansion on record, boosted by improving demand at home and abroad following the easing of COVID-19 lockdown restrictions. The Chinese economy grew by 3.2% year-on-year in Q2 2020, rebounding from a record 6.8% contraction in the previous three-month period and beating market consensus of a 2.5% expansion. China's annual inflation rate rose to 2.5% in June 2020 from a 14-month low of 2.4% in the prior month and in line with market expectations. We maintain our outlook of the Chinese economy growing only 1.0% in 2020 before recovering to 8.8% growth in 2021.**

- **The Turkish lira TRY crossed 7.3 against the USD for the first time ever in 07.08.2020, as investors worry about the state's capacity to support the currency. Latest data showed that the country's gross foreign reserves slumped to a 14-1/2-year low last week as the CBRT and state banks have been depleting their foreign exchange reserves to boost the lira. The TRY/USD rate will return to citizens as inflation and unemployment. The number of people unemployed expectation index, a gauge of sentiment about the health of the labor market, dropped to 61 from 62.1. Turkey's consumer price inflation rate eased to 11.76% year-on-year in June 2020, from a ten-month high of 12.62% in the previous month and below market expectations of 12.1%, as the economy continued to emerge from the coronavirus-induced lockdown.**

- **At 16 July 2020 meeting the Governing Council of the ECB took the following monetary policy decisions: (1) The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively. (2) The Governing Council will continue its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of EUR 1,350 billion. The Governing Council will conduct net asset purchases under the PEPP until at least the end of June 2021 and, in any case, until it judges that the coronavirus crisis phase is over. The Governing Council will reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance. (3) Net purchases under the asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional EUR 20 billion temporary envelope until the end of the year. The Governing Council continues to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. (4) The Governing Council will also continue to provide ample liquidity through its refinancing operations. In particular, the latest operation in the third series of targeted longer-term refinancing operations (TLTRO III) has registered a very high take-up of funds, supporting bank lending to firms and households. The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.**

- **Monetary Policy Summary and minutes of the Monetary Policy Committee meeting on 06 August 2020. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. In that context, its challenge at present is to respond to the economic and financial impact of the Covid-19 pandemic. At its meeting ending on 4 August 2020, the Monetary Policy Committee voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at GBP 745 billion. The outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors. The Monetary Policy Committee will keep under review the range of actions that could be taken to deliver its objectives. The Committee does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably. At this meeting, the Committee judges that the existing stance of monetary policy remains appropriate.**

- **The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0% to 0.25%. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the economy. In determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective. To support the flow of credit to households and businesses, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency residential and commercial mortgage-backed securities at least at the current pace to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions. In addition, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement operations.**

- At 16 July 2020 meeting the Governing Council of the ECB took the following monetary policy decisions: (1) The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively. (2) The Governing Council will continue its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of EUR 1,350 billion. The Governing Council will conduct net asset purchases under the PEPP until at least the end of June 2021 and, in any case, until it judges that the coronavirus crisis phase is over. The Governing Council will reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance. (3) Net purchases under the asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional EUR 20 billion temporary envelope until the end of the year. The Governing Council continues to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. (4) The Governing Council will also continue to provide ample liquidity through its refinancing operations. In particular, the latest operation in the third series of targeted longer-term refinancing operations (TLTRO III) has registered a very high take-up of funds, supporting bank lending to firms and households. The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.
- The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. In that context, its challenge at present is to respond to the economic and financial impact of the Covid-19 pandemic. At its meeting ending on 4 August 2020, the Monetary Policy Committee voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at GBP 745 billion. The outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors. The Monetary Policy Committee will keep under review the range of actions that could be taken to deliver its objectives. The Committee does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably. At this meeting, the Committee judges that the existing stance of monetary policy remains appropriate.
- The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0% to 0.25%. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the economy. In determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective. To support the flow of credit to households and businesses, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency residential and commercial mortgage-backed securities at least at the current pace to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions. In addition, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement operations.

- **At the Monetary Policy Meeting held July 15, 2020, the Policy Board of the Bank of Japan decided upon the following. (1) Yield curve control The Bank of Japan decided, by an 8-1 majority vote, to set the following guideline for market operations for the intermeeting period. The short-term policy interest rate: The Bank of Japan will apply a negative interest rate of minus -0.1% to the Policy-Rate Balances in current accounts held by financial institutions at the Bank of Japan. The long-term interest rate: The Bank of Japan will purchase a necessary amount of Japanese government bonds (JGBs) without setting an upper limit so that 10-year JGB yields will remain at around zero 0%. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. (2) Guidelines for asset purchases With regard to asset purchases other than Japanese government bonds purchases, the Bank of Japan decided, by a unanimous vote, to set the following guidelines. a) The Bank of Japan will actively purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) for the time being so that their amounts outstanding will increase at annual paces with the upper limit of about JPY 12 trillion and about JPY 180 billion JPY , respectively. b) As for CP and corporate bonds, the Bank of Japan will maintain their amounts outstanding at about JPY 2 trillion and about JPY 3 trillion, respectively. In addition, until the end of March 2021, it will conduct additional purchases with the upper limit of the amounts outstanding of JPY 7.5 trillion for each asset.**

- **China has started to ease up on the emergency monetary measures it used to support its economy in response to the coronavirus outbreak, according to analysts. Having avoided a recession with a stronger-than-expected economic rebound in the second quarter, and with concerns looming of creating excess debt and financial bubbles, pundits say China sees less of a need for extra cheap money. On 20.07.2020, the PBOC announced that it would leave its benchmark lending rate unchanged – the third month in a row that it has not changed the loan prime rate. Amid the coronavirus outbreak, the PBOC cut the loan prime rate twice this year, in February and April. The People's Bank of China (PBOC) held its benchmark interest rates steady for the third straight month at its July fixing, amid signs that the economy is recovering from the shock caused by COVID-19 crisis. The one-year loan prime rate (LPR) was left unchanged at 3.85% from the previous monthly fixing while the five-year remained at 4.65%. The Chinese central bank has also refrained from further cuts in banks' reserve requirement ratio for two months, despite widespread market expectations for at least one more cut. It had cut the ratio three times this year, unfreezing CNY 1.75 trillion (USD 250 billion).**

- **The Monetary Policy Committee (the Committee) has decided to keep the policy rate (one-week repo auction rate) constant at 8.25%. Despite the restraining effects of aggregate demand conditions, pandemic-related rise in unit costs have led to an increase in the trends of core inflation indicators. International commodity prices have continued to restrain consumer inflation, while food inflation has risen due to seasonal and pandemic-related effects. As the normalization process continues, supply-side factors, which have prevailed recently due to pandemic-related restrictions, will phase out. Indeed, leading indicators show that monthly price increases have started to slow down in services groups that have been subject to capacity constraints during the normalization process. The Committee maintains the view that demand-driven disinflationary effects will become more prevalent in the second half of the year, but risks on the end-year projection are considered to be on the upside due to recent realizations in inflation. Accordingly, considering all factors affecting the inflation outlook, the Committee decided to keep the policy rate unchanged. The Committee assesses that maintaining a sustained disinflation process is a key factor for achieving lower sovereign risk, lower long-term interest rates, and stronger economic recovery. Keeping the disinflation process in track with the targeted path requires the continuation of a cautious monetary stance. In this respect, monetary stance will be determined by considering the indicators of the underlying inflation trend to ensure the continuation of the disinflation process. The Central Bank will continue to use all available instruments in pursuit of the price stability and financial stability objectives.**

- **The Brent price decreases -0.60 USD/BBL or -1.35% to 44.480 USD/BBL on August 7. The price of crude oil decreases -0.57 USD/BBL or -1.38% to 41.370 USD/BBL on August 7. Oil prices fell on August 7, 2020, amid escalating tensions between the US and China and mounting concerns that a spike in global coronavirus infections could hamper fuel demand recovery.**

- **August 2020 began with expectations for a good harvest overseas and reduced forecasts in the EU, and traders took a wait-and-see attitude until more objective harvest data were obtained. However, most experts characterize the global balance as positive for buyers. In the beginning of August there were no significant changes in the prices of the main grain contracts on the world stock markets. Wheat in the US fell by USD 9.00 to 229.00 USD / ton, in France fell by EUR 4.00 to 185.00 EUR / ton. The price in Ukraine rose by USD 2.00 to 203.00 USD / ton, the one in Russia did not change - 205.00 USD / ton. For maize minus USD 8.00 to 158.00 USD / ton in Chicago, without change in Ukraine - 184.00 USD / ton and plus EUR 1.00 in France to 183.00 EUR / ton. Barley in Ukraine is at 186.00 USD / ton, an increase of USD 3.00, in France also an increase of EUR 5.00 to 173.00 EUR / ton. For rapeseed in the European Union / Euronext / the quotations decreased only by EUR 1.75 to 379.50 EUR / ton.**

- **The term of the emergency epidemic situation in Bulgaria is extended until August 31, 2020. by decision of the Government of Bulgaria. The government is proposing new socio-economic measures to help those affected by the crisis following the COVID-19 pandemic.**

- **In January – June 2020 the current and capital account was positive amounting to EUR 1,251.8 million (2.2% of GDP), compared with a surplus of EUR 1,122.1 million (1.8% of GDP) in January – June 2019. In January – June 2020 the balance on goods was negative amounting to EUR 225.5 million (0.4% of GDP), compared with a deficit of EUR 948.1 million (1.6% of GDP) in January – June 2019.**

- **In January-June 2020, the net flows of foreign direct investments in Bulgaria recorded a positive value of EUR 263 million (0.5% of GDP) in January – June 2020, dropping by EUR 128.3 million (32.8%) from January – June 2019 (positive value of EUR 391.3 million, 0.6% of GDP).**

- **In July 2020 the international reserves of the BNB amounted to BGN 54.5 billion (EUR 27.8 billion) and increased by 9.3% yoy, maintaining the stability of the Currency Board in Bulgaria.**

- **Bulgaria's GDP fall down by 8.2% in Q2 of 2020 compared to the same quarter of the previous year and with 9.8% compared to Q1 of 2020 according to the seasonally adjusted data.**

- **In July 2020, the total business climate indicator increases by 2.5 percentage points compared to the previous month. An increase of the indicator is observed in retail trade and in service sector, in industry preserves its level from the June 2020, and in construction, a reduction is registered.**

- **According to the preliminary data in June 2020 the Industrial Production Index, seasonally adjusted, increased by 5.8% as compared to May 2020. In June 2020 the working day adjusted Industrial Production Index fell by 7.7% in comparison with the same month of 2019.**

- **According to the preliminary seasonally adjusted data in June 2020 the turnover in 'Retail trade, except of motor vehicles and motorcycles' at constant prices increased by 0.9% compared to the previous month.**

- **According to the preliminary data, in June 2020 the index of production in section 'Construction' calculated on the base of seasonally adjusted data was 4.8% above the level of the previous month. In June 2020 the working day adjusted index of production in construction decreased by 2.2% in comparison with the same month of 2019.**

- **In June 2020, during the continuing epidemic situation in the country, the revenues from overnight stays in June 2020 reached BGN 23.1 million, or by 88.8% less compared to June 2019.**

- **The consumer price index in July 2020 compared to June 2020 was 100.5%, i.e. the monthly inflation was 0.5%. The inflation rate since the beginning of the year has been -0.5% and the annual inflation in July 2020 compared to July 2019 was 1.2%. The annual average inflation was 2.6%.**

- **The total income average per household member during Q2 of 2020 is BGN 1 698 and increases by 9.7% yoy. The total expenditure average per household member during Q2 of 2020 is BGN 1 384 and decreases by 1.3% yoy.**

- **In Q2 of 2020 the unemployment rate was 5.9%, and the employment rate of population aged 20 - 64 was 72.2%.**

- **At the end of June 2020 Bulgaria's budget balance presented 1.5% of full year projected GDP. As at end-June 2020, central government debt stands at BGN 24,561.8 million and presented 20,9% of full year GDP projection.**

- **Bulgaria's fiscal reserve amounted at BGN 8.89 billion or8.4% of GDP.As of the end of June 2020, the size of the gross loan portfolio of clients of the banking system at the end of June was BGN 67.0 billion and increased by 0.4% mom and by 6.1% yoy, respectively. The relative share of loans in GDP is 52%. The total amount of deposits from customers of the banking system exceeds BGN 93.3 billion and increased by 0.2% mom and by 8% yoy, respectively.Their relative share in GDP is 73.7%. The relative share of non-performing loans is 8.1% of the total volume of loans compared to 8% at the end of March 2020.**

GLOBAL TRENDS

Advanced countries’ economies

Eurozone

The Euro area economy shrank by 12.1% in Q2 2020, entering a steep recession. That was the biggest contraction on record, as lockdowns imposed to contain the spread of the coronavirus pandemic hit activity and global demand. All major economies in the region posted record declines in GDP: Spain (-18.5 %), Italy (-12.4%), France (-13.8%) and Germany (-10.1%). The Euro area economy shrank by a record 15.0% year-on-year in the second quarter of 2020, entering a steep recession and compared to market expectations of a 14.5% fall, a preliminary estimate showed, due to coronavirus-induced lockdowns. The annual inflation rate in the Euro area is expected to pick up to 0.4% in July of 2020 from 0.3% in the previous month and above market expectations of a 0.2% gain, a flash estimate showed. Main upward pressure is coming from services (0.9% vs 1.2% in June); non-energy industrial goods (1.7% vs 0.2%); and food, alcohol & tobacco (2% vs 3.2%). The annual core inflation, which excludes volatile prices of energy, food, alcohol & tobacco and at which the ECB looks in its policy decisions, is likely to accelerate to 1.2% from 0.8% in the prior month. On a monthly basis, consumer prices are expected to decrease by 0.3%, after a 0.3% increase in June. The Euro area seasonally-adjusted unemployment rate increased to 7.8% in June 2020 from an upwardly revised 7.7% in the previous month and above market expectations of 7.7%. It was the highest jobless rate since February last year amid the coronavirus crisis. The number of unemployed persons rose by 203 thousand to 12.685 million, with several countries across the bloc remaining under COVID-19 containment measures. Among the bloc's largest economies, the highest jobless rates were recorded in Spain (15.6%), Italy (8.8%), and France (7.7%) while the lowest was observed in Germany (5.8%). The youth unemployment rate, measuring job seekers aged 15 to 24, went up to 17% from 16.5% in May. Considering the European Union as a whole, the jobless rate was 7.1% in June, up from 7.0% in the prior month. Our 2020 base case annual growth forecast for euro area is -8.3%. We expect recovery of 5.2% in 2021.

Italy

Italy's gross domestic product shrank by -12.4% in Q2 2020, following a revised -5.4% contraction in the previous period and compared to market expectations of a -15% fall. That was the steepest pace of contraction since comparable series began in the 1960s as the country was one of the hardest hit by the coronavirus pandemic. The government was forced to introduce rigid restriction measures from March 9th, which were only gradually eased from May 4th. Italy's economy shrank by a record -17.3% year-on-year in the second quarter of 2020, entering a steep recession and compared to market expectations of -18.7% fall, a preliminary estimate showed, as coronavirus-induced lockdowns hit activity and consumption. Consumer prices in Italy are expected to fall -0.3% year-on-year in July 2020, following a -0.2% decrease in the previous month and compared with market expectations of a -0.1% drop, a preliminary estimate showed. Prices continued to fall for transport (-3.3% vs -3.7% in June); housing & utilities (-3.6% vs -4.4%), of which regulated (-12% vs -14.1% in June) and non-regulated energy products (-9% vs -11.2%); communication (-4.2% vs -3%); and restaurants & hotels (-0.2%, the same as in June). The annual core inflation rate, which excludes energy and unprocessed food is set to decrease to 0.7% from 0.9% in June. On a monthly basis, consumer prices are likely to decline -0.1%, after a 0.1% gain in the prior month. Italy's unemployment rate rose to 8.8% in June of 2020 from an upwardly revised 8.3% in the previous month and above market expectations of 8.6%, as the coronavirus pandemic continues to hit the labour market. The number of unemployed people increased by 149 thousand to 2.204 million while employment fell by 46 thousand to 22.702 million. The youth unemployment rate, measuring job-seekers between 15 and 24 years old, went up to 27.6% from 25.6% in May. We expects a contraction of Italian GDP of -10.7% in 2020. We expect a recovery in Italy of 4.1% in 2021.

France

The French economy shrank at a record 13.8% on Q2 2020, compared to market forecasts of a 15.3% contraction and after a revised 5.9% decline in the prior quarter. The economic recession deepened as the COVID-19 outbreak took a huge toll on the economy, with non-essential activities being closed between mid-March and the beginning of May. There were sharper declines in household consumption (-11.0% vs -5.8%), led by further falls in spending on both goods and services; fixed investment (-17.8% vs -10.3%), mainly led by construction; and government spending (-8% vs -3.5%). In addition, net foreign demand contributed negatively as exports plunged 25.5%. France's economy shrank by a record 19.0% year-on-year in the second quarter of 2020, entering a steep recession, a preliminary estimate showed, as coronavirus-induced lockdowns hit activity and consumption. The unemployment rate in France declined to 7.8% in the first quarter of 2020, the lowest level since the three months to December 2008 and below market expectations of 8.4%, due to a sharp fall in the number of unemployed declaring themselves available or actively looking for work during the period of lockdown. In metropolitan France only, the unemployment rate stood at 7.6%. The rate diminished significantly among persons aged 15 to 24 (-0.7 points) and those aged 50 and over (-0.4 points).The inflation rate in France increased to 0.8% in July of 2020 from 0.2% in June, beating market forecasts of 0.3%, preliminary estimates showed. It is the highest reading since February as the economy tries to recover from the coronavirus pandemic. On a monthly basis, consumer prices went up 0.4% after a 0.1% rise in June. We expect a decline of GDP growth in France of -10.5% in 2020 and recovery of 6.4% in 2021.

Spain

Spain's gross domestic product shrank by 18.5% on Q2 2020, the steepest period of contraction on record and compared to market expectations of a 16.6% fall. The contraction was triggered by one of Europe's strictest coronavirus lockdowns, which dragged the country to its steepest recession ever. Spain's economy shrank by a record 22.1% year-on-year in the second quarter of 2020, entering a steep recession and compared to market expectations of a 19.7% fall, a preliminary estimate showed, as coronavirus-induced lockdowns hit activity and consumption. Spain's unemployment rate rose to 15.33% in the second quarter of 2020, the highest since the first quarter of 2018, but below market expectations of 16.70% with the extent of the coronavirus crisis being masked by leaving out people on furlough and those not meeting technical jobless criteria. The number of unemployed increased by 55 thousand to 3.368 million, while employment declined by a record 1.074 million to 18.607 million. In addition, 1.019 million people dropped out of the labor force. Spain's consumer prices is expected to fall 0.6% from a year earlier in July 2020, following a 0.3% decline in the previous month and compared to market expectations of a 0.3 percent decrease, a preliminary estimate showed. The country slipped into deflation in April as the coronavirus pandemic hit the economy. We expect a decline of GDP in Spain of -12.7% in 2020 and recovery of 7.2% in 2021.

Lithuania

Lithuania's economy shrank 5.1% qoq in Q2 2020, entering a technical recession due to the coronavirus crisis. Negative contributions came from wholesale and retail trade, transport and storage, accommodation and food service; manufacturing; professional, scientific, technical, administrative and support service activities. On a yearly basis, the GDP contracted by 3.7%, the first contraction since the first quarter 2010, reversing a 2.4% expansion in the previous period. Lithuania's annual inflation rate came in at 1.0% in July of 2020, unchanged from the previous month. Inflation eased for food & non-alcoholic (1.1% vs 3 % in June); recreation & culture (0.7 % vs 1.1%); alcoholic beverages & tobacco (2.4% vs 2.8%). Meantime, miscellaneous goods & services inflation was steady (at 2.9%), while prices of clothing & footwear rebounded sharply (4.7% vs -1.2%). By contrast, prices continued to fall for transport (-4.2% vs -6.2%); housing & utilities (-5.9% vs -3.3%). On a monthly basis, consumer prices went down 0.3% in July, after a 0.5% gain in June. Unemployment Rate in Lithuania increased to 12.80 percent in July from 12.10 percent in June of 2020.

Slovenia

Slovenia’s economy shrank -2.3% yoy in the Q1 of 2020, after expanding 1.7% in the previous period. It was the first contraction since the third quarter of 2013, as the coronavirus pandemic began to hit the economy. Consumer spending shrank -6.4%, after increasing 1.2% in Q4 2019; and gross fixed capital formation dropped -6.3%, faster than a -4.5% fall. In contrast, government expenditure grew 5.8%, recovering from a 2% decline. Regarding net trade, exports went down -1.6% (vs -0.9% in Q4 2019) and imports decreased at a faster -2.5% (vs -0.8% in Q4 2019). On a seasonally adjusted quarterly basis, the economy shrank -4.5%, following a 0.4% growth in the prior period. That was the first contraction since the last quarter of 2012. The unemployment rate in Slovenia rose to 9.3% in May of 2020 from 9.1% in the previous month. Slovenia's consumer prices increased by 0.3% from a year earlier in July 2020, rebounding from three consecutive months of deflation. The harmonized index of CPI dropped 0.3%, easing from a 0.8% decline in June. We expect a decline of GDP in Slovenia of -10.0% in 2020 and recovery of 7.0% in 2021.

Poland

Poland's gross domestic product shrank by 8.2% yoy in Q2 of 2020, after expanding 2% in the previous quarter and compared with market expectations of an 8.6%. It was the sharpest contraction on record, amid the coronavirus pandemic and the government efforts to curb the spread of the virus. On a seasonally adjusted quarterly basis, the economy slumped 8.9 %, the most since series began, and following a 0.4% contraction in the first quarter of the year. Poland's annual inflation rate fell to 3% in July 2020 from 3.3% in the previous month and below a preliminary estimate of 3.1%. Prices slowed for food & non-alcoholic beverages (3.9% vs 5.7% in June); housing & utilities (7.2% vs 7.5%); recreation & culture (2.4% vs 3.1%); and health (5.3 % vs 5.6%). In contrast, prices rose further for furnishings & household equipment (1.2% vs 1%); communication (4.1% vs 3.8 %); education (5.7% vs 5.6%); and miscellaneous goods & services (4.2 % vs 3.4%). Also, cost dropped less for transport (-8.5% vs -10.4%) and clothing & footwear (-1.9% vs -3.2%). On a monthly basis, consumer prices fell 0.2%, after a 0.6% gain in the prior month. Poland's unemployment rate came in at 6.1% in July of 2020, unchanged from the previous month and in line with market expectations. It remains the highest jobless rate since February of 2019, as the number of unemployed increased by 3 thousand from a month earlier to an over two-year high of 1,030 thousand. A year ago, the jobless rate was lower at 5.2%. Considering the Q2 of 2020, the unemployment rate was 3.1%, the same as in Q1 2020.

Romania

The Romanian gross domestic product contracted 10.5% yoy in Q2 of 2020, after a 2.4% expansion in the previous period, compared to market consensus of a 10.6% contraction. This was the first contraction in the GDP since Q4 2012 and the steepest contraction since the series began in Q1 of 1996. On a seasonally adjusted quarterly basis, the economy shrank 12.3%, the most since the data began in Q2 1995, after a 0.3% growth in the Q1 2020. Romania's annual inflation rate increased to 2.8% in July 2020 from 2.6% in the previous month, matching market estimates. It was the highest inflation rate since March, as food inflation accelerated to a three-month high of 5.6 % in July, after increasing 5.4% in June. Also, both non-food products inflation (0.9 % vs 0.7%) and services (3.0% vs 2.8%) accelerated. On a monthly basis, consumer prices were flat in July, following a 0.1% gain June. Romania's seasonally adjusted unemployment stood at 5.2% in June 2020, unchanged from the previous month. This remained the highest jobless rate since May 2017, with the number of unemployed increasing by 3.2 thousand to 467 thousand. Meanwhile, the unemployment rate fell for men (5.5 % vs 6.1%) while rose for women (5.0% vs 4.0%).

Great Britain

UK gross domestic product shrank by 20.4% qoq in Q2 of 2020, the most since comparable records began in 1955 and compared to market expectations of a 20.5% contraction. That was the second consecutive quarterly decline in GDP, officially entering a recession, due to the COVID-19 pandemic and the government measures taken to reduce transmission of the virus. Private consumption accounted for more than 70% of the decline in the GDP, down by 23.1%. There were also notable falls in gross fixed capital formation (-25.5%) and government consumption (-14.0%). Net external demand contributed positively as imports fell more than exports. On annual base UK gross domestic product decreased by 21.7%. There was a widespread disruption to economic activity due to the coronavirus pandemic and the government's efforts to contain it. Household consumption dropped 25.2% and fixed investment slumped 27.0%. In addition, government spending was 16.9% lower while exports and imports both fell sharply. Annual inflation rate in the UK jumped to 1% in July of 2020 from 0.6% in June, beating market forecasts of 0.6%. It is the highest reading since March, as the restrictions caused by the coronavirus pandemic have been eased. The largest contributions came clothing (-0.1% vs -2.2%), rising prices at the petrol pump (transportation prices were down 0.7% vs -1.6% in June), and furniture and household goods (0.8% vs -0.5%), namely single beds and bath sheets. In contrast, food inflation slowed (0.8% vs 1.1%), mainly due to fruit, vegetables (including potatoes and tubers), fish, meat, and milk, cheese and eggs. On a monthly basis, consumer prices went up 0.4%, after a 0.1% rise and beating forecasts of a 0.1% fall. The UK unemployment rate stood at 3.9% in the Q2 of 2020, unchanged from the previous three-month period and below market expectations of 4.2%, as many people gave up looking for work and who were therefore not considered to be unemployed. Meanwhile, employment fell by 220 thousand to 32.92 million, the largest quarterly drop since May to July 2009, as the coronavirus pandemic hit the labor market. A large number of people were estimated to be temporarily away from work, including furloughed workers; approximately 7.5 million in June with over 3 million of these being away for three months or more. There were also around 300,000 people away from work because of the pandemic and receiving no pay in June.

USA

The US economy shrank by -32.9% qoq in Q2 2020, compared to forecasts of a -34.1% plunge. It is the biggest contraction ever, pushing the economy into a recession as the coronavirus pandemic forced many businesses including restaurants, cafes, stores and factories to close and people to stay at home, hurting consumer and business spending. Decreases were seen in personal consumption, exports, private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending while federal government spending jumped. The recovery will depend on the capacity of the country to control the pandemic and avoid more waves of infections. Still, the number of new cases continues to increase, making several states to scale back or pause the reopening of their economies. The Gross Domestic Product (GDP) in the United States contracted -9.50% in the second quarter of 2020 over the same quarter of the previous year. The US unemployment rate dropped to 11.1% in June 2020, easing further from an all-time high of 14.7% reached in April and remaining below market expectations of 12.3%, as many people returned to the labor market following weeks of coronavirus-induced restrictions. Although unemployment fell in May and June, the jobless rate and the number of unemployed are up by 7.6% and 12.0 million, respectively, since February.Annual inflation rate in the US increased to 0.6% in June of 2020 from May's four-and-a-half-year low of 0.1% and matching market forecasts. It is the highest reading in three months as businesses reopened after the coronavirus lockdown. On a monthly basis, prices went up 0.6%, the most since August of 2012, with a 12.3% surge in gasoline prices accounting for over half of the monthly increase. Annual core inflation which excludes food and energy was unchanged at 1.2% and the monthly rate increased to 0.2%. In the US, we expect growth to contract -6.5% in 2020. We expect a recovery in US of 4.4% in 2021.

Japan

The Japanese economy shrank 7.8% qoq in Q2 2020, compared with market forecasts of a 7.6% decline, and after a 0.6% fall in the previous period. This was the third straight quarter of contraction and the steepest on record, amid the severe impact of the COVID-19 crisis. There were declines in private consumption (-8.2% vs -0.8% in Q1), capital expenditure (-1.5% vs 1.7%), and government spending (-0.3% vs flat reading). In addition, net external demand subtracted 3.0 percentage points off growth, with exports falling the most since Q1 2009 (-18.5% vs -5.4%) and imports dropping for a third straight quarter.5% vs -4.2%). On an annualized basis, the economy collapsed 27.8% in Q2, the deepest on record, compared to consensus of a 27.2% slump. GDP in Japan contracted 9.90% in Q2of 2020 over the same quarter of the previous year. Japan's consumer price inflation climbed to 0.3% in July from an over 3-year low of 0.1% yoy in June 2020, as the pandemic continued to hamper consumption excluding food. Prices fell at a softer 10.3% pace for education (vs 10.5% in June) and 0.1% for transport & communication (vs -0.5%). In contrast, fuel, light & water charges prices dropped further (-2.2% vs -2%). Meanwhile, inflation for housing remained unchanged at 0.7%. Food inflation jumped to 1.9% from 1.5% in the previous month. On a monthly basis, consumer prices edged up 0.2% after edging up 0.1%. Core consumer prices, which exclude fresh food, remained unchanged for the second month. The unemployment rate in Japan edged down to 2.8% in June 2020 compared to 2.9% in the prior month and market expectations of 3.1%. It was still the second-highest jobless rate since May 2017 and is higher than the 2.3% in the same month of the previous month. The number of unemployed declined by 1.5% to 1.94 million while employment edged up 0.1% to 66.37 million. The jobs-to-applicants ratio slumped to 1.11 in June from 1.20 in May, marking the lowest reading since October 2014.We expect growth in Japan to contract -5.2% in 2020. We expect a recovery in Japan of 3.0% in 2021.

China

The Chinese economy grew by a seasonally adjusted 11.5% qoq in Q2 2020, following a revised 10.0% contraction in the previous quarter and compared with market expectations of a 9.6% increase. This was the strongest pace of quarterly expansion on record, boosted by improving demand at home and abroad following the easing of COVID-19 lockdown restrictions. The Chinese economy grew by 3.2% year-on-year in the second quarter of 2020, rebounding from a record 6.8% contraction in the previous three-month period and beating market consensus of a 2.5% expansion. The country became the first major economy to report growth following the coronavirus pandemic, as factories and stores reopened following months of coronavirus-induced restrictions. However, a continuing fall in retail trade underlined weakness in consumer spending. Considering the first half of the year, the economy contracted by -1.6% over the same period of 2019. Unemployment Rate in China decreased to 5.70% in June from 5.90% in May of 2020. China's annual inflation rate rose to 2.5% in June 2020 from a 14-month low of 2.4% in the prior month and in line with market expectations. Food inflation accelerated to 11.1% from 10.6% in May as pork prices continued to rise (81.6% vs 81.7%). On a monthly basis, consumer prices dropped 0.1%, after a 0.8% decline in May and compared with forecasts of a flat reading. We maintain our outlook of the Chinese economy growing only 1.0% in 2020 before recovering to 8.8% growth in 2021.

Turkey

The Turkish lira TRY crossed 7.3 against the USD for the first time ever in 07.08.2020, as investors worry about the state's capacity to support the currency. Latest data showed that the country's gross foreign reserves slumped to a 14-1/2-year low last week as the CBRT and state banks have been depleting their foreign exchange reserves to boost the lira. Meanwhile, negative real rates for lira depositors are a concern as annual consumer price inflation stood at 11.76% in July, while the central bank's policy rate is 8.25%. The currency was also hit by concerns over high external payment obligations and rising current account deficit. The lira has lost 18% against the USD this year despite the recent dollar's weakness. Economists say the rise in the TRY/USD rate will return to citizens as inflation and unemployment. Companies will be adversely affected by rising costs. The Istanbul Chamber of Industry Turkey Manufacturing PMI increased to 56.9 in July 2020 from 53.9 in the previous month. The reading pointed to the second consecutive expansion in factory activity and the sharpest since February 2011, as several businesses continued to resume operations following lockdowns due to the coronavirus pandemic. The consumer confidence in Turkey decreased to 60.9 in July of 2020 from 62.6 in the previous month. There was a deterioration in expectations over the next 12 months regarding the general economic situation (82.2 vs 85.5 in June) and the probability of saving (19.9 vs 23.1). Also, the number of people unemployed expectation index, a gauge of sentiment about the health of the labor market, dropped to 61 from 62.1. Turkey's consumer price inflation rate eased to 11.76% year-on-year in June 2020, from a ten-month high of 12.62% in the previous month and below market expectations of 12.1%, as the economy continued to emerge from the coronavirus-induced lockdown.

Policy of the central banks

European Central Bank (ECB)

Monetary policy decisions 16 July 2020. At 16 July 2020 meeting the Governing Council of the ECB took the following monetary policy decisions:
(1) The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively.
(2) The Governing Council will continue its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of EUR 1,350 billion. The Governing Council will conduct net asset purchases under the PEPP until at least the end of June 2021 and, in any case, until it judges that the coronavirus crisis phase is over. The Governing Council will reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.
(3) Net purchases under the asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional EUR 20 billion temporary envelope until the end of the year. The Governing Council continues to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates.
(4) The Governing Council will also continue to provide ample liquidity through its refinancing operations. In particular, the latest operation in the third series of targeted longer-term refinancing operations (TLTRO III) has registered a very high take-up of funds, supporting bank lending to firms and households.
The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

Bank of England (BoE)

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting on 06 August 2020.
The Bank of England’s Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. In that context, its challenge at present is to respond to the economic and financial impact of the Covid-19 pandemic. At its meeting ending on 4 August 2020, the Monetary Policy Committee voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at GBP 745 billion. The outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors. UK GDP is expected to have been over 20% lower in 2020 Q2 than in 2019 Q4.

Employment appears to have fallen since the Covid-19 outbreak, although this has been very significantly mitigated by the extensive take-up of support from temporary government schemes. In the Monetary Policy Committee's central projection, GDP continues to recover beyond the near term, as social distancing eases and consumer spending picks up further. Business investment also recovers, but somewhat more slowly. Unemployment declines gradually from the beginning of 2021 onwards. Activity is supported by the substantial fiscal and monetary policy actions in place. Nonetheless, the recovery in demand takes time as health concerns drag on activity. GDP is not projected to exceed its level in 2019 Q4 until the end of 2021, in part reflecting persistently weaker supply capacity. The risks to the outlook for GDP are judged to be skewed to the downside. CPI inflation is expected to fall further below the 2% target and average around 0.25% in the latter part of the year, largely reflecting the direct and indirect effects of Covid-19. In the Monetary Policy Committee's central projection, conditioned on prevailing market yields, CPI inflation is expected to be around 2% in two years' time. The Committee will continue to monitor the situation closely and stands ready to adjust monetary policy accordingly to meet its remit. The Monetary Policy Committee will keep under review the range of actions that could be taken to deliver its objectives. The Committee does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably. At this meeting, the Committee judges that the existing stance of monetary policy remains appropriate.
USA Federal Reserve

Federal Reserve issues FOMC statement July 29, 2020.
The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0% to 0.25%. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the economy. In determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective. To support the flow of credit to households and businesses, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency residential and commercial mortgage-backed securities at least at the current pace to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions. In addition, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement operations. The Committee will closely monitor developments and is prepared to adjust its plans as appropriate.

Bank of Japan (BoJ)
July 15, 2020 Bank of Japan Statement on Monetary Policy
1. At the Monetary Policy Meeting held July 15, 2020, the Policy Board of the Bank of Japan decided upon the following.
(1) Yield curve control The Bank of Japan decided, by an 8-1 majority vote, to set the following guideline for market operations for the intermeeting period.
The short-term policy interest rate: The Bank of Japan will apply a negative interest rate of minus -0.1% to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.
The long-term interest rate: The Bank of Japan will purchase a necessary amount of Japanese government bonds (JGBs) without setting an upper limit so that 10-year JGB yields will remain at around zero 0%. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.
(2) Guidelines for asset purchases
With regard to asset purchases other than Japanese government bonds purchases, the Bank of Japan decided, by a unanimous vote, to set the following guidelines.
a) The Bank of Japan will actively purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) for the time being so that their amounts outstanding will increase at annual paces with the upper limit of about JPY 12 trillion and about JPY 180 billion JPY , respectively.
b) As for CP and corporate bonds, the Bank of Japan will maintain their amounts outstanding at about JPY 2 trillion and about JPY 3 trillion, respectively. In addition, until the end of March 2021, it will conduct additional purchases with the upper limit of the amounts outstanding of JPY 7.5 trillion for each asset.

PBoC

China has started to ease up on the emergency monetary measures it used to support its economy in response to the coronavirus outbreak, according to analysts. Having avoided a recession with a stronger-than-expected economic rebound in the second quarter, and with concerns looming of creating excess debt and financial bubbles, pundits say China sees less of a need for extra cheap money. On 20.07.2020, the PBOC announced that it would leave its benchmark lending rate unchanged – the third month in a row that it has not changed the loan prime rate. Amid the coronavirus outbreak, the PBOC cut the loan prime rate twice this year, in February and April. The People's Bank of China (PBOC) held its benchmark interest rates steady for the third straight month at its July fixing, amid signs that the economy is recovering from the shock caused by COVID-19 crisis. The one-year loan prime rate (LPR) was left unchanged at 3.85% from the previous monthly fixing while the five-year remained at 4.65%. The Chinese central bank has also refrained from further cuts in banks' reserve requirement ratio for two months, despite widespread market expectations for at least one more cut. It had cut the ratio three times this year, unfreezing CNY 1.75 trillion (USD 250 billion). The PBOC has often used adjustments to the ratio to reduce the amount of money that banks are required to hold in reserve, to pump more funds into the banking system. At the same time, the PBOC in recent weeks has shown a tolerance for a rise in the cost that banks pay to borrow yuan from the Chinese interbank market. The combination of these has sparked concern that China has begun to tighten up on its monetary policy easing after its economy grew a robust 3.2% in the second quarter. Analysts from the Institute of International Finance in Washington said that PBOC had begun to suspend its moderate pandemic emergency stimulus as the Chinese economy has bounced back and as concerns about financial froth have increased. "Since late May, the PBOC has paused both the quantity [of new liquidity] and rate easing, warned the market against leveraging, and hinted at its exit from pandemic-related stimulus," they wrote in a note published on 22.07.2020. Central bank officials also indicated that they are now pivoting back to normalcy from a crisis stance, as a batch of financial stimulus worth CNY 1.8 trillion (USD 257 billion), introduced at the height of the domestic outbreak, basically completed their mission. "Monetary policy should be more flexible and moderate, so PBOC are now emphasising the word 'moderate'," said Guo Kai, deputy director of the PBOC's Monetary Policy Department. "If the credit expansion is too rapid, more rapid than the economic recovery, it will result in a waste of funds. It is also unfavourable if interest rates are too low. If interest rates are significantly lower than the level of the potential economic growth rate, it will cause arbitrage and resource misallocation, guiding the money to areas where it should not go. An over-aggressive stimulus creates a property bubble. That is what PBOC doesn't want to see."

Central Bank of Turkey

Central Bank of Turkey Press Release on Interest Rates 23 July 2020.

The Monetary Policy Committee (the Committee) has decided to keep the policy rate (one-week repo auction rate) constant at 8.25%. Despite the restraining effects of aggregate demand conditions, pandemic-related rise in unit costs have led to an increase in the trends of core inflation indicators. International commodity prices have continued to restrain consumer inflation, while food inflation has risen due to seasonal and pandemic-related effects. As the normalization process continues, supply-side factors, which have prevailed recently due to pandemic-related restrictions, will phase out. Indeed, leading indicators show that monthly price increases have started to slow down in services groups that have been subject to capacity constraints during the normalization process. The Committee maintains the view that demand-driven disinflationary effects will become more prevalent in the second half of the year, but risks on the end-year projection are considered to be on the upside due to recent realizations in inflation. Accordingly, considering all factors affecting the inflation outlook, the Committee decided to keep the policy rate unchanged. The Committee assesses that maintaining a sustained disinflation process is a key factor for achieving lower sovereign risk, lower long-term interest rates, and stronger economic recovery. Keeping the disinflation process in track with the targeted path requires the continuation of a cautious monetary stance. In this respect, monetary stance will be determined by considering the indicators of the underlying inflation trend to ensure the continuation of the disinflation process. The Central Bank will continue to use all available instruments in pursuit of the price stability and financial stability objectives. It should be emphasized that any new data or information may lead the Committee to revise its stance.

International commodity prices

Oil

The Brent price decreases -0.60 USD/BBL or -1.35% to 44.480 USD/BBL on August 7. The price of crude oil decreases -0.57 USD/BBL or -1.38% to 41.370 USD/BBL on August 7. Oil prices fell on August 7, 2020, amid escalating tensions between the US and China and mounting concerns that a spike in global coronavirus infections could hamper fuel demand recovery. Tensions between the US and China heightened after US President Trump issued executive orders that would ban transactions with two Chinese apps, Tencent's WeChat and ByteDance's Tiktok. On the supply side, Iraq, OPEC's biggest producer after Saudi Arabia, said it would make an additional cut in its oil productions of about 400,000 barrels per day in August. Investors now await news on a fresh US coronavirus relief package. Still, oil prices headed for around 3% weekly gain, the largest advance since the week ending on July 3rd.

Agriculture goods

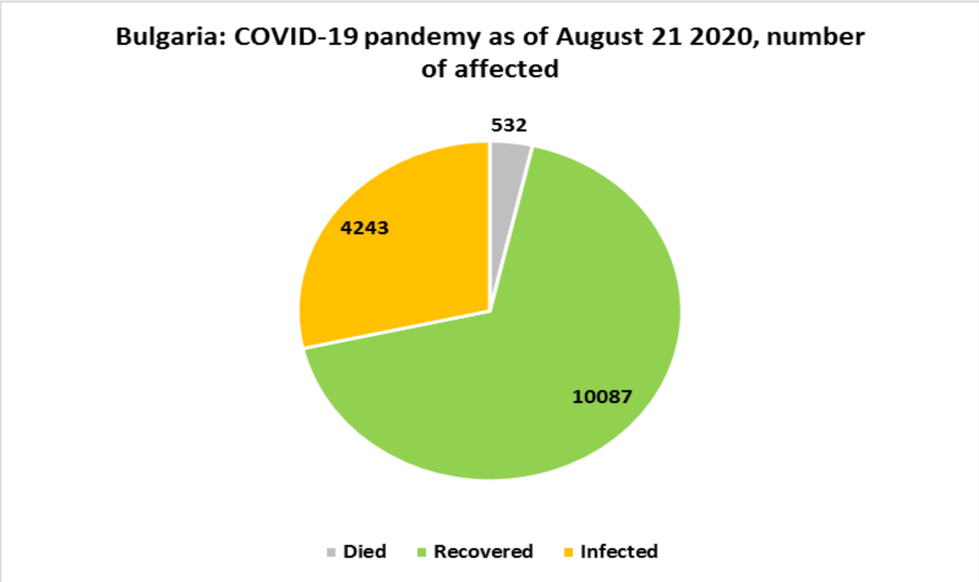
August 2020 began with expectations for a good harvest overseas and reduced forecasts in the EU, and traders took a wait-and-see attitude until more objective harvest data were obtained. However, most experts characterize the global balance as positive for buyers. In the beginning of August there were no significant changes in the prices of the main grain contracts on the world stock markets. Wheat in the US fell by USD 9.00 to 229.00 USD / ton, in France fell by EUR 4.00 to 185.00 EUR / ton. The price in Ukraine rose by USD 2.00 to 203.00 USD / ton, the one in Russia did not change - 205.00 USD / ton. For maize minus USD 8.00 to 158.00 USD / ton in Chicago, without change in Ukraine - 184.00 USD / ton and plus EUR 1.00 in France to 183.00 EUR / ton. Barley in Ukraine is at 186.00 USD / ton, an increase of USD 3.00, in France also an increase of EUR 5.00 to 173.00 EUR / ton. For rapeseed in the European Union / Euronext / the quotations decreased only by EUR 1.75 to 379.50 EUR / ton. Beyond these "cereal" changes, unrefined sunflower oil on the Rotterdam Stock Exchange is again moving significantly and with a record appreciation from plus USD 30.00 to 890.00 USD / ton, with analysts citing speculative purchases as the main reason. Refined sugar continued more moderately up from USD 9.50 to 377.70 USD / ton on the London Stock Exchange.

In the "Grain" sub-district of the Sofia Commodity Exchange AD the offers are the same as the previous price levels. Bread wheat is in demand at 320.00 BGN / ton, the supply is at 340.00-360.00 BGN / ton. The fodder is in demand at 300.00 BGN / ton. Corn is between 290.00 and 300.00 BGN / ton for buying and selling, respectively. For oilseed sunflower from the place the demand is slightly higher - 620.00-640.00 BGN / ton, the sellers quote 650.00-660.00 BGN / ton. All prices are without VAT.

II.BULGARIA: ACCENTS AND PROJECTIONS

HEALTH

The prolongation of the emergency epidemic situation related to the spread of COVID-19 on the territory of Bulgaria provides an opportunity to strengthen the implementation of temporary anti-epidemic measures in order to limit the spread of the disease and protect the lives and health of citizens. The COVID-19 pandemic is a severe public health emergency nationally and globally. According to the European Center for Disease Prevention and Control, as of August 21, 2020, 22,536,278 patients with COVID-19, incl. 789 197 died. Of these, 3,909,981 cases, or 17%, occurred in the European Union / EU // European Economic Area / EEA / and the United Kingdom of Great Britain and Northern Ireland, with a total death toll of 215,781, or 28% of all reported cases Deaths from the new coronavirus. As of August 21, 2020, 14,862 patients and 532 deaths from COVID-19 have been reported in Bulgaria.



The government is proposing new socio-economic measures to help those affected by the crisis following the COVID-19 pandemic.

Social measures include:

- Increase of the personnel costs by 30% from August 1 of bodies and administrations, charged with activities for control of the pandemic - the rate of night work is increased, as well as additional costs for overtime work in the amount of BGN 92 million.
- The funds are provided for structures of the Ministry of Health, the Ministry of Labor, the Ministry of Interior, the National Health Insurance Fund, the National Social Security Institute and others.
- The standards for the activities delegated by the state for school and children's health care and health offices are increased, as well as homes for the elderly, people with disabilities, day care centers for children, etc. amounting to BGN 24.6 million
- For a one-time supplement to the pensions for three months in a row, BGN 50 for each pensioner, which is over 318 million. At the end of August, when a new budget execution estimate is made, this measure can be extended.
- Funds for subsidies of medical establishments are increased - for patients with infectious diseases, tuberculosis and non-specific lung diseases, with mental illnesses and for medical establishments in remote and hard-to-reach areas - BGN 17 million and 300 000.
- Increase in the value of health insurance payments for medical and dental care - amounting to BGN 126 million and BGN 300,000.
- Additional funds from the MLSP budget - BGN 122 million for additional funds for personal assistants.
- Increasing the minimum amount of the daily unemployment benefit from October 1 from BGN 9 to BGN 12.

- Increasing the term of payment of unemployment benefits by an additional three months.
- Providing a net remuneration in the amount of BGN 1,000 for first-line physicians - BGN 67 million by the end of 2020.

Economic measures include:

- BGN 1.8 billion available is provided by the Ministry of Economy for business assistance.
- BGN 9.5 million are provided to the Ministry of Economy to encourage foreign investors in Bulgaria.
- Additional funds are allocated to almost every ministry.
- Tour operators transporting tourists to the country will receive a subsidy of 35 euros per seat.

POLITICAL ENVIRONMENT

The protests in Bulgaria last nearly 40 days and create a political risk for our country. The protests in Bulgaria start on July 9, 2020. They oppose corruption in the economy and the judiciary. The reason for the protests is a series of events related to the actions and inactions of the executive and the judiciary. The protesters are mostly young people and there is no specific political party behind them. The protesters were criticized for not having clear demands and not being able to broadcast their representation. The immediate goal of the demonstrators is the resignation of the cabinet and the chief prosecutor, and early elections, but the various initiators add other demands. Such are remote voting, convening a Grand National Assembly and reforming the constitution, lustration of the former communists in power, modernization of the administration, removal of the mutts as a privileged stratum, and others. The lack of an organization to represent the protesters in the elections they demanded raises fears that their energy could be misused by opposition parties and that the protest could become a background. Dozens of intersections, highways and main streets in major cities, as well as border checkpoints, have been blocked. Meanwhile, the government has taken concrete action to elect a Grand National Assembly, amend the constitution and restart the political system.

EXTERNAL SECTOR

According BNB data the current and capital account recorded a surplus of EUR 263.9 million in June 2020, compared with a surplus of EUR 712.3 million in June 2019. In January – June 2020 the current and capital account was positive amounting to EUR 1,251.8 million (2.2% of GDP), compared with a surplus of EUR 1,122.1 million (1.8% of GDP) in January – June 2019. The current account was positive amounting to EUR 159.9 million in June 2020, compared with a surplus of EUR 652.8 million in June 2019. In January – June 2020 the current account was positive and amounted to EUR 777 million (1.4% of GDP), compared with a surplus of EUR 690.7 million (1.1% of GDP) in January – June 2019. The balance on goods recorded a deficit of EUR 81.3 million in June 2020, compared with a deficit of EUR 104.7 million in June 2019. In January – June 2020 the balance on goods was negative amounting to EUR 225.5 million (0.4% of GDP), compared with a deficit of EUR 948.1 million (1.6% of GDP) in January – June 2019. Exports of goods amounted to EUR 2,211.5 million in June 2020, dropping by EUR 108.7 million (4.7%) from EUR 2,320.3 million in June 2019. In January – June 2020 exports of goods totalled EUR 13,023.5 million (22.9% of GDP), dropping by EUR 1,061.5 million (7.5%) year-on-year (from EUR 14,085 million, 23.2% of GDP). In January – June 2019 exports grew by 6.9% year-on-year. Imports of goods amounted to EUR 2,292.8 million in June 2020, dropping by EUR 132.1 million (5.4%) from June 2019 (EUR 2,425 million). In January – June 2020 imports of goods totalled EUR 13,249 million (23.3% of GDP), down by EUR 1,784.1 million (11.9%) from January – June 2019 (EUR 15,033.1 million, 24.8% of GDP). In January – June 2019 imports grew by 5.4% year-on-year. Services recorded a positive balance of EUR 120.4 million in June 2020, compared with a surplus of EUR 508.6 million in June 2019. In January – June 2020 services recorded a surplus of EUR 751.4 million (1.3% of GDP) compared with a positive balance of EUR 1,236 million (2% of GDP) in the same period of 2019. The net primary income (which reflects the receipt and payment of income related to the use of resources (labour, capital, land), taxes of production and imports and subsidies) recorded a deficit of EUR 105.3 million, compared with a deficit of EUR 123.6 million in June 20193. In January – June 2020 the balance on primary income was negative and equated to EUR 634 million (1.1% of GDP), compared with a deficit of EUR 859 million (1.4% of GDP) in January – June 2019. The net secondary income (which reflects the redistribution of income) recorded a surplus of EUR 226.1 million, compared with a positive balance of EUR 372.5 million in June 2019. In January – June 2020 the net secondary income was positive amounting to EUR 885.1 million (1.6% of GDP), compared with a positive balance of EUR 1,261.9 million (2.1% of GDP) in the same period of 2019. The capital account recorded a surplus of EUR 104 million, compared with a positive balance of EUR 59.6 million in June 2019. In January – June 2020 the capital account recorded a surplus of EUR 474.8 million (0.8% of GDP), compared with a positive balance of EUR 431.4 million (0.7% of GDP) in January – June 2019. The financial account recorded a positive balance of EUR 398.4 million, compared with a positive value of EUR 274.7 million in June 2019. In January – June 2020 the financial account recorded a net inflow of EUR 1,661.9 million (2.9% of GDP) compared with an inflow of EUR 913 million (1.5% of GDP) in January – June 2019. The balance on direct investment was negative amounting to EUR 24.2 million, compared with a negative balance of EUR 64.3 million in June 2019. In January – June 2020 direct investment recorded a negative balance of EUR 251.8 million (0.4% of GDP), compared with a negative balance of EUR 220 million (0.4% of GDP) in January – June 2019. Direct investment – assets grew by EUR 94 million compared with an increase of EUR 1.8 million in June 2019. In January – June 2020 direct investment – assets grew by EUR 233.8 million (0.4% of GDP) compared with an increase of EUR 182.9 million (0.3% of GDP) in the same period of 2019. Direct investment – liabilities grew by EUR 118.3 million in June 2020, compared with an increase of EUR 66.2 million in June 2019. In January – June 2020 direct investment – liabilities grew by EUR 485.6 million (0.9% of GDP), compared with an increase of EUR 402.9 million (0.7% of GDP) in the same period of 2019.

Bulgaria: Balance of payments	June 2019	June 2020	Change in EUR million	January - June 2019	January - June 2020	Change in EUR million
Current and capital account	712.3	263.9	-448.4	1122.1	1251.8	129.8
Current account	652.8	159.9	-492.9	690.7	777.0	86.3
Trade balance	-104.7	-81.3	23.4	-948.1	-225.5	722.6
Primary income, net	-123.6	-105.3	18.3	-859.0	-634.0	225.0
Secondary income, net	372.5	226.1	-146.4	1261.9	885.1	-376.8
Capital account	59.6	104.0	44.5	431.4	474.8	43.4
Capital transfers, net	28.3	77.9	49.6	285.4	512.6	227.2
Financial account	274.7	398.4	123.7	913.0	1661.9	748.9
Source: BNB						

Foreign Direct Investments

According to preliminary data, the net flows of foreign direct investment in Bulgaria presented according to the directional principle recorded a positive value of EUR 263 million (0.5% of GDP) in January – June 2020, dropping by EUR 128.3 million (32.8%) from January – June 2019 (positive value of EUR 391.3 million, 0.6% of GDP). Foreign direct investment in Bulgaria recorded an inflow of EUR 48.3 million in June 2020, compared with an inflow of EUR 85.1 million in June 2019. Equity (acquisition/disposal of shares and equities in cash and contributions in kind by non-residents in/from the capital and reserves of Bulgarian enterprises, and receipts/payments from/for real estate deals in the country) recorded a positive value of EUR 44 million in January – June 2020, growing by EUR 543.9 million from a negative value of EUR 499.9 million in January – June 2019. Real estate investments of non-residents recorded a positive value of EUR 0.02 million, compared with a positive one of EUR 3.2 million in January – June 2019. Reinvestment of earnings (the share of non-residents in the undistributed earnings/ loss of the enterprise based on preliminary profit and loss data) was estimated at a positive value of EUR 319.2 million, compared with a positive value of EUR 47.8 million in January – June 2019. The net flow on debt instruments (the change in the net liabilities between affiliated enterprises on financial loans, suppliers' credits and debt securities) recorded a negative value of EUR 100.2 million in January – June 2020, compared with a positive value of EUR 843.4 million in January – June 2019. The largest net direct investment inflows in Bulgaria for January – June 2020 were from Russia (EUR 124.1 million), France (EUR 55 million) and Germany (EUR 44.5 million). According to preliminary data, direct investment abroad totalled EUR 11.2 million (0.02% of GDP), compared with EUR 171.3 million (0.3% of GDP) in January – June 2019. It grew by EUR 24.1 million in June 2020, compared with EUR 20.8 million in June 2019. According to preliminary data, the stocks of foreign direct investment in Bulgaria stood at EUR 45,981.6 million at endMarch 2020, compared with EUR 46,160 million at end-2019. Equity and reinvestment of earnings totalled EUR 36,484.8 million, growing by EUR 139.6 million from EUR 36,345.2 million in December 2019. Debt instruments amounted to EUR 9,496.8 million, decreasing by EUR 318 million from December 2019 (EUR 9,814.8 million).

Bulgaria: Direct investments	June 2019	June 2020	January - June 2019	January - June 2020	Change in EUR million, mom	Channge in EUR million, yoy
Direct investments, net	**-64.3**	**-220.0**	**-24.2**	**-251.8**	**-155.7**	**-227.6**
Direct investments in abroad	**20.8**	**171.3**	**24.1**	**11.2**	**150.5**	**-12.9**
Equity	11.7	119.3	2.3	14.6	107.6	12.3
Reinvestments of earnings	8.1	7.3	0.2	-3.0	-0.8	-3.2
Debt investments	0.9	44.7	21.6	-0.3	43.8	-21.9
Direct investments in a country	**85.1**	**391.3**	**48.3**	**263.0**	**306.2**	**214.7**
Equity	165.5	-499.9	116.3	44.0	-665.4	-72.3
Reinvestments of earnings	-217.7	47.8	-28.0	-319.2	265.5	-291.2
Debt investments	137.3	843.4	-40.0	-100.2	706.1	-60.2
Source: BNB						

Foreign reserves

According to BNB data, at the end of July 2020 Bulgaria's international reserves amounted to BGN 54.5 billion (EUR 28.8 billion) and increased by 9.3% on an annual basis, with a monthly decline of 0,5%. Their increase compared to the end of 2019 is 1.6%. The level of international reserves is optimal and ensures the stability of the Currency Board in Bulgaria. Bulgaria's international liquidity position, calculated as the ratio of international reserves to Bulgaria's short-term external debt, is very high, at 345% at the end of May 2020 compared to 340% for the previous month, 294% at the end of 2019 and 297 % at the end of May 2019.

REAL SECTOR

GDP

According to the flash GDP estimates for the second quarter of 2020, the GDP at current prices is BGN 27 058.4 million. Gross Value Added in Q2 of 2020 amounted to BGN 23 510.4 million. In the structure of GDP by the expenditure approach the largest share has the final consumption (78.9%), which in nominal terms is BGN 21 345.6 million. In Q2 of 2020 gross capital formation is BGN 5 114.8 million and has a share of 18.9% in GDP. The external balance (exports minus imports) has a positive sign. According to the seasonally adjusted data1, GDP has a negative growth in Q2 of 2020 of 9.8% compared to the previous quarter. GVA decrease in the second quarter of 2020 is 8.6%. According to the flash estimates by final expenditure, the decrease in the export of goods and services by 23.4% and decrease in Gross fixed capital formation by 4.3% are amongst reasons for GDP negative growth at seasonally adjusted data in Q2 of 2020 compared to Q1of 2020. The second quarter of 2020 GDP at seasonally adjusted data decreased by 8.2% yoy. Gross value added decreased by 7.4%. As regards the expenditure components of GDP, the final consumption registered a positive economic growth of 0.4%. Gross fixed capital formation decreased by 3.8% in Q2 of 2020 compared to the same quarter of the previous year at seasonally adjusted data. Exports of goods and services decreased by 20.3% and imports of goods and services by 20.0%. GDP in Q2 of 2020 declined by 11.7% in EU-27 compared to the previous quarter by seasonally adjusted data. For the same period, GDP in Bulgaria decreased by 9.8%. Compared to the previous quarter, in Q2 of 2020 lowest economic decline was recorded in Finland - 3.2%, Lithuania - 5.1%, Denmark - 7.4% and Latvia - 7.5%. According to the seasonally adjusted figures, highest negative growth is observed in Spain - 18.5%, Hungary - 14.5%, Portugal - 13.9% and France - 13.8%. Compared to the same quarter of the previous year, seasonally adjusted data show decrease of GDP in the EU-27 by 14.1%. For the same period, GDP in Bulgaria decreased by 8.2%. In Q2 of 2020, compared to the same quarter of the previous year lowest economic decline was recorded in Lithuania - 3.7%, Finland - 5.2%, Poland - 7.9% and Bulgaria - 8.2%. According to the seasonally adjusted figures, highest negative growth is observed in Spain - 22.1%, France - 19.0%, Italy - 17.3% and Portugal - 16.3%.

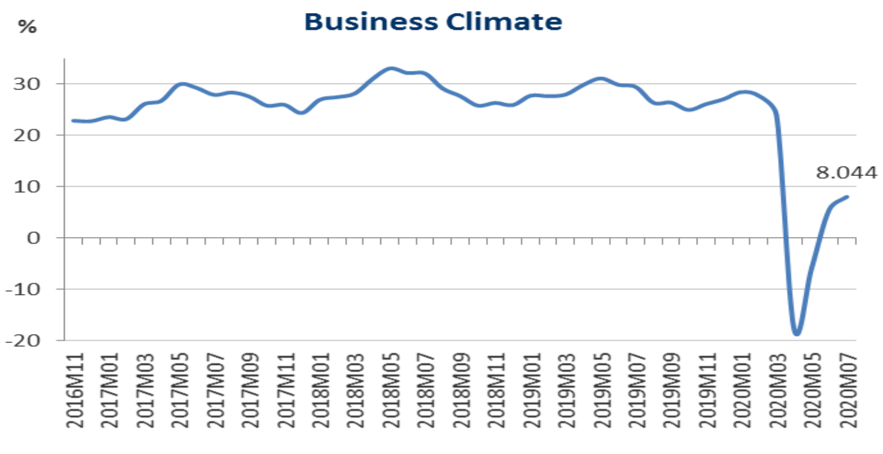
Business climate

Industry. The composite indicator 'business climate in industry' remains its June level. In industrial entrepreneurs' opinion, the present production activity is improved (the balance indicator increases by 6.8 percentage points), but their expectations about the activity over the next 3 months are more moderate. In July in comparison with April, an increase of the average capacity utilization (by 2.5 percentage points) is observed and which reached 70.4%. The most serious difficulties for the business remain the uncertain economic environment, followed by insufficient foreign demand and insufficient domestic demand. Concerning the selling prices the inquiry registers intentions for certain increase, although the prevailing of the managers expect them to remain unchanged over the next 3 months.

Construction. In July the composite indicator 'business climate in construction' decreases by 1.8 percentage points as a result of the worsened construction entrepreneurs' expectations about the business situation of the enterprises over the next 6 months. Their forecasts about the construction activity over the next 3 months are also more reserved, as the inquiry also shows an increase of the number of clients with delay in payments. The uncertain economic environment, shortage of labour and the factor 'others'5 continue to be the most serious obstacles for the activity in the sector, as in the last month the negative influence of the first factor strengthen. As regards the selling prices in construction, the managers expect preservation of their level over the next 3 months.

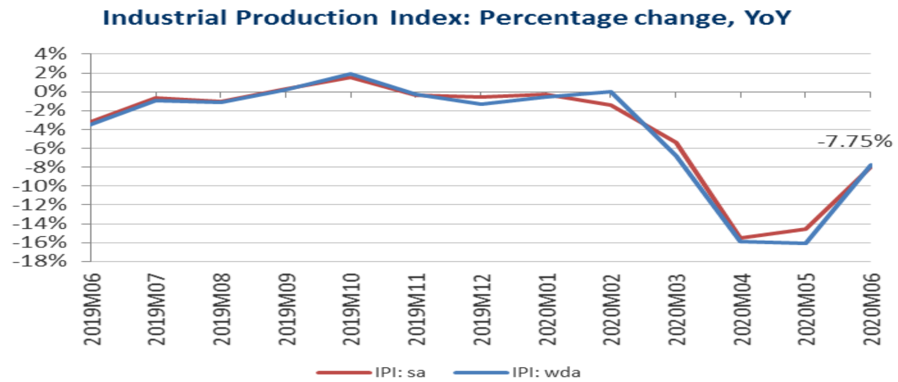
Retail trade. The composite indicator 'business climate in retail trade' increases by 6.4 percentage points which is mainly due to the improved retailers' assessments about the present business situation of the enterprises. Their expectations about the volume of sales and orders placed with suppliers over the next 3 months are also more favourable. The factors 'uncertain economic environment', 'insufficient demand' and 'competition in the branch' continue to limit with most extend the activity of the enterprises. The majority of the retailers expect the selling prices to remain unchanged over the next 3 months.

Service sector. In July, the composite indicator 'business climate in service sector' increases by 8.2 percentage points as a result of the more positive managers' assessments and expectations about the business situation of the enterprises. Concerning the demand for services, the present tendency is slightly improves, as their expectations over the next 3 months remain favourable although more reserved compared to the previous month. The uncertain economic environment continues to be the main obstacle for the activity of the enterprises, as in the last month strengthen of its negative impact is observed. In second and third place are the insufficient demand and the factor 'others'. As regards the selling prices in the service sector, the prevailing managers' expectations are for preservation of their level over the next 3 months.



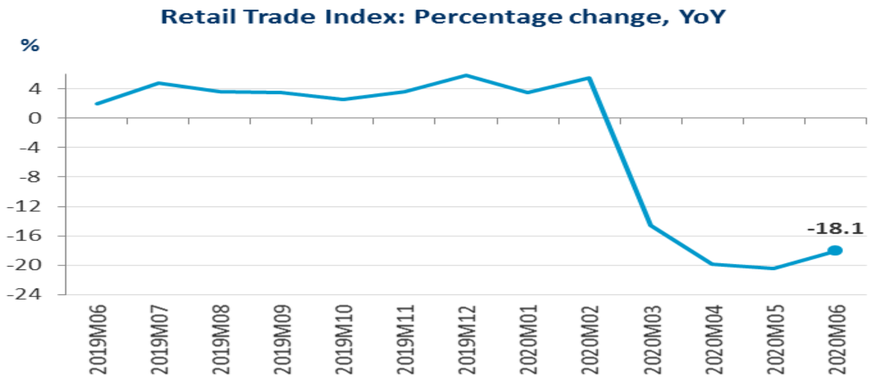
Industrial production

According to the preliminary data in June 2020 the Industrial Production Index, seasonally adjusted, increased by 5.8% as compared to May 2020. In June 2020 the working day adjusted Industrial Production Index fell by 7.7% in comparison with the same month of 2019. In June 2020 as compared to May 2020, the seasonally adjusted Industrial Production Index went up in the mining and quarrying industry by 9.1%, in the manufacturing by 6.0% and in the electricity, gas, steam and air conditioning supply by 5.2%. The most significant production increases in the manufacturing were registered in the manufacture of motor vehicles, trailers and semi-trailers by 73.2%, in the manufacture of furniture by 24.0%, in the manufacture of tobacco products by 15.9%, in the manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials by 14.8%. Important decreases were seen in the manufacture of wearing apparel by 19.5%, in the manufacture of fabricated metal products, except machinery and equipment by 5.0%. On annual basis in June 2020 Industrial Production Index calculated from working day adjusted data went down in the manufacturing by 9.7% and in the electricity, gas, steam and air conditioning supply by 8.5%, while the production rose in the mining and quarrying industry by 14.9%. In the manufacturing, the more considerable decreases compared to the same month of the previous year were registered in the other manufacturing by 43.5%, in the manufacture of machinery and equipment n.e.c by 29.9%, in the repair and installation of machinery and equipment by 25.9%, in the manufacture of motor vehicles, trailers and semi-trailers by 25.1%. Major increases were seen in the manufacture of basic metals by 31.1%, in the manufacture of other transport equipment by 18.8%, in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 6.0%.



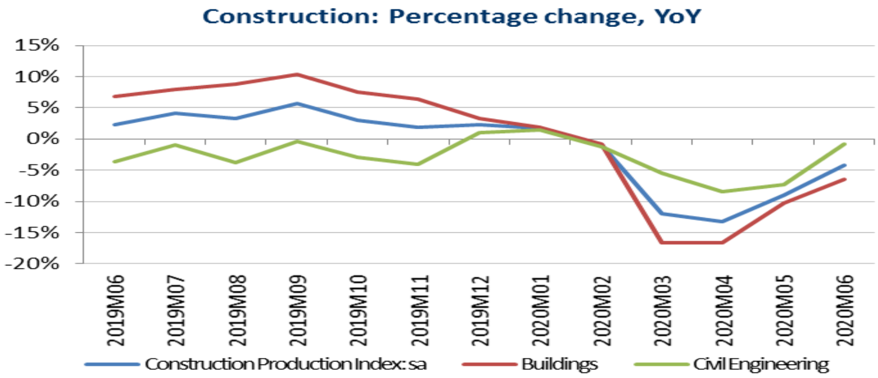
Retail sales

According to the preliminary seasonally adjusted data3 in June 2020 the turnover in ‘Retail trade, except of motor vehicles and motorcycles’ at constant prices increased by 0.9% compared to the previous month. In June 2020, the working day adjusted4 turnover in ‘Retail trade, except of motor vehicles and motorcycles’ fell by 18.1% in comparison with the same month of the previous year. In June 2020 compared to the previous month, increased of turnover was observed in the ‘Retail sale of automotive fuel in specialised stores’- by 7.0% and in the ‘Retail sale of non-food products (except fuel)’- by 3.4%. Decrease of turnover was seen in the ‘Retail sale of food, beverages and tobacco’ - by 1.0%. In the ‘Retail sale of non-food products except fuel’ more significant growth of turnover were registered in the ‘Retail sale of textiles, clothing, footwear and leather goods in specialised stores’- by 60.4%, and in the ‘Retail sale via mail order houses or via Internet’ - by 5.9%. A decline was reported in the ‘Other retail sale in non-specialised stores’ - by 1.4%. In June 2020 compared to the same month of 2019, decline of turnover was observed in the ‘Retail sale of automotive fuel in specialised stores’ (by 24.6%), in the ‘Retail sale of food, beverages and tobacco’ (by 20.6%) and in the ‘Retail sale of non-food products (except fuel)’ (by 13.1%). More significant drop of turnover in the‘Retail sale of non-food products except fuel’ was registered in the ‘Retail sale of textiles, clothing, footwear and leather goods in specialised stores’ - by 27.4%, in the ‘Retail sale of information and communication equipment’ - by 20.1% and in the ‘Other retail sale in non-specialised stores’ - by 16.7%. A rise was reported in the ‘Retail sale via mail order houses or via Internet’ - by 35.5%.



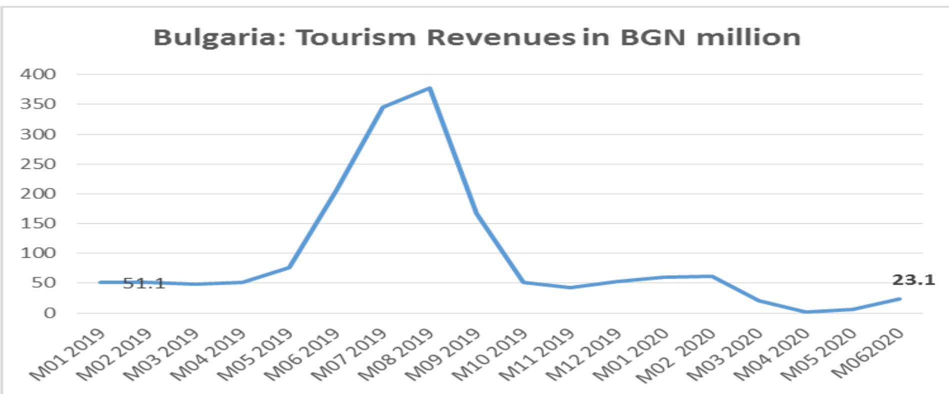
Construction

According to the preliminary data, in June 2020 the index of production in section ‘Construction’ calculated on the base of seasonally adjusted data was 4.8% above the level of the previous month. In June 2020 working day adjusted data showed a decrease by 2.2% in the construction production, compared to the same month of 2019. In June 2020 the construction production index, calculated from the seasonally adjusted data, was above the level of the previous month. Index the production of civil engineering rose by 5.3% and production of building construction - by 4.4%. On an annual basis in June 2020, the decrease of production in construction, calculated from working day adjusted data, was determined from the negative rate in the building construction, where the drop was by 4.3%, while in the civil engineering was registered an increase by 0.7%



Tourism

According to NSI data, the number of overnight stays in accommodation establishments in June 2020 decreased by 80.6% compared to the same month of 2019 and reached 199.5 thousand. A collapse was registered both among foreign citizens - by 94.5% and among Bulgarian citizens - by 59.5%. The Bulgarian citizens who spent the night in the accommodation establishments in June 2020 are 165.2 thousand and have realized on average 2.3 nights. The foreign citizens are 34.3 thousand and have realized on average 3.3 nights, as 70.1% of them have spent the night in hotels with 4 and 5 stars. Revenues from overnight stays in June 2020 reached BGN 23.1 million, or 88.8% less than in June 2019. There was a collapse in revenues from both foreign citizens - by 95.7% and Bulgarian citizens - by 60.3%.



CPI Inflation

According to NSI data, in July 2020 prices increased by 1.4% compared to June in food and non-alcoholic beverages. The prices of alcoholic beverages and tobacco products decreased by 0.1%. Clothing and footwear fell by 2.2% on a monthly basis. On a monthly basis, prices for entertainment and culture increased by 7.4%. It is to these sectors that the state has made the greatest efforts and invested the most serious sums to reduce the consequences of the spread of the coronavirus. The prices of housing, water, electricity, gas and other fuels increased by 1.7%. The prices for residential equipment, household appliances and home accessories increased by 0.2%. Again by 0.2% is the increase in drug prices. The prices of medical and dental services increased by 0.1 and 0.3%, respectively. In the Transport sector, prices jumped by 1.4%.The harmonized index of consumer prices in July 2020 compared to June 2020 was 100.8%, i.e. the monthly inflation was 0.8%. The inflation rate since the beginning of the year has been 0.2% and the annual inflation in July 2020 compared to July 2019 was 0.4%. The annual average inflation was 2.0%.

Incomes and Expenditures of Households

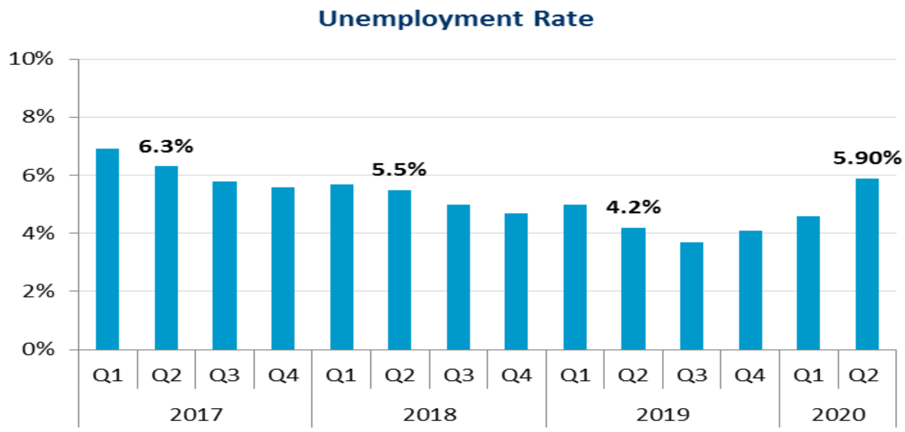
The total income average per household member during Q2 of 2020 is BGN 1 698 and increased by 9.7% yoy. The highest relative share of income within the total income is this from wages and salaries (57.5%). The relative share of income from pensions is 28.3% and from self-employment - 5.9%. Compare to the second quarter of 2019 the relative share of income from pensions increases by 0.7pps, and incomes from wages and salaries, and the self-employment decrease by 0.3 pps. The nominal income by source average per capita during the second quarter of 2020 compared to the second quarter of 2019 changes as follows: Income from wages and salaries increases from BGN 894 to BGN 976 (by 9.2%); Income from pensions increases from BGN 427 to BGN 481 (by 12.5%); Self-employment income increases from BGN 95 to100 (by 4.5%); Income from social benefits increases from BGN 46 to BGN 52 (by 12.7%). The relative share of monetary income into the total income during the second quarter of 2020 is 99.3% and the share of income in kind is 0.7%.

The total expenditure average per household member during Q2 of 2020 is BGN 1 384 and decreased by 1.3% yoy. The greatest share in forming the total expenditure has expenditure on food and non-alcoholic beverages - 32.7% as well as expenditure on housing - 17.3%, taxes and social insurance contributions - 15.1% and transport and communication - 10.9%. The relative share of food and non-alcoholic beverages increases by 1.3 pp compare to Q2 of 2019, share of housing increases by 1.8 pps and share of taxes and social insurance contributions - by 0.9 pps. The relative share of health decreases by 1.0 pps, share of clothing and footwear - by 0.8 pps, transport and communication - by 0.8 pp and recreation, culture and education - by 1.7 pps. The expenditure by group average per capita are change as absolute values during the second quarter of 2020 compared to the same quarter of 2019 as follows: Expenditure on food and non-alcoholic beverages increases from BGN 440 to BGN 452 (by 2.9%); Expenditure on alcoholic beverages and tobacco increases from BGN 61 to BGN 65 (by 6.5%); Expenditure on clothing and footwear decreases from BGN 43 to BGN 31 (by 27.5%); Expenditure on housing (water, electricity, heating, furnishing and maintenance of the house) increases from BGN 217 to BGN 240 (by 10.2%); Expenditure on health decreases from 96 BGN to 81 BGN (by 15.9%); Expenditure on transport and communication decreases from BGN 165 to BGN 152 (by 7.7%); Expenditure on recreation, culture and education decreases from BGN 57 to BGN 32 (by 43.9%); Expenditure on taxes and social insurance contributions increases from BGN 200 to BGN 210 (by 5.0%).

LABOR MARKET

Unemployment and Employment

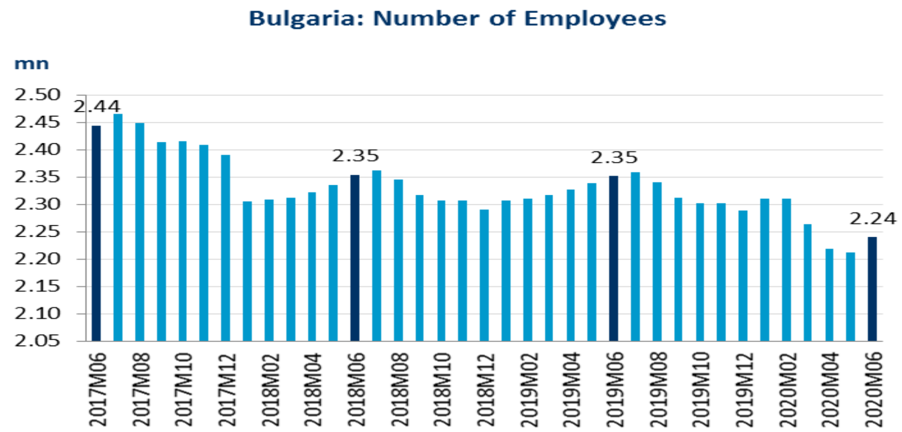
In Q2 of 2020 there were 192.2 thousand unemployed persons, of whom 108.1 thousand (56.2%) men and 84.1 thousand (43.8%) women. The unemployment rate was 5.9%, 6.2% and 5.5% for men and women respectively. In comparison with Q2 of 2019, the unemployment rate rose by 1.7 percentage points, registering an increase by 1.6 percentage points for men and by 1.8 percentage points for women. Among all unemployed persons, 17.3% had attained tertiary education, 55.5% had completed upper secondary education and 27.2% had at most lower secondary education. The share of unemployed persons with tertiary and with upper secondary education was higher than in the second quarter of 2019 by 2.2 percentage points and 10.4 percentage points respectively, on the expense of the share of unemployed persons with at most lower secondary education. The unemployment rate by level of educational attainment was as follows: 3.1% for tertiary education, 5.9% for upper secondary and 13.4% for education lower than upper secondary. The growth of unemployment between Q2 of 2019 and 2020 is mainly due to the increase of number of persons unemployed for less than six months. In the period concerned it went up by 56.8 thousand to 91.4 thousand persons (near half of the total number of unemployed). In Q2 of 2020 there were 72.2 thousand long-term unemployed persons (unemployed for one or more years), representing 37.5% of all unemployed persons. The long-term unemployment rate declined by 0.3 percentage points to 2.2% (2.6% for men and 1.7% for women). Of all unemployed people 19.5 thousand (10.2%) were looking for first job. In the second quarter of 2020, the unemployment rate for the age group 15 - 29 years was 9.7%, by 2.8 percentage points higher than in a year earlier. The unemployment rate (15 - 29 years) increased by 2.0 percentage points for men and by 3.9 percentage points for women achieving 9.3% and 10.2% respectively.



In Q2 of 2020 there were 3 079.6 thousand employed persons aged 15 years and over, of whom 1 642.0 thousand men and 1 437.6 thousand women. Compared to the second quarter of 2019, the number of employed persons decreased by 5.6%. The employment rate for the same age group was 52.0% (57.8% for men and 46.6% for women). In Q2 of 2020, 1 936.7 thousand persons (62.9% of all employed persons) worked in the service sector, 938.5 thousand persons (30.5%) worked in the industry sector and 204.5 thousand persons (6.6%) worked in agriculture, forestry and fishing. Of all employed persons 3.8% (117.8 thousand) were employers, 6.9% (212.5 thousand) were self-employed persons without employees, 88.6% (2 728.7 thousand) were employees and 0.7% (20.6 thousand) were unpaid family workers. Of all employees 2 016.6 thousand persons (73.9%) worked in private sector while 712.1 thousand (26.1%) worked in public sector. The number of employees with temporary job was 96.7 thousand, representing 3.5% of all employees. In Q2 of 2020, the employment in specific age groups was as follows: There were 2 979.5 thousand employed persons aged 15 - 64 years. The employment rate for the same age group was 67.4% (70.9% for men and 63.8% for women). The employment rate for the age group 15 - 29 years was 37.8% (42.4% for men and 32.8% for women). The employment rate for the age group 20 - 64 years was 72.2%, 76.0% and 68.4% for men and women respectively. In comparison with the second quarter of 2019 this rate registered a decrease by 3.5 percentage points, by 3.3 percentage points for men and by 3.7 percentage points for women. There were 604.2 thousand employed persons aged 55 - 64 years, representing 64.0% of population in the same age group (68.2% of men and 60.1% of women).

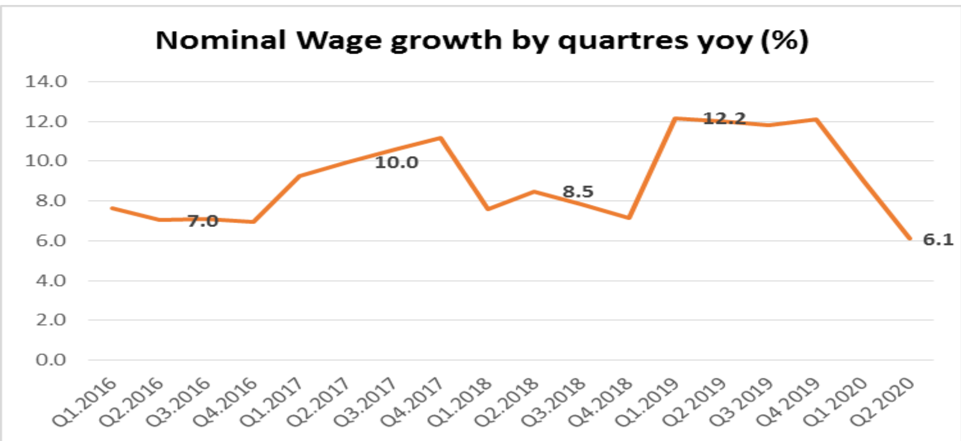
Number of employed

According to the preliminary data of NSI at the end of June 2020 the number of employees under labour contract decreased by 23.5 thousand or 1.0% as compared to the end of March 2020 and reached 2.24 million. The highest decrease was observed in economic activities: ‘Arts, entertainment and recreation’ - 4.5%, ‘Manufacturing’ - 3.5% and in ‘Mining and quarrying’ - by 2.9%. The highest increase of the number of employees was recorded in the seasonal activities: ‘Accommodation and food service activities’ - by 8.4% and ‘Agriculture, forestry and fishing’ - by 5.0%. In the structure of employees by economic activities the biggest relative share of employees was in ‘Manufacturing’ - 21.0% and ‘Wholesale and retail trade; repair of motor vehicles and motorcycles’ - 17.3%. At the end of June 2020 as compared to June 2019 the number of employees under labour contract decreased by 111.5 thousand or 4.7%. The highest decrease in absolute figures was observed in economic activities ‘Accommodation and food service activities’ - 48.8 thousand, ‘Manufacturing’ - 31.0 thousand, and ‘Wholesale and retail trade; repair of motor vehicles and motorcycles’ - 12.8 thousand and the highest increase - in ‘Information and communication’- 6.0 thousand. In percentages the highest decrease at the end of June 2020 as compared to June 2019 was in economic activity ‘Accommodation and food service activities’ - by 34.9%, ‘Real estate activities’ - by 7.4%, and ‘Arts, entertainment and recreation’ - by 7.2%, as the highest increase was reported in ‘Information and communication’ - by 6.3%.



Wages

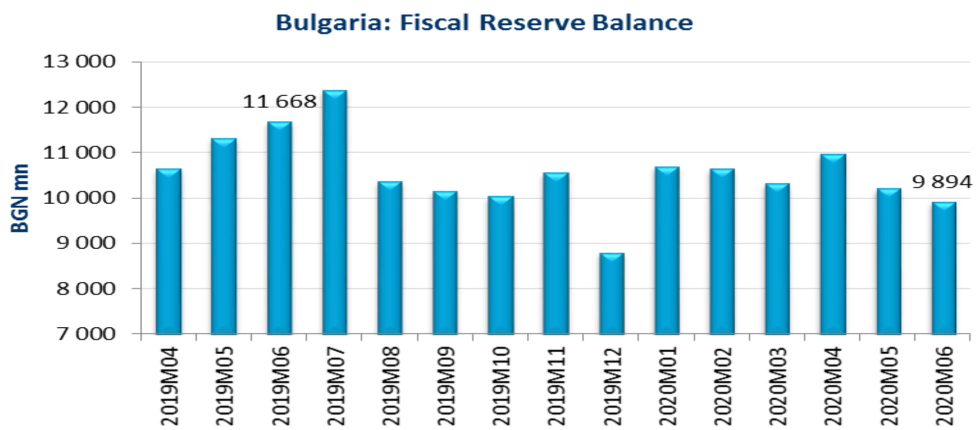
The average monthly wages and salaries of the employees under labour contract in April was BGN 1 323, in May – BGN 1 333 and in June 2020 – BGN 1 355. In Q2 of 2020 in comparison with Q1 of 2020 the average monthly wages and salaries increased by 1.5% getting BGN1 337. The highest increase in wages and salaries was reported in ‘Financial and insurance activities’ - by 7.9% and in ‘Education’- by 7.0%. The highest decrease was in the economic activities ‘Accommodation and food service activities’ - by 12.2%, and in ‘Arts, entertainment and recreation’ - by 8.6%. Compared to Q2 of 2019 the average monthly wages and salaries in the second quarter of 2020 rose by 6.1%. The highest growth rates were recorded in economic activities: ‘Real estate activities’ - 15.6%, ‘Education’ - 12.2% and ‘Water supply, sewerage, waste management and remediation activities’ - 9.0%. The economic activities with the highest wages and salaries in the second quarter of 2020 were: ‘Information and communication’ - BGN 3 270; ‘Financial and insurance activities’ – BGN 2 287 BGN; ‘Electricity, gas, steam and air conditioning supply’ – BGN 2 105. The lowest wages and salaries were recorded in: ‘Accommodation and food service activities’ – BGN 647, ‘Other service activities’ - BGN 903, ‘Agriculture, forestry and fishing’ – BGN 973. In comparison with a year earlier the average monthly wages and salaries in public sector grew by 6.9% while in private sector - by 5.8%.



FISCAL SECTOR

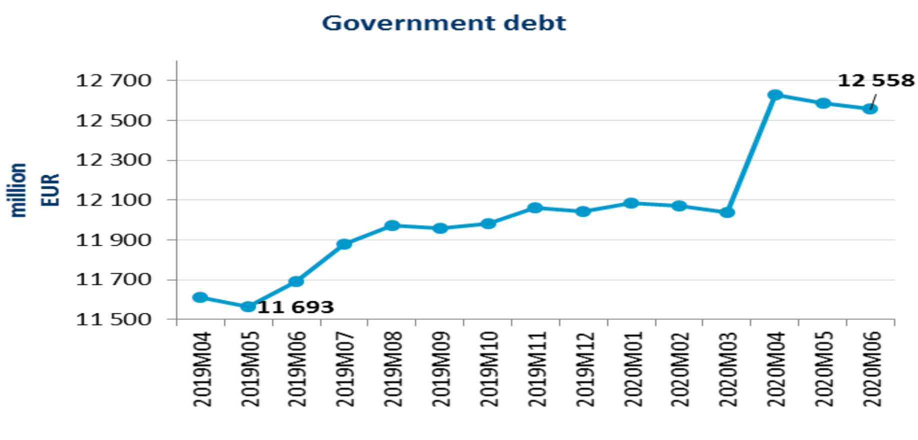
Budget balance

The CFP budget balance on a cash basis as of 30.06.2020 is positive, amounting to BGN 1,612.7 million and is formed by an excess of national budget revenues over expenditures of BGN 1,099.2 million and of EU funds of BGN 513.5 million. Based on the monthly data on cash execution of first-level spending units, CFP revenues, grants and donations as of June 2020 amount to BGN 21,430.8 million, or 48.3% of the annual estimates[1]. Compared to the same period of the previous year, they decrease by BGN 855.1 million in nominal terms. Tax and non-tax proceeds register a drop by BGN 1,274.1 million (6.0%), and grant and donation proceeds (mostly EU programme and fund grants) are by BGN 419.1 million, or 36.4%, more than at end-June 2019. Revenues are smaller as a result of the negative impact of the COVID-19 outbreak on the proceeds from all major taxes. Based on the preliminary data and estimates, as of end-July 2020, an excess of revenues over expenditures under the Consolidated Fiscal Programme (CFP) is expected to the amount to BGN 1,726.1 million (1.5% of the projected GDP).. As of 30.06.2020, the fiscal reserve amounts to BGN 9.89 billion, including BGN 9.84 billion of fiscal reserve deposits in the BNB and in banks and BGN 0.05 billion of receivables under the EU Funds for certified expenditure, advance payments, etc.



Central government debt

According MF data as of end-June 2020, central government debt stands at BGN 24,561.8 million.Domestic debt amounts to BGN 6,236.2 million and external debt – to BGN 18,325.6 million.At the end of the reporting period the central government debt-to-gross domestic product (GDP) ratio[2] is 20.9%, with the share of domestic debt being 5.3% and of external debt – 15.6% of GDP. In the central government debt structure, at the end of the period domestic debt amounts to 25.4%, and external debt – to 74.6%. As of 30 June 2020, central government guaranteed debt amounts to BGN 110.2 million. Domestic guarantees amount to BGN 63.2 million and external guarantees – to BGN 47.0 million. The central government guaranteed debt/GDP ratio is 0.1%. According to the official register of government and government guaranteed debt kept by the Ministry of Finance on the grounds of Article 38(1) of the Government Debt Law, at end-June 2020 government debt reaches BGN 23,141.9 million, or 19.7% of GDP. Domestic debt amounts to BGN 5,956.8 million and external debt – to BGN 17,185.1 million. Government guaranteed debt amounts to BGN 1,646.9 million in April 2020, domestic guarantees amount to BGN 63.2 million, with the government guaranteed debt-to-GDP ratio being 1.4%.



BANKING SECTOR

According to BNB data, the assets of the banking system as of June 30, 2020 amount to BGN 115.3 billion and increase by 0.4% mom and by 6.2% yoy, respectively. Their relative share in GDP is 90.9%. The size of the gross loan portfolio of clients of the banking system at the end of June was BGN 67.0 billion and increased by 0.4% mom and by 6.1% yoy, respectively. The relative share of loans in GDP is 52%. Loans to non-financial corporations amounted to BGN 36.5 billion and increased by 0.2% mom and by 1.7% yoy, respectively. Loans to other financial corporations amounted to BGN 4.7 billion and decreased by 0.7% mom with an increase of 33.2% yoy, respectively. Loans to budget enterprises amounted to BGN 0.9 billion and increased by 2.2% mom and by 23.9% yoy, respectively. Deposits for households amounted to BGN 24.9 billion and increased by 0.9% mom and by 8.2% yoy, respectively. Of this, housing loans amounted to BGN 13 billion and increased by 0.8% mom and by 12% yoy, respectively. In the context of a deepening crisis caused by the coronavirus, households turned their attention to housing loans, supported by falling housing prices and low interest rates offered by banks in this segment. The COVID-19 crisis is also affecting the dynamics of consumer credit: the possibility of obtaining interest-free loans as one of the measures proposed by the government has led to an increase in consumer credit by 0.9% mom and by 5.1% yoy, respectively, as their total amount exceeds BGN 12.5 billion. The total amount of deposits from customers of the banking system exceeds BGN 93.3 billion and increased by 0.2% mom and by 8% yoy, respectively. Their relative share in GDP is 73.7%. There is growth in the resource of households (by 0.4% mom and by 7.6% yoy, respectively) to BGN 59.1 billion. Deposits of non-financial corporations amounted to BGN 28 billion and increased by 0.5% mom and by 11.2% yoy, respectively. Deposits of financial corporations amounted to BGN 3.4 billion and decreased by 5.5% mom and by 9.8% yoy, respectively. Deposits of budgetary enterprises amounted to BGN 2.9 billion and increased by 0.5% mom and by 11.1% yoy, respectively.

Bulgaria Intermediation Indicators	30.06.2018 BGN'000	31.12.2019 BGN'000	30.05.2020 BGN'000	30.06.2020 BGN'000	Change m/m (%)	Change y/y (%)	Change yend (%)	Share in GDP (%)
BANKING SYSTEM TOTAL ASSETS	**108 578 751**	**114 201 141**	**114 869 303**	**115 276 097**	**0.4**	**6.2**	**0.9**	**90.9**
Loans to central governments	778 729	932 642	944 423	964 744	2.2	23.9	3.4	0.8
Loans to non-financial corporations	**35 872 899**	**36 572 986**	**36 392 438**	**36 468 674**	**0.2**	**1.7**	**-0.3**	**28.8**
Loans to financial corprorations	3 504 967	4 594 445	4 710 644	4 682 136	-0.6	33.6	1.9	3.7
Retail loans, incl.:	**22 989 092**	**24 193 012**	**24 652 704**	**24 868 926**	**0.9**	**8.2**	**2.8**	**19.6**
Mortgage loans	11 615 648	12 486 585	12 906 913	13 008 376	0.8	12.0	4.2	10.3
Consumer loans	11 949 678	12 427 283	12 444 010	12 560 963	0.9	5.1	1.1	9.9
Micro credits and other loans	-576 234	-720 856	-698 219	-700 413	0.3	21.6	-2.8	-0.6
TOTAL LOANS	**63 145 687**	**66 293 085**	**66 700 209**	**66 984 480**	**0.4**	**6.1**	**1.0**	**52.8**
ATRACTED SOURCES FROM CLIENTS, incl.:	**86 478 919**	**91 853 230**	**93 203 665**	**93 392 593**	**0.2**	**8.0**	**1.7**	**73.7**
Local government deposits	2 641 370	2 665 018	2 918 914	2 934 072	0.5	11.1	10.1	2.3
Non-financial corporations deposits	**25 184 803**	**28 150 012**	**27 867 371**	**28 000 736**	**0.5**	**11.2**	**-0.5**	**22.1**
Financial corporations deposits	3 726 945	3 422 053	3 554 719	3 360 858	-5.5	-9.8	-1.8	2.7
Households and NPISHs deposits	**54 925 801**	**57 616 147**	**58 862 661**	**59 096 927**	**0.4**	**7.6**	**2.6**	**46.6**
Equity	14 143 289	14 396 914	14 595 027	14 746 519	1.0	4.3	2.4	11.6
Net profit (annualised)	917 874	1 674 983	476 446	515 205		**-43.9**		
BANKING INDICATORS (%)								
ROE	13.0	11.6	7.8	7.0	-0.8	-6.0	-4.6	
ROA	1.7	1.5	1.0	0.9	-0.1	-0.8	-5.2	
Capital adequacy	20.5	20.2	n.a.	n.a.				
Liquidity	260.6	269.9	252.3	258.0	5.7	-2.6	-5.2	
NPL	7.2	6.5	n.a.	8.1		0.9	1.6	
GDP, BGN '000	115 437 000	115 437 000	126 769 000	126 769 000				
EUR/BGN	1.95583	1.95583	1.95583	1.95583				

The equity in the balance sheet of the banking system increased by 1% mom and by 4.7% yoy, respectively to BGN 14.7 billion.

The liquidity coverage ratio of the banking system was 258.0% (compared to 261.0% three months earlier). At the end of June the liquidity buffer was BGN 30.5 billion and the net outgoing liquidity flows were BGN 11.8 billion.

The profit of the banking system as of June 30, 2020 amounts to BGN 515 million (against BGN 918 million for the first six months of 2019). The expenses for impairment of financial assets, which are not reported at fair value in the profit or loss, as of the end of June 2020 are BGN 380 million, increasing by BGN 197 million (107.8%) compared to the reported at the end on June 2019 (BGN 183 million).

Indicator (BGN'000)	30.06. 2019	30.06. 2020	Y/Y (%)
Interest Income	1 522 674	1 471 492	-3.4
Interest Expense	143 131	166 703	16.5
Net interest Income	**1 379 543**	**1 304 789**	**-5.4**
Impairment	182 791	193 536	5.9
Dividend income	**138 357**	**379 767**	174.5
Fee and commission income	645 949	580 885	-10.1
Fee and commission expenses	101 037	96 711	-4.3
Net fee and commission income	**544 912**	**484 174**	**-11.1**
Administration costs	820 056	814 418	-0.7
Personal costs	440 651	449 193	1.9
Total operating income, net	2 132 571	2 109 968	-1.1
Net Profit	**917 874**	**515 205**	**-43.9**

Source: BNB, UBB's Calculations

The reporting reference date of 30 June 2020 was amended by Commission Implementing Regulation (EU) 2020/429 of 14 February 2020 amending Implementing Regulation (EU) № 680/2014 on the granting of information from the institutions of the supervisory authorities. Some of the changes relate to changes in the scope of reported gross loans and advances. According to the amendments, in contrast to the period June 2015 - March 2020, "cash balances with central banks and other demand deposits" should not be included in the scope of gross loans and advances, but should be reported separately. As of June 30, 2020, for the banking system their amount is BGN 20.3 billion, and according to the new method of reporting the amount of gross loans and advances is BGN 74.2 billion. Although with a comparable scope gross loans and advances would have a minimal increase of BGN 95 million in the second quarter of 2020 to BGN 94.5 billion at the end of June, the methodological change has had a significant impact, shrinking this position by 21.4%. As a result, changes also occur in the level of the ratio of gross non-performing loans and advances. Calculated on the basis of the new (narrow) scope for loans and advances, the ratio is 8.1% at the end of June 2020, compared to 8.00% at the end of March, which is due to the maintained gross amount of non-performing loans and advances - BGN 6.017 billion at the end of June, against BGN 6.013 billion at the end of March.

Non-performing loans Total	Gross book value / nominal value	Performed	Non-performed: Unlikely to be repaid, without arrears or overdue ≤ 90 days	Non-performed: Overdue > 90 days <= 180 days	Non-performed: Overdue > 180 days	Cumulative impairment, accumulated negative changes in fair value due to credit risk and provisions	Non-performing loans > 90 days	Relative share of non-performing loans (%)
Loans and Advances	74 164 362	68 147 482	2 191 678	446 482	3 378 720	-3 540 319	6 016 880	8.1
Central banks	2	2	0	0	0	0	0	0.0
General governments	964 744	959 123	800	15	4 806	-8 450	4 821	0.5
Credit Institutions	7 179 880	7 179 880	0	0	0	-6 159	0	0.0
Other financial corporations	4 682 136	4 551 343	1 987	0	128 806	-85 481	128 806	2.8
Non-financial corporations	36 468 674	32 438 798	1 668 300	228 054	2 133 522	-2 064 217	2 361 576	6.5
Retail Exposures, including	24 868 926	23 018 336	520 591	218 413	1 111 586	-1 376 012	1 329 999	5.3
Of which: Loans secured by residential property	13 008 376	12 237 378	266 108	80 218	424 672	-414 454	504 890	3.9
Of which Consumer Loans	12 560 963	11 412 589	315 317	146 754	686 303	-952 279	833 057	6.6

Source: BNB, Calculations UBB

If, for the sake of comparability, the indicator is calculated under the previous scope and methodology applicable in the period June 2015 - March 2020, it would be at the level of 6.4% both at the end of June and at the end of March 2020. On April 9, 2020, by a decision of the Management Board of the Bulgarian National Bank, the draft Procedure for deferral and settlement of due liabilities to banks and their subsidiaries - financial institutions in connection with the extraordinary project was approved by the Association of Bulgarian Banks (ABB) and introduced by the National Assembly on 13 March 2020. Once approved, the document constitutes a private moratorium within the meaning of the Guidelines of the European Banking Authority (EBA) on legislative and private moratoriums on credit payments in connection with COVID-19 / EBA / GL / 2020/02). In this regard, a reporting form for collecting information under the Procedure for deferral and settlement of receivables from banks and their subsidiaries - financial institutions was approved. Summary data at the level of the banking system, reported by banks through this reporting form, were disclosed for the first time on 31 July 2020 for the periods 30.04.2020, 31.05.2020 and 30.06.2020. The data are cumulative as of end of the designated period and are available in the section containing the aggregated data on the banking system for the respective period. Under the Procedure for deferral and settlement of due liabilities to banks and their subsidiaries - financial institutions, as of June 30, 2020, a total of 118,584 claims were submitted for liabilities with a gross carrying amount of BGN 9,772 million. BGN 8,117 million. The enterprises have applied for 15,068 units for BGN 7,539 million, of which 13,156 units have been approved for BGN 6,207 million. 103,516 applications have been submitted by households for BGN 2,233 million, of which 85,343 approved for BGN 1,910 million. Compared to April 30, 2020, the total number of approved requests from enterprises and households increased by 61,288, and the gross amount of approved liabilities subject to the private moratorium increased by BGN 4,689 million. .