

# MACROECONOMIC FORECAST

Autumn 2020

Ministry of Finance of the Republic of Bulgaria

**T**he spread of Covid-19 has caused a serious economic shock in Europe and worldwide in the second quarter of 2020. Bulgaria's economy was also negatively affected, but the real decline in GDP was less pronounced than the EU average, both in the second quarter and in the first half of 2020.

In 2020 real GDP is forecast to decrease by 3%. A partial improvement of the economic activity in the country is expected during the second half of the year. The decline in household consumption will slow down, while public spending on consumption and investment will have positive contribution to GDP. Net export will be almost neutral to GDP dynamics in 2020. In 2021 GDP growth is expected to be 2.5%, but the economy will not reach its pre-crisis level back in 2019.

In 2020 the employment decline is estimated at 2.6%, while the unemployment rate will increase to 5.6%. As part of a wider range of policy measures of the government to counteract the economic effects of the crisis, the wage subsidy scheme (60/40) has been found to have a positive impact on reducing the unemployed numbers. The compensation per employee is expected to increase by 5% in 2020 and to accelerate in 2021, due to both private and public sector.

Average inflation is projected at 1.4% in 2020. International commodity prices dynamics will determine the inflation in the next year.

Increasing uncertainty has led into higher precautionary savings, postponement of purchases of non-essential goods and low credit demand. Claims on corporations are expected to be up by 0.6% in 2020, while claims on households – by 5%. Credit demand will increase in 2021, but the still slow investment activity will suppress the recovery in corporate loans.

Risks on the forecast are more on the downside in the short-run, as economic activity strongly depends on the epidemic situation both domestically and globally and at the current moment a long-term resolution of the issue has not been found.

As part of the autumn forecast an alternative macroeconomic scenario is presented. It is based on the assumption for less favourable external environment in 2020 and 2021. The simulation points to worse GDP performance, as the deviation in real growth will more be pronounced in 2020 and 2021: 2.2 and 4.3 pps. lower than in the baseline scenario, respectively. GDP level in current prices will remain below the baseline forecast throughout the whole forecast horizon. ●

## 1. External environment

The spread of Covid-19 and the measures introduced to contain the spread of the disease had significant negative impact on the global economy. Both advanced and developing economies have been affected. In Q2 2020 GDP in the EU declined by 14% yoy, the decrease in Turkey was 9.9%. A comparable economic contraction was reported in most of Bulgaria's trading partners. Latest data showed some recovery in the economic activity in recent months, but the epidemic situation remains uncertain.

The current forecast is based on the assumption that the strongest shock on the EU and global economy<sup>1</sup> has been in Q2 2020. By the end of the year an improvement in the economic indicators is expected. Still, the annual declines will be the strongest posted in decades. EU's GDP is expected to contract by 8.3% in 2020, while world GDP will decline by 4.7%. Annual growths are forecasted in 2021, at 5.8% for the EU and 5.1% for the global economy. Developing economies will rebound more quickly and world GDP will reach its pre-crisis level before the EU.

The forecast for the BGN/USD exchange rate is based on the fixed exchange rate of the local currency vis-à-vis the euro and a technical assumption for EUR/USD exchange rate. The latter is assumed to remain unchanged over the projection horizon at the average levels for the ten-working-day period, ending on the cut-off date. In the current

forecast, the latest daily data are as of September 18, 2020. According to the technical assumption, the average annual exchange rate of the EUR in 2020 is expected to be USD 1.14, in 2021 – USD 1.18, and to remain at the same level by the end of the forecast period. Thereof in 2020 the euro is assumed to appreciate by 2.3%, and in 2021 – by 3.4%.

Taking into account the expected depreciation of the USD in the current year, price of oil in BGN is estimated to decline by 44.3%. In 2021-2023, a partial recovery of the oil price to the level of 2019 is expected. In 2021 the price will increase by 20% and in 2022 and 2023 – by 5.8% in USD terms.

In 2020, international prices of non-energy raw materials are expected to lower by 5.1% in USD terms. In the group the prices of food and agricultural raw materials will decrease slightly, down by 0.5 and 0.8%, respectively. The prices of metals and copper will decrease by 13.2 and 13.5%, respectively. Compared to the spring forecast<sup>2</sup>, it is now expected a smaller decline in non-energy raw materials in USD terms. In the period 2021-2023, the prices of these goods will increase by an average of 2.3% and at the end of the forecast horizon will be slightly higher than the level in 2019. •

## 2. Gross domestic product

The presented forecast incorporates revised GDP data, published by the NSI on October 19, 2020. According to them, nominal GDP value in 2019 was raised by BGN 1.1 bn and real GDP growth – from 3.4 to 3.7%. In

H1 2020 the decline in GDP was revised upwards from 4.2 to 3.8%<sup>3</sup>.

As in the spring forecast GDP is expected to decline by 3% in 2020. Some changes, however, have been made in the components dynamics, based on the published data for

<sup>1</sup> In the presented forecast the assumptions on the development of the EU and global economy are estimations of the Ministry of Finance based on forecasts and analysis of the European Commission, World Bank, International Monetary Fund and Fitch Rating Agency.

<sup>2</sup> Ministry of Finance Spring Macroeconomic Forecast was published as part of the Convergence Programme 2020-2023

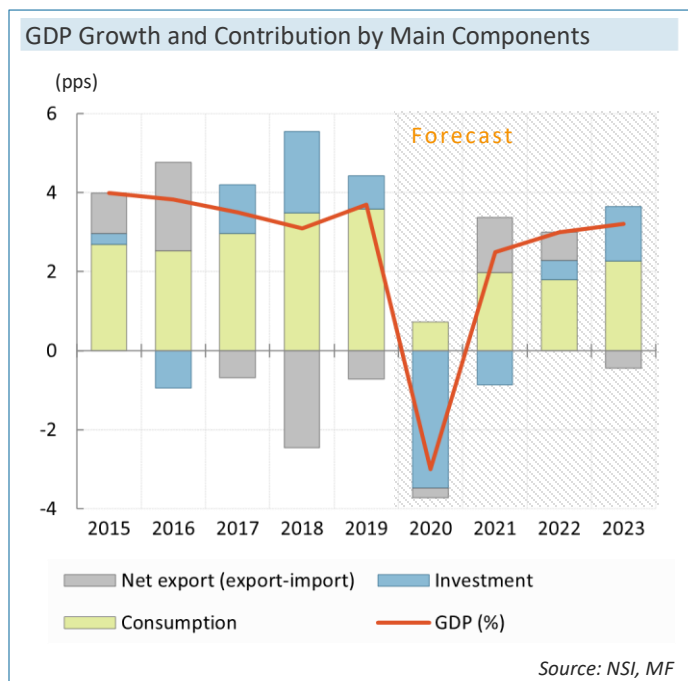
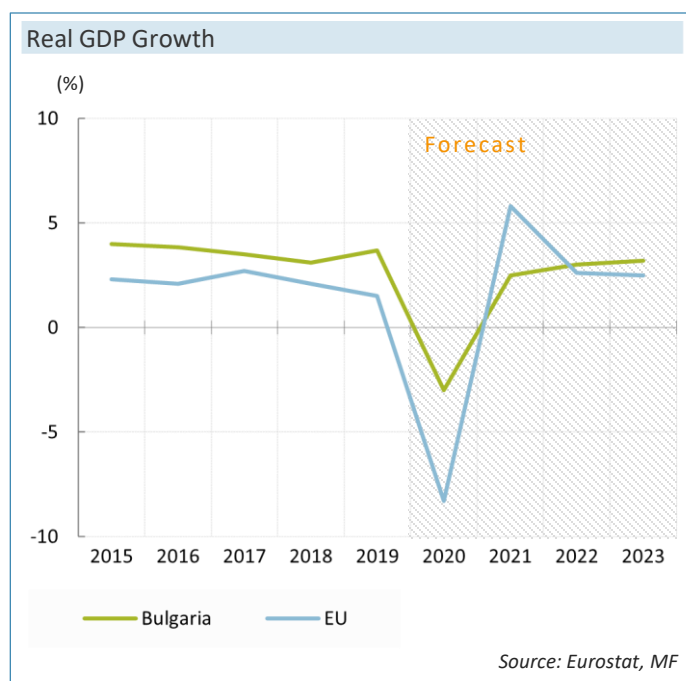
<sup>3</sup> Non-seasonally adjusted data

the first half of the year. A more serious decline in investments and a more favourable than expected performance of consumption and exports was observed. Household consumption is expected to continue declining until the end of the year, due to increased uncertainty and lower income growth. The decrease in private consumption for the whole year will be limited to -1% after reaching -4% in Q2, when containment measures were imposed. At the same time, public expenditures on both consumption and investment are expected to continue to increase and to contribute positively to GDP dynamics. Private investments will remain subdued in the second half of 2020, due to the uncertain economic environment and weak demand.

The decline in world and especially in European economy will lead to a decrease in exports of goods and services. The unprecedented measures introduced in many countries in Q2 2020 had a significant impact on export of transport and tourism services. Since the pandemic situation is still not resolved, export of services, and in particular tourism services, are expected to remain suppressed. In 2020 the decline in real export of services will reach 30.2%, and the overall decline in goods and services – 10.2%. The limited demand for goods for export-oriented

activities, as well as for domestic consumption and investments, will lead to a decline in imports of goods and services of about 10.4%. As a result, the overall contribution of the external sector to GDP growth will be almost neutral.

In 2021 GDP growth is expected to reach 2.5%. Household consumption will recover and exceed the 2019 level, supported by an increase in employment and disposable income. The decline in investments will continue, but at a slower pace. Investments are the component that will make the slowest recovery. They are likely to start growing towards the end of 2021 and the beginning of 2022, when investors feel the improvement of the economic environment in terms of consumption and external demand. At the same time, the expected favourable development in our main trading partners will lead to a full recovery of export of goods in 2021. It is forecasted to increase by 5.6% and exceed its 2019 level at constant prices. Meanwhile, export of services will remain below the pre-crisis levels, despite the expected significant real growth of 15.2%. The main reason is the delayed recovery of international travel. It is directly affected by the spread of the Coronavirus and we expect, even after the epidemic will be contained, the damage done to air transport and the unwillingness of some tourists to travel abroad to



continue to limit recovery. Imports of goods and services will follow the trend in domestic demand and exports, and neither goods, nor services will reach the levels of 2019. As a result of the faster growth of exports compared to imports, net export will have positive contribution of 1.4 pps to GDP growth in 2021.

GDP growth will accelerate to 3% in 2022 and 3.2% in 2023. Increased consumer confidence and rising incomes will lead to private consumption growth of about 3%. At the same time, due to consolidation measures, the contribution of public consumption to growth will be smaller than in the first two years of the forecast period. In the

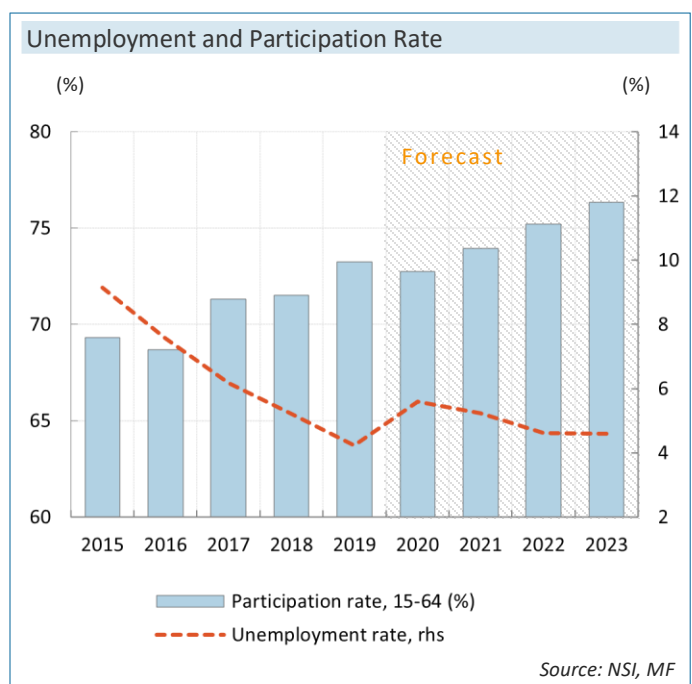
### 3. Labour Market and Incomes

Labour market dynamics in the first half of 2020 was strongly influenced by the Covid-19 and the measures undertaken to limit its spread. Between mid-March and mid-May (the lockdown) the unemployment in the country sharply increased. After the end of the state of emergency the number of unemployed started to decrease. The decline in unemployment was observed in all months to the end of September, mainly due to the high outflow of unemployed, who started a new job.

The restrictive measures related to COVID-19 contributed to a decline in employment in the second quarter of 2020 of 3.3% yoy. The economic sectors where the employment shrank the most were accommodation and food services; trade; transportation and manufacturing. The government implemented measures aiming to mitigate the adverse impact of Covid-19 on Bulgarian economy and the most important measure to boost the employment preservation and prevention of lay-offs was the so-called 60/40 measure. Under the measure the government covers 60% of the wage plus 60% of the social security contributions, normally covered by the employer. The other 40% of the wage are covered by the employer. The firms eligible to participate in this measure are those that have registered a fall of revenues no less than 20% on an annual basis.

last forecast year, a higher growth of public investments is expected, due to the end of the period for the absorption of EU funds under the programming period 2014-2020, as well as the expectations for the finalization of infrastructure projects. In 2022-2023, growth of exports of goods will remain stable, in line with the development of the external environment. Export of services will continue to increase at a high rate, as a result of restoring the confidence of foreign tourists, the activities of tour operators and airlines. Import of goods will accelerate, supported by higher domestic demand. The contribution of net export to GDP growth will shift from slightly positive to negative. ●

In the second half of the year we expect the negative impact of Covid-19 on the economic activity of enterprises to continue, which in turn will have a negative effect on the dynamics of the labour market. The unemployment rate in the third quarter of 2020 is expected to be close or slightly below that registered in the second quarter of 2020, and will continue to rise in the fourth quarter. Thus, the average annual unemployment rate will be 5.6%,



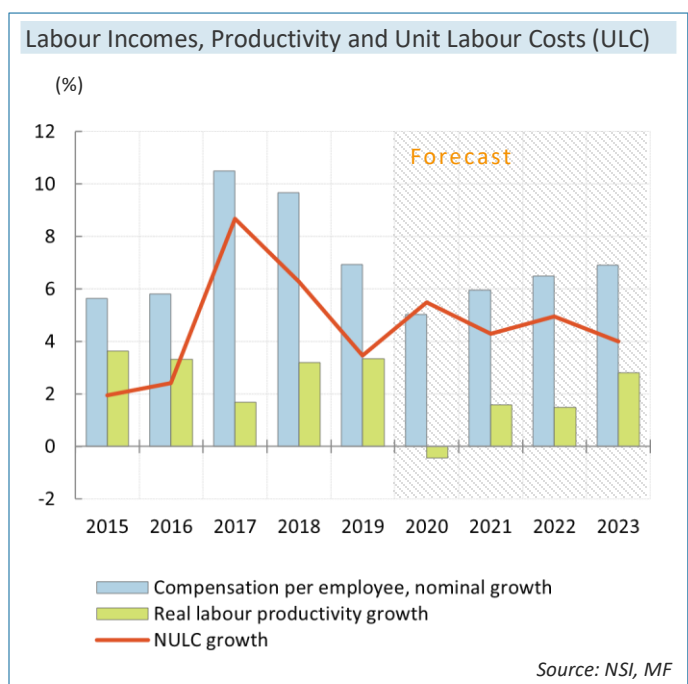
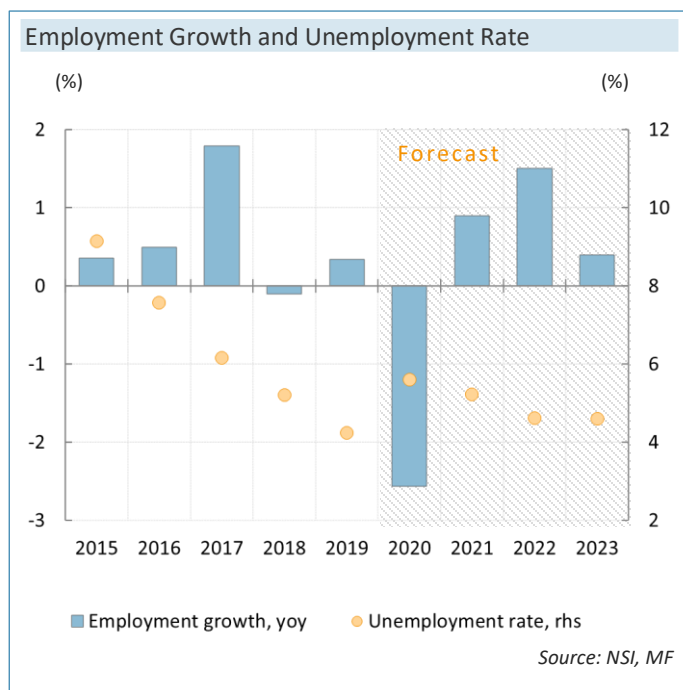
which is 0.6 pps lower than the value in the spring forecast. At the same time, the average annual decline in employment is expected to be around 2.6%, which is 0.5 pps higher than the spring forecast. As a result, the economic activity of the population will be lower than in previous years, as the average annual economic activity rate in 2020 will decrease to 72.7% (for the population between 15 and 64 years).

Employment is expected to start to recover in the period 2021-2023. In 2021 its growth will be 0.9%, and in 2022 it is expected to accelerate to 1.5% along with the speed up in domestic economic activity. In the first half of 2023 the number of employed will reach the level observed in the pre-crisis 2019. However, the employment growth is expected to decelerate to 0.4% in 2023 as the negative demographic trends will be the major constraint on the further increase of the potential labour resource, suggested by higher demand of labour.

Along with the economic recovery, the unemployment rate is expected to decrease to 5.2% in 2021 and to 4.6% in 2022. In 2023 the rate will stabilize around the level reached in 2022 and its further reduction will be marginal. The economic activity of the population in the period

2021-2023 will follow an upward trend, determined both by the increase in employment in 2021-2022 and the decrease in the population in working age in 2023. In 2023 the economic activity rate is expected to reach its historically highest value of 76%.

Productivity and labour income dynamics in the first half of 2020 were also negatively affected by the containment measures imposed in mid-March. In the second quarter, employment decrease and significant contraction of hours worked led to a sharp deceleration in the rate of increase in compensation per employee. Detailed monthly data of the Short-term statistics on employment and labour costs showed that wage growth started rebounding, after reaching the lowest rate in April. By the end of 2020, the nominal rate of compensation per employee is projected to increase gradually, but still slower than in the previous year, in parallel with the expected slowdown in employment decline in the coming quarters. The growth of compensation per employee for the whole of 2020 is estimated at about 5%. The retention of a large part of employment as a result of the wage subsidy scheme will also have a restricting effect on labour productivity. In 2020, real productivity will decline by 0.4%, which is about 3.5 pps lower than the growth rate reported in 2019.





In 2021, compensation per employee nominal growth is expected to accelerate, up by 6%. This will be supported by both private and public sector developments. The latter will reflect the envisaged further increase in compensation of employees in education, public administration, “front-line” structures in the fight against the spread and the consequences of the virus, the minimum wage, etc. The upward trend will continue in the following years and compensation per employee growth will reach 7% in 2023.

## 4. Inflation

Annual rate of inflation (HICP) decelerated in the months in H1 2020. In August, inflation was 0.6% yoy, compared to 3.1% at the end of 2019. The main factor behind the slowdown was the decline in energy prices, caused by lower international oil prices. Food prices in the country had mixed dynamics.

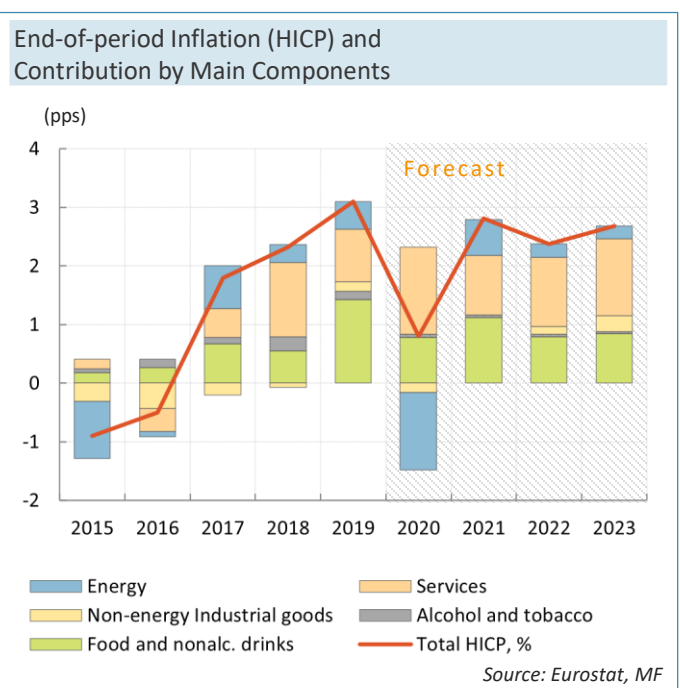
In 2020 external and domestic factors will post limited pressure towards rising prices in the country, but inflation by August was higher than projected in the spring forecast. At the end of the year a decline in the prices of energy and non-energy industrial goods is expected. Due to difficulties in international trade, caused by the spread of Covid-19, there might be some restriction in the import of fresh products. The possible shock in food supply is expected to be reflected in food products inflation, which in turn will cause higher prices of some services, such as catering.

Inflation is expected to rise to 0.8% yoy at the end of the year. Average annual inflation is projected to be 1.4%, up from 0.1%, estimated in the spring forecast.

Inflation processes in 2021 will depend primarily on the degree of recovery of international commodity prices of raw materials and oil. The current estimates of international institutions for the dynamics of oil prices show an increase in 2021, but the level is well below the one in

Given those upward dynamics, the nominal unit labour costs (NULC) will continue to increase. As the process of labour costs adjustment in the economy will be carried out primarily through a reduction in employment the highest growth of NULC is expected in 2020, reflecting the positive dynamics of compensation per employee. Following the expected positive productivity trend in 2021–2023, NULC will slow down. NULC growth is estimated at 5.5% in 2020, while its average rate in the period 2021–2023 is projected at 4.3%.

2019. Energy prices in the country will increase at the end of 2021 compared to 2020 by about 5%. International food prices will rise slightly, which will also cause higher domestic inflation. In 2021, end of period inflation will accelerate to 2.8% and the average annual – to 2.1%. In 2022–2023 price growth in services is expected, due to a recovery in domestic demand. In the last two years of the forecast period average annual inflation is forecasted to be around 2.5-2.6%.



## 5. Balance of payments

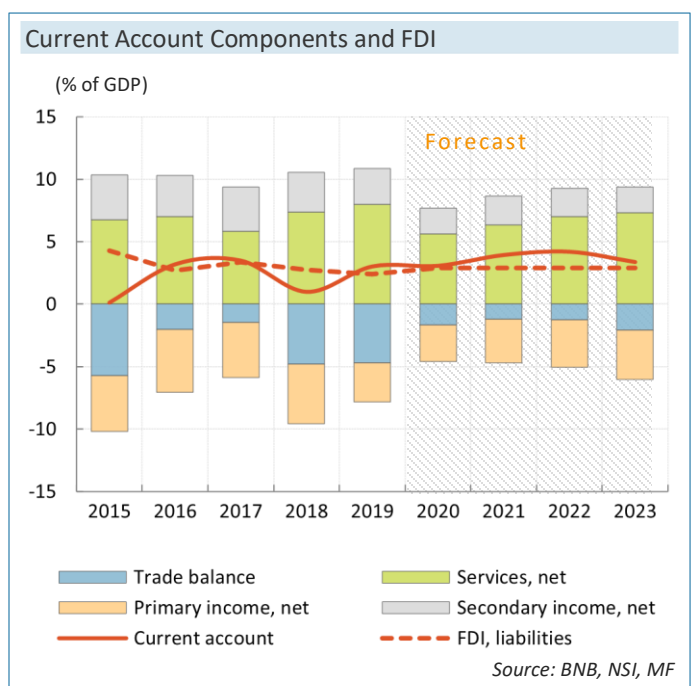
Statistical data for the first seven months of 2020 showed better dynamics in trade with goods than expected in the spring forecast. Despite the registered decline, export was relatively less affected by the Covid-19 crisis and the net effect on trade balance is so far positive. That tendency, together with the revised Balance of payments data for January 2018- June 2020 and the current expectations about international price dynamic and external demand, are reflected in the current forecast and determine the changes from the spring one.

The expectations for a decrease in the international prices of most goods in 2020 are preserved. The more significant decline in energy goods prices will determine the positive terms of trade, i.e. relatively higher export than import prices. This, along with the expected smaller real decline in export of goods compared to imports, will be reflected in an improvement in the trade balance, while nominal declines will be limited compared to the spring forecast. Trade deficit will be less than 2% of GDP, being almost 5% in 2019. Balance of services will worsen in 2020. The surplus will shrink by about a third to 5.6% of GDP. The reason is the expected significant decline in revenues from foreign visits to the country and from transport services offered to non-residents. A significant decrease in cash inflows from Bulgarians living abroad is also forecast. This will lead to a lower surplus in secondary income compared to 2019, down by 0.8 pps. to 2.1% of GDP. At the same time, in view of the economic uncertainty and the need to ensure adequate liquidity, the income paid to non-resident investors is expected to decrease. This will be reflected in some improvement in the primary income balance. The net effect on the current account will be a slight increase in the surplus compared to 2019 to 3.1% of GDP, which is also an increase of 1.9 pps. compared to the spring forecast.

In 2021 nominal growth in exports and imports of goods is expected to recover, supported by real growth and rising prices. Although terms of trade will deteriorate

slightly due to faster rebound in oil prices, strong real export growth will determine the further contraction of the trade deficit. In services, due to the low base in 2020, a significant increase is expected, especially in transport services and travel. Taking into account the larger share of export, the surplus on services will increase, reaching 6.4% of GDP. Income flows will begin to recover, and due to the large amount of investment income paid to non-residents, the overall Income deficit will increase slightly. The current account surplus will reach 3.9% of GDP.

At the end of the forecast period (2022-2023), nominal growth rates in trade in goods will accelerate slightly. The increase in import will outpace that of export and will contribute to an increase in the trade deficit. The continued recovery of export of services in 2022 will be a major factor in improving the balance on services, as well as the further increase in the current account surplus. The balance on secondary income will remain almost unchanged in the two years. The deficit on primary income will gradually increase, in line with the higher investment income paid to non-residents. The current account surplus will peak in 2022, and subsequently will begin to decline.



Regarding the financial account, in 2020 the trend of providing liquidity in the country should be reflected in a reduction of foreign assets and an increase in inflows. In the period 2021–2023, asset flows are expected to remain relatively unchanged, while the dynamics of liabilities

## 6. Financial sector

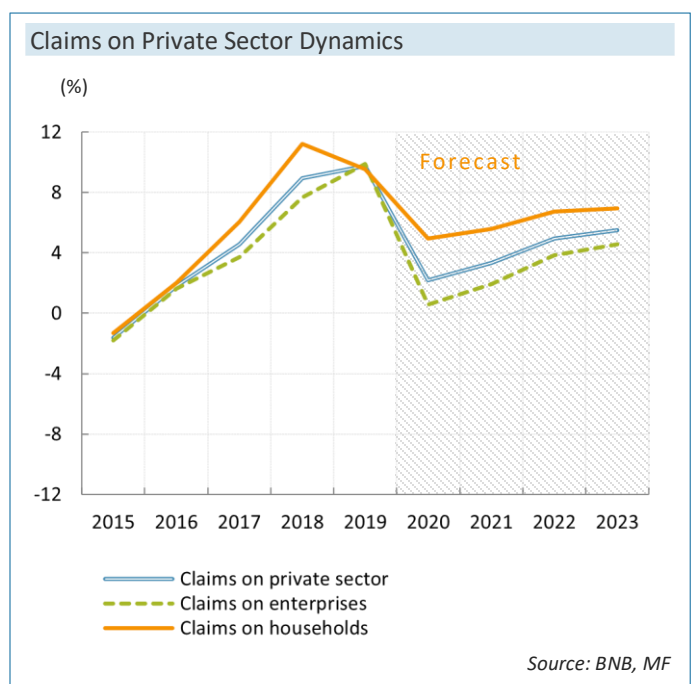
The growth in credit to the private sector started to slow down in March as a result of the restrictive measures introduced because of the COVID-19 pandemic. At the end of the first quarter the deceleration was still modest. At end-March the annual growth rate was 9.1%, while at end-August it lowered to 6.1%. Credit to non-financial corporations had the highest contribution for the slowdown. Its growth fell to 2.2% yoy from 5.9% at the end of 2019. In households credit, consumer loans had a stronger slowdown, up by 6.2% yoy in August compared to 10.8% in December 2019. Loans for house purchases continued to expand by double digit rates in the first eight months of 2020, as their growth reached 12.3% yoy (14.5% at end-2019). Compared to the spring forecast, the projections for the claims on corporations are lower, which, apart from up-to-date data, reflects also the expected stronger decline in investment. At the same time, recent developments in credit to households, the expected lower level of unemployment and slightly higher growth rate of compensation per employee led to an upward revision in claims on households.

Credit to the private sector is expected to continue to slow down in 2020, in line with lower demand and negative effects on economic activity stemming from the COVID-19 pandemic. Lower credit demand will reflect as well higher uncertainty, precautionary savings and postponement of consumption of non-essential goods. The increase of credit to non-financial corporations will be hampered by the expected significant drop in private investment and corporate profits. Lower household credit growth will be in line lower increase in incomes and, respectively, consumption in 2020.

ties will be determined by the repayment and disbursement of external government debt. Foreign direct investment will amount to about 2.9% of GDP over the entire forecast horizon. The overall dynamic of the Balance of Payments would support a stable external position and a comfortable level of international reserves. ●

Growth of claims on corporations in 2020 is forecasted to reach around 0.6%, while claims on households will increase by 5%. Total growth of claims on the private sector will go down to 2.2% from 9.7% in 2019.

Demand for credit will start to recover in 2021. The pace will be slower for loans to non-financial corporations, due to expected slower private investment. Regarding households, the projected acceleration in growth of compensation of employees would increase the demand for loans and help households' consumption to pick up again. Total claims on corporations at the end of 2021 will increase by 1.9%, while the growth of claims on households will be 5.6%. Total claims on the private sector will be up by 3.3%.





Credit to the private sector will continue to accelerate slightly in 2022 and 2023, as the recovery domestic demand will support the increase in loans to corporations and households. Still, pre-pandemic growth rates will not be reached. Credit to non-financial corporations will pick up gradually along with the cautious recovery of private investment. Claims on corporations will go up by 3.8 and 4.6% in 2022 and 2023, respectively. Credit to households will also increase slightly in line with the development of the compensation of employees and lower expected unemployment. Claims on households will grow by 6.7 and

6.9% in the two respective years. Total claims on the private sector will increase by 5.5% at the end of 2023.

Deposits in the banking system will continue to expand at a relatively high rate in 2020, taking into account a heightened stimulus for precautionary savings during in an uncertain economic environment. Money supply will increase by up to 8%, compared to 9.9% in 2019. At the end of the forecasting period M3 growth will be close to 8.1%. ●

## 7. Risks

The presented forecast depends on the development of the epidemic situation in Bulgaria and globally. In case of a tightening of measures aimed at containing the pandemic, which also have a deterrent effect on economic activity, negative shocks can be expected both on supply and on consumption and exports. These shocks would have a negative effect on GDP, especially in 2020 and 2021. In the absence of a sustainable solution to the health situation, uncertainty among economic agents can be expected to remain high in the medium term and result in lower economic growth. Regarding the external environment, the latest forecasts for Bulgaria's main trading partners showed revised expectations for a much slower recovery. Moreover, the risks of geopolitical tensions and introduction of protectionist measures which might negatively affect international trade are still important, as is

the risk related to Brexit and its negative impact on EU economy. All of these may lead to slower growth rates of exports in the forecast period.

There are also risks in a positive direction. With a faster response to the pandemic situation globally, a much more favourable external environment can be observed, especially regarding accelerated recovery of international tourism. At the same time, domestically it is possible to achieve a faster recovery of investment and a stronger increase in consumption given the recovery of the labour market. The funds under the European Recovery Plan will also have a positive effect on the economy, especially in the period 2021-2026. Bulgaria is expected to have access to above EUR 10 bn under the new EU Recovery and Resilience Fund. ●

MAIN ECONOMIC INDICATORS	ACTUAL DATA*		FORECAST			
	2018	2019	2020	2021	2022	2023
<b>International Environment</b>						
World, real GDP [%]	3.6	2.9	-4.7	5.1	3.4	3.4
EU, real GDP [%]	2.1	1.5	-8.3	5.8	2.6	2.5
USD/EUR exchange rate	1.18	1.12	1.14	1.18	1.18	1.18
Crude oil, Brent [USD, bbl]	71.1	64.0	36.5	43.8	46.4	49.1
Non-energy commodity prices [in USD, %]	1.7	-4.2	-5.1	2.5	2.1	2.1
EURIBOR 3month (%)	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5
<b>Gross Domestic Product</b>						
Nominal GDP [mln BGN]	109 743	119 772	119 089	124 540	130 876	137 701
Real GDP growth [%]	3.1	3.7	-3.0	2.5	3.0	3.2
Consumption	4.6	4.7	1.0	2.5	2.3	2.9
Gross fixed capital formation	5.4	4.5	-10.5	-5.4	3.0	8.8
Export of goods and services	1.7	3.9	-10.2	7.2	7.1	5.3
Import of goods and services	5.7	5.2	-10.4	5.0	6.4	6.7
<b>Labour Market and Prices</b>						
Employment growth [SNA, %]	-0.1	0.3	-2.6	0.9	1.5	0.4
Unemployment rate [LFS, %]	5.2	4.2	5.6	5.2	4.6	4.6
Compensation per employee [%]	9.7	6.9	5.0	5.9	6.5	6.9
GDP deflator [%]	4.0	5.3	2.5	2.0	2.0	2.0
Annual average HICP inflation [%]	2.6	2.5	1.4	2.1	2.6	2.5
<b>Balance of Payments</b>						
Current account [% of GDP]	1.0	3.0	3.1	3.9	4.2	3.4
Trade balance [% of GDP]	-4.8	-4.7	-1.7	-1.2	-1.3	-2.1
Foreign direct investments [% of GDP]	2.7	2.4	2.9	2.9	2.9	2.9
<b>Monetary Sector</b>						
Money M3 [%]	8.8	9.9	8.0	8.1	7.9	8.1
Claims on corporations [%]	7.7	9.9	0.6	1.9	3.8	4.6
Claims on households [%]	11.2	9.5	5.0	5.6	6.7	6.9

Source: IMF, EC, WB, NSI, BNB, MF

\* The forecast is based on statistical data up to 19.10.2020, unless otherwise noted

## 8. Alternative Scenario

As part of the forecast procedure, an alternative scenario is presented, based on the assumption of deterioration in the external environment. This includes a slower recovery of the European and global economy, with the shock to the growth of our trading partners starting in Q4 2020 and most pronounced in 2021. After that, the growth rates

are unchanged from the baseline scenario, but the GDP level of our trading partners remains lower. In both years a negative shock is set also on international prices, i.e. there is a slower recovery in prices compared to the baseline scenario, related to the rebound of the world economy.

### External assumptions [presented as deviation from baseline]

	2020	2021	2022	2023
World real GDP [pps]	-1.0	-2.5	0	0
EU real GDP [pps]	-1.1	-3.6	0	0
Oil price, Brent, USD/barrel [%]	-0.7	-3.0	0	0

The changes in the assumptions lead to deterioration of the overall dynamics of GDP in 2020-2022. Throughout the forecast period GDP level at current prices remains lower than in the baseline scenario. Dynamics in real GDP are also subdued, as the rates of change are lower by 2.2 and 4.3 pps in 2020 and 2021, respectively. As the effect of the deteriorating external environment eases by the end of the forecast horizon, GDP growth rate will increase, but GDP level at constant prices is estimated to remain lower than in the baseline scenario. The negative shock on external demand will have a direct impact on exports, both in real and nominal terms. Again, the deviation is centred in the first two years of the forecast period, after which the growth rates will recover, but at lower levels. The restricted increase in companies' revenues from

export will affect employment and incomes domestically and thereof will lead to lower household consumption. Investments will also be negatively affected by lower demand.

Throughout the forecast period, inflation processes as regards GDP deflator and inflation will remain lower than in the baseline scenario, which will have a negative impact on nominal GDP. In line with the decline in exports, current account balance will also deviate towards a lower balance.

A summary of the expected changes in key macroeconomic indicators, as a result of the changes in the assumptions, are presented in the table below.

## Main economic indicators in the alternative scenario [presented as a deviation from baseline]

	2020	2021	2022	2023
<b>Gross Domestic Product</b>				
Nominal GDP in mln BGN [%]	-2.4	-7.6	-8.5	-7.6
Real GDP growth [pps]	-2.2	-4.3	-0.3	1.2
Consumption	-0.7	-2.6	-3.1	-1.1
Gross fixed capital formation	-2.4	-4.6	-6.5	0.0
Export of goods and services	-2.9	-6.4	0.9	1.7
Import of goods and services	-1.1	-4.1	-4.4	-1.7
<b>Labour Market and Prices</b>				
Employment growth, SNA [pps]	-1.3	-2.6	-0.2	0.7
Unemployment rate, LFS [pps]	0.6	1.9	2.0	1.7
Compensation per employee, [pps]	-1.1	-2.5	-0.8	0.0
GDP deflator [pps]	-0.3	-1.2	-0.6	-0.2
Annual average HICP inflation [pps]	-0.2	-0.7	-0.4	-0.2
<b>Balance of Payments</b>				
Current account in % of GDP [pps]	-1.2	-3.0	-0.1	1.5