
United Bulgarian Bank
Bulgaria: Macroeconomic Update
June 2021

Chief Economist Department

Probabilities of the Main Scenarios

Bulgaria Outlook 2020-2023

The Economy of Bulgaria

COVID - 19 Status in Bulgaria

Bulgaria's Main Macroeconomic Indicators

Banking sector

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%

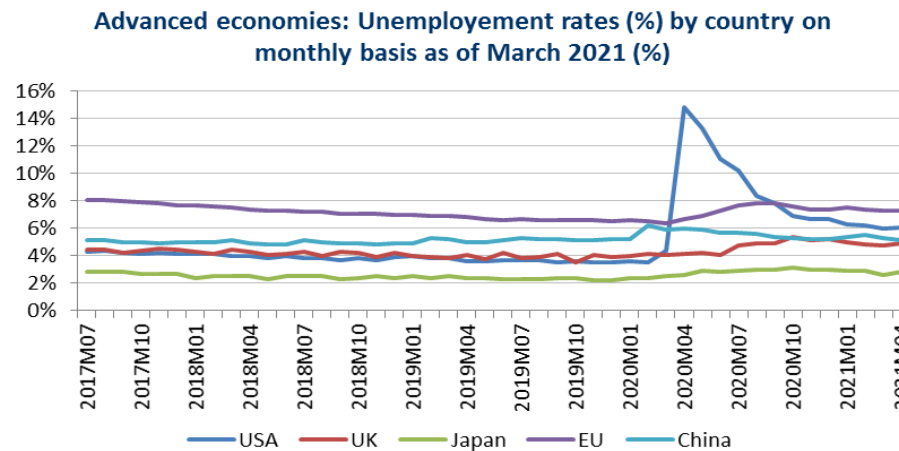
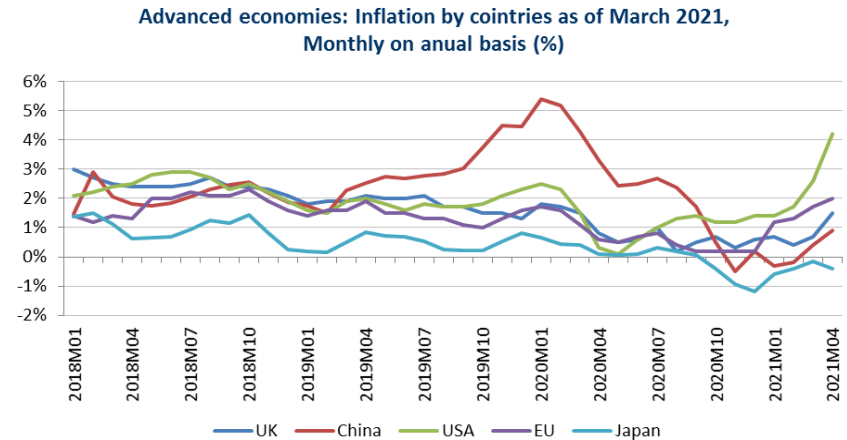
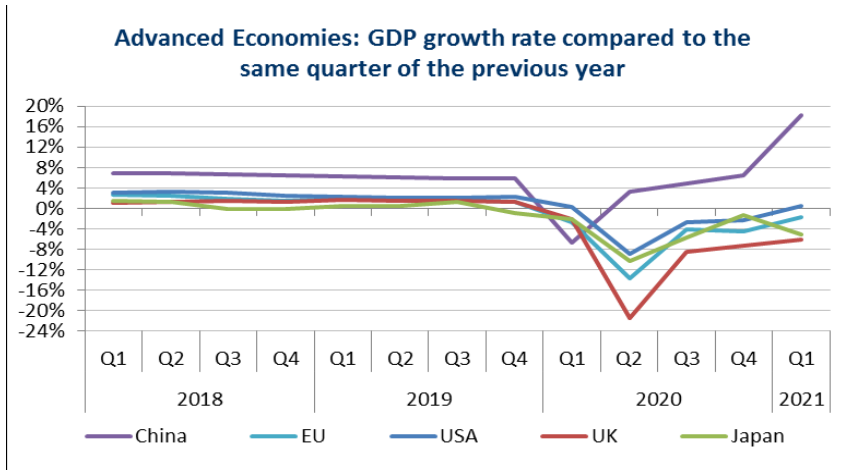
Source: KBC Economics

Arguments for Scenario Probabilities – June 2021

- Based on recent events confirming this scenario, the probability of a baseline scenario is estimated at 70%, while the probability of a pessimistic scenario is reduced to 20%, 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.
- However, the baseline scenario also reflects the short-term economic damage due to the second pandemic wave in the fourth quarter of 2020 and the gradual economic recovery in 2021. The economic costs of the second wave are significant in Q4 of 2020 and in Q1 of 2021 (in terms of below normal or negative growth), but significantly less than during the first wave amid better-than-expected economic resilience and targeted blocking measures.
- The successful introduction of vaccinations will initiate a comprehensive economic recovery, also supported by tax incentives, increased consumer and producer confidence, and the continued recovery of China and the United States. 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 first part of the year, allowing only a gradual opening 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.

Overview global forecasts

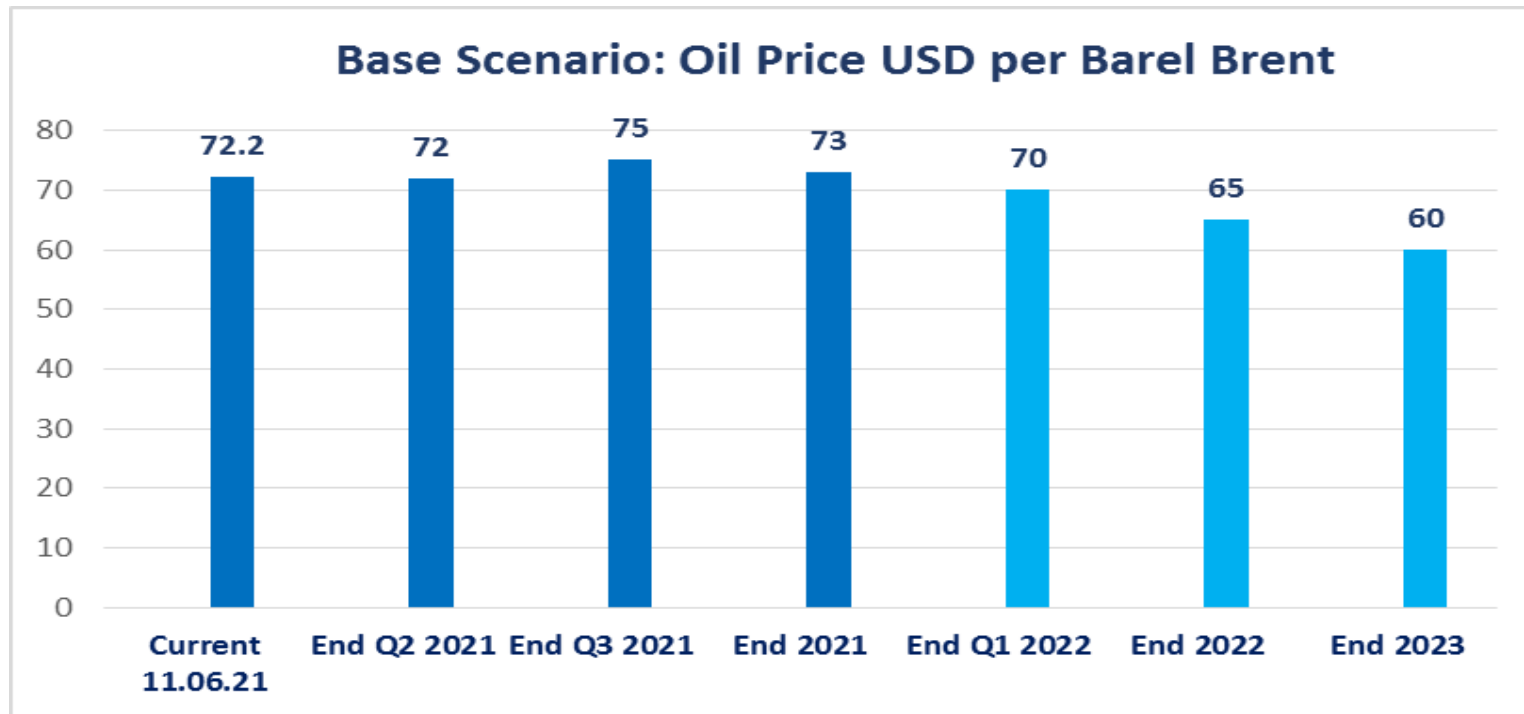
In Q1 2021 advanced economies performed better than initial market expectations as fiscal support impacted strongly on GDP growth as well as on unemployment rate. Inflation increased and followed the dynamics of international prices of oil and commodity prices on the international markets.



Base scenario: Oil Prices Projections

Brent crude futures hit USD75.8 a barrel for the first time since October 2018 on June 23, buoyed by a sharper than expected drop in US crude inventories. The EIA Petroleum Status Report showed stocks of crude oil in the US fell by 7.614 million barrels in the June 18th week, a fifth consecutive period of decline and the largest since the last week of April. Meantime, investors continue to digest news that OPEC+ is planning a further gradual increase of oil output from August. The oil market is up around 50% so far this year, as investors are upbeat about fuel demand recovery this summer, with vaccination programs in Europe and the US allowing more people to travel. In addition, talks between world powers and Iran to revive a nuclear deal ended without an agreement.

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)

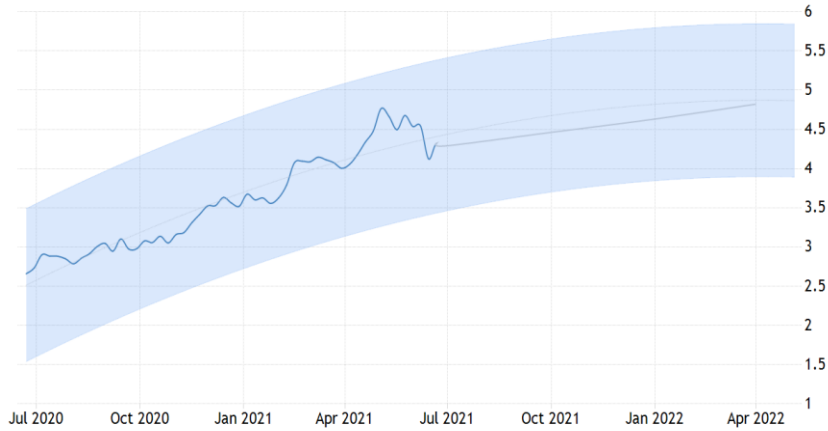
Copper futures recovered some ground to USD 4.2 per pound in the 4th week of June, but remained close to levels not seen in more than 2 months, amid a strong dollar and as China is set to take measures to curb any further rise in commodity prices. Last week, copper prices declined 9.2%, the most since March 2020. Chinese authorities announced plans to sell its reserves of copper, aluminium, and zinc in batches in the near future to ensure the supply and price stability of bulk commodities. Meantime, data showed exports of copper from China rose for the 3rd month in May to the highest since March last year. Losses have been limited by trillions of economic stimulus to support post-COVID recovery including funds for infrastructure and for transition to a carbon-free world, which boosted demand. At the same time, lack of investment by big mining companies and a slowdown in production during the height of the covid outbreak last spring brought inventories to levels not seen in fifteen years. **Copper is expected to trade at 4.29 USd/LB by the end of 2021. Looking forward, we estimate it to trade at 4.82 in 2022.**

Shanghai steel futures fell to a near 1-month low below 4,800 yuan a tonne, tracking lower iron ore prices after top economic planning agency said it will probe malicious speculation. Also, the off-peak season has gradually arrived and consumption declined significantly while production remains robust. China's crude steel output surged 13.9% from a year earlier in the January-May period despite constant pledges from the country to curb production based on carbon emissions, pollutant discharges and energy consumption. Considering May alone, production went up 6.6% on the year, easing from a 13.4% rise in April. The steel market has been under pressure due to China's efforts to limit soaring commodity prices after cost of steel rallied to an all-time high of 5,975 yuan per tonne on May 11th. Meantime, China started inspecting steel mills in mid-June to verify if outdated plants have been eliminated and if environmental and energy-consumption standards are being implemented. **Steel is expected to trade at 5166.29 Yuan/MT by the end of 2021. Looking forward, we estimate it to trade at 5764.51 in 2022.**

Prices for iron ore cargoes with a 63.5% iron content for delivery into Tianjin dropped to a 2-week low of USD210.5 per tonne, after China's top economic planning agency said it would investigate malicious speculation in the iron ore market and severely punish any wrongdoing. The off-peak season for steel products and capacity controls at mills also weakened demand for steelmaking ingredients. Earlier in the month, Chinese authorities pledge to release government stockpiles of industrial metals to tackle concerns over shortage and high prices. In May, iron ore prices rallied to a record high of USD229, buoyed by strong demand from the steel industry and supply disruptions in Australia and Brazil, but have since fallen in the aftermath of Chinese measures to contain the rapid surge of prices for industrial

Base scenario: Metal Prices Projection (2)

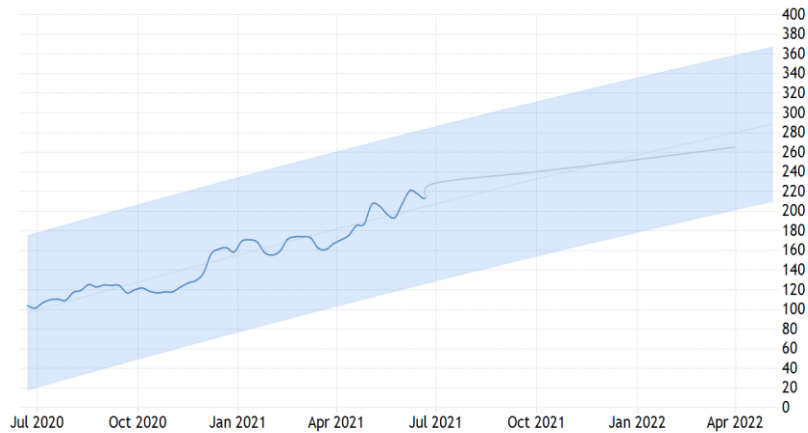
Copper



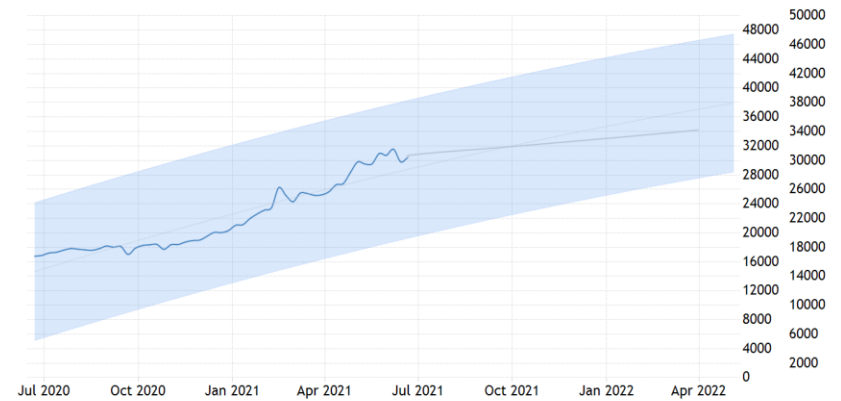
Steel



Iron ore



Tin



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

Chicago wheat futures traded around USD6.5 a bushel, having touched their lowest since April 13th below USD6.4 on June 17th, amid oversupply concerns due to the prospect of growing production in the Black Sea area. Wheat exports from Russia, Ukraine and Kazakhstan are seen rising 5% in the 2021/22 marketing season. Elsewhere, the latest USDA report showed US wheat ending stocks in June were lower than expected. Wheat prices hit an over eight-year high of USD 7.8 per bushel on May 7th, supported by demand from the livestock industry in China. **Wheat is expected to trade at 695.89 USD/BU by the end 2021. Looking forward, we estimate it to trade at 805.57 in 2022.**

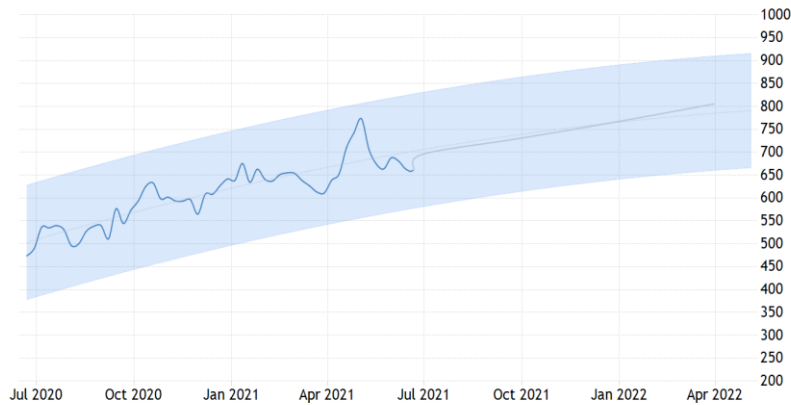
Chicago soybean futures traded around USD 14 a bushel, having touched their lowest since January 25th at USD 13.2 on June 17th, weighed down by a possible US move to reduce biodiesel production, ongoing weather concerns and oversupply worries. The USDA Supply/Demand and World Production report showed soybean ending stocks were higher than expected in June, suggesting demand for the crop has been slacking off. In addition, soybean production in Brazil and Argentina came in above average estimates. Putting a floor under prices were news that China bought the largest US soybean purchase in 4-1/2 months last Friday. **Soybeans is expected to trade at 1449.33 USD/BU by the end of 2021. Looking forward, we estimate it to trade at 1621.87 in 2022.**

Oat decreased 4.25 USD/BU or 1.18% since the beginning of 2021. **Oat is expected to trade at 388.69 USD/BU by the end of 2021. Looking forward, we estimate it to trade at 450.59 in 2022.**

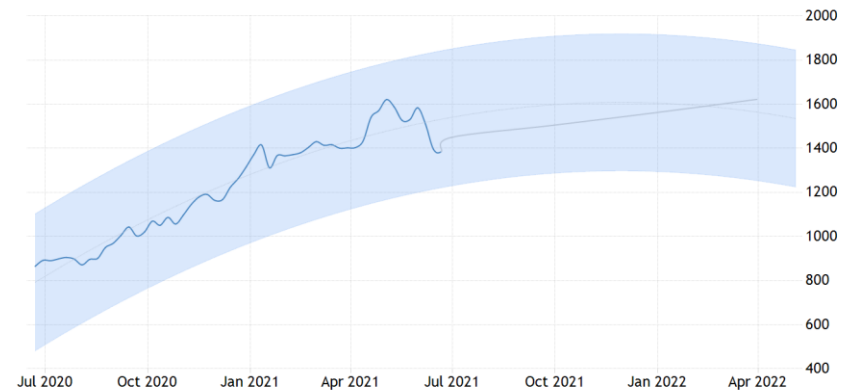
Chicago corn futures traded around USD6.4 a bushel, on forecasts of cooler US Midwest weather and as Argentina's corn production estimate was increased to 48 million tonnes from a previously estimated 46 million tonnes. The June World Agricultural Supply and Demand Estimates (WASDE) report showed US corn exports for the 2020-21 season were raised by 1.9 million tonnes to a record 72.39 million tonnes on the back of a huge spike in demand from China. Overall, global corn production for the 2020-21 season was trimmed by 3.4 million tonnes compared to last month to 1125 million tonnes reflecting the Brazilian crop downgrade. Global corn production in 2021-22 is forecast to increase by 5.7 per cent year-on-year to a tad under 1190 million tonnes. **Corn is expected to trade at 690.64 USD/BU by the end of 2021. Looking forward, we estimate it to trade at 802.26 in 2022.**

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

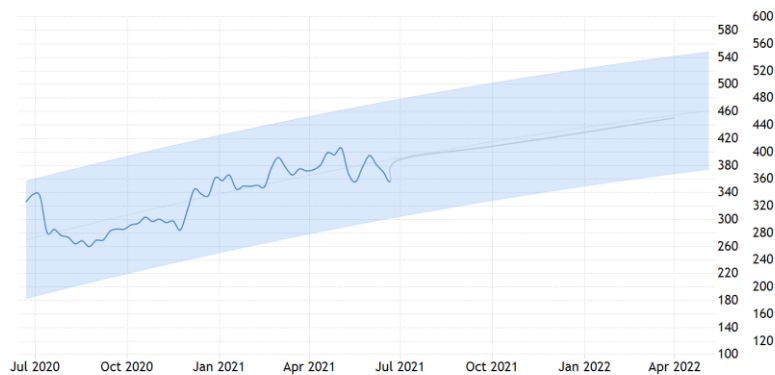
Wheat



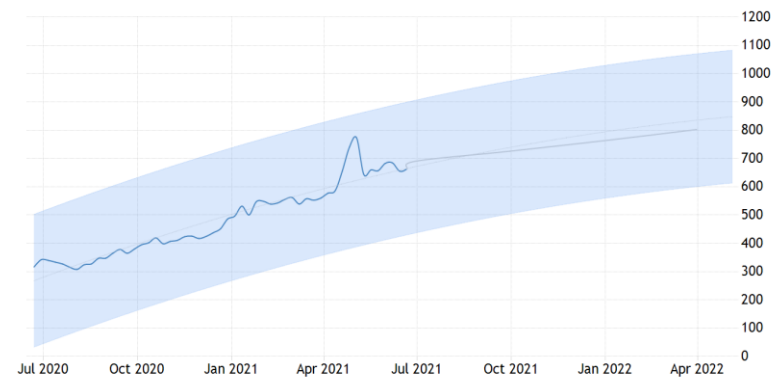
Soya



Oat



Corn



- The prices of the main grain contracts on the world stock markets continue to be downwards with very rare exceptions. Wheat in the United States lost another USD 8 to USD 284 a tonne, but that in France regained USD 3 to USD 246 a tonne.
- The price in both Ukraine and Russia the prices maintained levels at a total of 270 USD / t.
- Corn in the United States also had a continuing decline of USD 13 to USD 304 / tonne, in Ukraine minus USD 4 and USD 281 / tonne.
- Barley in France has a more volatile movement - plus 5 euros to 233 euros / ton, and in Ukraine barely moved with minus 1 dollar and 244 USD / ton.
- Rapeseed in the European Union / Euronext / has undergone some fluctuations in the last ten days and after a serious rebound up a few days ago now also follows a downward curve with minus 4.75 euros to 528 euros / t.
- Unrefined sunflower oil on the Rotterdam Stock Exchange followed the general trend with a decrease of USD 10 and a price of 1610 USD / t., And refined sugar also tended down by minus 2.10 USD to 453.40 USD / t. on the London Stock Exchange.
- **In the "Grain" sub-district of the Sofia Commodity Exchange AD the quotations are static: for bread wheat the prices are BGN 380 per ton of sales, for corn the demand is BGN 390 / t, the sellers remain at BGN 400-410 / t. , and for the oil-bearing sunflower the buyers stayed at 1100, and the sellers - at 1150 BGN / t. All prices are without VAT.**

Overview global forecasts

Weak Q1 2021 figure in Euro area together with expected growth acceleration in H2 2021, leads to a higher overhang effect for growth in 2022.

The main driver for the global forecast is the much larger-than-expected fiscal stimulus package recently adopted in the United States. Slightly stronger than expected growth dynamics in Q1 2021, which is expected to further accelerate in Q2.

	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.														

Source: KBC Economics

Overview global forecasts

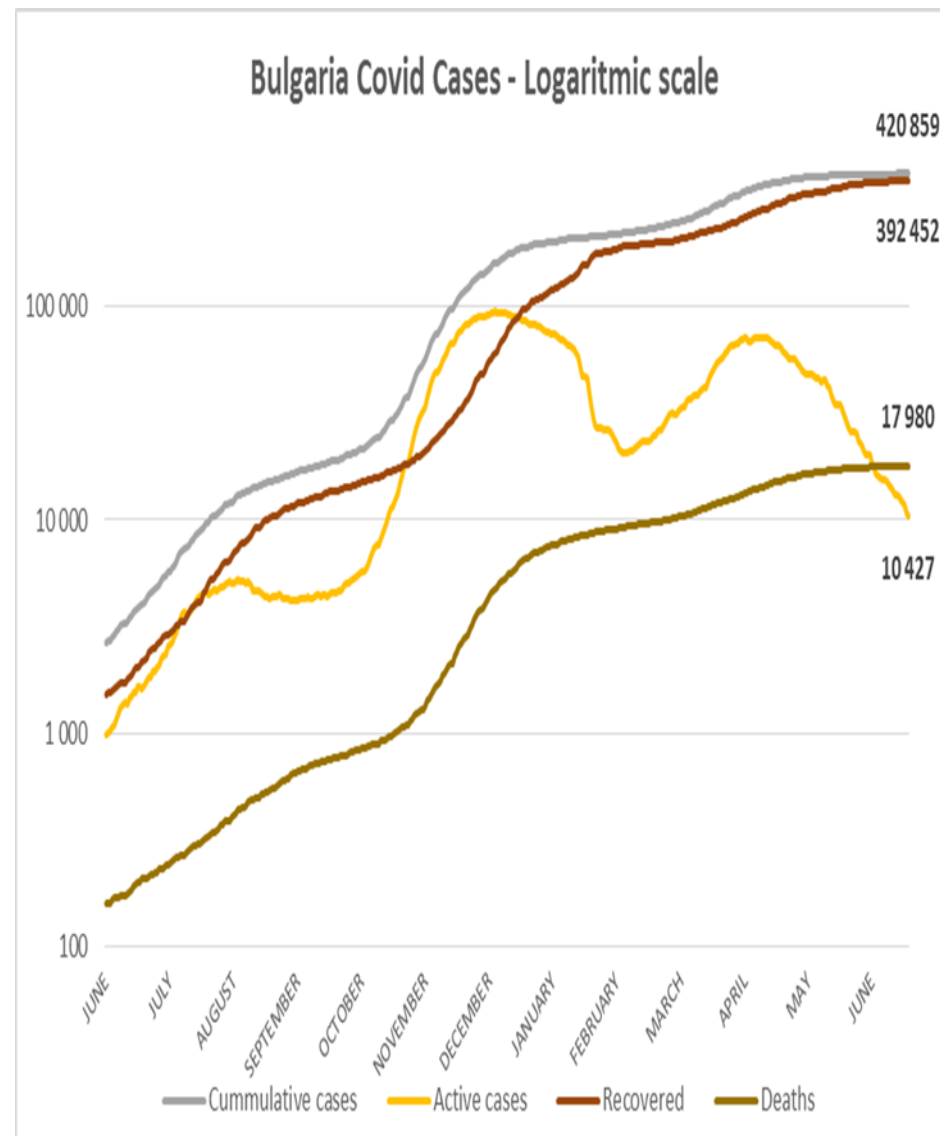
Our projections are for rising yields on 10-year bonds short and medium-term interest rates.

Advanced economies	Indicators	End 2020	Current 11.06.2021	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	1.45	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	-0.24	0.15 (-0.15)	0.15 (-0.15)	0.2 (0)	0.40 (0.25)	(0.6) 0.5
	USD per EUR	1.21	1.217	1.20 (1.17)	1.23 (1.17)	1.26 (1.19)	1.32 (1.27)	1.35 (1.3)

Source: KBC Economics

Status of pandemic COVID-19 in Bulgaria

- Bulgaria is already in the green zone of the European Union, which reflects the state of the pandemic on the continent. The mention change is due to the people who have already been vaccinated and create a paper before the treatment of the disease, but also on the work of the medicine.
- According to the Ministry of Health, the danger has not yet completely disappeared, and the only way to reduce the risk is to vaccinate. Insufficient levels of vaccinated people could lead to fourth wave of pandemic in autumn. The government could decide to impose additional restrict measures. In this situation the sharp stopping of many economic activities would cause a decline of GDP in 2021 Q4.
- As of June 16, 2021, the Ministry of Health issued an order according to which an exception for wearing a protective mask can be allowed for work teams of less than 7 people. This will be at the discretion of employers. The condition is that all persons have been vaccinated against SKIN + ID-19 and / or have had a coronavirus infection.
- Bulgaria recorded 420859 Coronavirus Cases since the epidemic began, according to the World Health Organization (WHO). In addition, Bulgaria reported 17980 Coronavirus Deaths. Bulgaria recorded 392452 Coronavirus Recovered since the epidemic began. The number of COVID-19 vaccination doses administered in Bulgaria rose to 1637956 as of Jun 19 2021. Thus, the number of COVID-19 vaccination doses administered per 100 people in Bulgaria rose to 24 as of Jun 19 2021.



Bulgaria – Outlook 2021 - 2023 (1)

Bulgaria	Optimistic scenario					Base scenario					Pessimistic scenario				
June 8, 2021	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	1.9	2.2	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	3	3.5	3.5	6	5.4	2.5	3.2	3.2	6	5.4	2	3	3
Source: KBC, UBB															

Bulgaria – Outlook 2021 - 2023 (2)

- **Our forecast is for 4.6% GDP growth in 2021, 4% for 2022 and 3% for 2023.** Domestic demand is 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.
- **At the end of the Q1 2021 the level of harmonized unemployment** was 5.1% (4.7% at the end of April). 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. 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. Employment Rate in Bulgaria decreased to 51.40% in Q1 of 2021 from 52.90% Q42020. Bulgaria’s demographic data may hamper potential growth in the medium term, as the workforce continues to shrink due to aging and some emigration. At this stage, we do not believe that the return of Bulgarian workers after the pandemic can change this trend significantly. These challenges highlight the need to pursue structural reforms, for example through measures to tackle skills gaps, improve the business environment, and stimulate income growth and ultimately help slow net emigration.
- **Annual averaged inflation is expected to be 2.1% at the end of 2021.** The acceleration of inflation compared to December 2020 will be determined mainly by the significant increase in energy and food prices in line with the assumption of upward dynamics of international prices. Specific for Bulgaria is the introduction of higher prices for electricity, gas and heating from July 1, 2021. Electricity will rise in price by an average of 3% throughout the country. Natural gas will reach its highest price in the last two years, and heating in Sofia will rise by more than 14%. **We expect headline inflation to accelerate to 2.3% by the end of 2022 and to reach 2% by the end of 2023**, which mainly reflects assumptions about the dynamics of international commodity prices. Core inflation is expected to follow an accelerating trend in the period 2021-2023 in line with the projected increase in private consumption and unit labor costs.

Bulgaria – Outlook 2021-2023 (3)

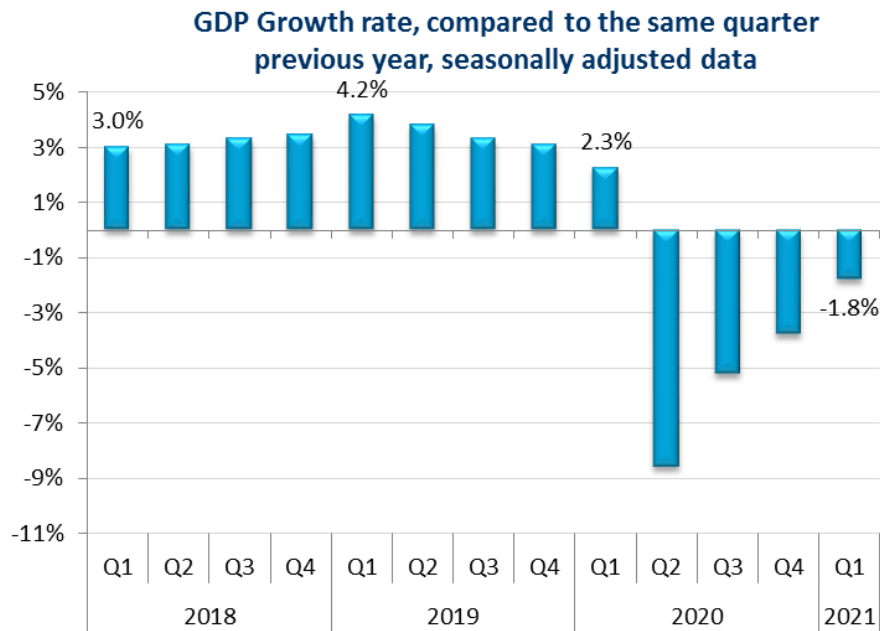
Most leading public and private institutions have upgraded their predictions for the Bulgaria's economic recovery in 2021. The HIPC Inflation will reflect assumptions related to the dynamics of international commodity and oil prices.

Bulgaria GDP Growth (%): International Institutions Projections	2019	2020	2021	2022	2023
EC	3.4	-5.1	3.5	4.7	n.a
IMF	3.4	-4	4.4	4.4	n.a
BNB	3.4	-4	3.8	3.9	3.2
MF	3.4	-3	2.5	3	3.2
Bulgaria CPI Inflation rate (%): International Institutions Projections	2019	2020	2021	2022	2023
EC	2.5	1.2	1.6	2	n.a
IMF	2.5	1.2	1	2	n.a
BNB	2.5	1.2	3	2.7	1.3
MF	2.5	1.2	2.1	2.6	2.5

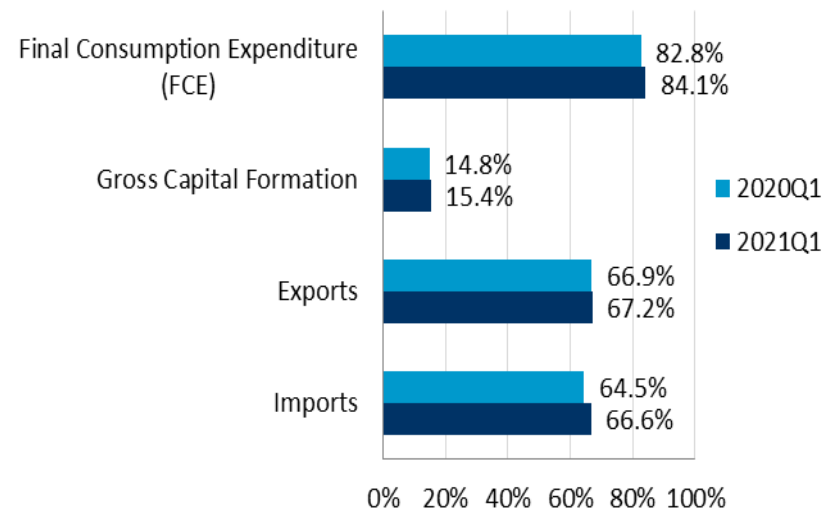
Source: EC, IMF, BNB, MF, KBC

Bulgaria: Main Macroeconomic Indicators (1)

- According to NSI preliminary data, Bulgaria's GDP contracted by 1.8% yoy in the Q1 of 2021.** This is the fourth consecutive decline, but also the weakest since the beginning of the pandemic, which shows that the economy is beginning to recover to pre-crisis levels. The annual contraction of Bulgarian economy for 2020 was -4.2%. The decline in Q4 of 2020 against Q4 2020 was 3.8%. On a quarterly basis, GDP grew by 2.5%, due to an increase in exports of goods and services by 6.7% and final consumption by 2.1%. Thus, the growth accelerated compared to the previous quarter, when the increase was 2.2%. To remind, that Bulgaria's economy contracted the most in the second quarter of last year after the introduction of strict anti-epidemic measures to limit the first wave of the pandemic. Then there was a decline of 10.1% on a quarterly basis and 8.6% on an annual basis, which was the most drastic decline since 1997.



Structure of GDP by the expenditure approach for Q1 in 2020 and 2021

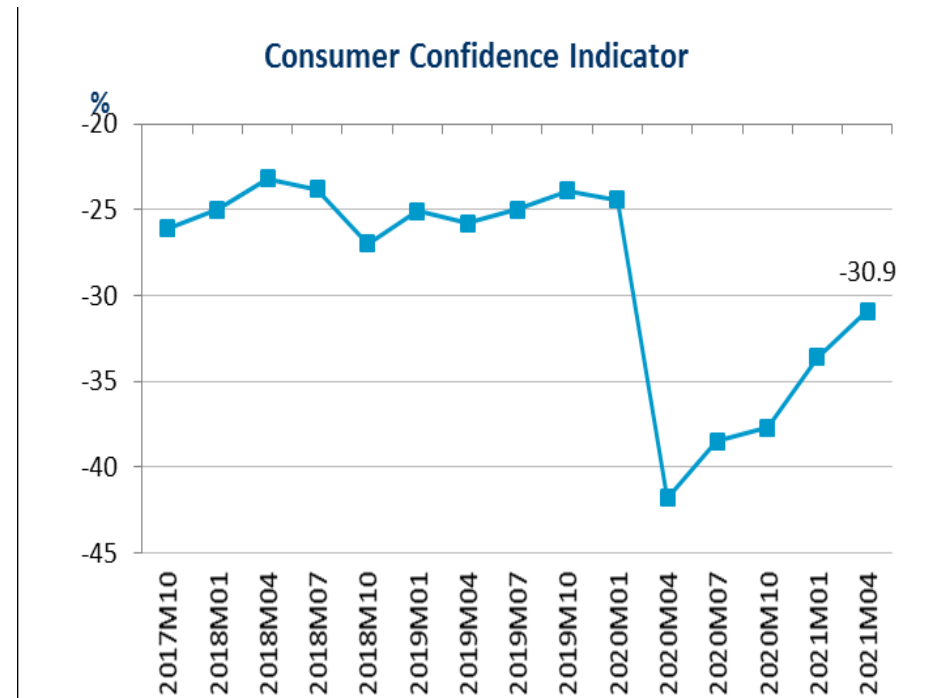
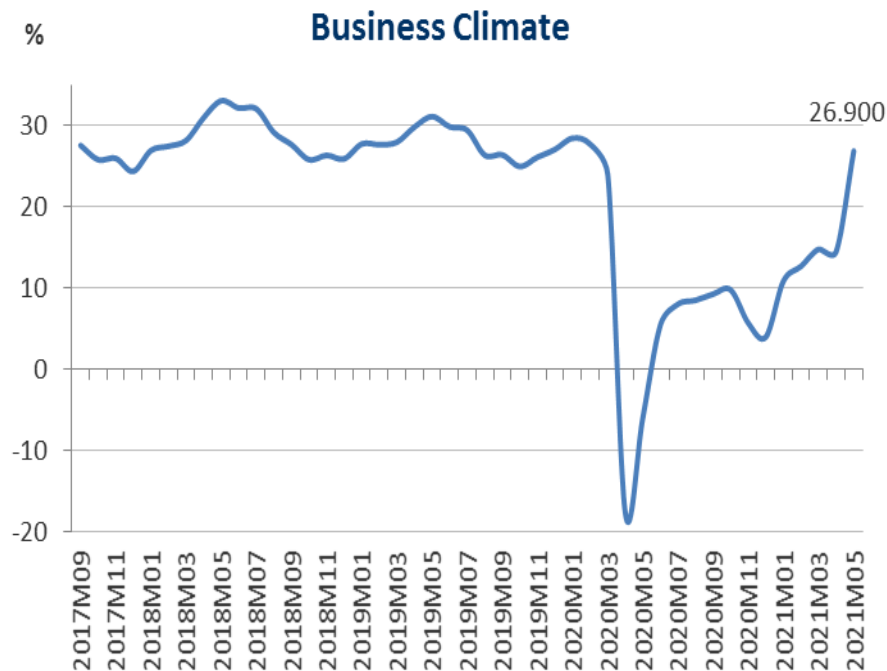


Source: EC, IMF, BNB, MF, KBC

Bulgaria: Main Macroeconomic Indicators (2)

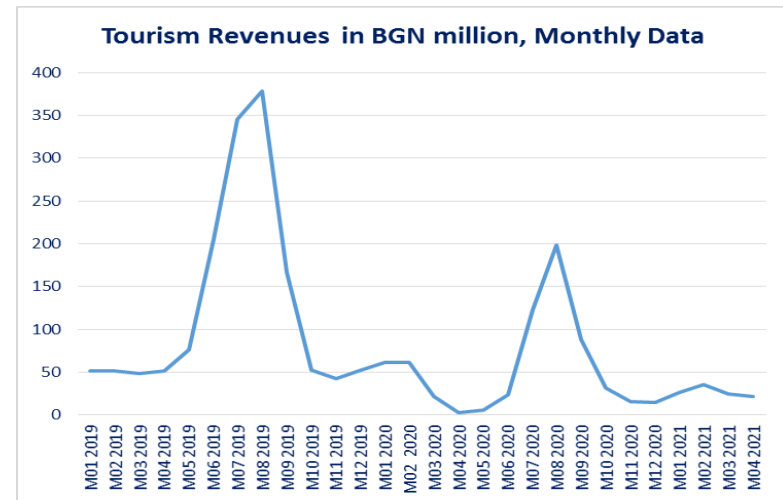
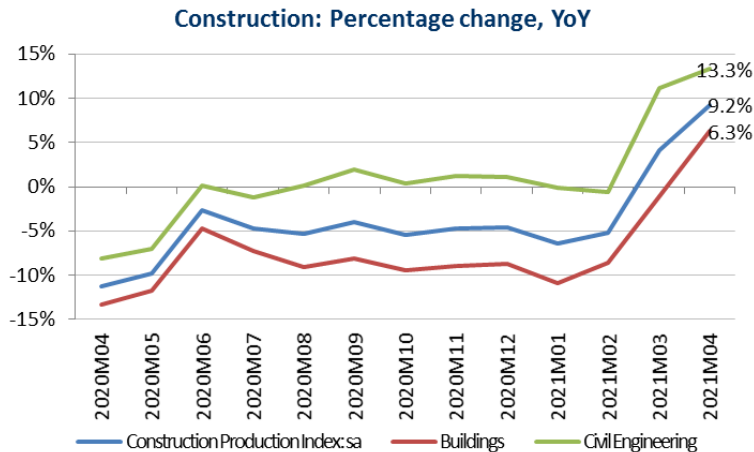
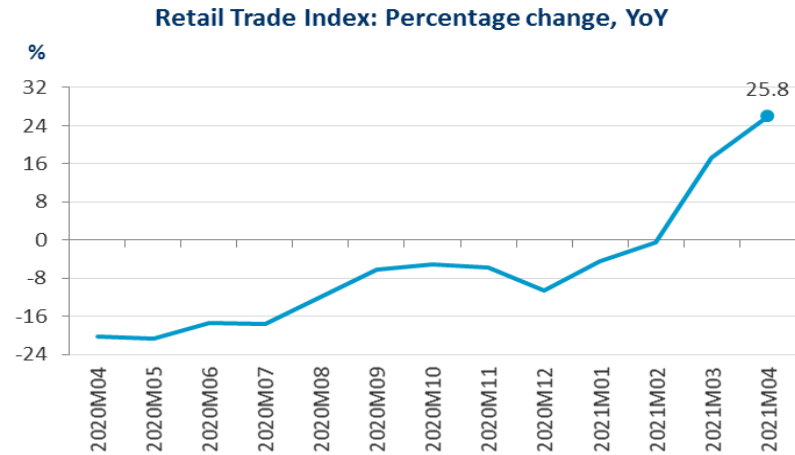
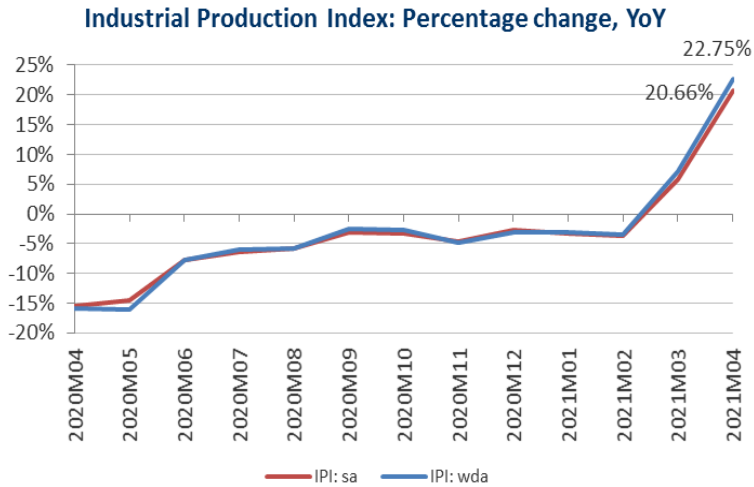
In May 2021, the **total business climate indicator** increased by 12.4 percentage points to pre-crisis level of 26.9 index points compared to as a result of the positive managers' opinions in all observed sectors - industry, construction, retail trade and services.

In April 2021, the total consumer confidence indicator increased by 2.7 percentage points in comparison with January 2021. An increase of consumer confidence among both urban and rural inhabitants by 2.4 and 2.7 percentage points respectively is reported.



Bulgaria: Main Macroeconomic Indicators (3)

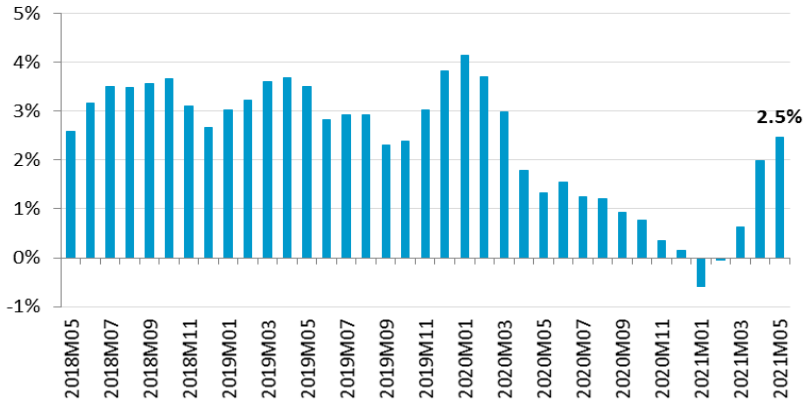
High Frequency Indicators improved yoy in April 2021 strongly entering in the positive territory. Tourism sector is deeply affected as contracted by 25.6% yoy in April 2020.



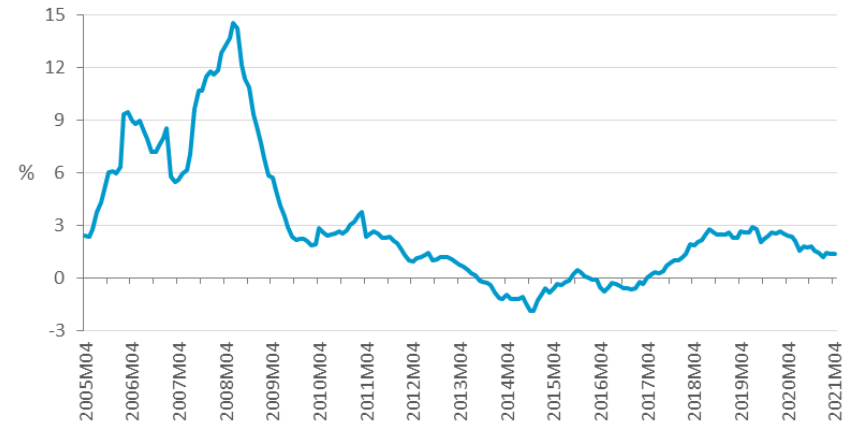
Bulgaria: Main Macroeconomic Indicators (4)

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

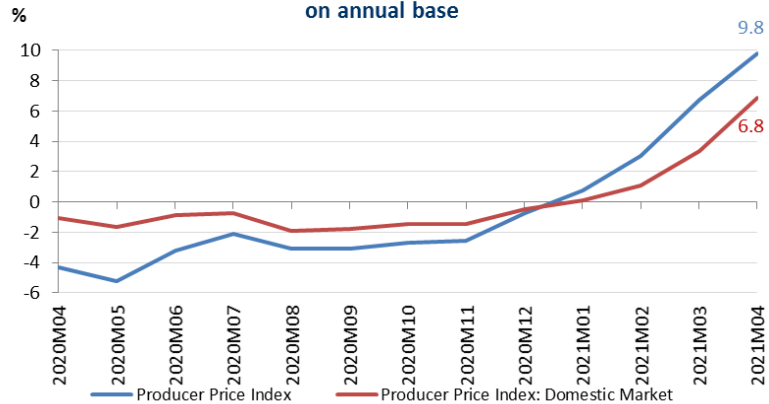
Inflation, y/y: 2018 - 2021



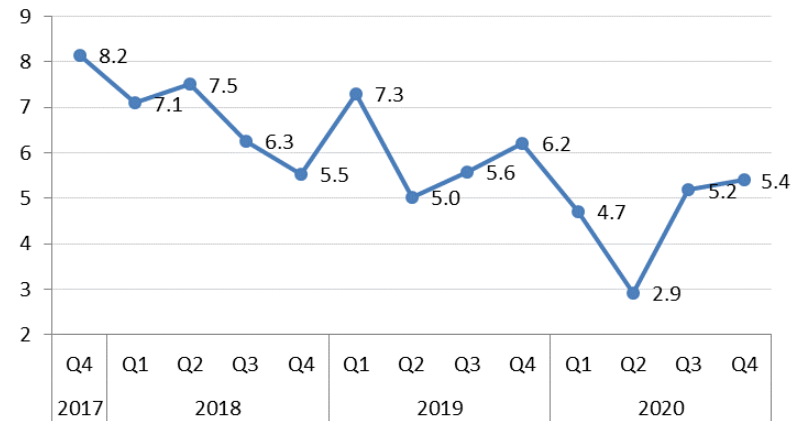
Core Inflation, Percentage change, YoY



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



House Price Index (HPI), % change YoY

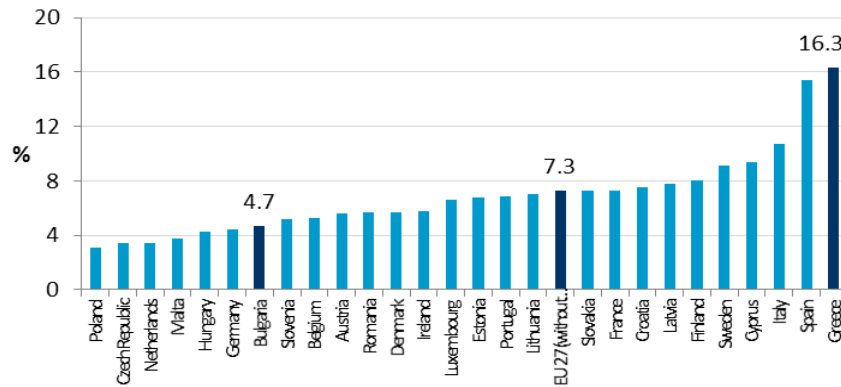


Bulgaria: Main Macroeconomic Indicators, Labor market (5)

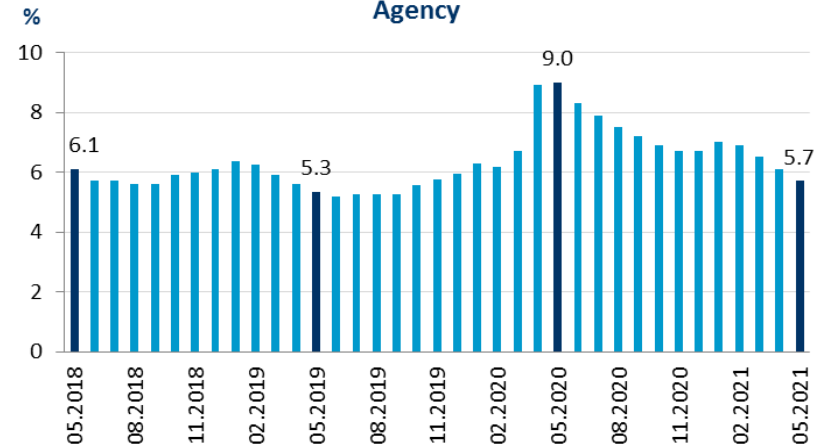
According to EUROSTAT data in April the harmonized unemployment rate in Bulgaria is 4.7% and reported an decrease by 0.4 pps compared to March 2021, while on an annual basis the decline is 1.2pps.

According to Agency of employment in May the rate of registered unemployment is 5.7% and reported decrease by 0.4 pps compared to previous month, and decreased by 3.3 pps compared to May 2020.

EU: Unemployment rate seasonally adjusted by country, April 2021



Unemployment Rate Bulgaria: National Employment Agency



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.

Source: NSI, AE

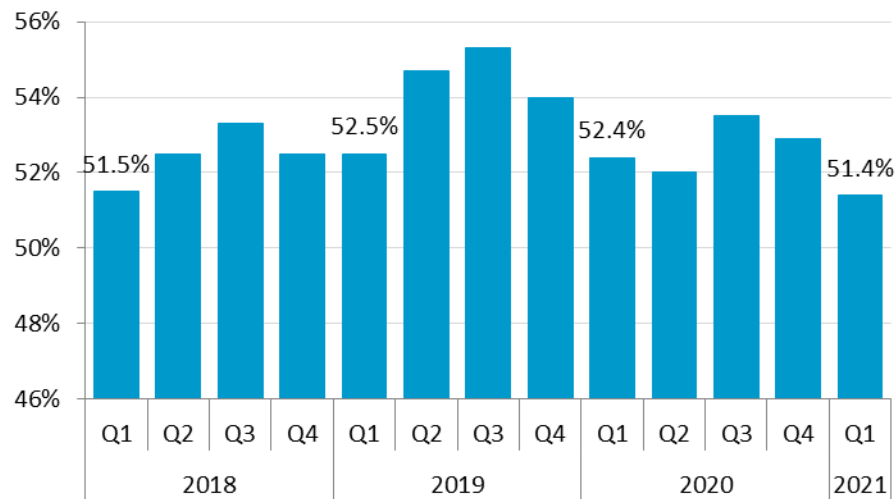
Bulgaria: Main Macroeconomic Indicators, Labor market (5a)

Since the beginning of 2021 the Labor Force Survey in all EU Member States, incl. in Bulgaria, is carried out in compliance with the Regulation (EU) 2019/1700 of the European Parliament and of the Council establishing a common framework for European statistics relating to persons and households, based on data at individual level collected from samples and subsequent mission implementing regulations in the field of labor force statistics. These regulations implied changes in the methodology of the Labor Force Survey, primarily related to the definitions of employment and unemployment, and in consequence, the data for the first quarter of 2021 are not fully comparable to that for previous quarters.

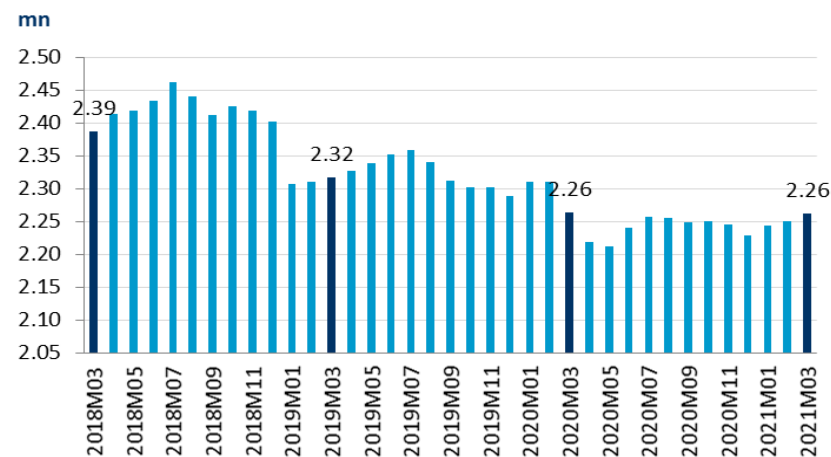
In Q1 2021 the employment rate was 51.4% (57.7% for men and 45.6% for women).

In Q1 2021 of 2021 there were 2.26 million employed persons, 1.16 million men and 1.10 million women

Bulgaria: Employment Rate

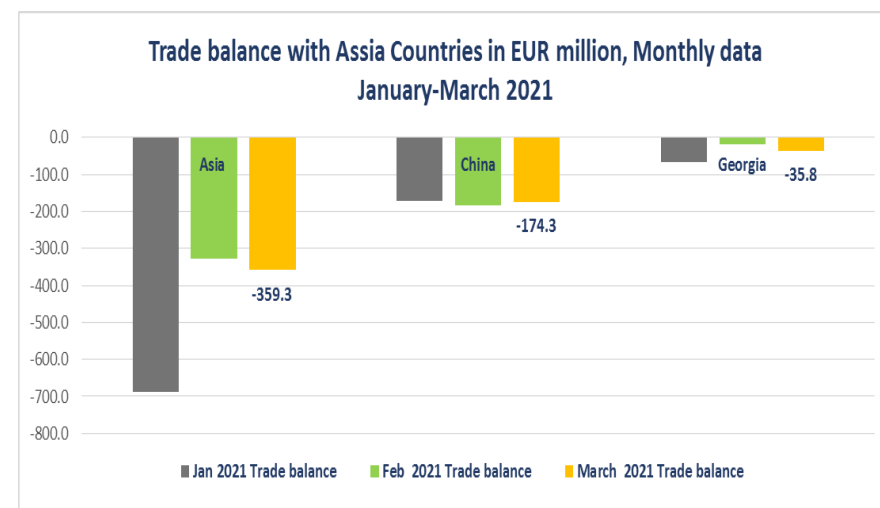
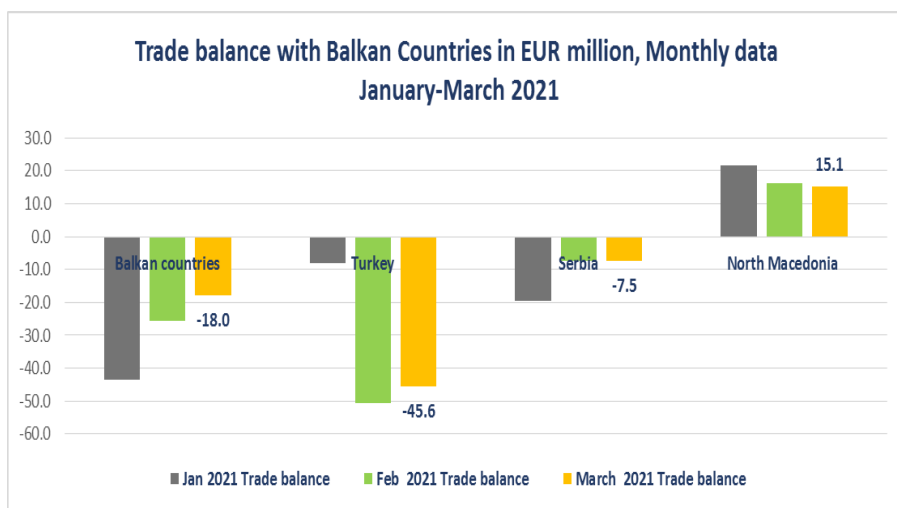
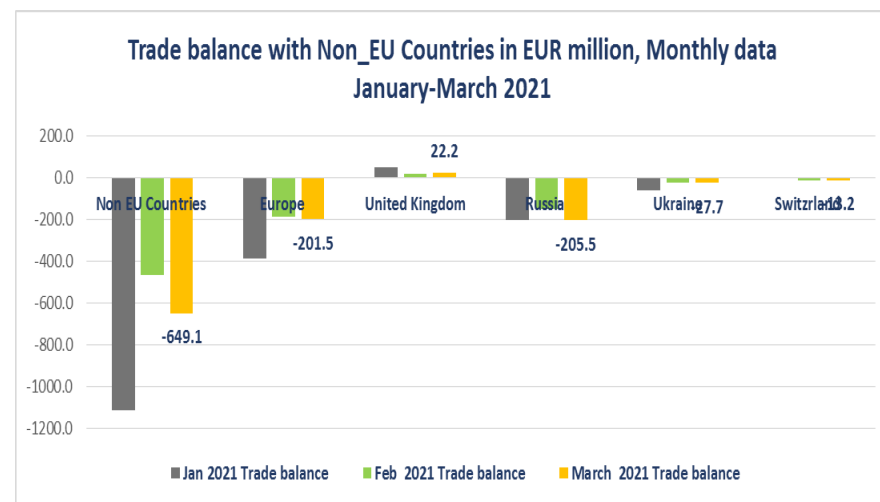
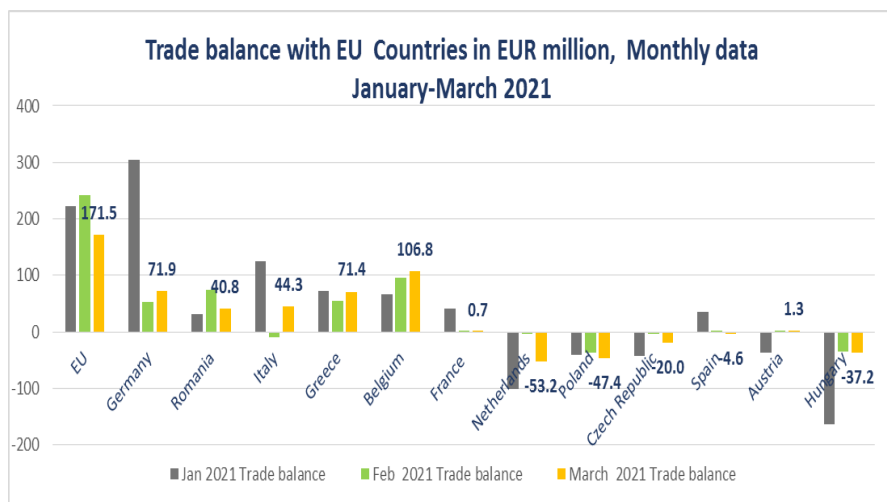


Bulgaria: Number of Employees



Bulgaria: Main Macroeconomic Indicators (6)

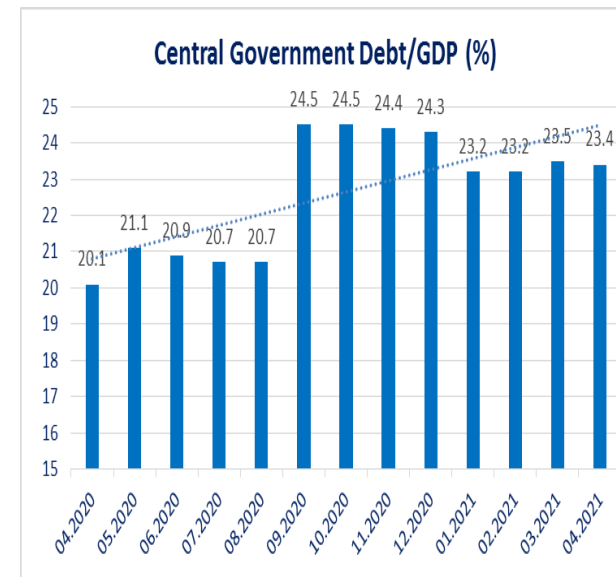
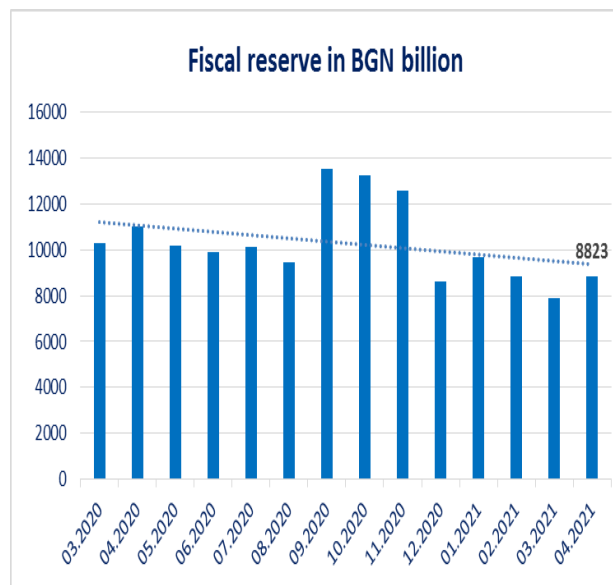
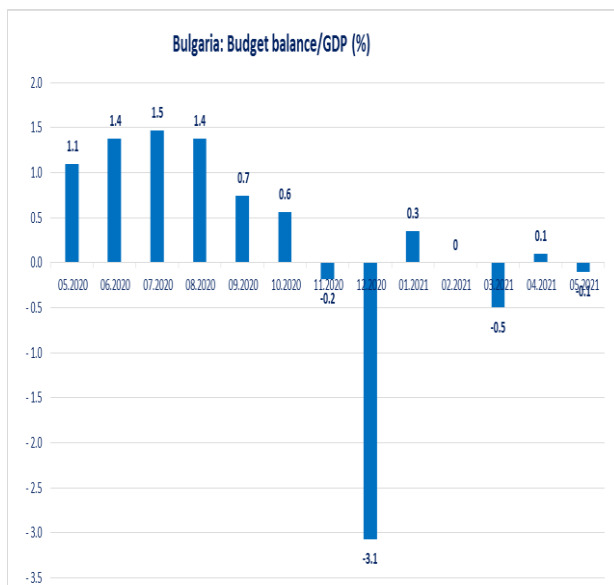
In March 2021 Bulgaria's Trade balance is negative at EUR 447.5 million with positive value only with EU countries at EUR 171.5 million. The trade balance is negative with Non – EU countries at EUR 649.1 million, with Balkan countries at EUR 18.0 million and with Asia countries at EUR 359.3 million.



Bulgaria: Main Macroeconomic Indicators (7)

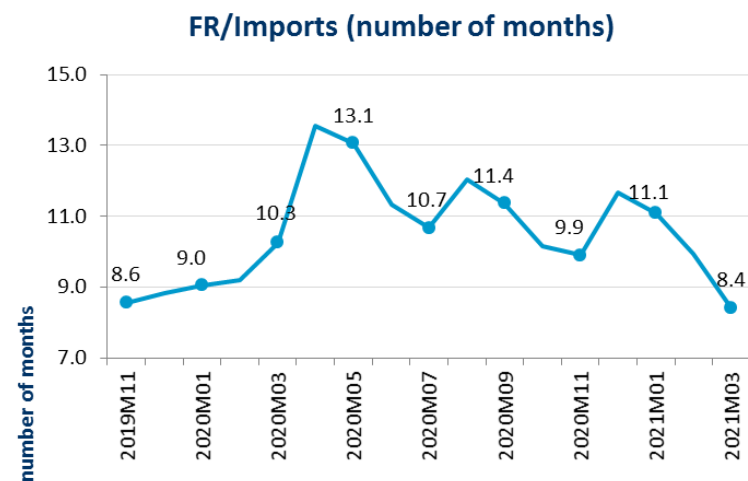
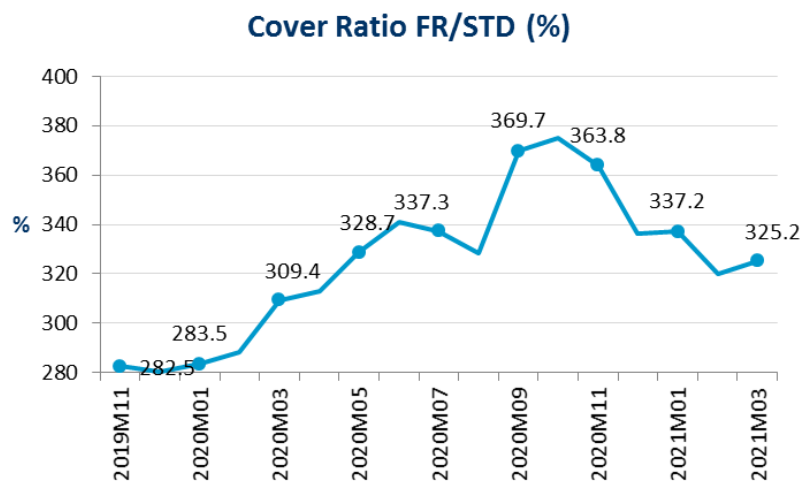
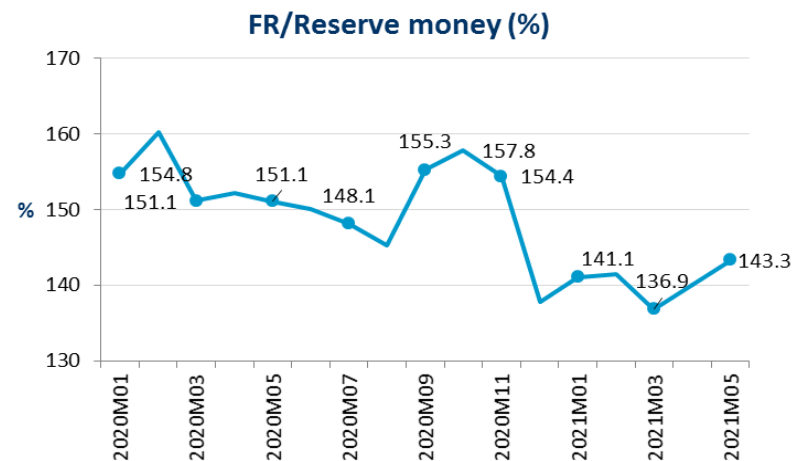
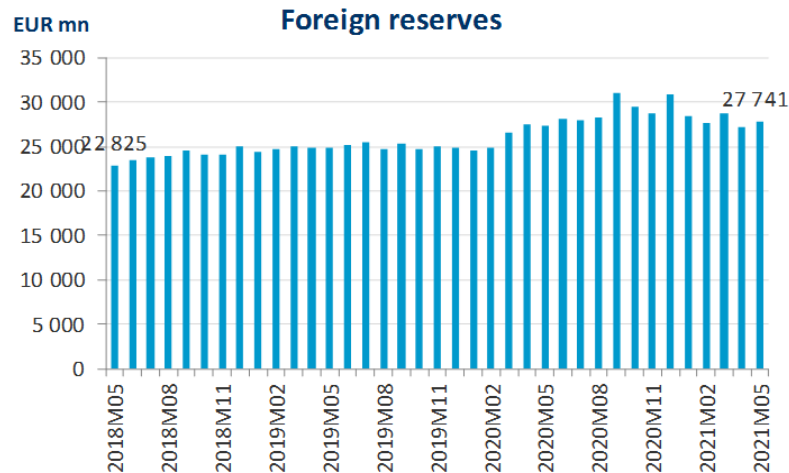
Bulgaria's Fiscal position

- Based on preliminary data and estimates the budget balance of the Consolidated Fiscal Programme (CFP) as of May 2021 is expected to be negative, amounting to BGN 173 million (0.1 % of the forecast GDP).
- The fiscal reserve as of 31.04.2021 is BGN 8.8 billion, including BGN 7.7 billion of fiscal reserve deposits in the BNB and in banks and BGN 10.1 billion of receivables under the EU Funds for certified expenditures, advance payments, etc.
- The central government debt as at end-April 2021 amounted to BGN 29,179 million, declining by BGN33.3 million as compared to end-March 2021. Domestic debt amounted to BGN 6 272,5 million and external debt –to BGN 22 902,4 million. It's relative share to GDP is 23.4%.



Source: MF

Currency Board Indicators

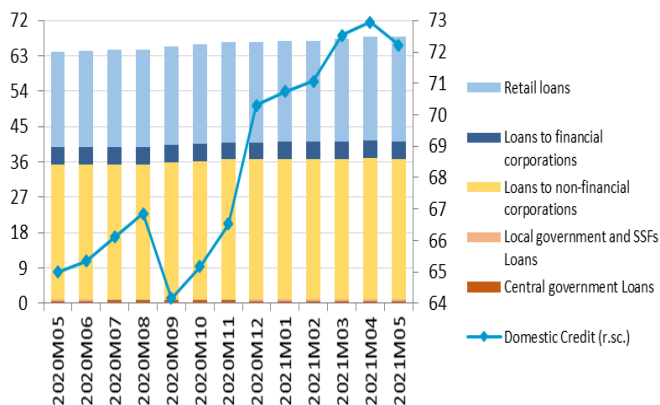


BULGARIA: BANKING SECTOR

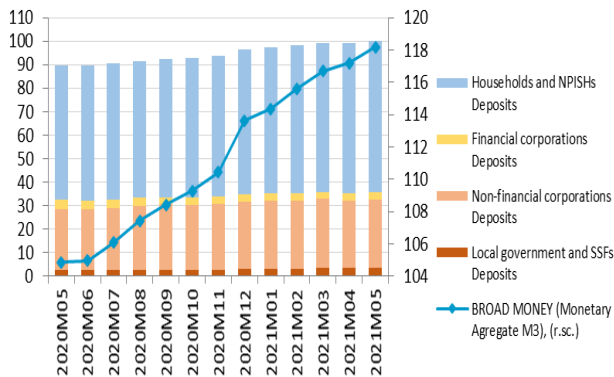
Banking sector: Monetary Survey (1)

- In May 2021 **broad money (the monetary aggregate M3)** increased on an annual basis by 12.7% and amounted to BGN 118.192 billion (93.8% of GDP). **Deposits of the non-governmental sector** amounted to BGN 96.371 billion (76.5% of GDP), with an annual increase of 11.7%. **Deposits of non-financial corporations** amounted to BGN 29.331 billion (23.3% of GDP) at the end of May 2021 and increased by 12.5% yoy. **Deposits of financial corporations** increased by 6.9% yoy in May 2021 and at the end of the month reached BGN 3.574 billion (2.8% of GDP). **Deposits of Households and NPISHs** amounted to BGN 63.466 billion (50.3% of GDP) at the end of May 2021 and increased by 11.6% yoy.
- In May 2021 **the domestic credit** amounted to BGN 72.221 billion and increased compared to May 2020 by 11.1%. **Loans to the non-government sector** amounted to BGN 67.067 billion (53.2% of GDP) and increased on an annual basis by 6.4%. **Loans to non-financial corporations** increased by 4.1% yoy in May 2021 and reached BGN 35.798 billion (28.4% of GDP) at the end of the month. **Loans to households and NPISHs** amounted to BGN 26.694 billion (21.2% of GDP) at the end of May 2021 and increased by 9.7% yoy. At the end of May 2021, **housing loans** amounted to BGN 12.697 billion and increased on an annual basis by 13.4%. **Consumer loans** amounted to BGN 12.444 billion and increased by 8.7% yoy. On an annual basis, other loans decreased by 16.8% to BGN 388 million. **Loans to employers and the self-employed** decreased by 3.6% yoy in May 2021 at the end of the month by BGN 374.6 million. **Loans to financial corporations** amounted to BGN 4.575 billion (3.6% of GDP) at the end of the month. May 2021. and increase by 6%.
- At the end of May 2021 **the relative share of Bad and restructured loans** maintained the level of 7.6% compared to the previous month 0.2pps to 7.8% compared to previous month, and bellow 8.8% reported in April 2020.

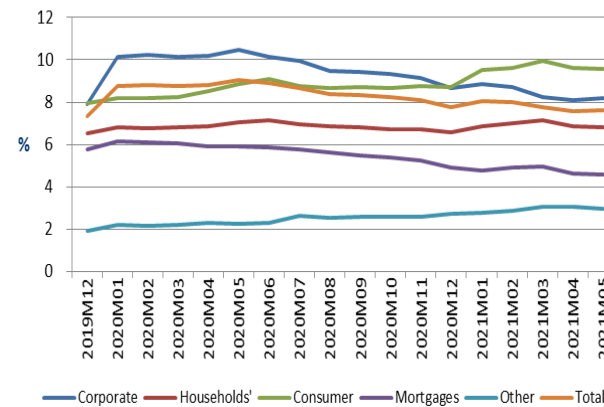
Loans and Domestic Credit (BGN bn)



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



Banking sector: Bad and restructured loans (%)



Banking sector: Interest Rates of New Business Loans (2)

- In May 2021 **Interest rates on new credits for enterprises decreased** compared to previous month in BGN, in EUR and in USD.
- In May 2021 **Interest rates of the new credits for households increased their level** compared to previous month in BGN and decreased in EUR. There is no new loans granted in USD.

BGN

%	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	2.92	2.75	2.54	2.65	2.58
loans up to 1 year	3.08	2.94	2.57	2.64	3.02
loans over 1 up to 5 years	3.07	2.86	2.73	3.01	2.80
loans over 5 years	2.75	2.58	2.37	2.45	2.22
households	6.01	5.76	5.56	5.43	5.63
loans up to 1 year	23.80	26.03	25.91	24.75	25.40
- consumer loans	24.22	26.55	26.37	26.20	25.54
- mortgages	0.00	0.00	0.00	3.65	0.00
- other loans	4.70	4.34	3.99	2.92	3.65
loans over 1 up to 5 years	9.86	10.25	11.95	10.56	10.52
- consumer loans	10.83	10.72	12.82	11.15	11.03
- mortgages	3.26	3.07	2.82	2.61	2.83
- other loans	2.48	5.36	3.20	3.17	3.32
loans over 5 years	4.17	4.21	4.00	3.99	4.07
- consumer loans	5.66	5.49	5.39	5.42	5.43
- mortgages up to 10 years	2.87	2.93	2.85	2.88	3.03
- mortgages over 10 years	2.85	2.79	2.74	2.74	2.73
- other loans	3.51	4.12	3.36	3.10	3.20

Source: BNB

EUR

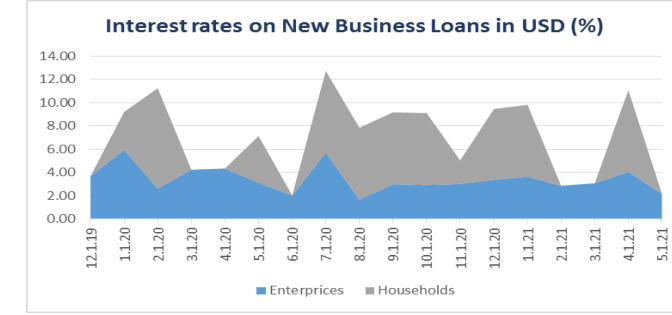
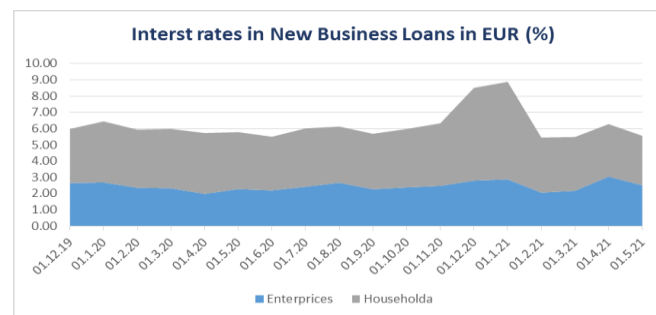
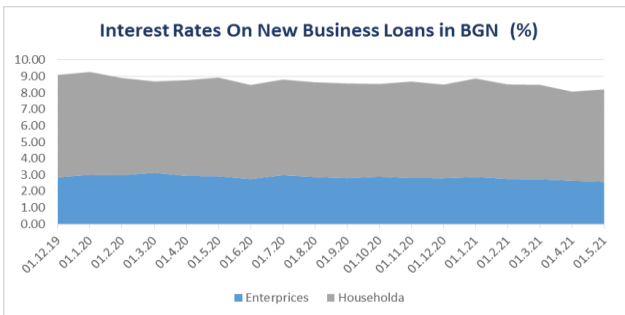
%	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	2.28	2.06	2.17	3.04	2.50
loans up to 1 year	1.19	0.52	0.95	1.56	1.95
loans over 1 up to 5 years	3.39	2.29	2.63	3.12	2.68
loans over 5 years	2.38	2.28	2.17	3.18	2.59
households	3.50	3.39	3.31	3.23	3.05
loans up to 1 year	0.00	0.00	0.00	3.93	4.66
- consumer loans	-	-	-	5.24	4.42
- mortgages	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	3.56	4.85
loans over 1 up to 5 years	4.77	3.70	4.23	3.64	2.87
- consumer loans	3.17	3.87	4.82	3.63	3.68
- mortgages	5.15	3.95	2.91	2.80	2.94
- other loans	4.07	2.44	0.00	5.12	2.84
loans over 5 years	3.41	3.35	3.29	3.20	3.16
- consumer loans	3.19	3.07	3.35	3.26	3.42
- mortgages up to 10 years	2.71	3.11	3.07	2.84	3.64
- mortgages over 10 years	3.73	3.54	3.34	3.26	3.25
- other loans	4.17	6.43	2.78	2.18	1.86

Source: BNB

USD

%	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	3.13	2.88	3.99	4.06	2.19
loans up to 1 year	2.85	0.00	1.60	1.78	2.02
loans over 1 up to 5 years	3.28	0.00	5.03	2.18	1.66
loans over 5 years	3.20	2.88	1.58	5.11	4.65
households	4.00	0.00	0.00	7.02	0.00
loans up to 1 year	7.02	0.00	0.00	7.02	0.00
- consumer loans	7.02	0.00	0.00	7.02	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	3.14	0.00	0.00	0.00	0.00
- consumer loans	3.14	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: Interest Rates of New Business Deposits (3)

- In May 2021 **Interest Rates of New Business on Deposits of Enterprises** compared to previous month reported slightly decline in BGN and maintained their level in and in USD.
- In May 2021 **Interest Rates of Deposits of Households declined in BGN** compared to previous month. They maintained their level in EUR and USD,

BGN

%	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	0.00	0.01	0.01	0.01	0.00
Overnight deposits	0.00	0.01	0.01	0.01	0.00
Time deposits	-0.07	-0.06	0.01	-0.05	-0.27
Up to 1 month	-0.10	-0.12	0.01	-0.18	-0.35
Up to 3 months	0.00	0.04	0.02	0.01	0.10
Up to 6 months	0.02	0.01	0.00	0.00	0.01
Up to 1 year	0.19	0.13	0.01	0.07	0.08
Up to 2 years	0.00	0.00	0.00	0.10	0.00
Over 2 years	0.00	0.35	0.00	0.00	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	0.02	0.01	0.03	0.03	0.01
Overnight deposits	0.01	0.01	0.03	0.03	0.00
Time deposits	0.11	0.12	0.07	0.07	0.09
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	0.01
Up to 6 months	0.06	0.09	0.04	0.06	0.08
Up to 1 year	0.20	0.18	0.14	0.17	0.19
Up to 2 years	0.49	0.28	0.18	0.23	0.22
Over 2 years	0.55	1.03	0.99	0.69	0.75
Redeemable at notice	0.33	0.26	0.25	0.25	0.25

Source: BNB

EUR

%	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	-0.01	0.00	0.00	0.00	0.00
Overnight deposits	-0.01	0.00	0.00	0.00	0.00
Time deposits	0.03	0.01	0.01	0.02	0.01
Up to 1 month	0.00	0.00	0.01	0.01	0.01
Up to 3 months	0.05	0.00	0.01	0.00	0.00
Up to 6 months	0.01	0.01	0.00	0.00	0.01
Up to 1 year	0.05	0.17	0.00	0.03	0.00
Up to 2 years	0.03	0.00	0.15	0.00	0.00
Over 2 years	0.00	0.00	0.30	0.00	0.26
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	0.09	0.09	0.06	0.06	0.09
Up to 1 month	0.01	0.01	0.01	0.01	0.01
Up to 3 months	0.02	0.01	0.00	0.01	0.00
Up to 6 months	0.06	0.06	0.04	0.05	0.06
Up to 1 year	0.17	0.13	0.09	0.12	0.20
Up to 2 years	0.37	0.20	0.16	0.25	0.24
Over 2 years	0.67	0.78	0.92	0.13	0.67
Redeemable at notice	0.60	0.54	0.54	0.53	0.51

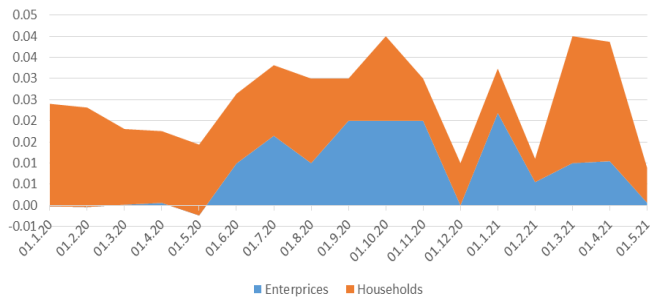
Source: BNB

USD

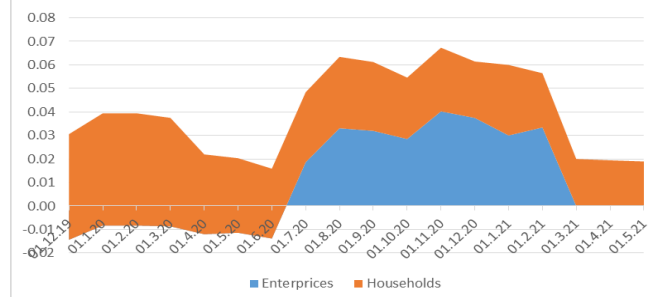
%	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	0.05	0.02	0.01	0.01	0.01
Overnight deposits	0.04	0.02	0.01	0.01	0.01
Time deposits	0.53	0.16	0.17	0.19	0.20
Up to 1 month	0.47	0.01	0.00	0.01	0.00
Up to 3 months	0.79	0.00	0.00	0.00	0.00
Up to 6 months	0.13	0.15	0.15	0.02	0.20
Up to 1 year	0.90	0.10	0.17	0.20	0.18
Up to 2 years	0.00	0.00	0.00	0.00	0.00
Over 2 years	0.00	0.50	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	0.01	0.00	0.00	0.00	0.00
Time deposits	0.15	0.09	0.05	0.07	0.10
Up to 1 month	0.02	0.02	0.02	0.02	0.02
Up to 3 months	0.01	0.01	0.01	0.00	0.00
Up to 6 months	0.08	0.08	0.06	0.05	0.13
Up to 1 year	0.31	0.12	0.07	0.13	0.15
Up to 2 years	0.37	0.35	0.22	0.15	0.39
Over 2 years	1.07	0.60	0.10	0.70	0.79
Redeemable at notice	0.53	0.38	0.36	0.36	0.34

Source: BNB

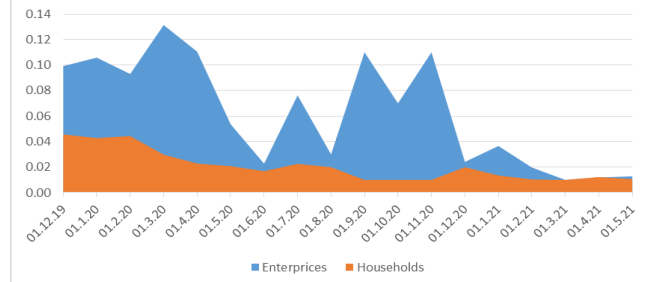
Interest rates on New Business Dposits in BGN (%)



Interest Rates On New Business Deposits in EUR (%)



Interest Rates on New Business Deposits in USD (%)



Banking sector: Volumes Dynamics New Business Loans (4)

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

BGN

(million BGN)	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	594.40	608.38	664.42	781.24	568.66
loans up to 1 year	112.78	188.36	105.95	115.82	81.50
loans over 1 up to 5 years	203.84	132.74	253.28	242.01	240.52
loans over 5 years	277.78	287.29	305.19	423.41	246.64
households	472.37	803.82	945.11	1023.83	891.10
loans up to 1 year	14.96	15.18	15.95	17.75	17.90
- consumer loans	14.63	14.82	15.62	16.64	17.79
- mortgages	0.00	0.00	0.00	0.01	0.00
- other loans	0.32	0.36	0.33	1.10	0.12
loans over 1 up to 5 years	101.34	151.32	141.19	167.53	155.39
- consumer loans	89.42	138.68	128.54	155.34	145.32
- mortgages	2.13	1.43	1.57	2.76	1.35
- other loans	9.80	11.21	11.07	9.43	8.72
loans over 5 years	356.08	637.32	787.98	838.56	717.81
- consumer loans	166.76	333.14	371.88	389.19	354.10
- mortgages up to 10 years	15.03	15.46	19.33	21.61	19.43
- mortgages over 10 yrs	171.62	285.02	390.68	421.37	338.99
- other loans	2.67	3.70	6.08	6.39	5.30

Source : BNB

EUR

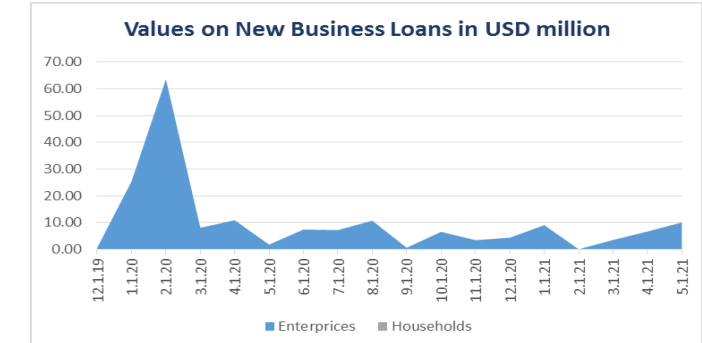
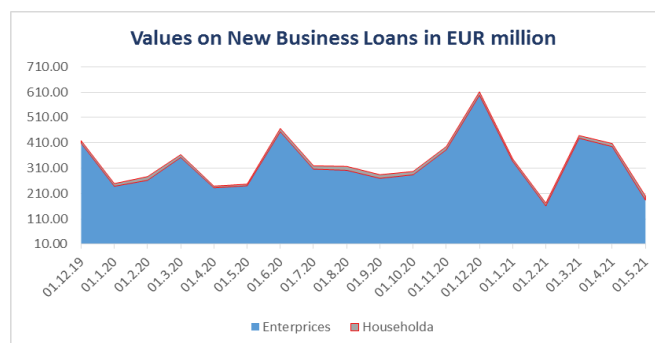
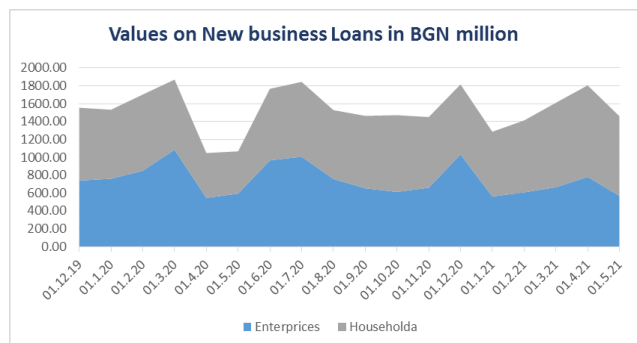
(million EUR)	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	240.71	161.10	428.17	395.36	183.99
loans up to 1 year	46.98	20.20	20.22	31.86	30.09
loans over 1 up to 5 years	31.18	43.64	50.01	48.04	43.35
loans over 5 years	162.55	97.27	357.94	315.45	110.55
households	6.48	11.15	10.75	12.18	16.47
loans up to 1 year	0.00	0.00	0.00	0.06	0.03
- consumer loans	0.00	0.00	0.00	0.01	0.01
- mortgages	0.00	0.00	0.00	0.00	0.00
- other loans	0.00	0.00	0.00	0.04	0.02
loans over 1 up to 5 years	0.45	1.19	0.27	0.73	6.64
- consumer loans	0.07	0.24	0.18	0.59	0.26
- mortgages	0.35	0.76	0.08	0.08	0.01
- other loans	0.02	0.19	0.00	0.06	6.37
loans over 5 years	6.03	9.96	10.48	11.39	9.80
- consumer loans	1.25	3.31	2.39	2.15	1.75
- mortgages up to 10 years	1.31	1.10	1.28	0.87	0.19
- mortgages over 10 yrs	3.39	5.49	6.53	8.10	6.95
- other loans	0.09	0.06	0.27	0.26	0.91

Source : BNB

USD

(million USD)	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	1.78	0.04	3.52	6.43	20.75
loans up to 1 year	0.45	0.00	0.46	0.32	16.80
loans over 1 up to 5 years	0.57	0.00	2.45	1.93	2.25
loans over 5 years	0.76	0.04	0.61	4.18	1.69
households	0.01	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 yrs	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 (5)

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

BGN

(million BGN)	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	13831.50	16543.62	16611.81	17276.76	16349.27
Overnight deposits	13698.60	16405.76	16405.76	17019.13	16237.58
Time deposits	132.90	137.86	206.04	257.62	111.70
Up to 1 month	115.21	111.73	24.59	85.18	91.15
Up to 3 months	2.57	6.93	7.33	3.63	3.62
Up to 6 months	2.49	3.26	124.48	121.63	4.77
Up to 1 year	9.63	4.96	49.60	27.16	12.01
Up to 2 years	3.00	0.05	0.00	20.03	0.00
Over 2 years	0.00	10.93	0.03	0.00	0.14
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	22326.09	26327.48	26624.58	27445.19	27421.69
Overnight deposits	21776.42	25753.04	26017.15	26886.35	26895.82
Time deposits	239.25	255.62	283.88	231.75	203.77
Up to 1 month	90.20	91.28	94.13	87.89	69.84
Up to 3 months	27.58	51.44	68.56	57.39	53.32
Up to 6 months	35.52	22.48	34.39	20.93	17.14
Up to 1 year	72.10	70.23	71.81	51.45	50.69
Up to 2 years	7.18	8.71	9.79	8.82	7.16
Over 2 years	6.68	11.48	5.19	5.28	5.63
Redeemable at notice	310.42	318.81	323.56	327.08	322.09

Source: BNB

EUR

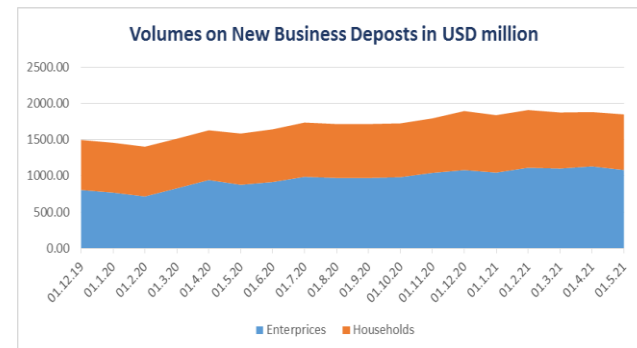
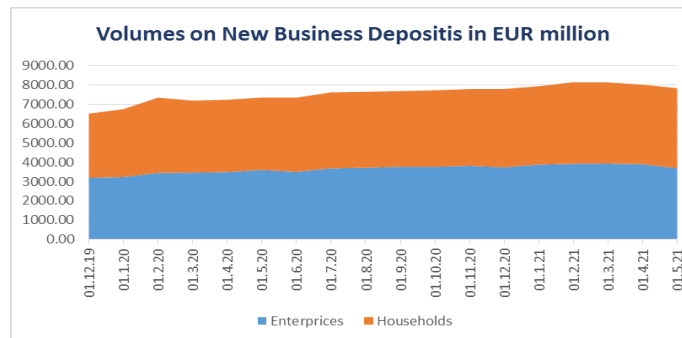
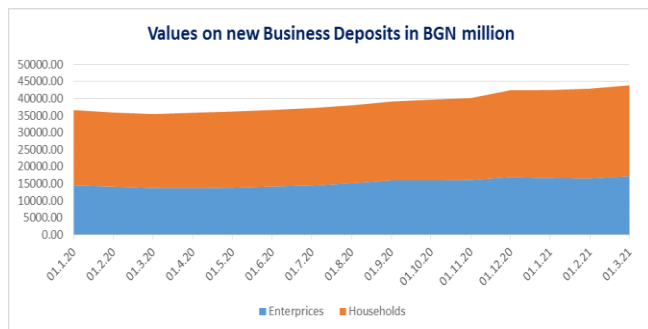
(million EUR)	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	3601.00	3916.13	3904.65	3898.02	3682.55
Overnight deposits	3574.64	3833.69	3833.69	3858.20	3661.93
Time deposits	26.36	82.44	70.96	39.82	20.62
Up to 1 month	10.82	68.59	8.22	9.63	6.82
Up to 3 months	7.88	10.42	23.10	0.80	7.41
Up to 6 months	1.22	0.87	16.13	1.83	0.13
Up to 1 year	6.44	2.53	23.41	24.53	6.08
Up to 2 years	0.00	0.02	0.10	3.00	0.00
Over 2 years	0.00	0.00	0.00	0.04	0.17
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	3751.38	4227.28	4206.34	4113.88	4149.86
Overnight deposits	3541.25	4007.49	3944.79	3891.59	3958.59
Time deposits	100.47	103.68	145.35	104.04	72.05
Up to 1 month	41.17	30.20	42.78	30.55	22.35
Up to 3 months	9.79	24.17	33.81	23.47	19.16
Up to 6 months	13.74	6.09	13.20	7.62	7.64
Up to 1 year	29.38	34.00	42.92	29.72	17.71
Up to 2 years	3.58	5.42	9.57	3.33	3.22
Over 2 years	2.81	3.80	3.07	9.35	1.97
Redeemable at notice	109.66	116.11	116.20	118.26	119.22

Source: BNB

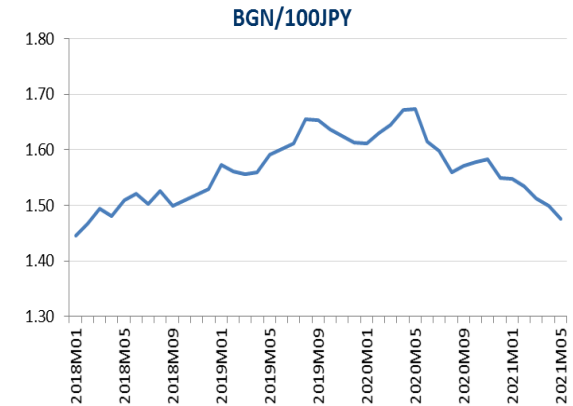
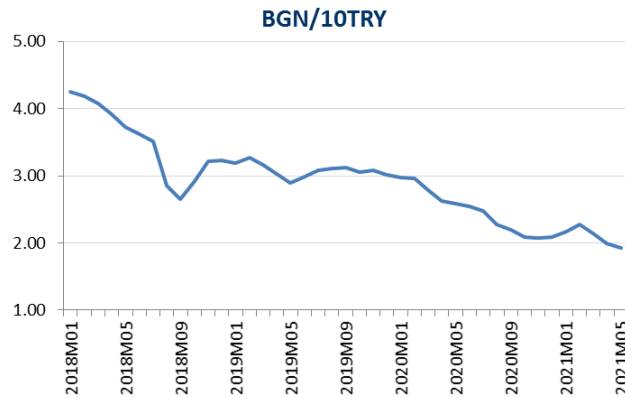
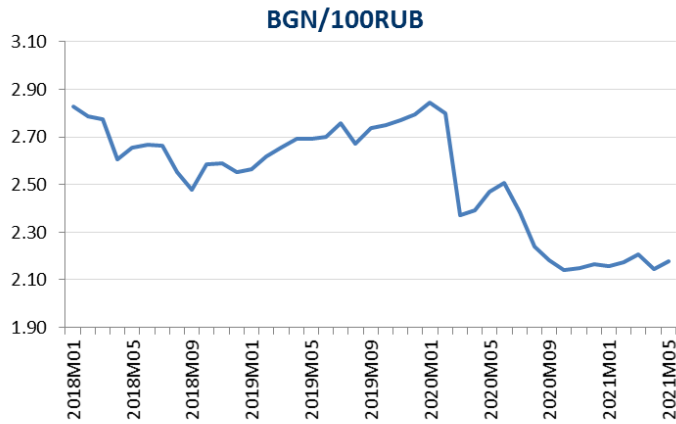
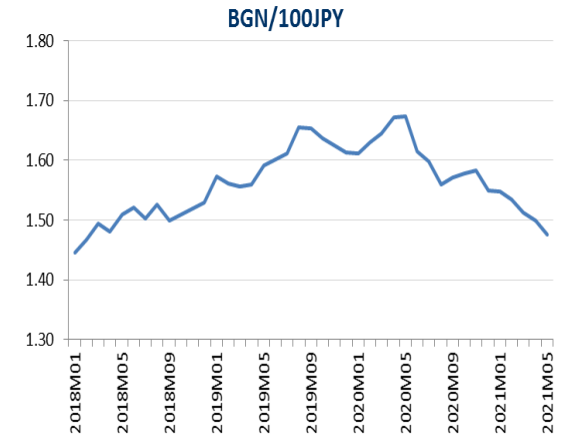
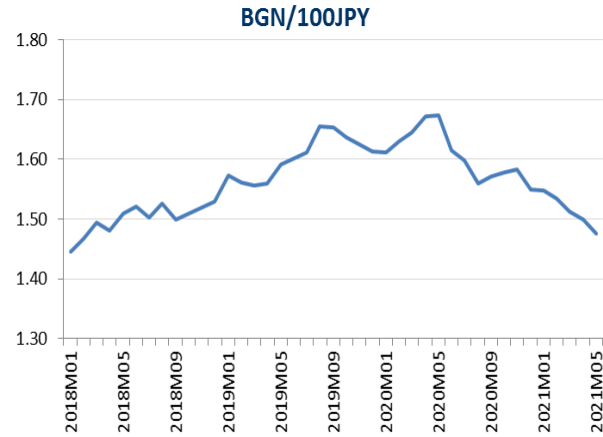
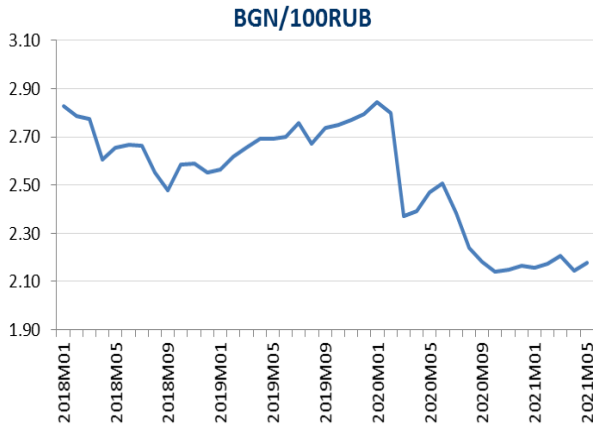
USD

(million USD)	5.31.20	2.28.21	3.31.21	4.30.21	5.31.21
enterprises	877.67	1112.69	1072.11	1131.05	1081.39
Overnight deposits	853.94	1091.58	1055.92	1122.56	1077.20
Time deposits	23.73	21.11	16.19	8.49	4.19
Up to 1 month	12.50	0.11	0.00	0.18	0.00
Up to 3 months	7.60	0.00	0.06	0.00	0.00
Up to 6 months	3.36	0.25	0.20	0.03	3.81
Up to 1 year	0.27	17.66	15.93	8.27	0.38
Up to 2 years	0.00	0.00	0.00	0.00	0.00
Over 2 years	0.00	3.09	0.00	0.00	0.00
Redeemable at notice	0.00	0.00	0.00	0.00	0.00
households	705.96	794.48	772.27	748.04	765.68
Overnight deposits	677.71	764.69	725.05	717.99	734.91
Time deposits	13.98	14.69	31.56	14.43	14.68
Up to 1 month	5.69	5.94	5.82	5.89	3.65
Up to 3 months	1.46	3.00	9.42	3.27	3.72
Up to 6 months	1.65	0.96	2.10	1.14	0.74
Up to 1 year	3.60	3.51	9.86	3.26	5.85
Up to 2 years	1.34	0.37	0.45	0.30	0.25
Over 2 years	0.23	0.91	3.91	0.57	0.46
Redeemable at notice	14.27	15.10	15.66	15.61	16.09

Source: BNB



Banking sector: FX Rates (6)



For contacts:

**Petia Tzekova, Chief Economist,
e-mail: Petia.Tzekova@ubb.bg, tel.: +359 2 811 2980**
**Petar Ignatiev, Chief Analyst,
e-mail: Petar.Ignatiev@ubb.bg, tel.: +359 2811 2982**

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