
**United Bulgarian Bank
Bulgaria: Macroeconomic Update
August 2021**

Chief Economist Department

Probabilities of the Main Scenarios

Bulgaria Outlook 2020-2023

The Economy of Bulgaria

COVID - 19 Status

Main Macroeconomic Indicators

Banking sector

Electricity Prices

Probability of the Main Scenarios

Baseline scenario increasingly confirmed by recent events – the strong progress in vaccination in EU and the expected improvement of COVID - 19 status in Bulgaria

	OPTIMISTIC SCENARIO	BASE SCENARIO	PESSIMISTIC SCENARIO
June probabilities 2020	15%	45%	40%
New APC 2020 Scenarios			
July-August probabilities	15%	45%	40%
September probabilities	15%	50%	35%
October probabilities	10%	55%	35%
November probabilities	10%	55%	35%
December probabilities	10%	55%	35%
Year 2021			
January probabilities	10%	60%	30%
February probabilities	10%	60%	30%
March probabilities	10%	60%	30%
April probabilities	10%	60%	30%
May probabilities	10%	70%	20%
June probabilities	10%	80%	10%
July probabilities	10%	80%	10%
August probabilities	10%	80%	10%

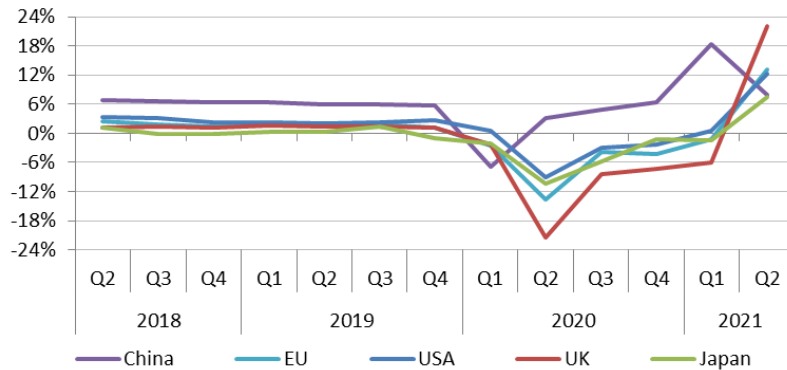
Arguments for Scenario Probabilities – August 2021

- Although the spread of the delta variant continues worldwide, the situation in the EU and Bulgaria is without significant deviations. Although fewer new restrictions have been introduced than last winter, the growth of new infections appears to have stabilized. For the first time, the proportion of fully vaccinated people in the EU exceeds the United States, with a large number of once vaccinated people still to receive the final dose. Experience has shown that while full collective immunity can be difficult to achieve, sufficiently high coverage of vaccines should limit the growth of infections, as well as serious enough cases, even if the restrictions are eased. The main risks lie in seasonality, as the weather begins to cool and schools and universities open their doors.
- Based on recent events confirming this scenario, the probability of a baseline scenario is estimated at 80%, while the probability of a pessimistic scenario is reduced to 10%, reflecting the declining risks of complete collapse and / or permanent and comprehensive blockages, as collective immunity will most likely be reached by the end of the summer. In addition, societies are also better prepared to deal with new variants of viruses that are unlikely to lead to new blockages. In Q2 of 2021, a significant positive growth of the economy was reported, both in the EU countries and in Bulgaria, which is a good basis for our expectations by the end of the year.
- Increased introduction of vaccinations in the context of the onset of the 4th wave of coronavirus will contribute to a more stable economic recovery, also supported by tax incentives, increased consumer and producer confidence and the continued recovery of the EU, China and the US. However, this recovery is expected to gain momentum mainly from the second half of 2021, as the extension of (partial) blocking measures continues to weigh on the economy in the second half of the year, allowing only a gradual recovery of the economy.
- As the baseline scenario is increasingly confirmed by recent events, it remains the most likely economic scenario ahead (with increasing probability). However, the remaining risk is not symmetrical. The risks remain downward - heavier in the pessimistic scenario than in the optimistic scenario - and are associated with the resurgence of severe Covid-19 pandemic waves (including variants), potential failures in vaccination deployment or efficiency, and delayed fiscal stimulus. Additional fiscal stimulus or strong subdued demand and faster-than-expected broad economic opening could potentially lead to more positive economic developments. 4

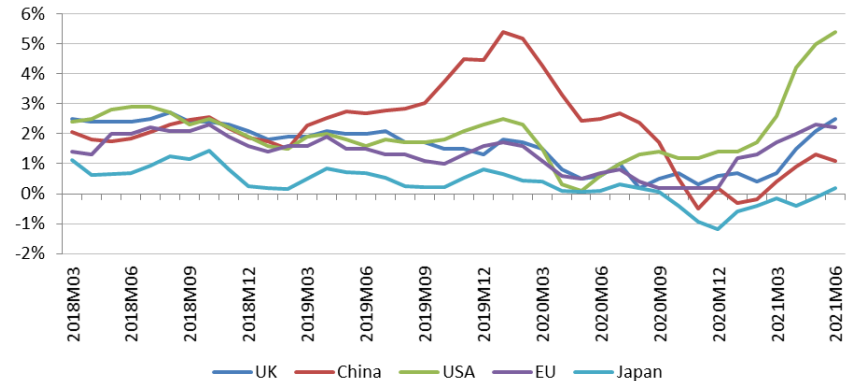
Overview global forecasts

In Q2 2021 advanced economies performed better than initial market expectations as fiscal support impacted strongly on **GDP growth**. **Inflation increased** and followed the dynamics of international prices of oil and commodity prices on the international markets. **The labor market has continued to show signs of recovery** supported by broader economic re-opening, amid the rapid pace of vaccination and the ongoing government support.

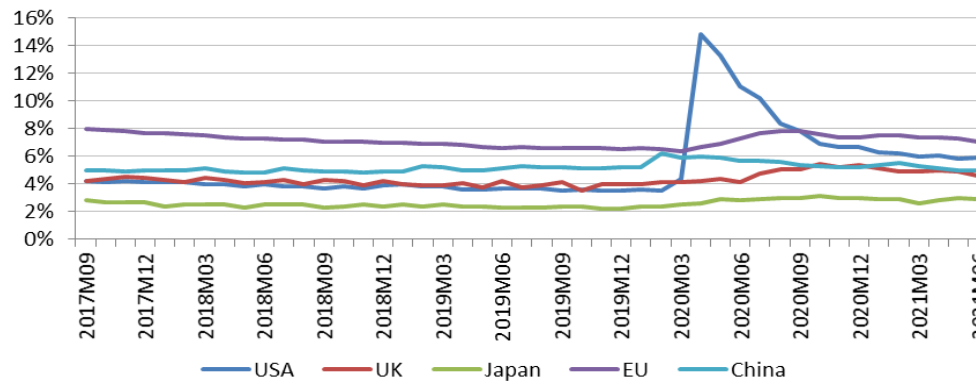
Advanced Economies: GDP growth rate compared to the same quarter of the previous year



Advanced economies: Inflation by countries as of June 2021, Monthly on annual basis (%)

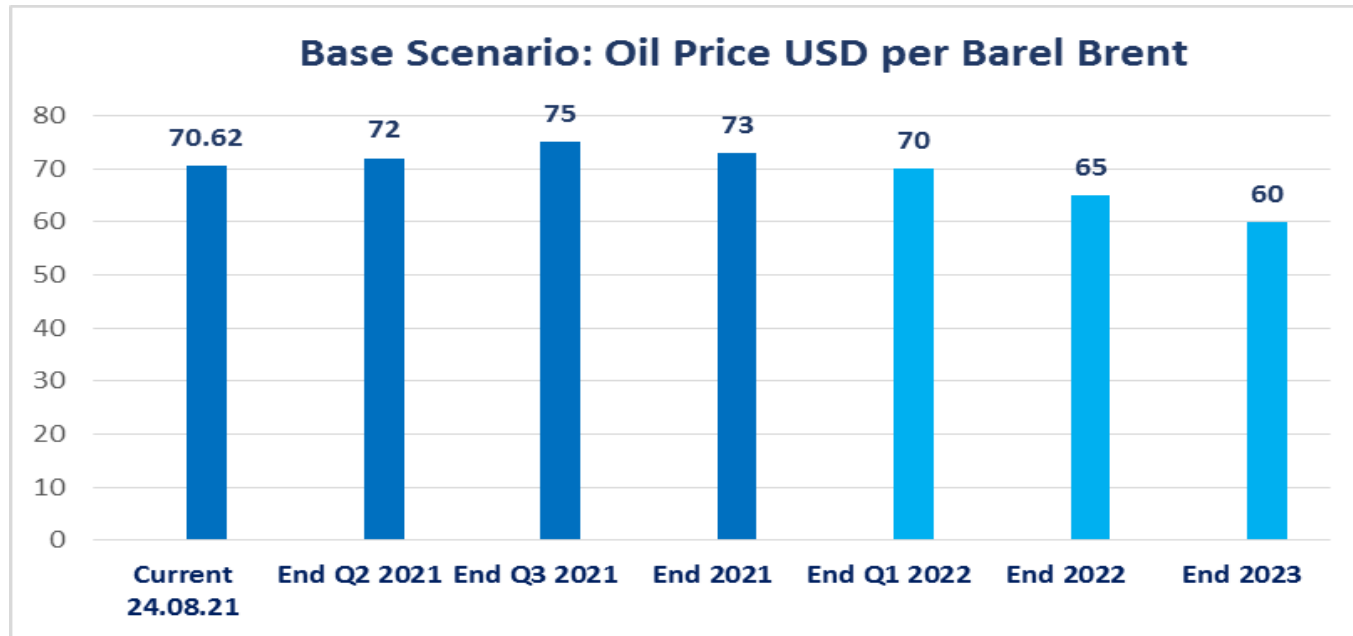


Advanced economies: Unemployment rates (%) by country on monthly basis as of June 2021 (%)



Base scenario: Oil Prices Projections

Brent crude futures rose above \$ 69 a barrel on August 24, 2021, winning for the second consecutive session and trying to recover from the 7.7% decline, which was the weakest performance since February 2018. , with full FDA approval from the United States for the Pfizer / BioNTech COVID -19 vaccine, which fueled hopes for greater fuel demand following a potential increase in coronavirus vaccinations in the United States. The risk appetite was also boosted by the news that there are no new cases of viruses in China on a daily basis and that daily new Indian infections in India have reached their lowest level of 160 days. Meanwhile, the volume of Indian refineries in July jumped to its highest level in three months as demand for fuel recovered. **Brent crude oil is expected to trade at 73 USD/BBL by the end of 2021. Looking forward, we estimate it to trade at 65 USD/BB in 2022 and to return to 60USD/BB in 2023.**

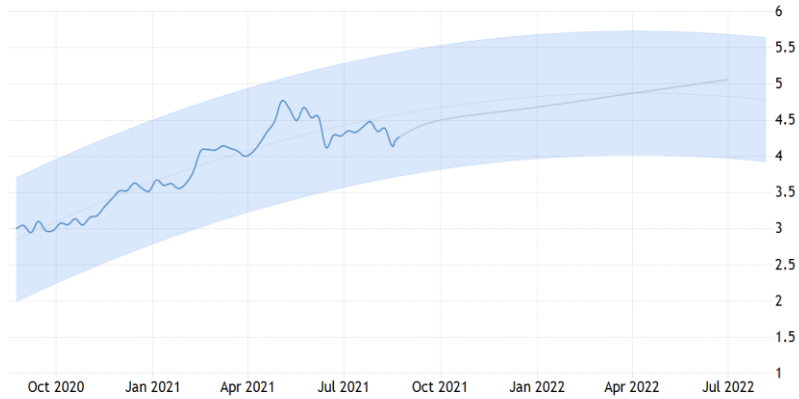


Base scenario: Metal Prices Projections (1)

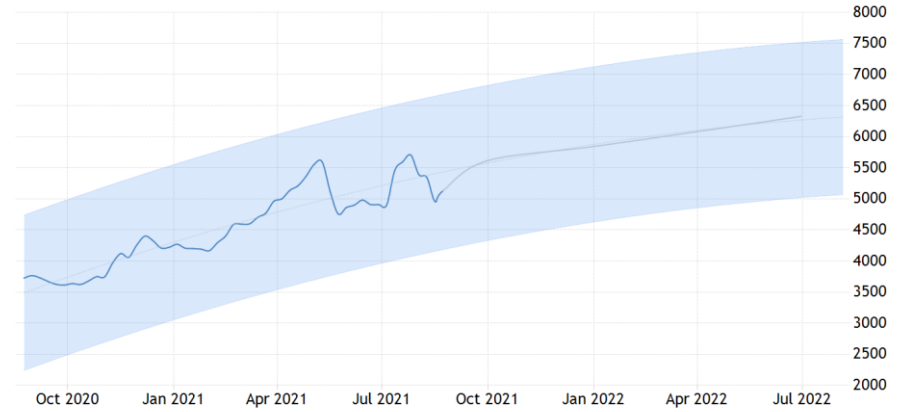
- **Copper futures rose to USD 4.2 a pound** in the last week of August, deviating from more than 4-month lows of USD 4 a pound earlier this month, but remained below the record USD 4.9 a pound reported in May. Although the movement of the dollar was halted and China did not report new cases of COVID-19 for the first time since July, concerns about a slowdown in demand and economic activity amid the rapid spread of the coronavirus delta option continue. Meanwhile, the Escondida copper mine workers' union in Chile has said it has reached an agreement with BHP to avoid industrial action, giving the company a bonus to its workers. **Copper is expected to trade at 4.48 USd/LB by the end of 2021. Looking forward, we estimate it to trade at 5USD/LB in 2022.**
- **Shanghai steel futures returned to more than 5,100 yuan per tonne** in late August after hitting a one-month low of 4,940 yuan the previous week as demand fears eased after China announced no new coronavirus cases for the first time since July, which is a sign that the current outbreak in the country may be declining. China is the largest producer and consumer of steel. However, steel prices remain well below the record high of 6,198 yuan per tonne reached in May, as China has promised to limit crude steel production in 2021 to no more than 1.065 billion tonnes. Meanwhile, the prices of Chinese iron ore concentrates produced in the country fell for the 4th week on August 16-20, amid lower demand from Chinese mills due to lower steel production, according to Mysteel. **Steel is expected to trade at 5676.29 Yuan/MT by the end of 2021. Looking forward, we estimate it to trade at 6385.31 in 2022.**
- **Iron ore cargo prices with 63.5% iron content for delivery in Tianjin fell below USD 150 per tonne** in the second half of August, the lowest level since December amid declining demand, rising stocks and limiting steel production in China
- **Tin prices jumped above USD 34,000 a tonne** for the first time in history, fueled by strong demand and supply disruptions. Demand for electronic goods such as smartphones, laptops and iPads continues to rise after a boom following the blockade of Covid-19 last year. At the same time, the spread of the delta coronavirus variant in Asia and Africa is exacerbating logistical and supply problems that have already strained the market. The peak of Covid-19 infections in Myanmar, the world's third-largest producer, is also expected to exacerbate ongoing supply pressures caused by strikes and protests following a military coup in February. Supplies were also affected by the energy-to-land ratio in China's Yunnan Province.

Base scenario: Metal Prices Projection (2)

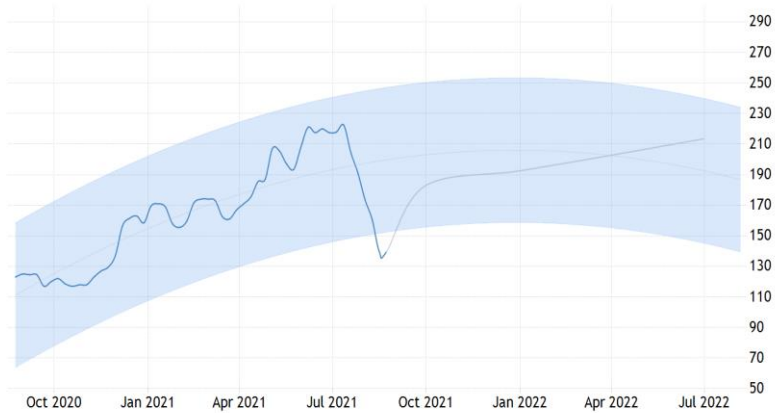
Copper



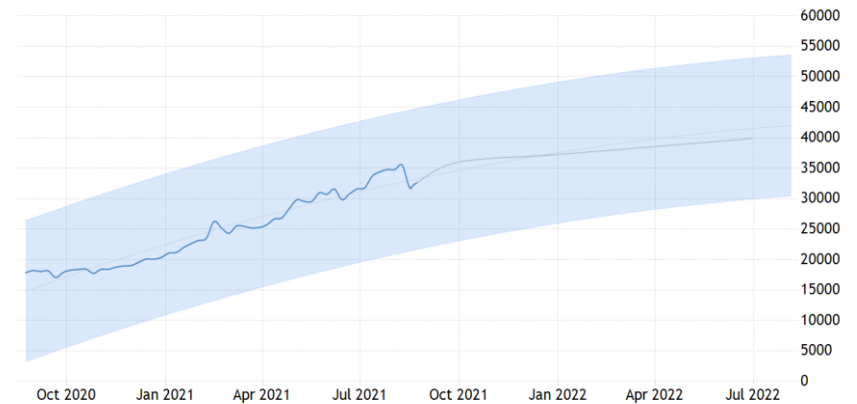
Steel



Iron ore



Tin



Base scenario: Agriculture products Prices Projections on International Markets (1)

Chicago wheat futures traded at about USD 7.3 a bushel, squeezed by a stronger dollar and as investors reported gains after prices reached an 8-1 / 2-year high of USD 7.74-3 / 4 last week . The US Department of Agriculture has lowered its forecast for world wheat production in 2021-22 and final stocks, citing bad weather in Russia, Canada and the United States. In addition, the prospects for the harvest in the European Union have also been reduced due to bad weather. **Wheat is expected to trade at 713.45 USd/BU by the end 2021. Looking forward, we estimate it to trade at 826.60 in 2022.**

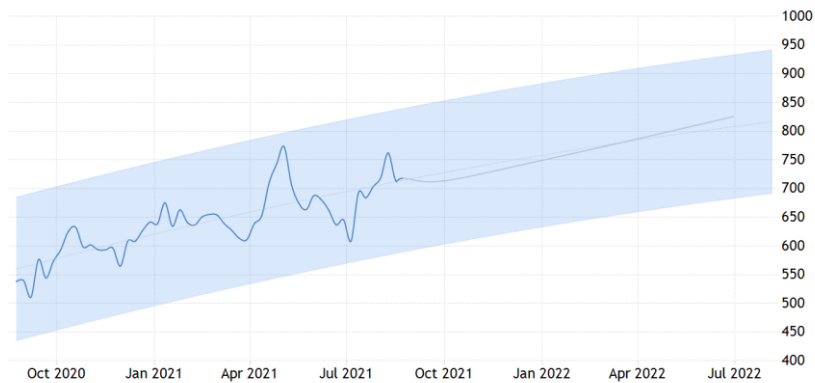
Chicago soybean futures consolidated around USD 13 a bushel, the lowest level since December 2020, amid worries about demand from biofuel producers following news that the Environmental Protection Agency would recommend lowering federal blending mandates of biofuels below 2020 levels. The soybean market was already under pressure from the outlook for favorable weather conditions in the Midwestern United States. **Soybeans is expected to trade at 1495.73 USD/BU by the end of 2021. Looking forward, we estimate it to trade at 1676.16 USD/BU in 2022.**

The price of oats has risen by US USD 150 or 41.58% since the beginning of 2021, according to CFD trading, which tracks the benchmark market for this commodity. **Looking forward, we estimate it to trade at 441.81USD/BU in 2022.**

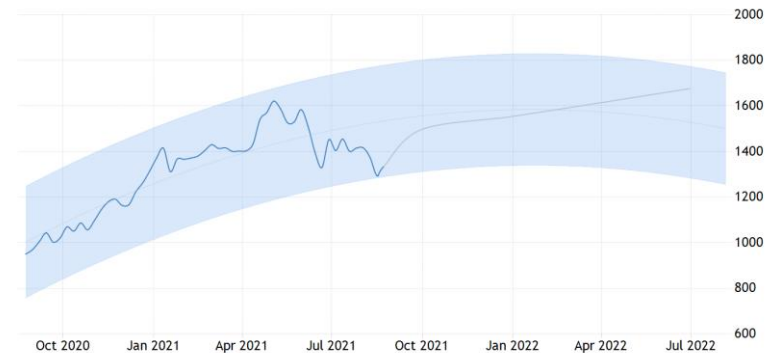
Chicago corn futures fell to USD 5.4 a bushel, the lowest level since late March, driven by lower demand for livestock feed and good weather prospects. The use of corn in Japan in animal feed fell to 47.5% in June, from 49.3% a year earlier, according to preliminary data from the Ministry of Agriculture, Forestry and Fisheries. Meanwhile, rain forecasts in the northwestern United States could improve production prospects after the US government cut its corn forecast in the country by 2.7% due to dry soils in key growing western areas. **Corn is expected to trade at 779.92 USd/BU by the end of 2021. Looking forward, we estimate it to trade at 905.69 in 2022.**

Base scenario: Agriculture products Prices Projections on International markets (2)

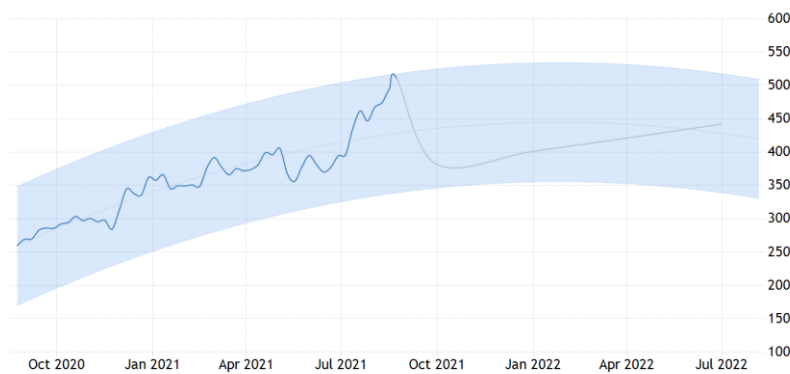
Wheat



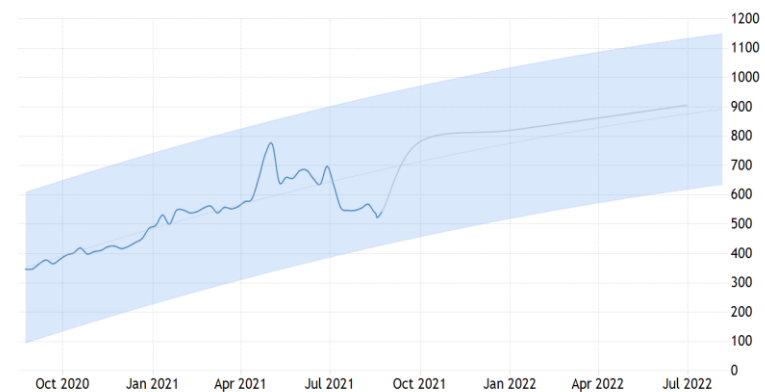
Soya



Oat



Corn



Cereal contract prices continued to rise in the last week of August 2021 due to concerns about declining forecasts for the new harvest. Concerns mainly affect the Russian harvest due to the dry and hot weather, but this has affected all quotations, as Russia is a major world exporter.

Wheat in the US rose by another USD 9.00 to \$ 295.00 / ton, that in France rose by EUR 12.00 to 247.00 EUR/ ton, and prices in Ukraine and Russia followed the same direction to a total of 268.00 USD / ton with plus USD 13.00 and USD 10.00, respectively.

Corn in the US, after the previous serious decline, now has an increase from USD 31.00 to 268.00 USD / ton, in Ukraine for the second week zero change and 270.00 USD / ton.

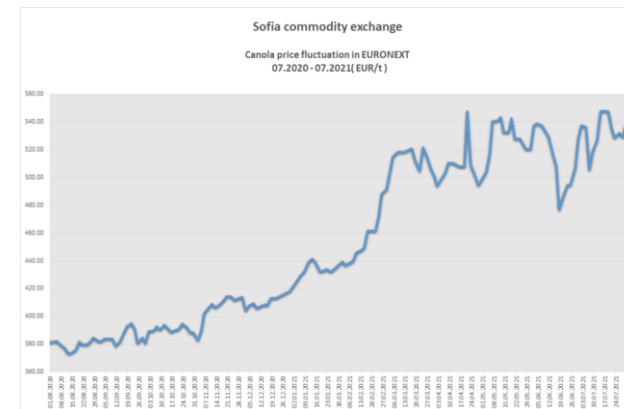
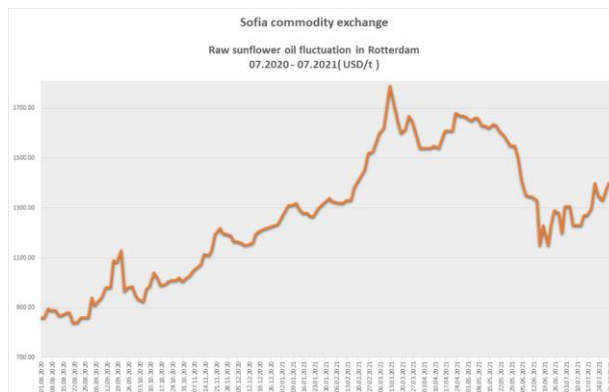
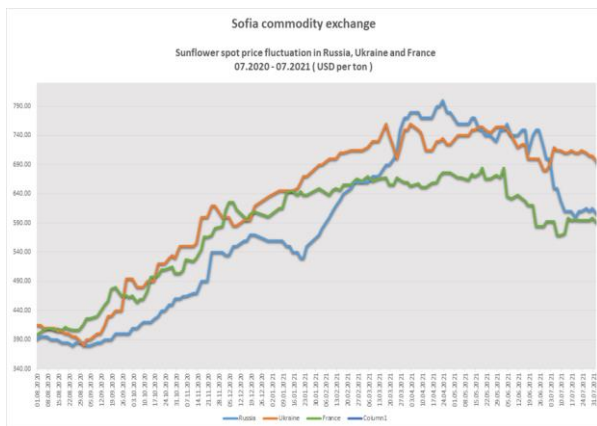
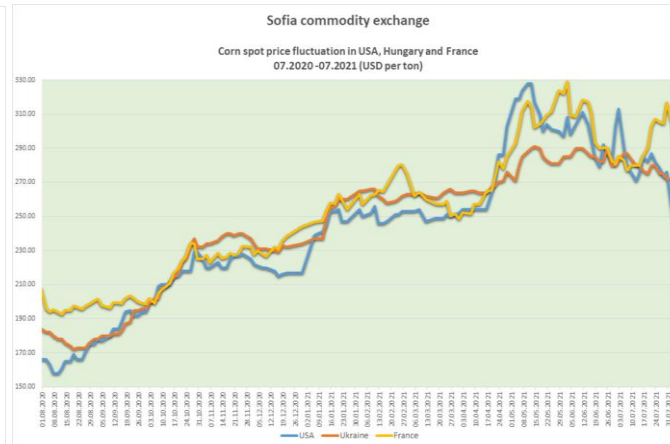
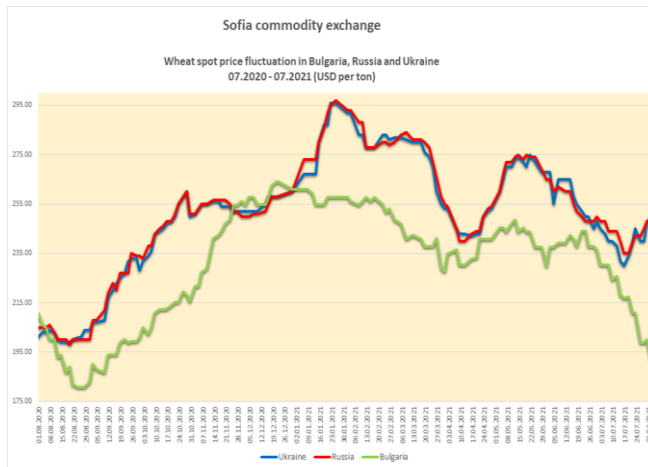
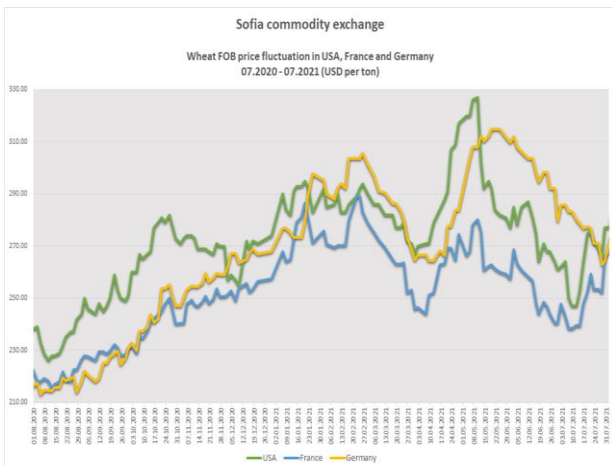
Barley forgot the hesitant quotes this week in France plus EUR 15.00 to 233.00 EUR / ton, in Ukraine plus 10.00 dollars to 230.00 USD / ton.

Rapeseed in the European Union / Euronext / also rose in price by EUR 23.75.00 to EUR 555.50 / ton.

Unrefined sunflower oil on the Rotterdam Stock Exchange returned to the old price of 1400.00 USD / ton, and **refined sugar jumped** up by 26.50 dollars to 476.10 USD / ton on the London Stock Exchange.

In the "Grain" sub-district of the Sofia Commodity Exchange the quotations during the week are sluggish, the traders quote only the demand and it is in large quantities. **Fodder barley** is purchased at a starting price of BGN 310.00 / ton, **corn** at BGN 320.00 / ton. All prices are without VAT.

Base scenario: Agriculture products Prices Impact on Bulgarian Grain Market (4)



Overview global forecasts

The activity in Q2 2021 exceeded expectations, and increased the expectations for the improvement of health situation and faster easing of restrictions to combat the pandemic in H2 2021. **Eurozone GDP is expected to grow by 4.8% in 2021 and by 4.5% in 2022, compared with forecasts made in May of 4.3% and 4.4%, respectively.** The EC also said that real GDP is expected to return to pre-crisis levels in the fourth quarter of 2021, a quarter earlier than expected, but warned that it is essential to maintain political support as far as necessary as the uncertainty and risks associated with growth prospects remain high. Inflation, which has been below the ECB's target for years, is expected to accelerate to 1.9% in 2021 and slow to 1.4% in 2022.

Our projections are more conservative and they are based on the pace of the vaccination process among the EC countries, as well as on the potential threat from the new Delta variant of COVID-19 and eventually third wave of the pandemic.

	Real GDP growth							Headline inflation (US CPI)						
	2017	2018	2019	2020	2021	2022	2023	2017	2018	2019	2020	2021	2022	2023
EMU	2.7	1.9	1.3	-6.7	4.1 (3.9)	4.4	2.2	1.5	1.8	1.3	0.3	1.7 (1.4)	1.4	1.5
US	2.4	2.9	2.3	-3.5	6.5	4	2.2	2.1	2.4	1.8	1.1	3.2 (2.8)	2.3 (2.1)	2.2
China	6.9	6.6	6.1	2.3	8.3 (8.5)	5.2	5	1.6	2.1	2.9	2	1.4 (2.2)	2.5	2.2 (2.5)
Changes are in Bold. Projections from previous month are in brackets.														

Overview of the Interest rates Trends

Yields on 10-year US bonds rose to 1.27% on August 24, 2021 as investors continue to worry about the rapid spread of the coronavirus delta variant, hoping the FDA will approve full approval of the Pfizer / BioNTech COVID-19 vaccine, which will increase vaccination rates and boost recovery and economic recovery. At the same time, traders are expecting a Jackson Hole symposium later this month to update the Fed's timeline. The Treasury will issue USD 60 billion in two-year securities, USD 61 billion in 5-year bonds and USD 62 billion in 7-year bonds this week.

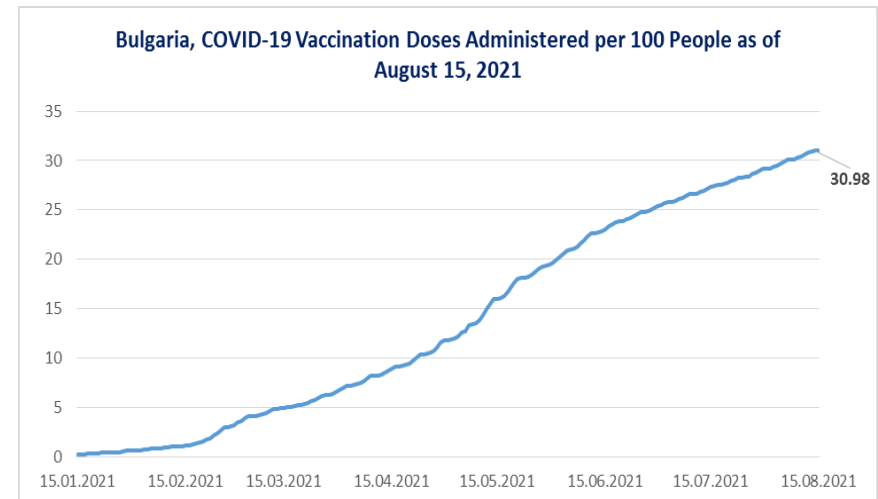
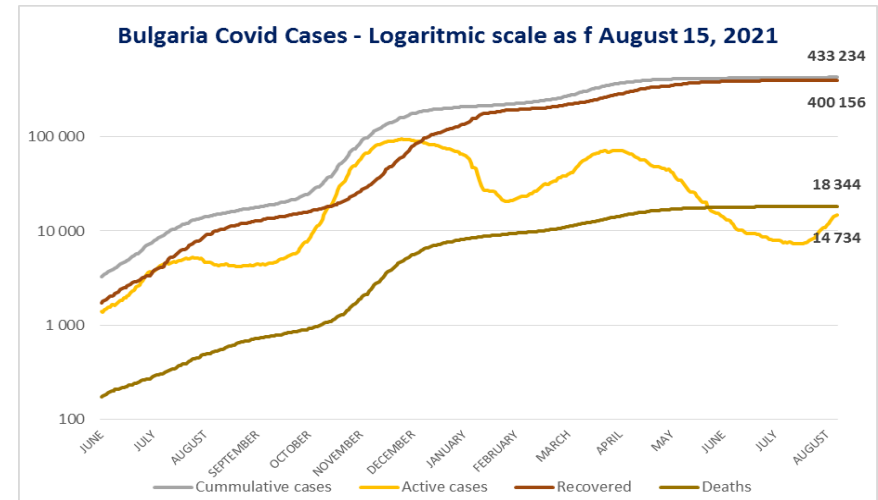
The European Central Bank reviewed its interest rate guidelines during its July meeting, saying it expects interest rates to remain at their current or lower levels until inflation reaches 2% and considers that progress has been made in the baseline. Inflation is advanced enough to be in line with the stabilization of inflation at 2% in the medium term. The central bank also kept the pace of the asset-buying program at EUR20 billion a month, reiterating that the PEPP envelope could be recalibrated if necessary, while reaffirming that it would reinvest maturing PEPP bonds at least until the end of the year. 2023

German 10-year bond yields reached a one-week high of -0.48% in the fourth week of August, after a PMI survey showed that eurozone business activity continued to grow steadily in August and price pressures remained high. Yet yields, which remained close to six-month lows of -0.52%, reached earlier in the month amid fears of a weaker global economic outlook due to coronavirus epidemics and the prospect of a rapid decline in the US Federal Reserve. The latest minutes of the central bank meeting show that officials have agreed to cut monetary incentives this year. Meanwhile, the European Central Bank is expected to continue buying bonds masse after pledging last month to maintain an adjustable monetary policy stance until inflation "permanently" reaches the 2% target, which is not expected to happen until at least 2023.

Advanced economies	Indicators	End 2020	Current 24.08.2021	Q2 2021	Q3 2021	End 2021	End 2022	End 2023
US	Fed policy rate (middle target range)	0.125	0.125	0.125	0.125	0.125	0.125	0.525 (0.125)
	10y Bond yield	1.58	1.28	1.6 (1.9)	1.9 (2.15)	2.15	2.50 (2.25)	2.6 (2.4)
Eurozone	ECB deposit rate	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4
	ECB refi rate	0	0	0	0	0	0	0
Germany	10y Bond yield	-0.23	-0.48	0.15 (-0.15)	0.15 (-0.15)	0.2 (0)	0.40 (0.25)	(0.6) 0.5
	USD per EUR	1.21	1.17	1.20 (1.17)	1.23 (1.17)	1.26 (1.19)	1.32 (1.27)	1.35 (1.3)

Status of pandemic COVID-19 in Bulgaria

- As of August 15, 2021 Bulgaria recorded 423 234 Coronavirus Cases since the epidemic began, according to the World Health Organization (WHO). In addition, Bulgaria reported 18 344 Coronavirus Deaths. Bulgaria recorded 400156 Coronavirus Recovered since the epidemic began.
- The number of COVID-19 vaccination doses administered in Bulgaria rose to 2 152 638 as of August 15 2021. Thus, the number of COVID-19 vaccination doses administered per 100 people in Bulgaria rose to 30.98 according the methodology of WHO.
- As of August 20, 2021, measures aimed at counteracting the spread of COVID-19 come into force in the country.** Our country has entered the fourth wave of COVID-19. The number of those infected has increased, as has the number of those hospitalized. As in most countries, the Delta variant of the virus dominates in Bulgaria. Health authorities are tightening measures and monitoring their implementation in an attempt to reduce the spread of the infection and the damage it causes to human health, the economy, business and the social system.



Bulgaria – Outlook 2021 - 2023 (1)

Bulgaria	Optimistic scenario					Base scenario					Pessimistic scenario				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Real GDP growth (in %)	3.4	-4.2	4.8	4	3	3.4	-4.2	4.6	4	3	3.4	-4.2	2	2.1	3
Inflation (in %, harmonised CPI, average)	2.5	1.2	2.6	2.5	2.5	2.5	1.2	2.1	2.3	2	2.5	1.2	1.5	1.8	1
Unemployment rate (% end of year, Eurostat definition)	4.2	4.8	4.8	4.6	4.2	4.2	4.8	5	4.8	4.6	4.2	4.8	8	9	9
Government budget balance (in % of GDP)	-1	-3	-1	-1	0	-1	-3	-3.9	-2	-1.8	-1	-3	-4.9	-3	-2.5
Gross public debt (in % of GDP)	20.4	24.3	24	25	26	20.4	24.3	26.9	28	29.1	20.4	24.3	28.7	30.7	32.5
Current account balance (in % of GDP)	1.2	0.4	4	3.8	2.6	4	0.4	2	3	1	4	0.4	0	0.3	0.4
Long-term interest rate, 10Y Government Bond Yield	1.2	0.4	0.9	1.4	2.1	1.2	0.4	0.4	0.8	1.1	1.2	0.4	0.75	1	1.25
House prices (annual %-change, existing and new dwellings, Eurostat def.)	6	5.4	5.5	5.8	4.5	6	5.4	5	4.8	4.4	6	5.4	3.8	3.5	3
Source: KBC, UBB															

Bulgaria – Outlook 2021 - 2023 (2)

- **Bulgaria's GDP contraction has so far been relatively slow, mainly due to stable domestic demand.** This year the recovery is stronger than expected and that is why we have raised our forecast for economic growth. In the medium term, by 2024, the influx of high resources from the previous and current multiannual financial framework of the EU (EU MFF), as well as additional funds from the NGEU instrument will provide a solid background for Bulgaria's economic growth. Our forecast is for growth of 4.6% for GDP in 2021, 4.0% for 2022 and 3% for 2023. Domestic demand is also expected to contribute to economic growth. The gradual easing of restrictive measures will encourage consumer demand in the second half of 2021, and the positive development of the labor market will support consumption in 2022. A key factor for the growth of investments will be the successful implementation of the National Recovery and Sustainability Plan.
- **The labor market situation is assessed as stable as a result of the implementation of employment retention measures** (so called 60/40 measure) and expects labor market indicators to improve further. A successful economic recovery this year and next will lead to a gradual reduction in unemployment to relatively low levels. The unemployment rate is expected to fall to 5% in 2021, and to fall to 4.8% in 2022 and to 4.6% in 2023.
- **Compensation per employee will increase** from 5% in 2021 to 6.9% in 2024 due to the government planned supportive measures for the business, financially secured with NGEU Funds, as well as based on the projections for Minimum wage increase by 10% yoy in the forecasted period. This is a moderate increase in the lowest incomes in the EU
- **After the reported slowdown in inflation in the country in 2020, due to lower energy prices and lower prices for food and services, it is expected to accelerate to 2.1% in 2021** (2.2% HIPC in July 2021). Among the factors for this will be the projected rise in energy prices and side effects due to higher fuel prices. In 2022 the total HICP will be at the level of 2.3%, in 2023 at the level of 2%. A moderate increase in incomes, combined with fiscal stability, will prevent a stronger rise in inflation
- **Even against this challenging domestic political environment and in the course of the pandemic, Bulgaria maintained a solid fiscal position.** From 2022, we expect consolidation to further reduce deficits, keeping government debt, net of liquid assets, at a low level of 26.9% in 2021, 28% in 2022 and 29.1% in 2023. External risks also appear to be manageable after several years of external net debt reduction, thanks to recurring current and capital surpluses that we expect to continue. The budget deficit is expected to be at 3.9% of GDP in 2021, 2% of GDP in 2022 and 1.8% in 2023.
- **The lev was included in ERM II and Bulgaria joined the banking union last year.** ERM II is the waiting room for eventual membership in the euro area, which we expect to take place only in a few more years, given that political considerations beyond Bulgaria's control may have an impact. The final decision rests with the finance ministers of the euro area and Denmark, as well as the ECB. We expect that at the moment the membership in ERM II will have limited effects on the activity of the BNB. We expect the ECB and the BNB to further strengthen their close cooperation, especially with regard to Bulgaria's integration into the Single Supervisory Mechanism.
- **Although the results of the recent elections underscore political fragmentation and confrontational decision-making, we do not believe that this development will slow down the most important political endeavors,** such as progress in joining the euro area or the absorption of EU funds. Bulgaria's leading parties will be guided in their policies, complying with the regulatory requirements of the Currency Board, Bulgaria's membership in the EU and NATO, and Bulgaria's membership in the ERM-II.

Bulgaria – Outlook 2021-2023 (3)

Most leading public and private institutions have upgraded their predictions for the Bulgaria's economic recovery in 2021. The HIPC Inflation will reflect assumptions related to the dynamics of international commodity and oil prices.

Regarding the forecasts, the European Commission (EC) has raised its forecast for Bulgaria's GDP growth this year to 4.6%. For 2022, the EC expects growth of 4.1%. Compared to the Spring Forecast, the annual real GDP growth rate is 1.1 pp. higher in 2021 and 0.6 pps. lower in 2022. The upward revision in 2021 reflects mainly the strong recovery in Q1 2021, while strong base effects explain the downward revision in 2022. The risks to the forecast are broadly balanced. On the upside, consumer demand may prove stronger than projected. On the downside, given the relatively slow rate of COVID-19 vaccination in the country, subsequent lockdown periods may be needed.

BNB also increased its projections for GDP at 4.1% in 2021, 4.6% for 2022 and 3.5% for 2023. According to BNB projection, CPI will be at 3.5% in 2021, 0.8% in 2022 and 1.1% for 2023.

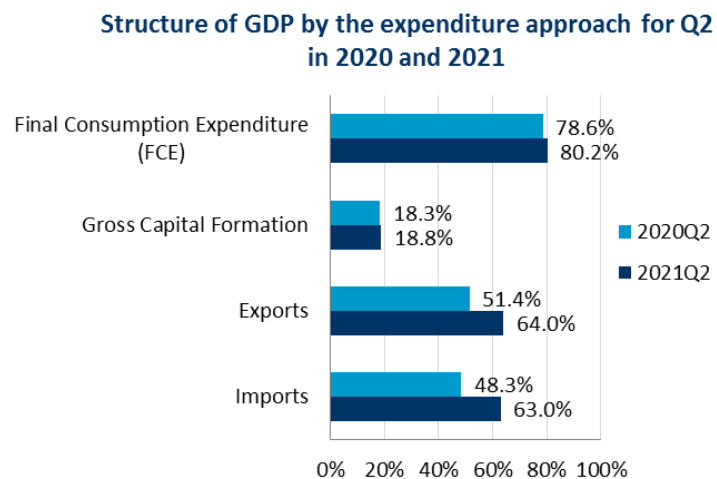
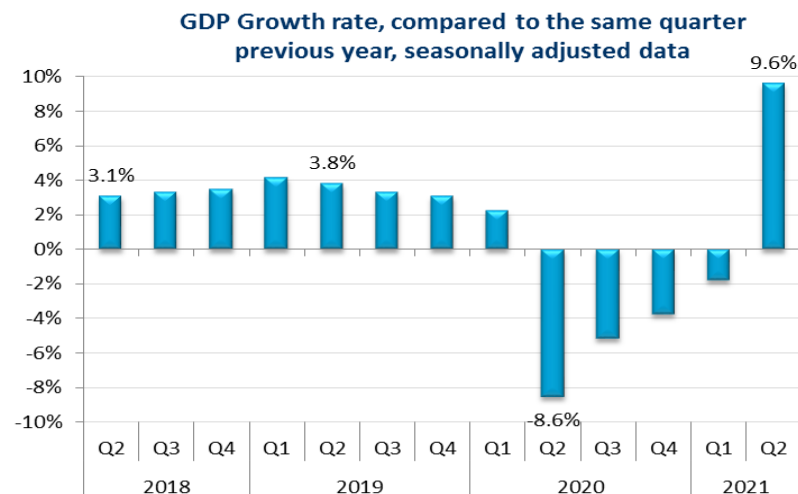
Bulgaria GDP Growth (%): International Institutions Projections	2019	2020	2021	2022	2023
EC	3.4	-4.2	4.6	4.1	n.a
IMF	3.4	-4.2	4.4	4.4	n.a
BNB	3.4	-4.2	4.1	4.6	3.5
MF	3.4	-4.2	2.5	3	3.2

Bulgaria CPI Inflation rate (%): International Institutions Projections	2019	2020	2021	2022	2023
EC	2.5	1.2	1.9	2.5	n.a
IMF	2.5	1.2	1	2	n.a
BNB	2.5	1.2	3.5	0.8	1.1
MF	2.5	1.2	2.1	2.6	2.5

Source: EC, IMF, BNB, MF, KBC

Bulgaria: Main Macroeconomic Indicators (1)

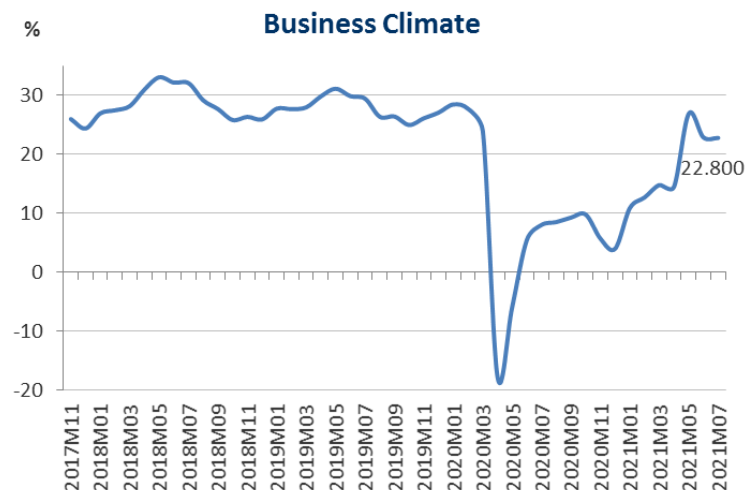
- Bulgaria's GDP rebounded by 9.6% yoy in Q2 2021 after a 1.8% contraction in the previous period according NSI preliminary estimates.
- Both final consumption (6.7% vs 3.1% in Q1) and gross fixed capital formation (4.2 % vs 1.0%) grew faster. Meanwhile, exports rebounded 20.3% (vs -5.9 % in Q1) while imports advanced 28.6% (vs 1.9%). On a quarterly basis, the economy grew 0.4 percent, slowing from a 2.5 % rise in the previous quarter.
- In the medium term, by 2024, the influx of high resources from the previous and current multiannual financial framework of the EU (EU MFF), as well as additional funds from the NGEU instrument will provide a solid background for Bulgaria's economic growth.



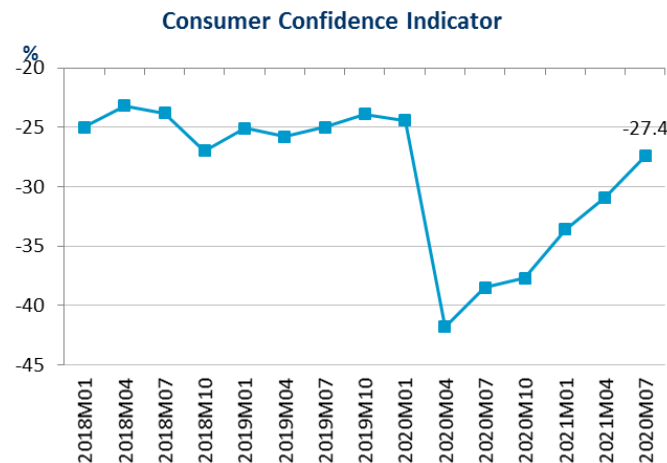
Source: EC, IMF, BNB, MF, KBC

Bulgaria: Main Macroeconomic Indicators (2)

In July 2021, the total business climate indicator remained nearly flat compared to the previous month at 22.8 index points. An improvement of the indicator is observed in construction and retail trade, in service sector preserves approximately its level from the previous month, and in industry is registered a reduction.



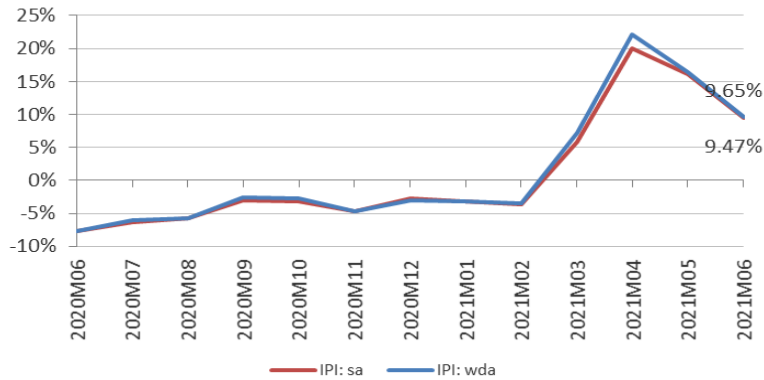
In July 2021, the total consumer confidence indicator increases by 3.5 percentage points compared to its April level. An increase of consumer confidence among both urban and rural inhabitants - by 3.1 and 4.7 percentage points, respectively, is reported



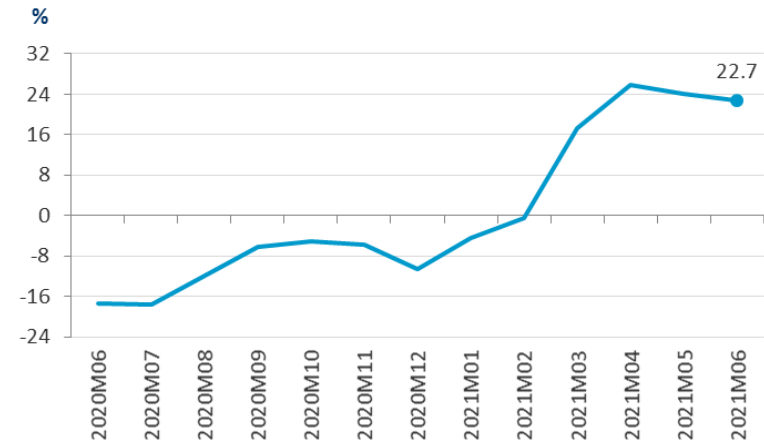
Bulgaria: Main Macroeconomic Indicators (3)

High Frequency Indicators in June confirmed the trend in positive territory with small decline on mom base. Tourism sector is recovered as the revenues increased by 32% yoy in June 2021.

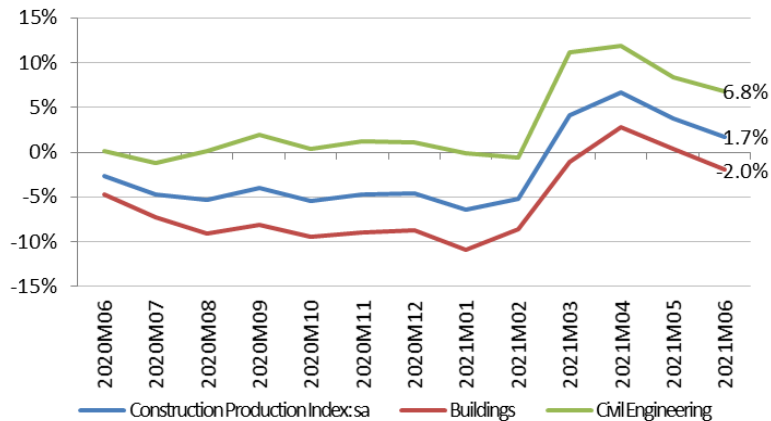
Industrial Production Index: Percentage change, YoY



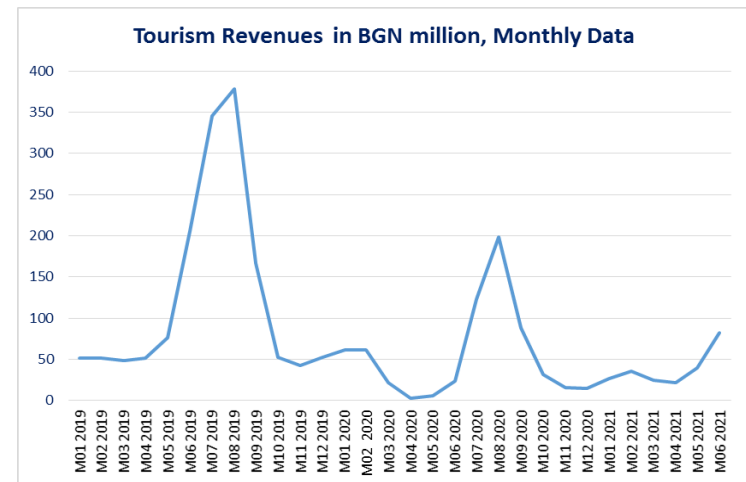
Retail Trade Index: Percentage change, YoY



Construction: Percentage change, YoY



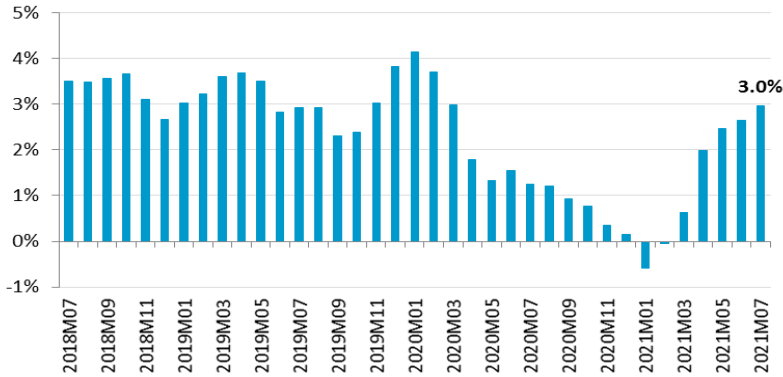
Tourism Revenues in BGN million, Monthly Data



Bulgaria: Main Macroeconomic Indicators (4)

CPI and PPI increased following the trends Oil and Commodity prices on the international markets.

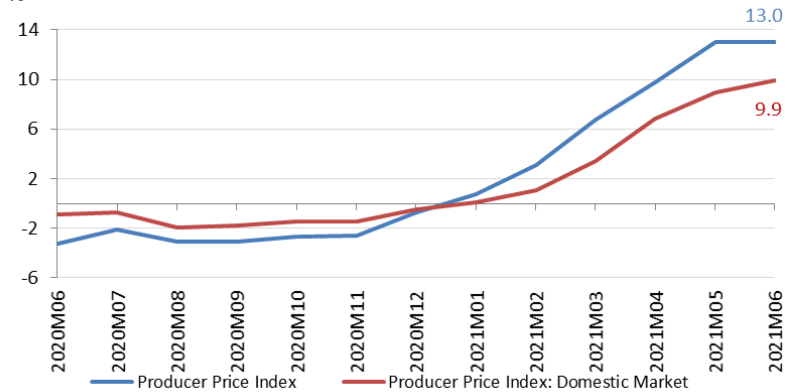
Inflation, y/y: 2018 - 2021



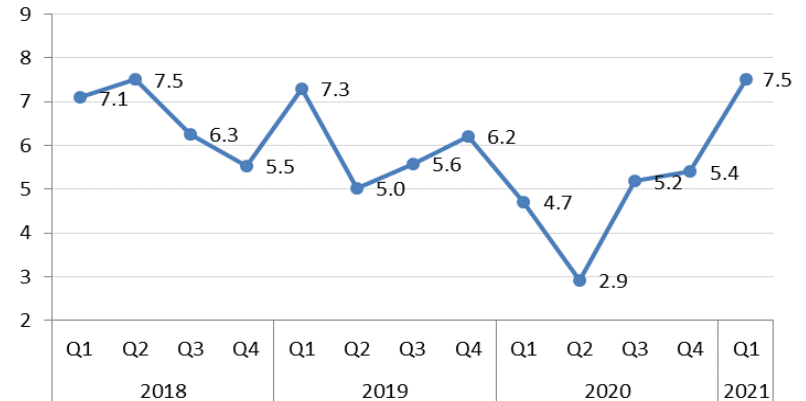
Core Inflation, Percentage change, YoY



Producer Price Index and PPI on Domestic market, % change on annual base



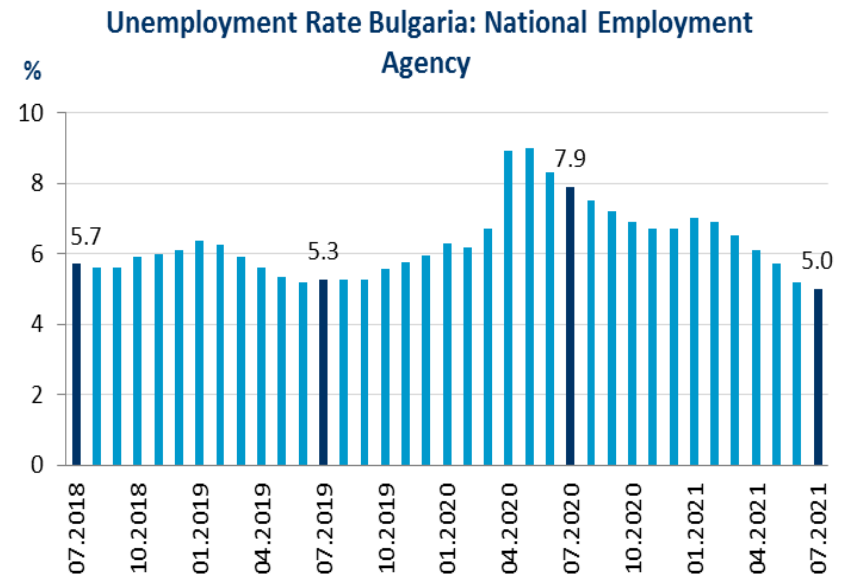
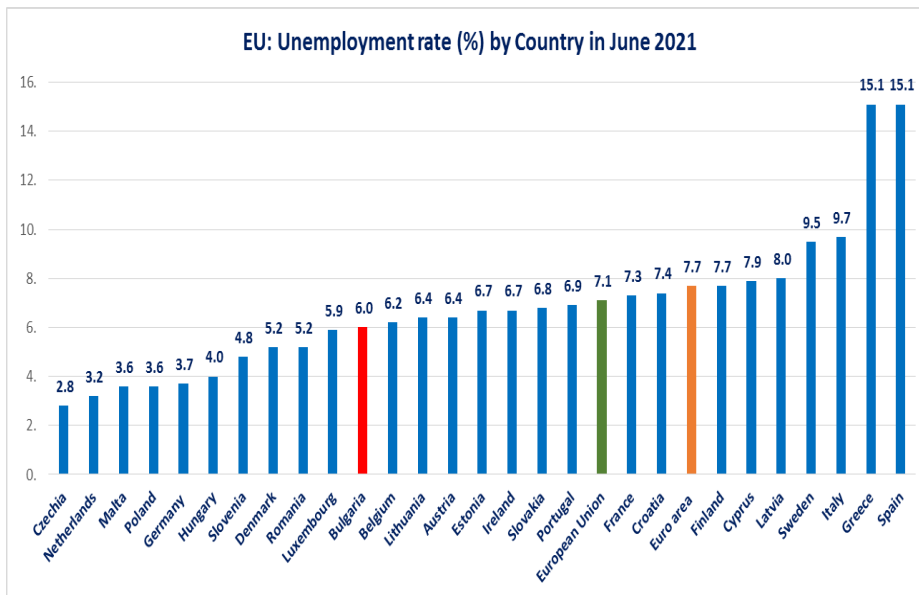
House Price Index (HPI), % change YoY



Bulgaria: Main Macroeconomic Indicators, Labor market (5)

According to EUROSTAT data in June 2021 the harmonized unemployment rate in Bulgaria is 6.0% and decreased by 0.2 pps compared May 2021, while on an annual basis in June the decrease is 0.1 pps.

According to Agency of employment in July 2021 the rate of registered unemployment is 5.0% and reported decrease by 0.2 pps compared to previous month, and decreased by 2.9 pps compared to July 2020.



Note:

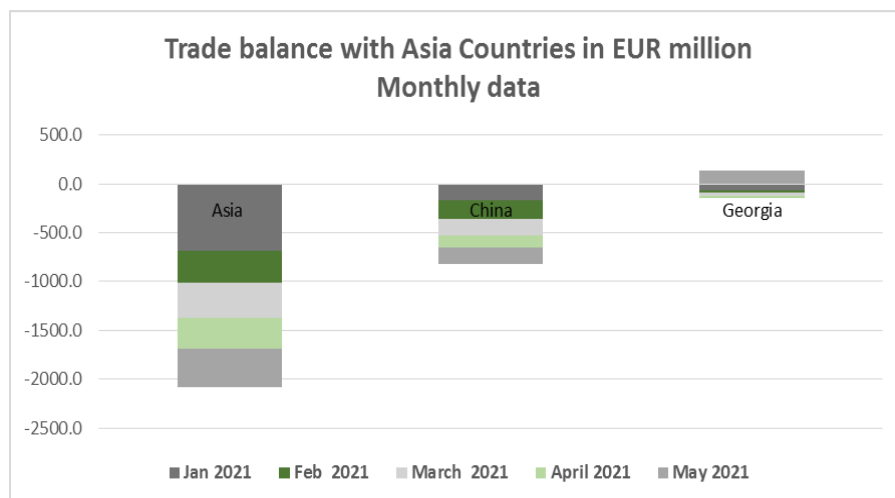
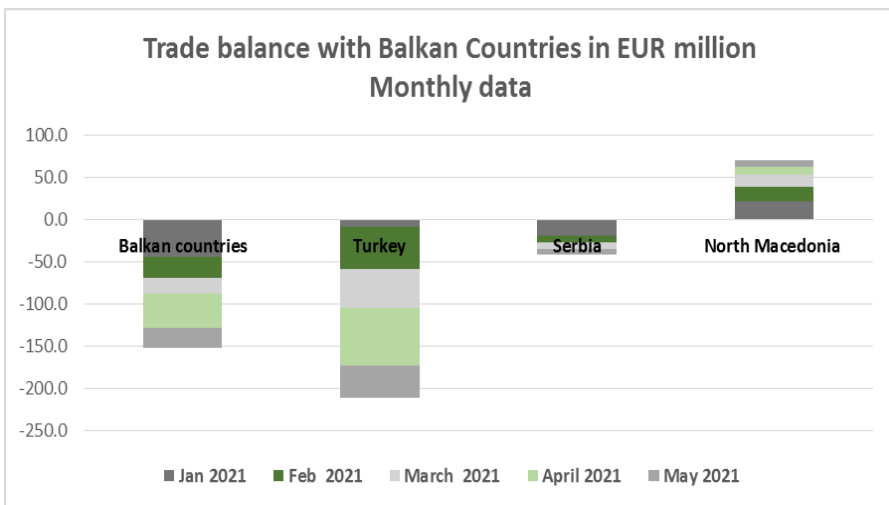
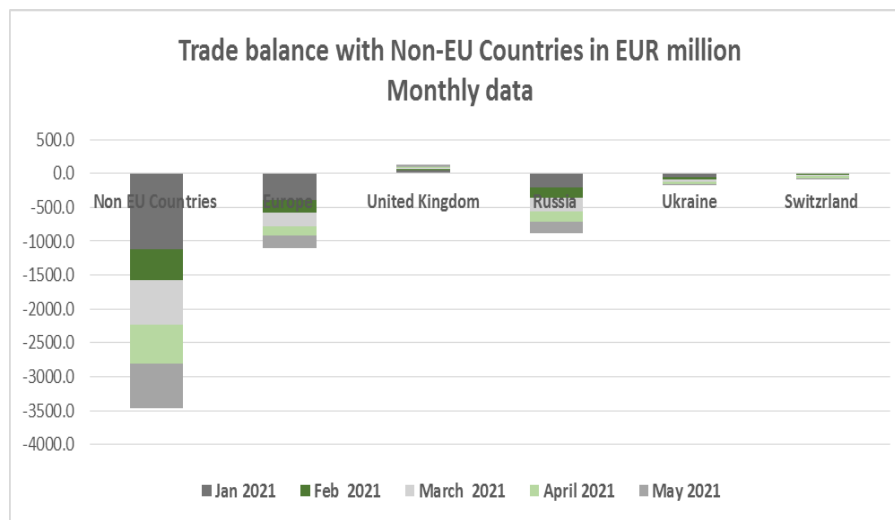
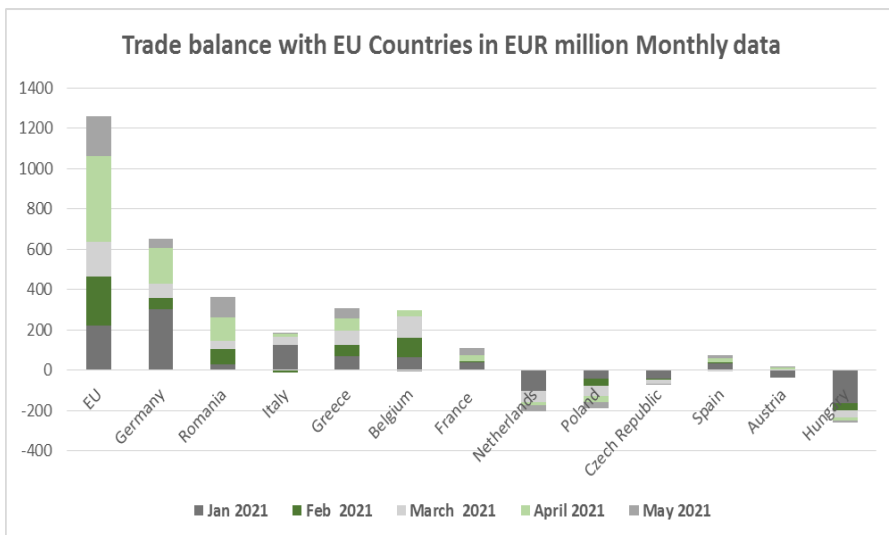
According to the definition of the NSI, unemployed are persons aged 15 - 74 years who: 1) do not have a job during the observed period; 2) actively looking for work for a period of four weeks, incl. observed week, or have already found a job that they expect to start within three months after the end of the observation period, 3) have the opportunity to start work within two weeks after the end of the observed period.

The NSI assessment is based on a sample "Labor Force Survey", in which Bulgarian households are interviewed on a rotating basis. The labor force survey is performed on a two-stage nesting sample, including about 19.6 thousand households each quarter (about 0.65% of the households in the country). The definition of unemployment of the NSI is according to Regulation of the European Commission (EC) № 1897/2000.

The Employment Agency considers unemployed only persons who have registered with the labor offices.

Bulgaria: Main Macroeconomic Indicators (6)

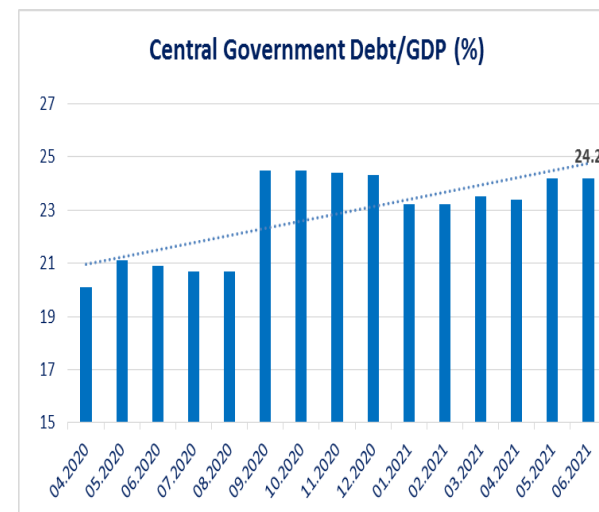
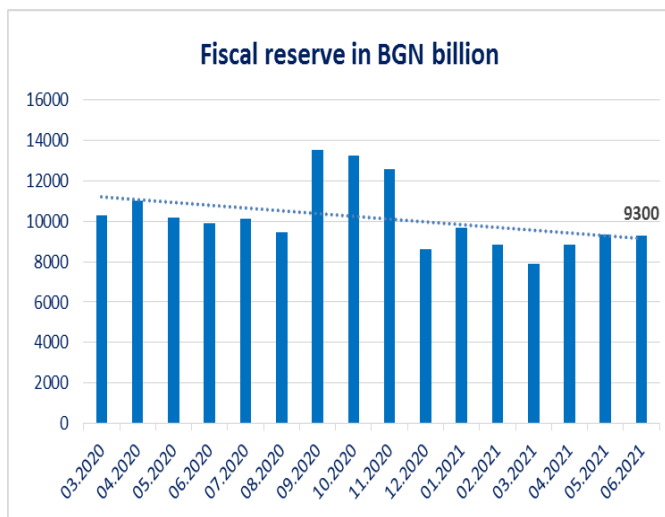
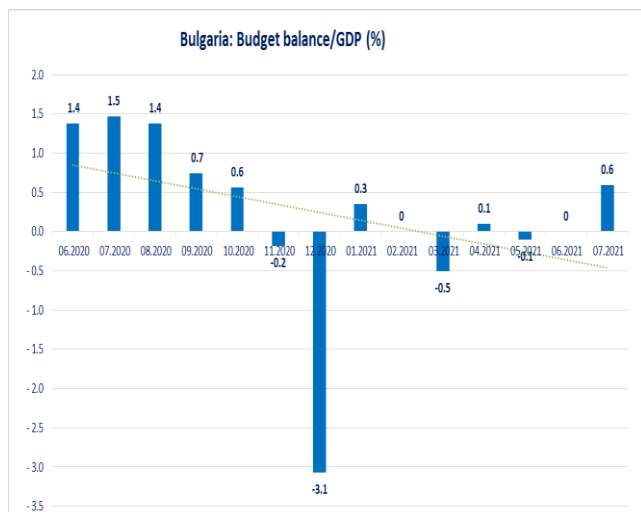
In May 2021 Bulgaria's Trade balance is negative at EUR 462.8 million with positive value only with EU countries at EUR 193 million. The trade balance is negative with Non – EU countries at EUR 655.8 million, with Balkan countries at EUR 23.3 million and with Asia countries at EUR 395.4 million.



Bulgaria: Main Macroeconomic Indicators (7)

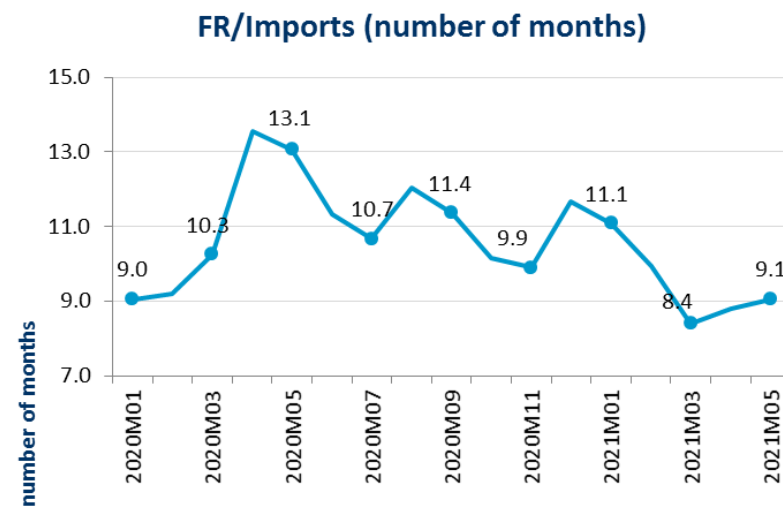
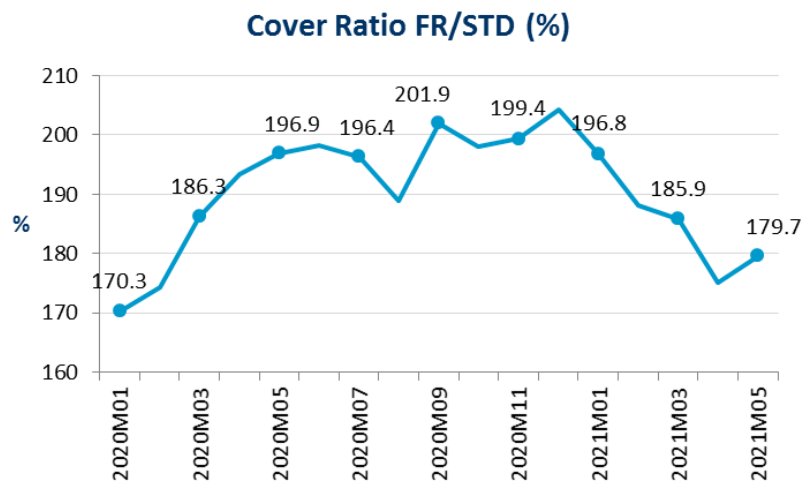
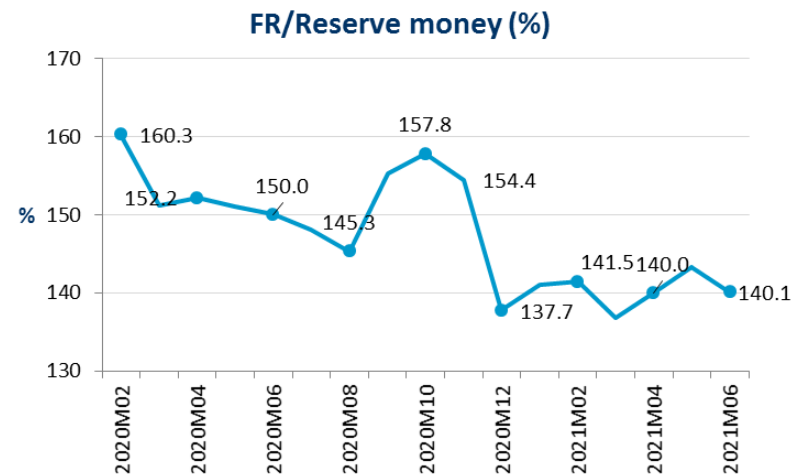
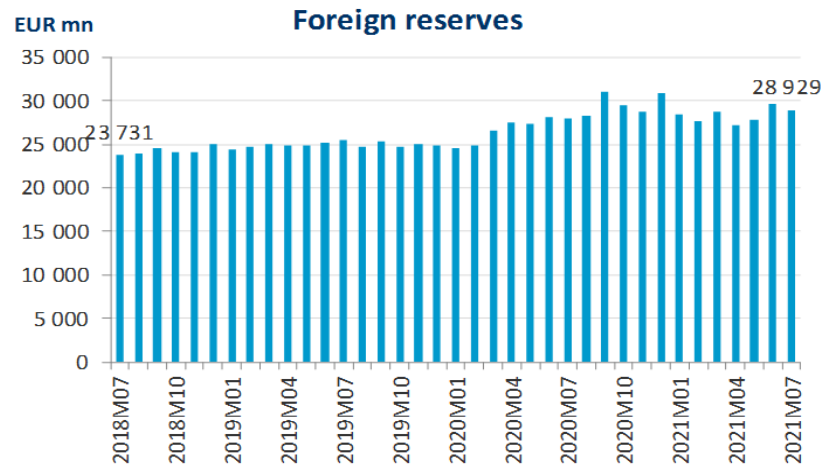
Bulgaria's Fiscal position

- Based on the preliminary data and estimates, the Consolidated Fiscal Programme (CFP) budget balance as of July 2021 is expected to be positive, amounting to BGN 731 million.
- The fiscal reserve as of 30.06.2021 is BGN 9.3 billion, including BGN 8.9 billion of fiscal reserve deposits in the BNB and in banks and BGN 0.4 billion of receivables under the EU Funds for certified expenditures, advance payments, etc.
- The central government debt as of end-June 2021 amounts to BGN 30,068.9 million, which is a decrease by BGN 37.9 million as compared to end-May 2021. Domestic debt amounts to BGN 6 264.3 million and external debt to BGN 23 ,80.6 million. At the end of the reporting period the central government debt/GDP ratio is 24.2 %, keeping the level from the previous month.



Bulgaria: Main Macroeconomic Indicators (8)

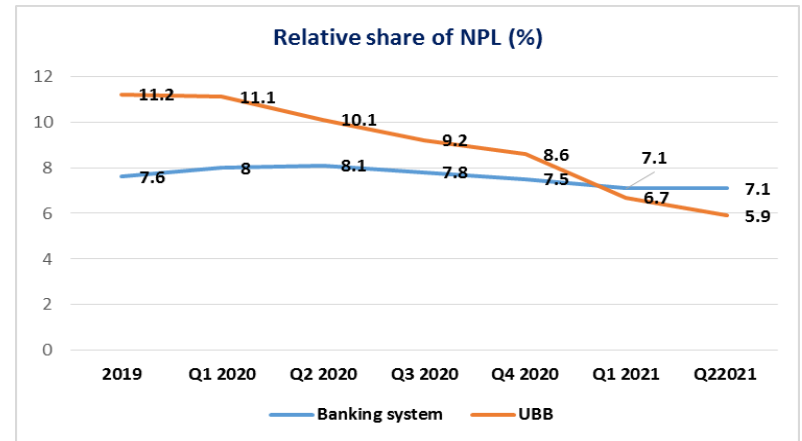
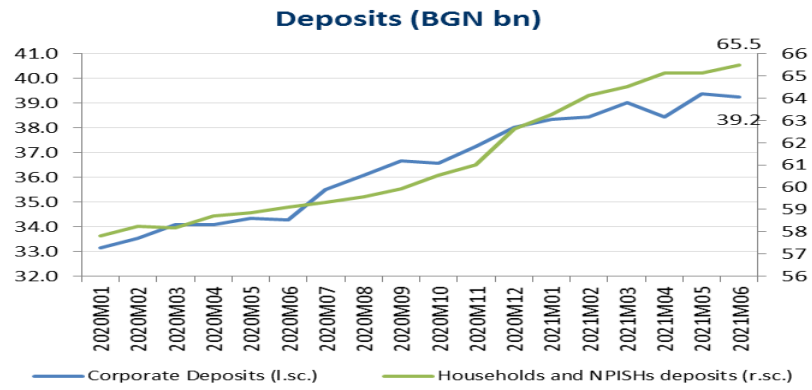
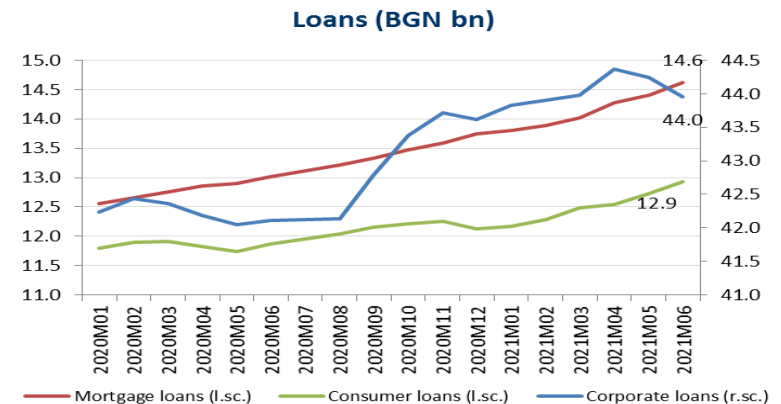
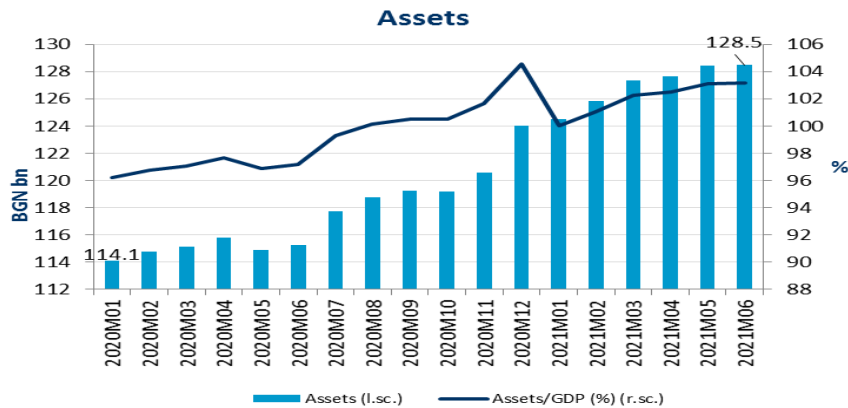
Currency Board Indicators



BULGARIA: BANKING SECTOR

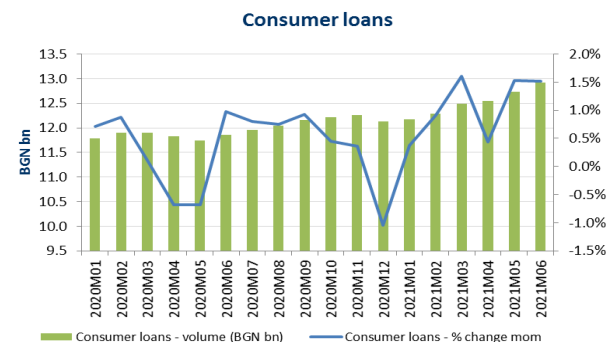
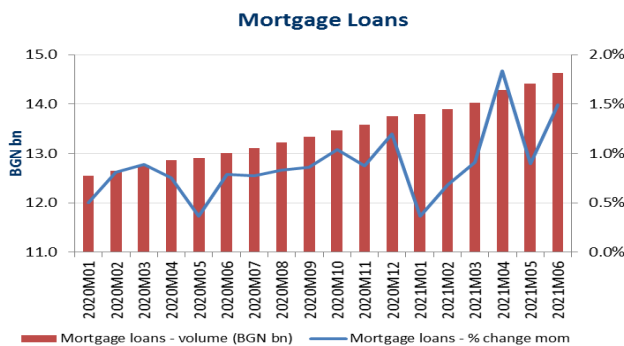
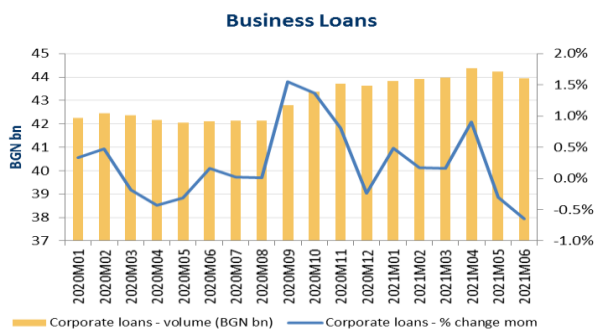
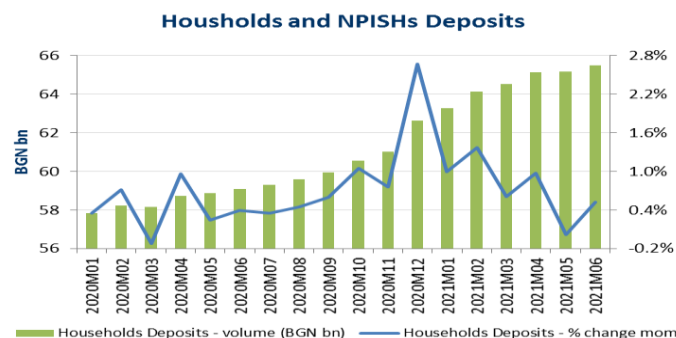
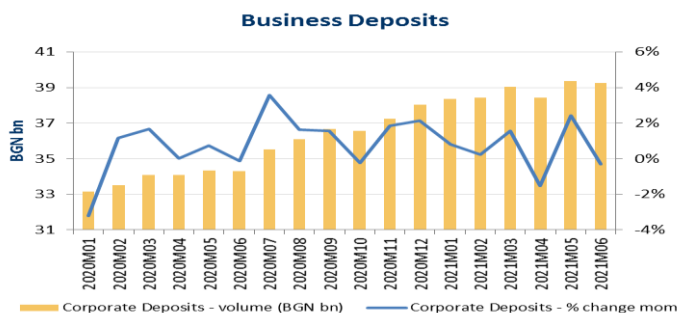
Banking Sector (1)

- At the end of June 2021, **the assets of the banking system** amounted to BGN 128.5 billion, increasing by 11.4% yoy. Their relative share in GDP is 102.8%. **The gross loan portfolio of customers** of the banking system increased by 0.2% mom and by 6.8% yoy, respectively to BGN 71.5 billion. Its relative share in GDP is 57.2%. **Customer deposits** in the banking system increased by 0.2% mom and by 12.1% yoy, respectively, exceeding BGN 104.7 billion. Their relative share in GDP is 83.8%. **The relative share of non-performing loans and advances** in the total amount of gross loans and advances is 6.72% (against 7.10% at the end of March).
- Note for NPL:** The relative share of non-performing loans for the banking system and for UBB is calculated as the ratio of overdue loans with a maturity of over 90 days and the gross amount of loans without cash balances with central banks and other demand deposits, according to Implementing Regulation (EU) 2020/429 Decision of 14 February 2020 amending Implementing Regulation (EU) № 680/2014 on the provision of information by the institutions to supervisors.



Banking Sector (2)

- In June 2021 **Business deposits** amounted at 39.2 billion declined by 0.3% mom but increased 14.4% yoy. **Deposits of the general government sector** amounted to BGN 3.6 billion and increased by 0.4% mom and by 22% yoy, respectively. **Deposits from other financial corporations** amounted to BGN 3.9 billion and increased by 2.1% mom and by 15.1% yoy, respectively. A decrease was reported in **deposits of non-financial corporations** by 0.7% mom, but with an annual growth of 13.1% to BGN 31.8 billion. **The funds attracted from households** increased by 0.5% mom and by 10.8% yoy, respectively to BGN 65.5 billion.
- In June 2021 total **Business loans declined by 0.6% mom but** increased by 4.4% yoy reaching BGN44 billion. **Loans to non-financial corporations** reported a monthly decline of 0.4% with an increase of 4.6% yoy, respectively and amounted to BGN 38.1 billion. **Loans to other financial corporations** increased by 4.8% yoy with a monthly decline of 1.0% and amounted to BGN 4.9 billion. **Loans to general government** amounted to BGN 0.9 billion and increased by 3.1% mom with a decrease of 5.5% yoy, respectively. **Growth was reported in receivables from households** by 1.5% mom and by 6.8% yoy, respectively to BGN 27.5 billion. **Mortgage loans** increased by 1.5% mom and by 12.4% yoy, respectively to BGN 14.6 billion. **Consumer loans** increased by 1.2% mom and by 8.4% yoy, respectively to BGN 13.6 billion.



Banking Sector: Methodological Note (2a)

In the report “Data on debt securities, loans and advances and deposits” the line Households is not a mechanical sum of the items Consumer loan and Loans secured by residential property.

The reason is that household loans are presented in different breakdowns - 1) by purpose and 2) by collateral (as defined in Annex V, paragraphs 86, 87 and 88 of Regulation (EU) No 680/2014) link: <https://eur-lex.europa.eu/legal-content/BG/TXT/PDF/?uri=CELEX:02014R0680-20200601&from=BG>

86. Loans and advances are classified according to the collateral received as follows:

(a) "Loans secured by real estate" includes loans and advances that are officially secured by residential or commercial real estate, regardless of the outstanding credit / collateral ratio (commonly referred to as the "loan-to-collateral ratio" ratio) and the legal form of the security;

b) 'Other secured loans' includes loans and advances that are officially secured, regardless of the outstanding credit / collateral ratio (commonly referred to as the 'loan-to-collateral ratio') and the legal form of the collateral, such as other secured loans are not "Loans secured by real estate". This collateral includes mobilized securities, cash and other collateral, regardless of the legal form of the collateral.

87. Loans and advances are classified according to the collateral received, regardless of the purpose of the loan. The carrying amount of loans and advances secured by more than one collateral is classified and reported as secured by real estate, if this is the case, regardless of whether these loans and advances are secured by other types of collateral.

88. Loans and advances are classified according to their purpose as follows:

(a) 'Consumer credit' means credit granted mainly for personal use in the consumption of goods and services as defined in the table in Part 2 of Annex II to the ECB Regulation on balance sheets;

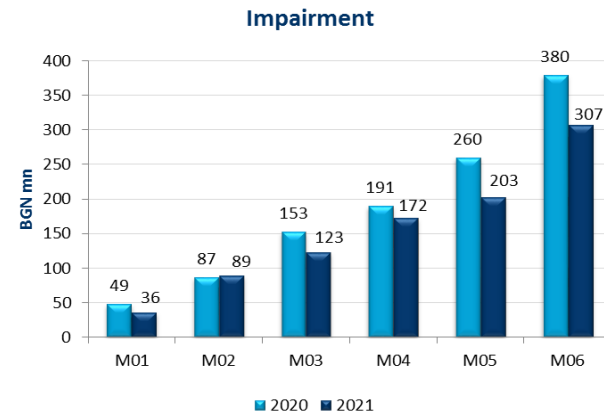
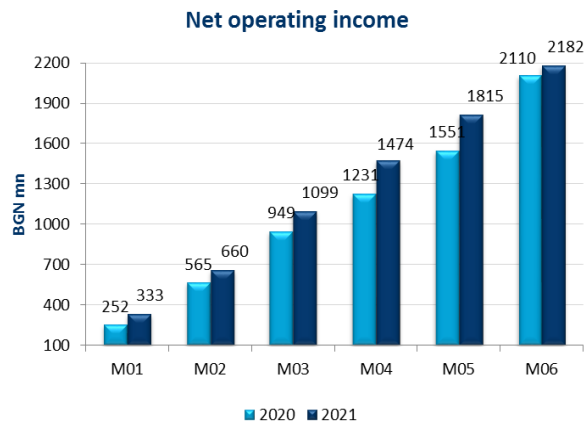
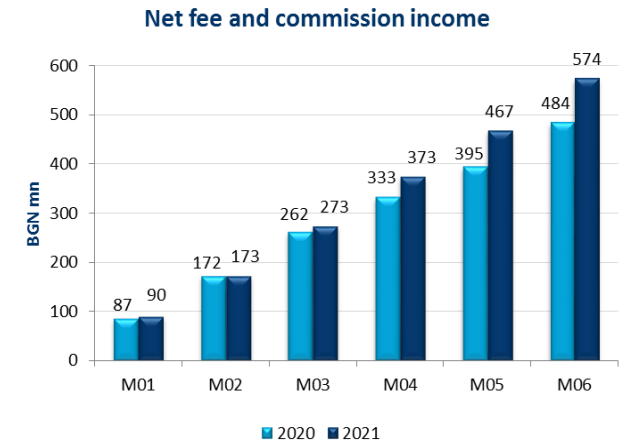
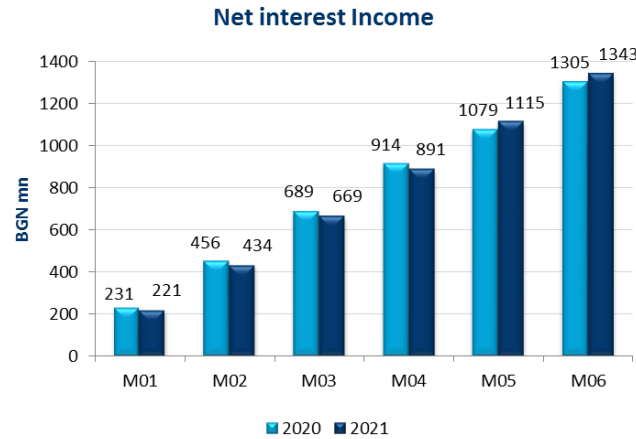
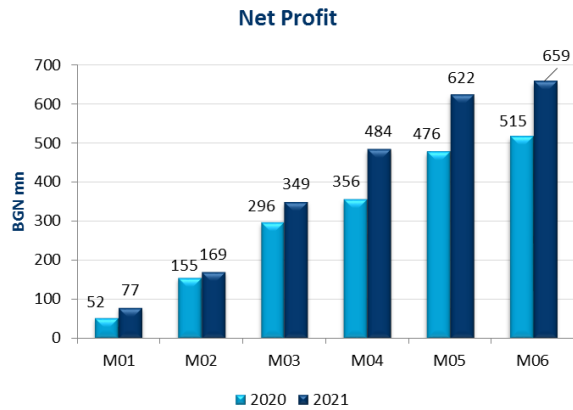
(b) "Housing loan" means the loan granted to households for the purpose of investing in dwellings for their own use or rent, including construction and repairs as defined in the table in Part 2, Annex II to the ECB Regulation on balance sheet indicators.

The differences in the two forms of information from the BNB Banking Supervision and the BNB Statistics Directorate arise from the scope of borrowers - only for residents in banking statistics and in total (for residents and non-residents) in the balance sheets and reports of banks provided by the Banking Supervision Department.

June 2021	BNB Supervision Department	BNB Statistical Department
Households Loans (yoy, %)	10.8	10.4
Mortgage Loans (yoy,%)	12.4	14.5
Consumer Loans (yoy,%)	8.4	9
Source: BNB		

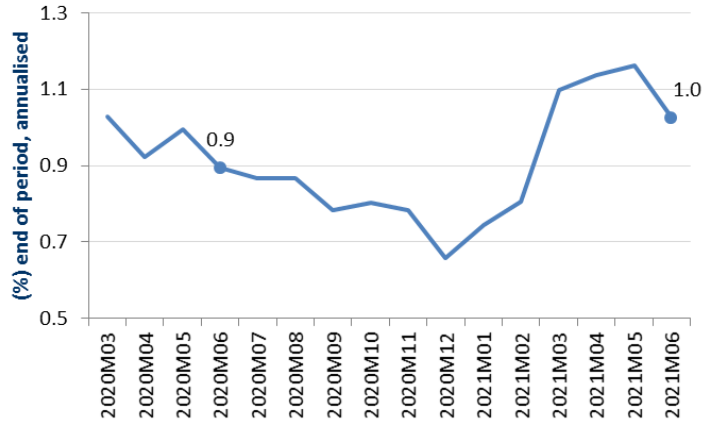
Banking Sector (3)

- At the end of June 2021 the net profit of the banking system is BGN 659 million and increased by 27.8% yoy. Expenses for impairment of financial assets, which are not reported at fair value through profit or loss, amount to BGN 307 million at the end of June 2021, which is by BGN 73 million (19.1%) lower than for the first half of 2020.

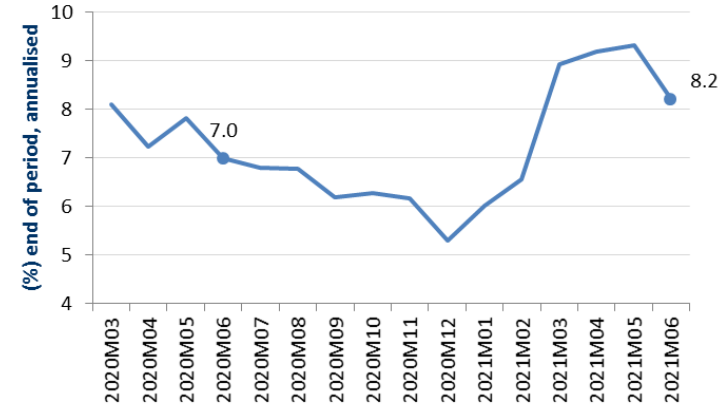


Banking Sector (4)

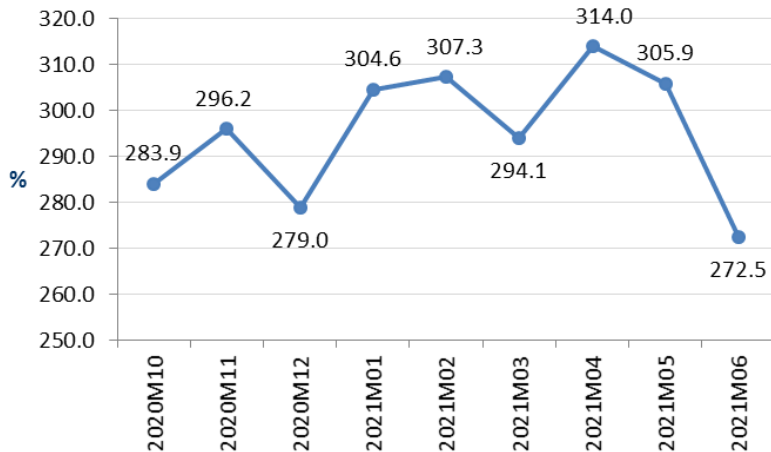
ROA



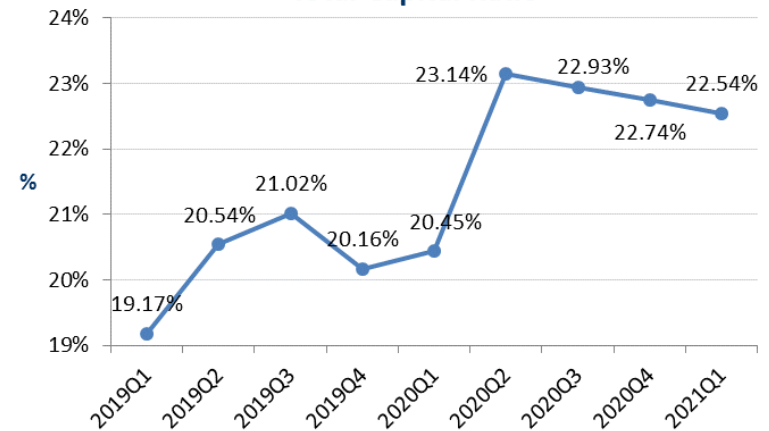
ROE



Liquidity Cover Ratio (LCR), %

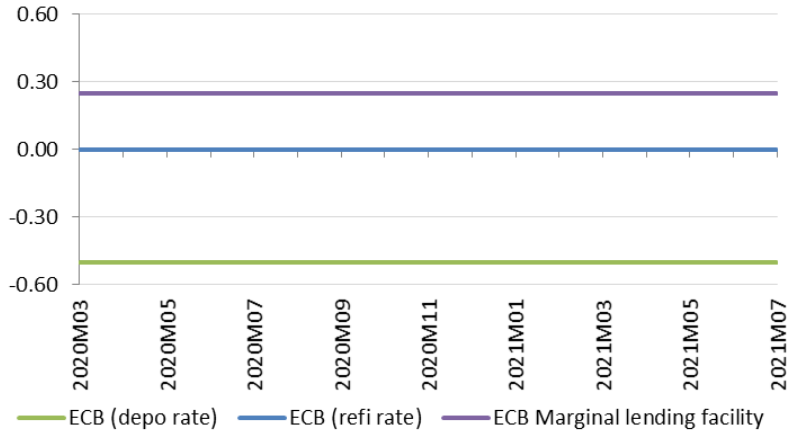


Total Capital Ratio

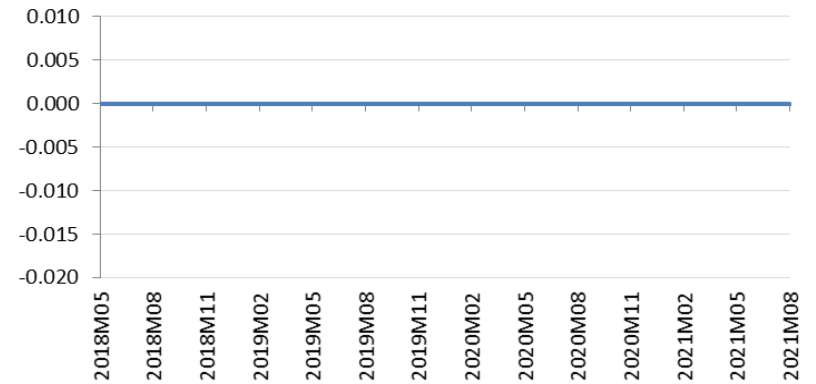


Banking sector: Indexes and Interest Rates (5)

Policy Rates (in %)

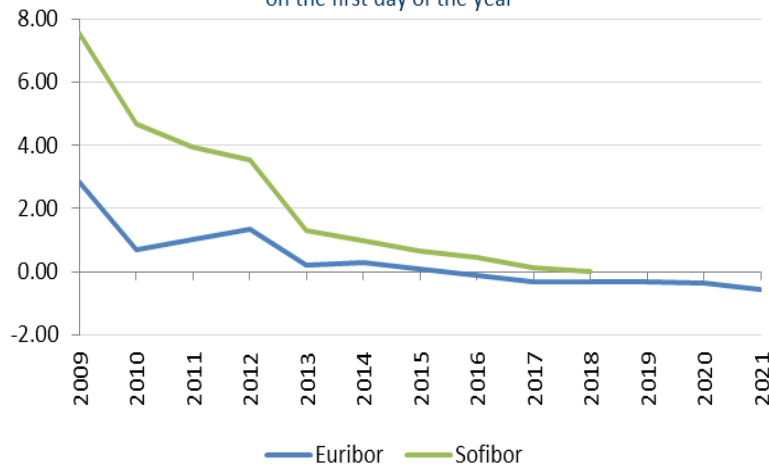


Base Interest Rate of the BNB (in %)



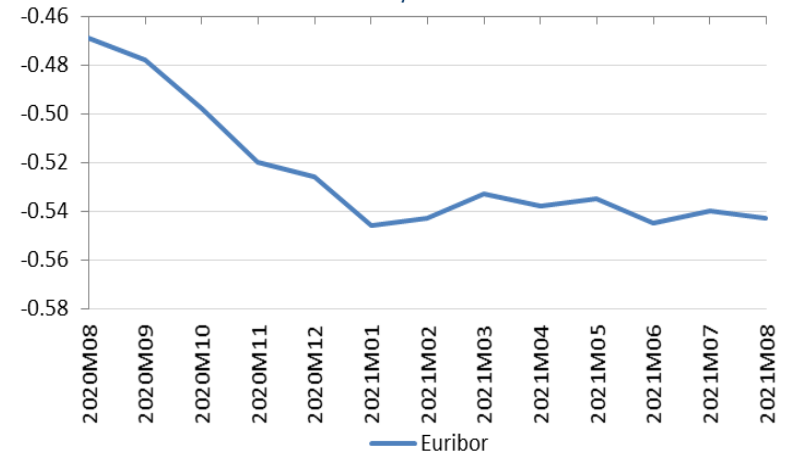
Indexes 3-months

on the first day of the year



Euribor Index 3-months

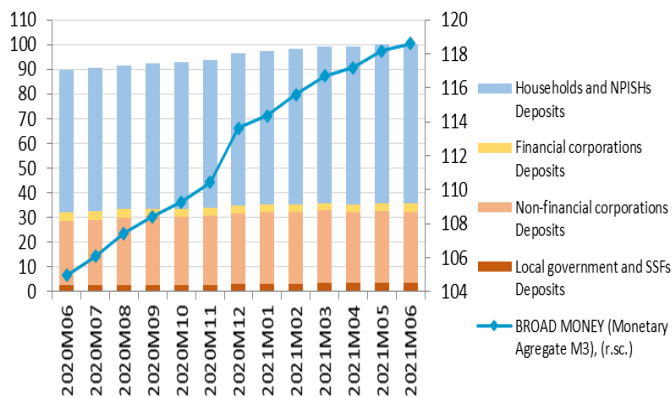
on the first day of the month



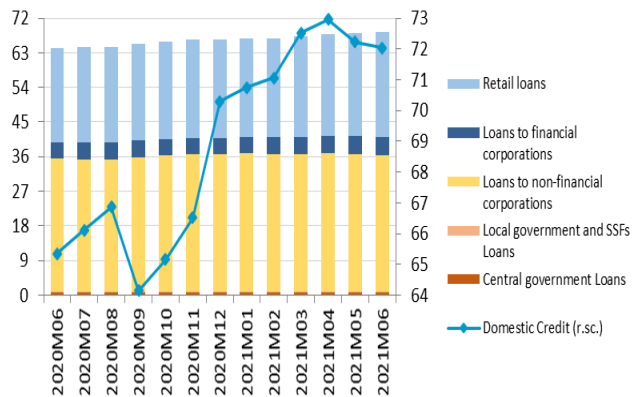
Banking sector: Monetary Survey (6)

- In July 2021 **broad money (monetary aggregate M3)** increased by 13.4% yoy. At the end of July 2021 M3 was BGN 120.287 billion (93.7% of GDP). At the end of July 2021, **deposits of the non-government sector** were BGN 98.222 billion (76.5% of GDP), increasing annually by 11.8%. **Deposits of Non-financial corporations** were BGN 30.601 billion (23.8% of GDP) at the end of July 2021. Compared to the same month of 2020 they increased by 15.2%. **Deposits of Financial corporations** decreased by 2.5% yoy in July 2021 and at the end of the month they were BGN 3.717 billion (2.9% of GDP). **Deposits of Households and NPISHs** were BGN 63.904 billion (49.8% of GDP) and they increased by 11.2% yoy.
- In July 2021 **the domestic credit** – was BGN 72.610 billion and increased by 9.8% yoy. In July 2021 claims on the non-government sector increased by 7.2% yoy reaching BGN 70.165 billion. In July 2021, **loans to Non-financial corporations** increased by 4.6% yoy and at the end of the month amounted to BGN 35.938 billion (28% of GDP). **Loans granted to financial corporations** were BGN 4.689 billion (3.7% of GDP) and compared to July 2020, they increased by 7.2%. **Loans to Households and NPISHs** were BGN 27.438 billion (21.4% of GDP). They increased by 10.8% yoy. **Mortgage loans** amounted BGN 13.125 billion and increased by 15.1% yoy. **Consumer loans** amounted to BGN 12.746 billion and compared to July 2020 they rose by 9.3%. On an annual basis other loans decreased by 12.6% and reached BGN 390.9 million. **Loans to Sole proprietorships and partnerships** without legal status decreased by 1.2% yoy reaching BGN 389.2 million. **The relative share of Bad and restructured loans** was 7.4% compared to 7.5% in previous month and below 8.7% reported in July 2020.

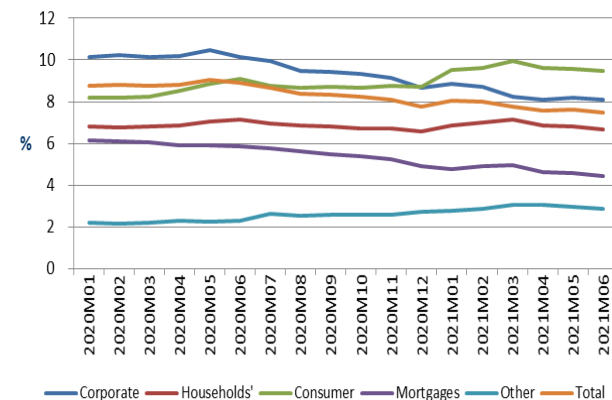
Deposits and Broad Money (M3), (BGN bn)



Loans and Domestic Credit (BGN bn)



Banking sector: Bad and restructured loans (%)



Banking sector: Interest Rates of New Business Loans (7)

- In June 2021 Interest rates on new credits for enterprises decreased compared to previous month in BGN, in EUR and in USD.
- In June 2021 Interest rates of the new credits for households decreased their level compared to previous month in BGN and increased in EUR and in USD.

BGN

%	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	2.75	2.54	2.65	2.58	2.53
loans up to 1 year	3.35	2.57	2.64	3.02	3.23
loans over 1 up to 5 years	2.89	2.73	3.01	2.80	2.67
loans over 5 years	2.42	2.37	2.45	2.22	2.23
households	5.73	5.56	5.43	5.63	5.49
loans up to 1 year	22.36	25.91	24.75	25.40	24.05
- consumer loans	23.02	26.37	26.20	25.54	24.87
- mortgages	4.83	0.00	3.65	0.00	0.00
- other loans	4.62	3.99	2.92	3.65	4.00
loans over 1 up to 5 years	9.02	11.95	10.56	10.52	11.46
- consumer loans	9.79	12.82	11.15	11.03	12.08
- mortgages	3.25	2.82	2.61	2.83	2.76
- other loans	2.98	3.20	3.17	3.32	3.53
loans over 5 years	4.30	4.00	3.99	4.07	3.97
- consumer loans	5.63	5.39	5.42	5.43	5.43
- mortgages up to 10 years	3.16	2.85	2.88	3.03	3.00
- mortgages over 10 yrsrs	2.89	2.74	2.74	2.73	2.72
- other loans	4.08	3.36	3.10	3.20	3.23

Source: BNB

EUR

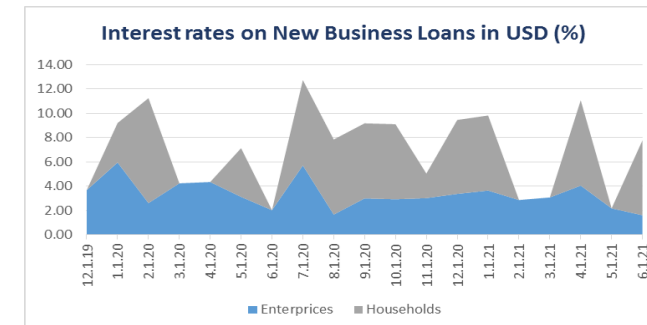
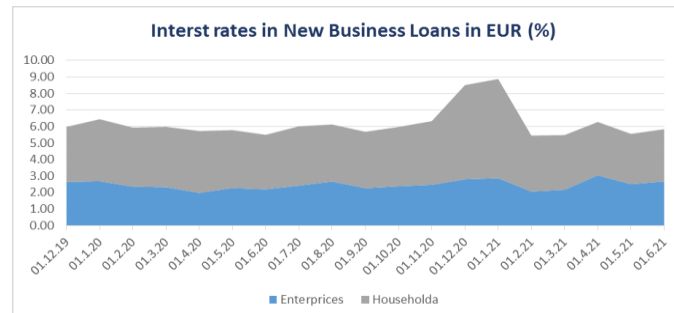
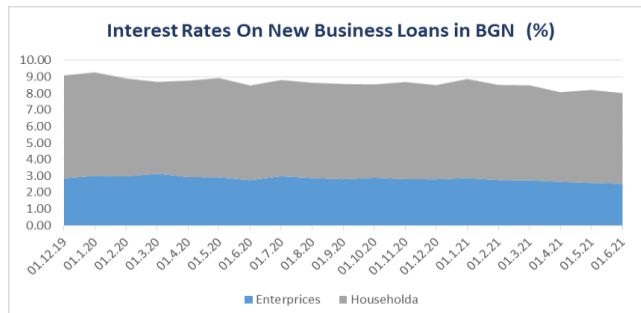
%	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	2.20	2.17	3.04	2.50	2.67
loans up to 1 year	0.67	0.95	1.56	1.95	0.90
loans over 1 up to 5 years	1.64	2.63	3.12	2.68	2.59
loans over 5 years	2.60	2.17	3.18	2.59	3.02
households	3.30	3.31	3.23	3.05	3.16
loans up to 1 year	3.14	0.00	3.93	4.66	4.53
- consumer loans	-	-	5.24	4.42	4.53
- mortgages	3.14	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	3.56	4.85	0.00
loans over 1 up to 5 years	3.14	4.23	3.64	2.87	3.70
- consumer loans	3.11	4.82	3.63	3.68	3.82
- mortgages	2.64	2.91	2.80	2.94	2.53
- other loans	4.18	0.00	5.12	2.84	0.00
loans over 5 years	3.32	3.29	3.20	3.16	3.15
- consumer loans	3.47	3.35	3.26	3.42	3.34
- mortgages up to 10 years	3.22	3.07	2.84	3.64	3.78
- mortgages over 10 yrsrs	3.61	3.34	3.26	3.25	3.10
- other loans	2.18	2.78	2.18	1.86	0.00

Source: BNB

USD

%	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	2.04	3.99	4.06	2.19	1.62
loans up to 1 year	0.00	1.60	1.78	2.02	1.78
loans over 1 up to 5 years	2.04	5.03	2.18	1.66	0.00
loans over 5 years	3.14	1.58	5.11	4.65	1.57
households	0.00	0.00	7.02	0.00	6.17
loans up to 1 year	0.00	0.00	7.02	0.00	0.00
- consumer loans	0.00	0.00	7.02	0.00	0.00
- mortgages	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.00	0.00
loans over 1 up to 5 years	0.00	0.00	0.00	0.00	0.00
- consumer loans	0.00	0.00	0.00	0.00	0.00
- mortgages	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.00	0.00
loans over 5 years	0.00	0.00	0.00	0.00	6.17
- consumer loans	0.00	0.00	0.00	0.00	0.00
- mortgages up to 10 years	0.00	0.00	0.00	0.00	0.00
- mortgages over 10 yrsrs	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.00	6.17

Source: BNB



Banking sector: Interest Rates of New Business Deposits (8)

- In June 2021 Interest Rates of New Business on Deposits of Enterprises compared to previous month reported remained flat in BGN and EUR and reported slight increase in USD.
- In June 2021 Interest Rates of Deposits of Households remained flat compared to previous month in BGN, EUR and in USD.

BGN

%	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	0.01	0.01	0.01	0.00	0.00
Overnight deposits	0.01	0.01	0.01	0.00	0.00
Time deposits	-0.08	0.01	-0.05	-0.27	-0.34
Up to 1 month	-0.14	0.01	-0.18	-0.35	-0.52
Up to 3 months	0.00	0.02	0.01	0.10	0.11
Up to 6 months	0.00	0.00	0.00	0.01	0.00
Up to 1 year	0.29	0.01	0.07	0.08	0.12
Up to 2 years	0.07	0.00	0.10	0.00	0.04
Over 2 years	0.25	0.00	0.00	0.00	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	0.02	0.03	0.03	0.01	0.01
Overnight deposits	0.01	0.03	0.03	0.00	0.00
Time deposits	0.11	0.07	0.07	0.09	0.08
Up to 1 month	0.01	0.01	0.01	0.01	0.01
Up to 3 months	0.02	0.01	0.01	0.01	0.00
Up to 6 months	0.06	0.04	0.06	0.08	0.06
Up to 1 year	0.21	0.14	0.17	0.19	0.16
Up to 2 years	0.50	0.18	0.23	0.22	0.22
Over 2 years	0.59	0.99	0.69	0.75	0.60
Redeemable at notice	0.31	0.25	0.25	0.25	0.24

Source: BNB

EUR

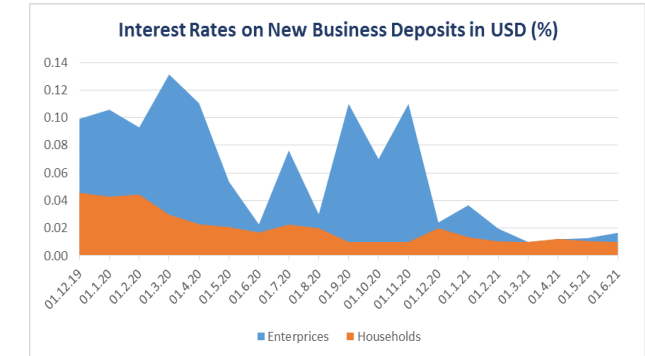
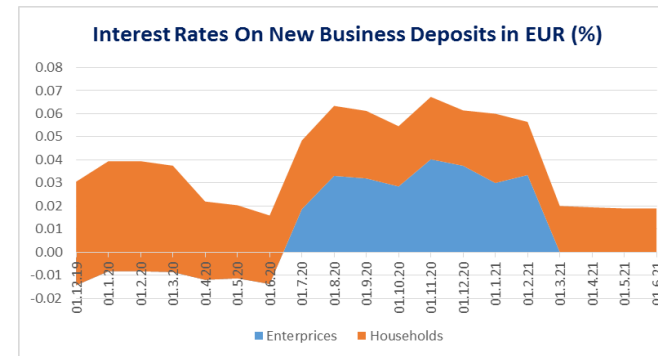
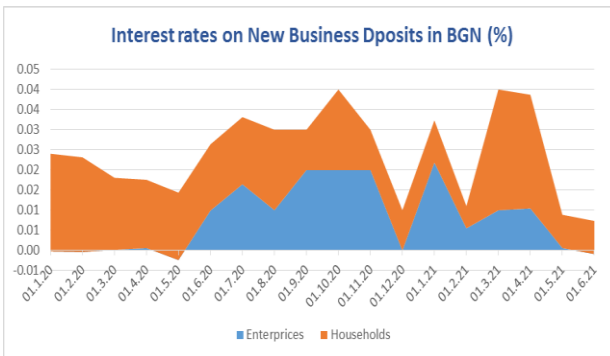
%	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	0.02	0.00	0.00	0.00	0.00
Overnight deposits	0.02	0.00	0.00	0.00	0.00
Time deposits	0.03	0.01	0.02	0.01	-0.06
Up to 1 month	0.00	0.01	0.01	0.01	-0.32
Up to 3 months	0.01	0.01	0.00	0.00	0.00
Up to 6 months	0.01	0.00	0.00	0.01	0.00
Up to 1 year	0.13	0.00	0.03	0.00	0.06
Up to 2 years	0.00	0.15	0.00	0.00	0.02
Over 2 years	0.50	0.30	0.00	0.26	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	0.03	0.02	0.02	0.02	0.02
Overnight deposits	0.01	0.00	0.00	0.00	0.00
Time deposits	0.12	0.06	0.06	0.09	0.07
Up to 1 month	0.01	0.01	0.01	0.01	0.01
Up to 3 months	0.02	0.00	0.01	0.00	0.01
Up to 6 months	0.09	0.04	0.05	0.06	0.04
Up to 1 year	0.18	0.09	0.12	0.20	0.14
Up to 2 years	0.38	0.16	0.25	0.24	0.22
Over 2 years	0.55	0.92	0.13	0.67	0.40
Redeemable at notice	0.60	0.54	0.53	0.51	0.52

Source: BNB

USD

%	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	0.02	0.01	0.01	0.01	0.02
Overnight deposits	0.02	0.01	0.01	0.01	0.02
Time deposits	0.15	0.17	0.19	0.20	0.00
Up to 1 month	0.02	0.00	0.01	0.00	0.00
Up to 3 months	0.08	0.00	0.00	0.00	0.00
Up to 6 months	0.18	0.15	0.02	0.20	0.00
Up to 1 year	0.17	0.17	0.20	0.18	0.00
Up to 2 years	0.00	0.00	0.00	0.00	0.00
Over 2 years	0.00	0.00	0.00	0.00	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	0.02	0.01	0.01	0.01	0.01
Overnight deposits	0.00	0.00	0.00	0.00	0.00
Time deposits	0.13	0.05	0.07	0.10	0.10
Up to 1 month	0.02	0.02	0.02	0.02	0.02
Up to 3 months	0.03	0.01	0.00	0.00	0.01
Up to 6 months	0.07	0.06	0.05	0.13	0.10
Up to 1 year	0.23	0.07	0.13	0.15	0.16
Up to 2 years	0.43	0.22	0.15	0.39	0.37
Over 2 years	0.55	0.10	0.70	0.79	0.47
Redeemable at notice	0.52	0.36	0.36	0.34	0.34

Source: BNB



Banking sector: Volumes Dynamics New Business Loans (9)

- In June 2021 New credit volumes for enterprises increased compared to previous month in BGN and in EUR, decreased in USD.
- In June 2021 New credit volumes for Households increased compared to previous month in BGN and decreased in EUR.

BGN

(million BGN)	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	965.39	664.42	781.24	568.66	800.56
loans up to 1 year	151.58	105.95	115.82	81.50	110.52
loans over 1 up to 5 years	382.47	253.28	242.01	240.52	298.46
loans over 5 years	431.33	305.19	423.41	246.64	391.58
households	800.85	945.11	1023.83	891.10	1132.76
loans up to 1 year	19.70	15.95	17.75	17.90	20.43
- consumer loans	19.00	15.62	16.64	17.79	19.62
- mortgages	0.01	0.00	0.01	0.00	0.00
- other loans	0.70	0.33	1.10	0.12	0.81
loans over 1 up to 5 years	167.43	141.19	167.53	155.39	174.63
- consumer loans	148.32	128.54	155.34	145.32	162.25
- mortgages	1.69	1.57	2.76	1.35	1.86
- other loans	17.42	11.07	9.43	8.72	10.52
loans over 5 years	613.71	787.98	838.56	717.81	937.70
- consumer loans	312.99	371.88	389.19	354.10	430.11
- mortgages up to 10 years	15.11	19.33	21.61	19.43	23.50
- mortgages over 10 years	280.59	390.68	421.37	338.99	478.78
- other loans	5.02	6.08	6.39	5.30	5.31

Source : BNB

EUR

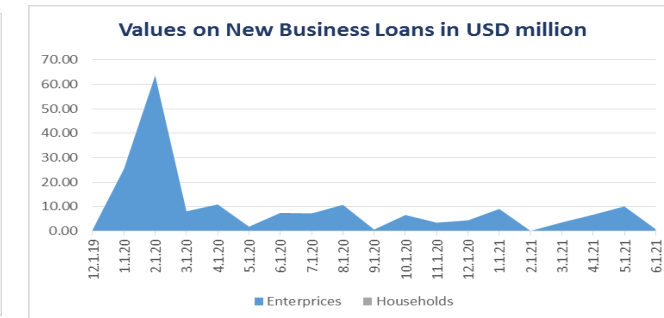
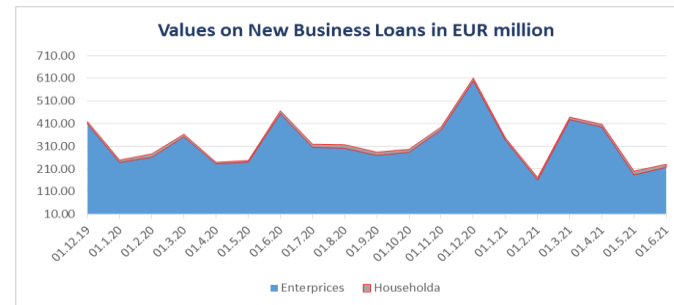
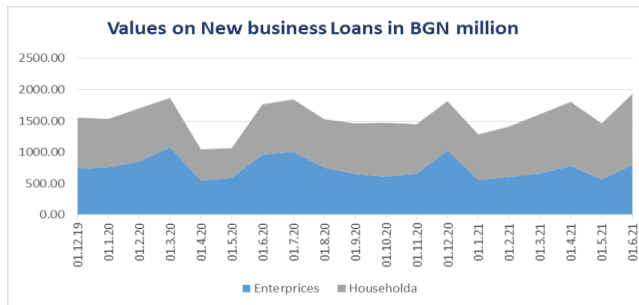
(million EUR)	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	454.17	428.17	395.36	183.99	217.28
loans up to 1 year	36.56	20.22	31.86	30.09	23.82
loans over 1 up to 5 years	117.02	50.01	48.04	43.35	59.06
loans over 5 years	300.58	357.94	315.45	110.55	134.40
households	13.01	10.75	12.18	16.47	13.46
loans up to 1 year	0.01	0.00	0.06	0.03	0.01
- consumer loans	0.00	0.00	0.01	0.01	0.01
- mortgages	0.01	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.04	0.02	0.00
loans over 1 up to 5 years	1.22	0.27	0.73	6.64	0.34
- consumer loans	0.93	0.18	0.59	0.26	0.31
- mortgages	0.17	0.08	0.08	0.01	0.03
- other loans	0.11	0.00	0.06	6.37	0.00
loans over 5 years	11.78	10.48	11.39	9.80	13.11
- consumer loans	2.14	2.39	2.15	1.75	2.08
- mortgages up to 10 years	1.08	1.28	0.87	0.19	0.19
- mortgages over 10 years	6.66	6.53	8.10	6.95	10.83
- other loans	1.90	0.27	0.26	0.91	0.00

Source : BNB

USD

(million USD)	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	7.41	3.52	6.43	20.75	0.74
loans up to 1 year	0.00	0.46	0.32	16.80	0.20
loans over 1 up to 5 years	7.39	2.45	1.93	2.25	0.00
loans over 5 years	0.03	0.61	4.18	1.69	0.55
households	0.00	0.00	0.00	0.00	0.00
loans up to 1 year	0.00	0.00	0.00	0.00	0.00
- consumer loans	0.00	0.00	0.00	0.00	0.00
- mortgages	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.00	0.00
loans over 1 up to 5 years	0.00	0.00	0.00	0.00	0.00
- consumer loans	0.00	0.00	0.00	0.00	0.00
- mortgages	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.00	0.00
loans over 5 years	0.00	0.00	0.00	0.00	0.00
- consumer loans	0.00	0.00	0.00	0.00	0.00
- mortgages up to 10 years	0.00	0.00	0.00	0.00	0.00
- mortgages over 10 years	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.00	0.00

Source : BNB



Banking sector: Volumes Dynamic of New Business Deposits (10)

- In June 2021 the volumes of new business deposits for enterprises increased compared to previous month in BGN, in EUR and in USD.
- In June 2021 the volumes of new business deposits of Households decreased in BGN and in USD, increased in EUR.

BGN

(million BGN)	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	14185.92	16611.81	16682.67	16878.37	16918.03
Overnight deposits	14062.38	16405.76	16425.05	16766.68	16740.89
Time deposits	123.54	206.04	257.62	111.70	177.13
Up to 1 month	93.29	24.59	85.18	91.15	121.62
Up to 3 months	11.65	7.33	3.63	3.62	8.17
Up to 6 months	7.92	124.48	121.63	4.77	29.28
Up to 1 year	10.47	49.60	27.16	12.01	18.00
Up to 2 years	0.06	0.00	20.03	0.00	0.07
Over 2 years	0.15	0.03	0.00	0.14	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	22442.82	26624.58	27445.19	27421.69	27807.33
Overnight deposits	21817.06	26017.15	26886.35	26895.82	27260.77
Time deposits	314.38	283.88	231.75	203.77	223.82
Up to 1 month	125.66	94.13	87.89	69.84	68.10
Up to 3 months	36.22	68.56	57.39	53.32	68.39
Up to 6 months	46.44	34.39	20.93	17.14	19.08
Up to 1 year	87.62	71.81	51.45	50.69	50.94
Up to 2 years	7.84	9.79	8.82	7.16	9.22
Over 2 years	10.61	5.19	5.28	5.63	8.10
Redeemable at notice	311.38	323.56	327.08	322.09	322.75

Source: BNB

EUR

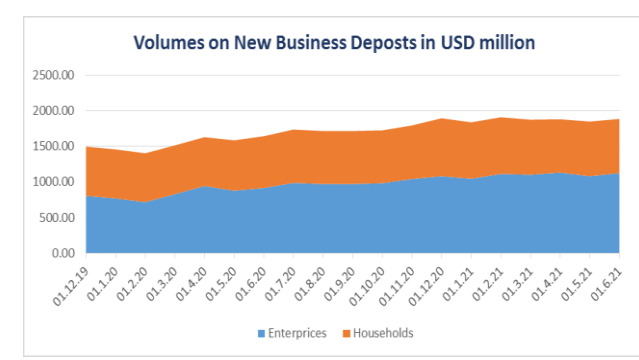
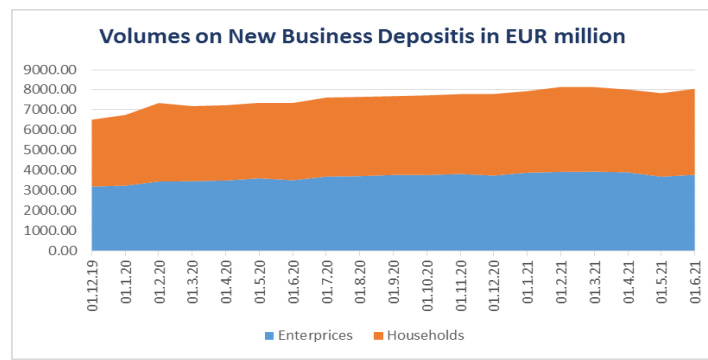
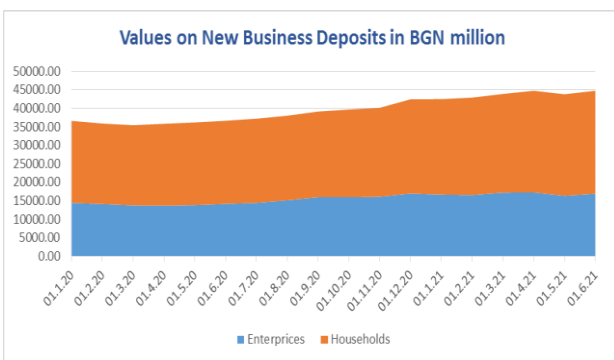
(million EUR)	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	3505.08	3904.65	3735.80	3742.14	3777.65
Overnight deposits	3486.61	3833.69	3695.97	3721.52	3744.35
Time deposits	18.47	70.96	39.82	20.62	33.30
Up to 1 month	6.33	8.22	9.63	6.82	6.81
Up to 3 months	4.30	23.10	0.80	7.41	2.75
Up to 6 months	5.44	16.13	1.83	0.13	21.26
Up to 1 year	2.20	23.41	24.53	6.08	1.98
Up to 2 years	0.00	0.10	3.00	0.00	0.50
Over 2 years	0.20	0.00	0.04	0.17	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	3839.58	4206.34	4113.88	4149.86	4270.34
Overnight deposits	3592.66	3944.79	3891.59	3958.59	4059.28
Time deposits	137.15	145.35	104.04	72.05	91.88
Up to 1 month	50.27	42.78	30.55	22.35	23.51
Up to 3 months	11.92	33.81	23.47	19.16	27.04
Up to 6 months	19.52	13.20	7.62	7.64	7.96
Up to 1 year	43.49	42.92	29.72	17.71	23.92
Up to 2 years	5.80	9.57	3.33	3.22	6.54
Over 2 years	6.15	3.07	9.35	1.97	2.91
Redeemable at notice	109.76	116.20	118.26	119.22	119.18

Source: BNB

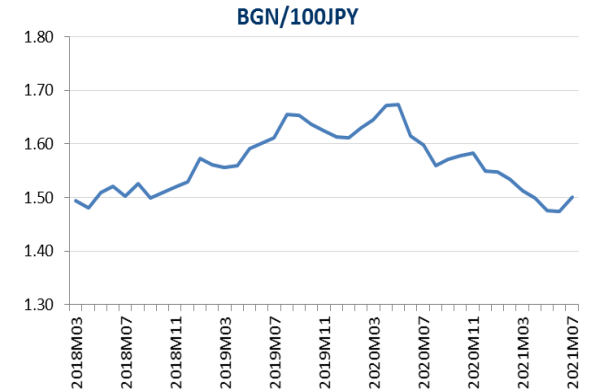
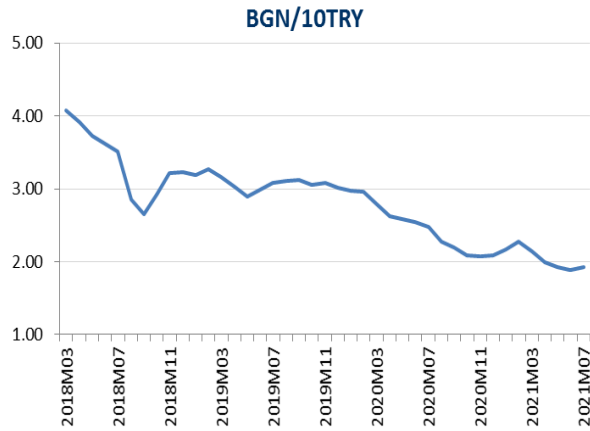
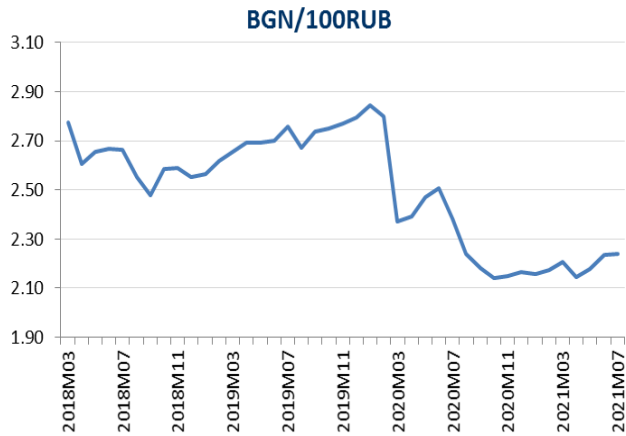
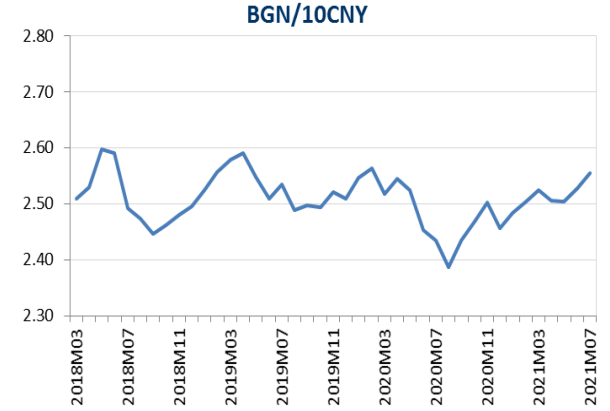
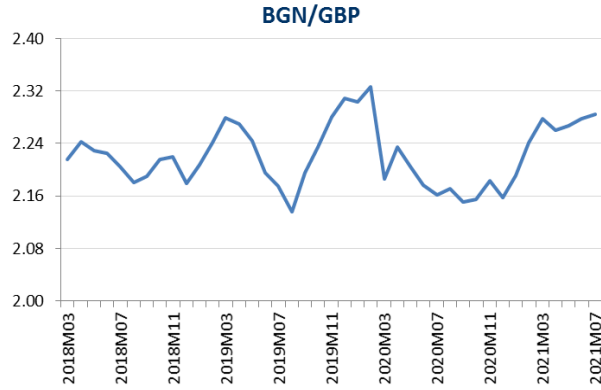
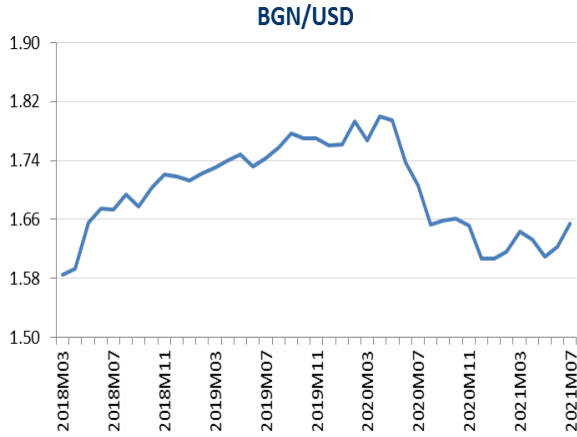
USD

(million USD)	6.30.20	3.31.21	4.30.21	5.31.21	6.30.21
enterprises	915.09	1072.11	1082.54	1171.98	1124.20
Overnight deposits	912.76	1055.92	1074.05	1167.79	1114.25
Time deposits	2.33	16.19	8.49	4.19	9.96
Up to 1 month	0.41	0.00	0.18	0.00	0.00
Up to 3 months	0.01	0.06	0.00	0.00	0.00
Up to 6 months	1.78	0.20	0.03	3.81	9.96
Up to 1 year	0.14	15.93	8.27	0.38	0.00
Up to 2 years	0.00	0.00	0.00	0.00	0.00
Over 2 years	0.00	0.00	0.00	0.00	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	726.35	772.27	748.04	765.68	760.02
Overnight deposits	692.36	725.05	717.99	734.91	733.36
Time deposits	19.61	31.56	14.43	14.68	10.52
Up to 1 month	8.45	5.82	5.89	3.65	3.05
Up to 3 months	2.15	9.42	3.27	3.72	3.24
Up to 6 months	2.08	2.10	1.14	0.74	0.99
Up to 1 year	4.78	9.86	3.26	5.85	2.16
Up to 2 years	0.97	0.45	0.30	0.25	0.31
Over 2 years	1.18	3.91	0.57	0.46	0.77
Redeemable at notice	14.38	15.66	15.61	16.09	16.15

Source: BNB



Banking sector: FX Rates (11)



BULGARIA: Electricity Prices

Decision of the Energy and Water Resources Commission – EWRC (1)

The Commission also approved the final prices in the electricity sector for the new regulatory period 1.07.2021 - 30.06.2022. After taking into account all pricing elements and applying the pricing methodology, the weighted average increase in the price of electricity for consumers in a regulated market for the whole country 4.40%.

For the household customers of CEZ Electro Bulgaria AD the final price of electricity increased by 5.57%, for the customers of EVN Bulgaria Elektrosnabdyavane EAD - by 3.74%, for the customers of ENERGO-PRO Sales - by 3,51%, for ESP Golden Sands Ltd. - by 8.31%. These prices include the price of electricity, the prices for network services and the price of "debt to society".

The decision approves a price for **"debt to society"** in the amount of BGN 7.18 / MWh, excluding VAT, the revenues from which are collected by the Electricity System Security Fund (EUSF). This price includes the costs of purchasing electricity from producers from renewable sources who sell at preferential prices, the costs of purchasing energy from cogeneration and the costs of long-term contracts. The "obligation to society" price is paid by all end customers, including the transmission system operator and the electricity distribution network operators, as for the customers on the regulated market it is included in the price for active energy of the final suppliers, and for the free market customers as a supplement to the agreed price of electricity.

By Decision № Ц-27 / 01.07.2021, EWRC approved a price for access to the electricity transmission network for producers of electricity from renewable sources with dynamically changing generation, which is due to producers of electricity from solar and wind energy, connected to the electricity transmission and distribution networks, for the entire produced quantity of electricity, in the amount of BGN 5.40 / MWh, without VAT.

The electricity required to cover the consumption of the regulated market is 10,984,721 MWh. The average price of electricity for the regulated market, after compensation by the EUSF, is set at BGN 108.37 / MWh.

Decision of the Energy and Water Resources Commission – EWRC (2)

EWRC determined the estimated market price by groups of producers depending on the primary energy source for the period 01.07.2021 - 30.06.2022 in the amount as follows:

- **Producers of electricity produced from solar energy** - BGN 111.53 / MWh;
- **Producers of electricity produced from wind energy** - BGN 114.76 / MWh;
- **Producers of electricity produced from hydroelectric power plants with installed capacity up to 10 MW** - BGN 114.99 / MWh;
- **Producers of electricity produced from biomass** - BGN 119.40 / MWh.

With Decision № Ц-25 / 01.07.2021 EWRC set for the period 01.07.2021 - 30.06.2022 preferential prices for the purchase of electricity produced by photovoltaic power plants, which are planned to be built on roofs. and facade constructions, as follows:

- **Photovoltaic power plants with a total installed capacity of up to 5 kW inclusive**, which are planned to be built on roof and facade structures of buildings connected to the electricity distribution network and on real estate to them in urban areas - BGN 193.33 / MWh, net specific production 1 380 kWh / kWp;
- **Photovoltaic power plants with a total installed capacity of over 5 kWp to 30 kWp inclusive**, which are planned to be built on roof and facade structures of buildings connected to the electricity distribution network and on real estate to them in urban areas - BGN 160.11 / MWh , with a net specific production of 1 380 kWh / kWp.

By Decision № Ц-27 / 01.07.2021, EWRC approved a price for access to the electricity transmission network for producers of electricity from renewable sources with dynamically changing generation, which is due to producers of electricity from solar and wind energy, connected to the electricity transmission and distribution networks, for the entire produced quantity of electricity, in the amount of BGN 5.40 / MWh, without VAT

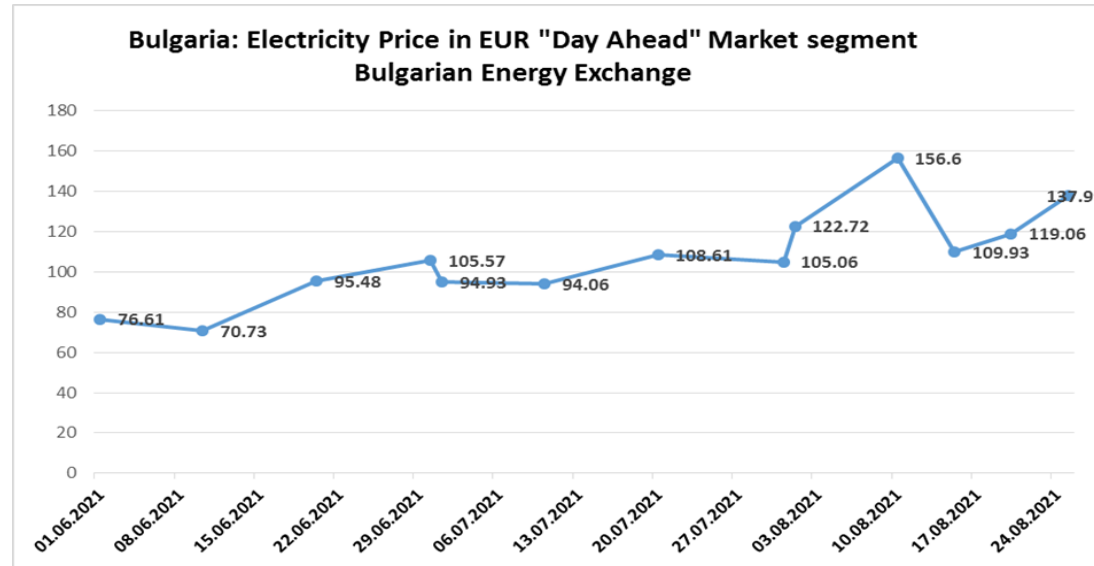
Reasons for rising electricity prices)

The reason is the increased costs of energy companies due to the increased prices of the primary fuel purchased by them - natural gas, as well as carbon emissions. As a result of higher emission prices, the price of electricity produced by US power plants and by Maritza Iztok-2 TPP is rising, which is reflected in the increase in the "debt to society" price. This price affects the prices of ERP network services and the prices for transmission and access of ESO.

The final decision of the regulator also takes into account the additional increase in electricity after the inclusion of TPP "Maritsa East 2" in the mix for a regulated market with an annual quota of 1,000,000 MWh, according to an order of the Minister of Energy.

Impact of the increase in the price of electricity on the business in Bulgaria (1)

According to the business, in just 10 days at the end of July and the beginning of August, the business has overpaid BGN 53 million due to electricity prices. Then the price levels for electricity trading in the system the day before rose from 94.06 euros / MWh to 156.6 euros / MWh. For comparison, the prices achieved for July 30 in France were 42.67 euros / MWh; Germany - 64.81 euros / MWh; and Belgium - 35.55 euros / MWh. This creates a risk for the competitiveness of the Bulgarian industry compared to the Western European one, both on the internal market of the EU and on third markets.



There are three main reasons for the drastic price increase:

1. Bulgaria has joined the common European market, but only with Greece and not simultaneously with Romania.
2. The actions of the state TPP "Maritsa-East" 2, which despite the high prices at some point has not released additional capacity due to repairs planned for August.
3. Prices are affected by the shortage of electricity in the entire region of Southeast Europe and exports from Bulgaria, which is huge. Currently, Bulgaria exports between 25 and 30,000 megawatt hours per day, approximately the energy produced by one unit of Kozloduy NPP leaves the country within one day.

In the period until the end of 2021, we expect a gradual normalization of price levels, after the launch of additional capacity by Maritza East 2.

Impact of the increase in the price of electricity on the business in Bulgaria (2)

In addition, it should be borne in mind that Bulgaria has some of the lowest prices in the EU and our expectations are that in the next few years electricity prices will continue to rise until they gradually approach the EU average.

Electricity prices for household consumers - bi-annual data	2016-S1	2016-S2	2017-S1	2017-S2	2018-S1	2018-S2	2019-S1	2019-S2	2020-S1	2020-S2
Ukraine	0.0207	0.0267	0.0328	0.0318	0.0342	0.0342	0.0369	0.0406	0.0388	0.0330
Georgia	:	:	:	:	0.0580	0.0628	0.0686	0.0524	0.0562	0.0482
Kosovo	0.0483	0.0485	0.0546	0.0588	0.0569	0.0579	0.0537	0.0528	0.0525	0.0525
Serbia	0.0490	0.0500	0.0508	0.0532	0.0539	0.0542	0.0541	0.0551	0.0564	0.0563
Turkey	0.1020	0.0970	0.0845	0.0773	0.0727	0.0688	0.0684	0.0841	0.0805	0.0660
North Macedonia	0.0696	0.0701	0.0695	0.0687	0.0662	0.0667	0.0664	0.0669	0.0662	0.0706
Bosnia and Herzegovina	0.0711	0.0721	0.0720	0.0724	0.0722	0.0729	0.0729	0.0728	0.0721	0.0746
Hungary	0.0877	0.0886	0.0886	0.0893	0.0885	0.0880	0.0882	0.0864	0.0812	0.0794
Bulgaria	0.0797	0.0781	0.0796	0.0819	0.0816	0.0838	0.0831	0.0798	0.0831	0.0818
Montenegro	0.0856	0.0866	0.0804	0.0806	0.0828	0.0829	0.0834	0.0847	0.0811	0.0821
Denmark	0.0897	0.0948	0.0940	0.0922	0.1011	0.1116	0.1084	0.1042	0.0951	0.0908
Norway	0.1042	0.1130	0.1163	0.1137	0.1254	0.1382	0.1360	0.1264	0.0954	0.0927
Estonia	0.0935	0.0960	0.0926	0.0950	0.0989	0.1048	0.0982	0.1027	0.0882	0.0953
Poland	0.1037	0.1053	0.0960	0.0950	0.0906	0.0889	0.0898	0.0867	0.0926	0.0953
Lithuania	0.0859	0.0818	0.0783	0.0777	0.0771	0.0771	0.0947	0.0947	0.1111	0.0972
Iceland	0.1035	0.1166	0.1263	0.1200	0.1222	0.1152	0.1131	0.1132	0.1061	0.0988
Moldova	0.0962	0.0923	0.0977	0.1013	0.1020	0.0960	0.0936	0.1019	0.1068	0.0993
Latvia	0.1077	0.1074	0.1043	0.1039	0.1035	0.1041	0.1136	0.1144	0.0996	0.1005
Croatia	0.1002	0.1018	0.1011	0.1012	0.1020	0.1028	0.1028	0.1030	0.1012	0.1017
Sweden	0.1218	0.1281	0.1257	0.1305	0.1202	0.1287	0.1297	0.1316	0.1130	0.1032
Romania	0.0914	0.0893	0.0871	0.0945	0.0990	0.0964	0.0983	0.1025	0.1045	0.1040
Slovakia	0.1154	0.1249	0.0832	0.0838	0.0942	0.0849	0.0962	0.0969	0.1074	0.1106
Portugal	0.1239	0.1211	0.1106	0.1080	0.1007	0.1028	0.1181	0.1204	0.1139	0.1138
Slovenia	0.1112	0.1117	0.1104	0.1105	0.1108	0.1125	0.1125	0.1146	0.1063	0.1180
Cyprus	0.1194	0.1285	0.1454	0.1420	0.1445	0.1745	0.1545	0.1576	0.1497	0.1184
Finland	0.1017	0.1020	0.1049	0.1064	0.1074	0.1144	0.1173	0.1201	0.1178	0.1205
Malta	0.1197	0.1213	0.1250	0.1221	0.1209	0.1230	0.1214	0.1227	0.1208	0.1221
Spain	0.1718	0.1796	0.1805	0.1712	0.1873	0.1947	0.1326	0.1287	0.1178	0.1260
Greece	0.1162	0.1185	0.1139	0.1090	0.1132	0.1125	0.1141	0.1189	0.1285	0.1278
European Union - 27 countries	0.1257	0.1276	0.1271	0.1270	0.1286	0.1327	0.1282	0.1283	0.1270	0.1282
Czechia	0.1161	0.1162	0.1176	0.1218	0.1286	0.1299	0.1238	0.1255	0.1321	0.1283
France	0.1087	0.1106	0.1089	0.1132	0.1134	0.1168	0.1148	0.1260	0.1242	0.1292
Italy	0.1376	0.1342	0.1322	0.1326	0.1285	0.1416	0.1432	0.1427	0.1382	0.1331
Euro area	0.1307	0.1324	0.1327	0.1320	0.1346	0.1390	0.1335	0.1337	0.1331	0.1356
Netherlands	0.1206	0.1189	0.1146	0.1152	0.1187	0.1212	0.1357	0.1359	0.1379	0.1365
Austria	0.1242	0.1222	0.1221	0.1218	0.1232	0.1265	0.1316	0.1349	0.1358	0.1384
Germany (until 1990 former territory of the FRG)	0.1388	0.1382	0.1389	0.1383	0.1379	0.1378	0.1473	0.1321	0.1430	0.1451
Luxembourg	0.1327	0.1327	0.1167	0.1170	0.1283	0.1302	0.1326	0.1325	0.1465	0.1465
Liechtenstein	0.1509	0.1525	0.1456	0.1367	0.1651	0.1690	0.1710	0.1765	0.1823	0.1791
Belgium	0.1567	0.1815	0.1929	0.1790	0.1872	0.1976	0.1948	0.1954	0.1872	0.1798
Ireland	0.1895	0.1878	0.1846	0.1865	0.1846	0.2006	0.2027	0.2130	0.2043	0.2179
United Kingdom	0.1576	0.1479	0.1344	0.1344	0.1347	0.1401	0.1450	0.1512	0.1532	:
Albania	0.0687	0.0695	0.0703	0.0713	:	0.0759	0.0767	0.0778	:	:

Source: Eurostat

Prospects for the electricity market

- The Bulgarian Auction Zone has successfully started operating in the conditions of market unification as part of the single European market "Day Ahead", with the first day of delivery on May 12, 2021. system operator (ESO). The successful merger is the result of close co-operation between Bulgarian and Greek stock exchange operators and electricity system operators, as well as the regulatory authorities of the two countries.
- The most significant integration in the EU energy sector is expected to be fully completed by the end of the year with the connection of the 4MMC borders (Czech Republic, Hungary, Romania and Slovakia) with the MRC through the Interim Coupling project and immediately thereafter, through the interconnection of Bulgaria across our common border with Romania.
- The market unification project between Bulgaria and Greece started as part of the regional project Italian Borders Working Table (IBWT) with an official decision of the IBWT Steering Committee, taken on 1.3.2020. All participating parties followed the mutually agreed plan and completed it successfully and on time. all necessary preparatory and test activities.
- On the Day Ahead market today, for the first time, cross-border capacity was implicitly allocated between Greece and Bulgaria through the Euphemia algorithm. The realized price union allows simultaneous calculation of electricity prices and cross-border flows in the region. The efficient use of the energy system and cross-border infrastructures as a result of greater coordination between energy markets adds value for the benefit of all participants in the Bulgarian market.
- The EU's Single Market Consolidation (SDAC) allocates limited cross-border transmission capacity in the most efficient way, consolidating wholesale electricity markets from different regions through a common algorithm that takes into account cross-border transmission restrictions at the same time, thus maximizing benefits for all market participants.
- The aim of the SDAC is to create a Europe-wide day-to-day trans-zonal electricity market. An integrated day-ahead market increases the overall efficiency of trade by fostering competition, increasing liquidity and ensuring more efficient use of production resources across Europe.
- There is enough capacity at all borders through which energy must pass, we can also trade with Germany, Belgium, France, Luxembourg, etc.

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