5. Bulgarian National Bank Forecast of Key Macroeconomic Indicators for 2020–2022

The global spread of COVID-19 since the beginning of 2020 and the containment measures undertaken in a number of countries have strong negative effects on Bulgaria's economic activity in terms of both aggregate demand and supply. Given the unprecedented nature and scale of the economic shock globally and in Bulgaria, the forecast for the development of the Bulgarian economy is surrounded by a high degree of uncertainty, including in the short run.

The BNB forecast of key macroeconomic indicators is based on information published by 17 June 2020, involving assumptions on global economic developments and commodity price dynamics in international markets by 9 June 2020. Based on the assumptions on the international situation external demand for Bulgarian goods and services is expected to fall strongly in 2020: by 13.3 per cent on average driven mainly by a substantial quarterly fall in the second quarter of the year. The assumptions reflect expectations of a gradual curb in the global spread of COVID-19. As a result, the external demand recovery on a quarterly basis will start in the second half of 2020 and it will continue in 2021–2022. In 2020 prices of energy and non-energy products are expected to decrease in both US dollars and euro compared with 2019 and to start rising in the following two years consistent with the improvement in the global economic activity.

The data available as of 17 June, on the basis of which the forecast has been prepared, suggest that one of the strongest historical falls in Bulgaria's GDP is to be expected, but there is great uncertainty regarding the scale of the economic shock over the period. Given the uncertainty about future developments in the epidemic situation, the uncertainty surrounding the GDP dynamics in the second half of the year is also significant. Consequently, according to the constructed probability distribution around the baseline forecast for the change in GDP in 2020 (-8.5 per cent), the estimate as of 17 June suggests that the decline in real GDP over the year will vary from -4.1 per cent to -13.1 per cent and the probability for the magnitude of the change in GDP to fall in this range is estimated at 60 per cent.

According to the baseline forecast Bulgaria's real GDP will decrease by 8.5 per cent in 2020, which will be mainly driven by a fall in private consumption (contributing by -3.4 percentage points) and fixed capital investment (contributing by -3.2 percentage points) and to a lower degree by the negative contribution of net exports (contributing by -2.6 percentage points). Fiscal policy is expected to have a positive contribution to the economic activity through higher national and EU co-financed expenditure on government consumption and investment. In accordance with the assumptions about external environment developments and curb of the pandemic in the 2021–2022 period, a gradual recovery in the economic activity is projected, and at the end of the forecast horizon real GDP is expected to match its 2019 level. Private consumption and exports of goods, as well as the assumption of a strong rise in public investment, will contribute most to GDP growth over the period.

Annual inflation is expected to slow down substantially to 0.8 per cent at the close of 2020, reflecting the sharp fall in international oil prices in euro and the fallout from weaker private consumption, which are expected to result in a slowdown of inflation in services and a lower non-energy industrial goods price index. Overall Inflation is expected to accelerate to 1.4 per cent at the end of 2021, reflecting mainly the assumption of higher oil prices, and to remain at similar levels in 2022.

The balance of risks to the macroeconomic outlook are assessed as being on the downside, suggesting a possibly larger decline in real GDP over 2020 and a slower subsequent recovery of economic growth. Such risks would materialise in the event of a continued spread of COVID-19 in Bulgaria and worldwide due to the failure to contain it effectively, which would be a reason for extending the existing anti-epidemic measures or for a launch of new more restrictive measures. Risks to the inflation outlook are assessed as being on the downside, arising mostly from possibly lower inflation in energy products and core HICP components.

Forecast

The global spread of COVID-19 since the beginning of 2020 was the reason for a number of countries to launch containment measures aimed at maintaining social distancing. This generated strong negative effects on the economic activity in Bulgaria and in the countries which are Bulgaria's major trading partners in terms of both aggregate demand and supply. Given the unprecedented nature and scale of the economic shock caused by the containment measures intended to curb the spread of COVID-19 globally and in Bulgaria, and the uncertainty about future developments in the epidemic situation, the forecast for the development of the Bulgarian economy is surrounded by a high degree of uncertainty, including in the short run.

The BNB forecast of key macroeconomic indicators is based on data published as of 17 June 2020. ECB, EC and IMF assumptions on global economic developments and the dynamics of international prices of major commodity groups as of 9 June 2020 are used. Based on these assumptions global economic activity in 2020 is expected to fall significantly as a result of the global spread of COVID-19 and the measures launched to curb the pandemic. Projections point to a fall in real GDP across global regions. However, the decline in the economic activity across countries will diverge depending on factors such as the epidemic situation, cyclical position of the economy prior to COVID-19, fiscal and monetary policy measures launched to tackle the crisis, as well as on structural factors such as the degree of integration in global value chains, the size of heavily affected sectors by COVID-19 (*e.g.* transport and tourism) and available fiscal buffers. IMF projections show that advanced economies will be more strongly affected than emerging market economies in 2020. In the 2021–2022 period projections are for a recovery of real GDP growth in affected countries, which will be more strongly pronounced in emerging market economies, with China playing a key role to this.

External demand for Bulgarian goods and services is expected to slow down substantially on both quarterly and annual basis over the second quarter of 2020, reflecting the global expansion of the COVID-19 pandemic and the measures initiated by a number of countries to mitigate the spread of the infection. Assuming a gradual global easing of the magnitude and stringency of the measures in the second half of the year, external demand for Bulgarian goods and services is expected to gradually recover on a quarterly basis. However, it will remain below its levels in the corresponding period of 2019. As a result of these developments external demand is projected to fall by 13.3 per cent in 2020 and to rise by 8.1 per cent 5.4 per cent in 2021 and 2022. The baseline scenario for the external demand dynamics does not foresee a further launch of containment measures against the spread of COVID-19 in the countries which are Bulgaria's major partners over the second half of 2020.

With the expansion of the pandemic commodity prices in both US dollar and euro (excluding food prices) fell significantly on an annual basis for the first five months of the year. Petroleum products posted the strongest drop amid severely limited global travels and transportation services, which comprise two thirds of global demand for petroleum products[1]. Metal prices in US dollars and euro were also severely affected by the contracted industrial output and disrupted supply chains. Food prices alone exhibited a year-on-year rise in the first five months of 2020 in both US dollars and euro. The price hike reflected concerns about any difficulties that might occur in harvesting agricultural produce due to the pandemic-related containment measures, an excessive stockpiling of staple goods by consumers and export bans on particular foods in some countries.

In line with the assumptions about developments in global economic activity, petroleum product prices are expected to fall substantially in 2020 in both US dollars and euro and to start gradually recover in the remaining projection horizon. Non-energy product prices in US dollars and in euro are also anticipated to post a decline in 2020 followed by a rise in 2021–2022 driven mostly by the rise in metal prices amid gradually increasing global demand. The rise in food prices will probably slow down compared with 2020.

[1] See p. 1 in the Commodity Markets Outlook of the World Bank for April 2020.

Based on these assumptions and the economic data for Bulgaria available as of 17 June the projections are for a severe annual decline in GDP in the second quarter of 2020 followed by a gradual recovery. The data as of 17 June suggest that one of the strongest historical falls in Bulgaria's GDP is to be expected in the second quarter of 2020 but there is great uncertainty regarding the scale of the economic shock over the period. Given the uncertainty about future developments in the epidemic situation, the uncertainty surrounding the GDP dynamics in the second half of the year is also significant. Consequently, according to the constructed probability distribution around the central forecast for the change in GDP in 2020, the estimate as of 17 June shows that there is a 60 per cent probability for the decline in real GDP to move within -4.1 per cent and -13.1 per cent in the current year (see the fan chart of the expected annual rate of change of real GDP, p. 94) According to the central forecast Bulgaria's real GDP will decrease by 8.5 per cent in 2020, which will be mainly driven by a fall in private consumption (contributing by -3.4 percentage points) and fixed capital investment (contributing by -3.2 percentage points) and to a lower degree by the negative contribution of net exports (contributing by -2.6 percentage points). Private consumption is anticipated to decline by 5.3 per cent in 2020 in line with the projected worsening of labour market conditions and lower real disposable income of households. The government programme supporting employment and income will partially mitigate negative effects. The increased uncertainty in the economy and worsened consumer sentiment are the reasons for households to postpone their purchases of durable goods and increase the amount of precautionary savings. In 2020 the volume of fixed capital investment is expected to decrease by 17 per cent in real terms, entirely due to the anticipated drop in private investment. This decline will be driven by deteriorated prospects of demand for Bulgarian goods and services, decreased household consumption, the enhanced uncertainty and worsening financial performance of firms, as well as by tightened credit standards of banks. The measures introduced to support business, as the temporary moratorium on loan servicing, provision of grants under different EU programmes and loan guarantees for small- and medium-sized enterprises, are expected to mitigate only partially the negative effects of the pandemic on financial conditions and sentiment of corporations and, hence, managers' readiness to launch investment projects. In 2020 the fiscal policy is projected to contribute positively to growth in real GDP through higher national and co-financed expenditure on government consumption and investment.[2] The contribution of net exports to real GDP growth is expected to be negative in 2020. The projected decline of economic activity in major trading partners of Bulgaria and disruptions in supply chains are anticipated to contribute to a 15.1 per cent fall in overall goods and services exports. As regards exports of services (especially transport and tourism), the decline is expected to be higher than that in goods. The projection of goods and services imports also shows a decrease in 2020 in line with described downward dynamics in private consumption and investment (characterised by a high import component) and weaker exports of goods and services.

A partial recovery in economic activity and real GDP growth of 5.1 per cent are projected for 2021. This will be driven by the recovery in private consumption in the context of a gradual decrease in the uncertainty, a moderate rise in employment and accelerated growth in wages *vis-à-vis* 2020 in line with enhancing labour productivity. Public investment is projected to have a further positive contribution to GDP growth underpinned by the better absorption of EU funds in the last phase of the 2014–2020 programme period and continuous implementation of large infrastructure projects financed by the national budget. The recovery process in private investment is expected to be comparatively slow, and its contribution to the economic growth to be low. The projected increase in external demand over 2021 will be a factor for a rise in goods and services exports whereby net exports will contribute positively to real GDP growth. In 2022 we foresee a further increase in economic activity, though at a slower rate (4.6 per cent) and real GDP to reach its 2019 level by the year's end.

In 2020 a rise is expected in Bulgaria's BOP current account surplus as a share of GDP compared to 2019. This will be mainly driven by the significant year-on-year fall in the deficit on net primary income, reflecting projections of lower dividend payments and distributed profits to non-residents as a result of

[2] For further information on the factors for increasing discretionary expenditure of the government due to the COVID-19 crisis, see the research topic on the Impact of the COVID-19 Crisis on Public Finances, published in the Economic Review, issue 1 of 2020.

worsening economic activity in Bulgaria and financial performance of corporations. In 2020 the negative trade balance is expected to slightly increase as a share of GDP from 2019, driven by a higher drop in real exports of goods compared to that in imports. A factor likely to limit the increase in the trade deficit will be the emergence of highly positive terms of trade (measured by the change in export prices of goods compared to import prices of goods). Downward dynamics in oil prices will have a strong contribution to this, as Bulgaria is a net importer of oil. As regards the services trade balance, in 2020 we project a fall in the surplus as a share of GDP compared to 2019, reflecting the fact that Bulgaria is a net exporter of tourist services and services related to passenger transport which are among the sectors most affected by the measures against the COVID-19 pandemic. In 2020 net transfers on the BOP net secondary income account are projected to remain relatively stable as a share of GDP compared to 2019.

With the partial recovery in external demand and formation of a positive contribution of net exports of goods and services to real GDP growth, the current account surplus is also expected to continue rising as a share of GDP in 2021. Over the remaining forecast horizon, the surplus is projected to begin contracting mainly under the influence of higher investment income to non-residents as a result of the improving economic activity in Bulgaria.

In 2020 the total number of people employed in the economy may decline by 3.3 per cent, reflecting the worsened macroeconomic environment, with this process only partially compensated by the government measures to maintain employment. In 2021–2022 the number of employed is expected to gradually recover, unlikely to reach its 2019 levels. Reflecting largely employment developments, the unemployment rate will increase to 6.6 per cent in 2020, but it will start to decline smoothly thereafter. As a result of the expected weaker drop in employment compared to real GDP, labour productivity will decline in 2020. In the remaining forecast horizon, productivity will broadly follow real GDP dynamics due to a projected slight rise in the number of employed. Over 2020 the compensation *per* employee growth rate is anticipated to significantly slowdown, driven by decreased hours worked *per* person due to the containment measures on the COVID-19 during the state of emergency in Bulgaria and intentions announced by some of the firms to cut employee wages.[3] Factors expected to contribute positively to growth in compensation *per* employee over 2020 are the increased minimum wage since 1 January 2020 and higher budget and education wages projected in the budgetary framework. The continuous wage increase in the sector of education over 2021 coupled with recovered growth in employment will result in more robust growth in wages on average for 2021–2022 compared to 2020. Reflecting the above sub-component dynamics, growth in nominal unit labour costs will accelerate strongly during 2020, albeit remaining comparatively low in the following two years.

Inflation is projected to slow down on an annual basis to 0.8 per cent by end-2020, reflecting the substantial fall in energy prices in line with the oil price decrease on an annual basis. Core inflation is expected to slowdown mainly under the influence of anticipated private consumption declines, which may lead to lower inflation in services and a decrease of the non-energy industrial goods price index. The projection includes a slowdown in food inflation, more clearly pronounced in the group of meat and meat products.[4] Decreased prices of natural gas and heating approved by the EWRC in the second quarter of 2020 are of key significance for the expected strong slowdown of inflation in goods and services with administratively controlled prices compared to the end of 2019. Inflation is expected to increase to 1.4 per cent by end-2021 due primarily to the assumption of increased oil prices. Slight acceleration is projected in core inflation, reflecting largely the upward dynamics in services prices amid growing private consumption. In line with international food price assumptions, inflation in this group is expected to slow down further. Our forecast shows retention of the overall inflation at a similar level by end-2022, with food and energy inflation likely to moderate in line with developments in international food and oil prices. Concurrently, core inflation is expected to further increase gradually due to the services group.

[3] For details, see: https://www.nsi.bg/en/content/18166/basic-page/survey-results-related-impact-state-emergency-business.

[4] The expected slowdown is due to a base effect associated with an increase of the prices in this group over the last year.

Over the projection horizon, non-government sector's deposits are anticipated to continue growing at comparatively high rates. In 2020 this dynamics will be driven by formation of precautionary savings by economic agents in the context of an increased uncertainty around the future development of the macroeconomic environment and the absence of a safe and low-risk alternative to bank deposits. Assuming that the pandemic will be gradually overcome, in 2021 and 2022 the effect of precautionary savings is likely to be less pronounced. Persistently high inflows of attracted funds in the banking system will contribute to the maintenance of deposit rates at the reached low levels. In 2020 growth in non-government sector's credit is projected to slow down significantly on an annual basis due to the worsening macroeconomic environment and contracting domestic demand as a result of the COVID-19 pandemic. On the supply side, potential further tightening of credit standards may result from the expected decline in the risk appetite of banks, the overall deterioration of the business climate and reduced borrower solvency. Despite the low costs of funds attracted by banks, the higher uncertainty in the economy due to the pandemic is expected to push up the risk premium on loans which is projected to lead to some increase in interest rates on newly extended loans.[5] Under the assumption of coping with the pandemic and gradually recovering economic activity, the growth rate of loans to the non-government sector in 2021–2022 is expected to accelerate gradually, though remaining significantly lower than that in 2019.

Forecast Revisions

Compared with the forecast published in Economic Review, issue 4 of 2019, projecting an increase in the economic activity over the entire projection horizon, real GDP is currently expected to decline substantially in 2020 and to grow at a higher rate in 2021–2022. However, at the end of the projection horizon real GDP will remain lower *vis-à-vis* the previous forecast.

The revision of the real GDP growth forecast largely reflects the effects of the spread of COVID-19 globally and the containment measures to cope with the pandemic in a number of countries, including Bulgaria. These measures constitute significant adverse shocks to the Bulgarian economy in terms of demand and supply at the same time. Consequently, the downward revision of GDP in 2020[6] is due to both components of internal demand and net exports.

Expectations of real GDP growth in 2021 and 2022 are revised upwards compared to the previous forecast, mainly on account of the lower base in 2020. Current assumptions about the external environment show signs of a recovery in external demand growth for Bulgarian goods and services in 2021–2022 following the expected decline in 2020, which is reflected in higher export growth rates over that period. Expected growth in gross fixed capital formation in 2021–2022 is revised upwards, however not offsetting the significant drop in 2020, which implies substantially lower investments in the economy at the end of the projection horizon. In the following two years private consumption is expected to grow at lower than projected rates, driven by the forecast of a lower number of employed in the overall economy and weaker labour income growth, coupled with increased uncertainty entailing higher precautionary savings compared to the previous forecast. Projected higher growth in exports and gross fixed capital investment over 2021–2022 is the driver behind an upward revision also in goods and services import growth rates.

The overall inflation forecast has been revised downwards for the entire projection horizon, largely reflecting the new assumptions about international food and oil prices in euro and the negative economic effects of the COVID-19 spread and containment measures. A lower growth rate of service prices driven by the downward revision of private consumption expectations is the key factor for the downward revision of core inflation over the entire period. The energy inflation forecast has been revised down-

[5] The projection of credit and interest rate growth has been prepared without taking account of the effect of loans to individuals and firms guaranteed by the Bulgarian Development Bank and deferred loans under the BNB Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation to the state of emergency enforced by the National Assembly on 13 March 2020.

[6] For more information, see the research topic on Main Transmission Channels of the COVID-19 Pandemic to Economic Activity in Bulgaria, published in the Economic Review, issue 1 of 2020.

wards for 2020 and upwards for 2021 and 2022 in line with the anticipated lower international oil prices on an annual basis until the end of 2020 and a gradual oil price increase as set out in the assumptions over the remaining forecast horizon. The prevailing downward revision of food inflation corresponds to the assumptions about international food prices. Lower natural gas and heating prices announced by the EWRC in the second quarter of 2020 are the main factor behind the downward revision of inflation in goods and services with administratively controlled prices for that year.

GDP and Inflation Forecast Revisions (22 June 2020 *vis-à-vis* 20 December 2019)

Annual rate of change, per cent	Forecast as of 22 June 2020				Forecast as of 20 December 2019				Revision (percentage points)			
	2019	2020	2021	2022	2019*	2020	2021	2022	2019	2020	2021	2022
GDP at constant prices	3.4	-8.5	5.1	4.6	3.4	3.5	3.6	3.6	0.0	-12.0	1.5	1.0
Private consumption	5.8	-5.3	3.8	3.3	5.8	4.3	4.3	3.7	0.0	-9.6	-0.5	-0.4
Government consumption	5.5	3.8	0.2	2.2	5.5	4.0	3.8	3.1	0.0	-0.2	-3.6	-0.9
Gross fixed capital formation	2.2	-17.0	7.2	9.8	2.2	6.0	7.1	7.3	0.0	-23.0	0.1	2.5
Exports of goods and services	1.9	-15.1	8.9	5.4	1.9	2.9	3.0	3.2.	0.0	-18.0	5.9	2.2
Imports of goods and services	2.4	-11.2	6.3	4.7	2.4	4.5	4.5	4.1	0.0	-15.7	1.8	0.6
HICP at end of period	3.1	0.8	1.4	1.3	3.1	2.0	1.7	1.8	0.0	-1.2	-0.3	-0.5
Core inflation	1.8	0.8	0.9	1.2	1.8	2.2	2.5	2.4	0.0	-1.4	-1.6	-1.2
Energy products	4.1	-11.9	2.6	2.1	4.1	-4.9	-1.3	-0.3	0.0	-7.0	3.9	2.4
Food	6.2	5.0	3.4	2.4	6.2	5.5	2.8	2.7	0.0	-0.5	0.6	-0.3
Goods and services with administratively controlled prices and tobacco products	2.0	-0.2	0.1	0.0	2.0	0.1	0.1	0.0	0.0	-0.3	0.0	0.0

* Reporting data for 2019.

Source: the BNB.

Risks to the Forecast

The uncertainty surrounding the forecast is substantial, including in the very short term. The balance of risks to the baseline scenario of the macroeconomic projection is assessed as being on the downside, suggesting a possibly larger decline in real GDP in 2020 and a slower recovery of economic growth over the rest of the forecast horizon. Such risks could arise in case of a further spread of COVID-19 in Bulgaria and globally due to the failure to contain it effectively, which could be a reason for extending the existing anti-epidemic measures or introducing new more stringent ones. Such a scenario would lead to weaker domestic demand, persistent high levels of uncertainty in the economic environment and pessimistic expectations of economic agents. This, in turn, would prompt households and firms to maintain higher precautionary savings and refrain from unnecessary consumer and investment expenditure. Concurrently, as regards the external environment, we believe that the risks are associated with a slower than set out in the assumptions recovery in exports, and in particular in tourist services. An additional risk to the forecast stems from the uncertainty about the impact of government's discretionary expenditure on domestic demand. Such uncertainty exists both in terms of magnitude and duration of the implemented measures and their success in mitigating the negative effects on private consumption and investment. A downward risk to the forecast represents the statutory restriction to undertake new commitments to incur expenditure and the potential delay in the implementation of investment projects co-financed by EU or national funds.

Domestic demand higher than projected in the baseline macroeconomic forecast would materialise in case of a possible introduction of additional or extension of the existing fiscal stimuli in support of households and corporations along with faster than projected improvement of economic agents' expectations. If such a scenario materialises, higher growth rates in private consumption and investment could be expected.

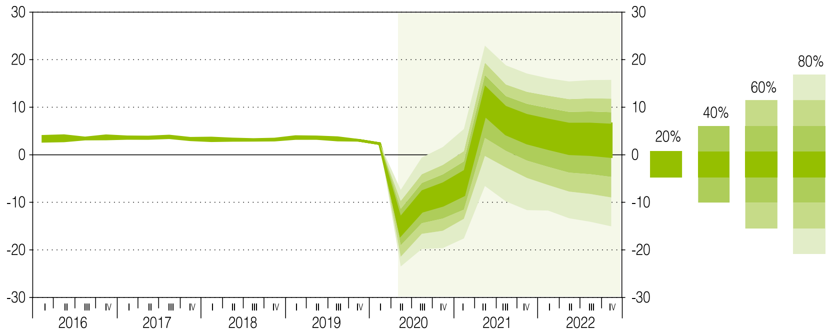
The uncertainty over the outlook for a particular indicator may be graphically illustrated by means of a fan chart. Chart bands coloured with a specific colour set an interval within which with a certain probability the projected value is expected to fall (for further details see the note to the chart on GDP growth). Usually, each interval widens with the increase in the forecast horizon, reflecting the increasing uncertainty further into the future. Given the unprecedented nature of the economic shock resulting from the containment measures to curb the spread of COVID-19 and the uncertainty surrounding the future development of the epidemic situation, the uncertainty interval under the current forecast is unusually wide even in the short term, which is evidenced by the profile of the fan chart since the second quarter of 2020. The middle band of the fan chart, depicted in the darkest colour, includes the central projection and the probability distribution shows a 20 per cent probability for the actual value to fall within this band in each of the quarters. According to the chart the probability distribution for 2020 shows a 60 per cent probability for the GDP annual rate of change to fall within the interval from -4.1 per cent to -13.1 per cent.

Risks to the inflation outlook are assessed as being on the downside. Lower than projected inflation could be expected for the energy products and core components, while risks to the inflation outlook in food may be defined as balanced. Realisation of international oil prices in euro, which are lower than those set out in the assumptions, would be a precondition for both lower inflation in energy products and a decline in administratively controlled prices of some services, including electricity and heating prices. Risks to the core inflation outlook are assessed as being on the downside. In case of weaker private consumption it is possible that core inflation slows down more than expected. The balance of risks regarding inflation is graphically shown in the fan chart below.

With regard to non-government sector's bank deposits risks of higher than projected growth prevail. Despite low deposit rates, the increased uncertainty surrounding the duration of the COVID-19 pandemic and the effects on income and gross operating surplus in the economy could lead to higher than projected precautionary savings by households and corporations. At the same time, risks to lower than projected growth rate of credit to the non-government sector prevail, mainly due to downward risks to the real economic activity dynamics.

Expected Annual Rate of Change in Real GDP

(per cent)

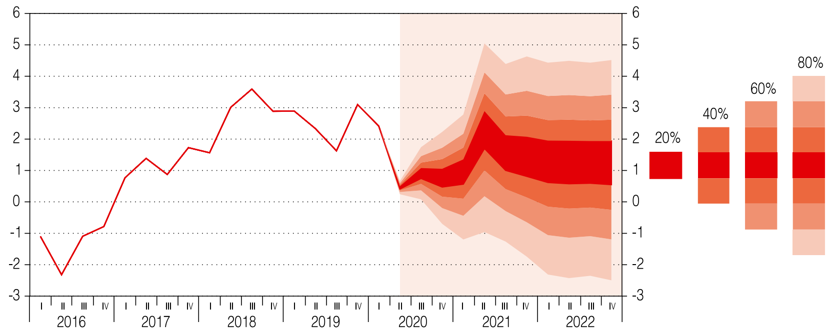


Note: The fan chart shows expert views of the forecasters on the uncertainty around the projected value based on probability distribution. The reporting period includes revised GDP growth estimates, with the latest reporting periods revised on fewer occasions, thus narrowing the band. The middle band of the chart, depicted in the darkest colour, includes the central projection and the probability distribution shows a 20 per cent probability for the actual value to fall in this band in each of the quarters. If neighbouring bands (in the same brighter colour) are added to the middle band, there would be a 40 per cent coverage of the probability mass. Thus, by adding each same colour couple of bands, the probability for the value to fall there would be increased by 20 percentage points to reach 80 per cent. The probability for the value to remain outside the coloured part of the chart is 20 per cent based on the distribution chosen.

Source: the BNB.

Expected Annual Rate of Change in Inflation at the End of the Period

(per cent)



Notes: The fan chart shows expert views of the forecasters on the uncertainty around the projected value based on probability distribution. The middle band of the chart, depicted in the darkest colour, includes the central projection and the probability distribution shows a 20 per cent probability for the actual value to fall in this band in each of the quarters. If neighbouring bands (in the same brighter colour) are added to the middle band, there would be a 40 per cent coverage of the probability mass. Thus, by adding each same colour couple of bands, the probability for the value to fall there would be increased by 20 percentage points to reach 80 per cent. The probability for the value to remain outside the coloured part of the chart is 20 per cent based on the distribution chosen.

Source: the BNB.

Forecast of Key Macroeconomic Indicators for 2020–2022

(per cent)

	2018	2019	2020	2021	2022
Annual rate of change					
GDP at constant prices	3.1	3.4	-8.5	5.1	4.6
Private consumption	4.4	5.8	-5.3	3.8	3.3
Government consumption	5.3	5.5	3.8	0.2	2.2
Gross fixed capital formation	5.4	2.2	-17.0	7.2	9.8
Exports of goods and services	1.7	1.9	-15.1	8.9	5.4
Imports of goods and services	5.7	2.4	-11.2	6.3	4.7
HICP at end of period	2.3	3.1	0.8	1.4	1.3
Core inflation	2.5	1.8	0.8	0.9	1.2
Energy products	1.0	4.1	-11.9	2.6	2.1
Food	2.4	6.2	5.0	3.4	2.4
Goods and services with administratively controlled prices and tobacco products	2.3	2.0	-0.2	0.1	0.0
Employment	-0.1	0.3	-3.3	0.7	0.6
Unit labour costs	6.3	2.9	8.6	1.3	2.1
Labour productivity	3.2	3.0	-6.0	5.0	3.9
Unemployment rate (share of labour force, per cent)	5.3	4.3	6.6	6.1	5.6
Claims on non-government sector	8.9	9.7	0.6	3.5	4.2
Claims on corporations*	6.4	6.6	-0.9	2.1	3.0
Claims on households	11.2	9.5	2.9	4.7	5.4
Deposits of the non-government sector	7.3	9.7	7.5	7.3	7.3
Share of GDP					
Balance of payments current account	1.4	4.0	4.6	5.0	4.7
Trade balance	-3.3	-2.8	-2.9	-2.2	-1.9
Services, net	5.9	6.2	4.7	5.3	5.3
Primary income, net	-4.4	-2.8	-0.6	-1.0	-1.6
Secondary income, net	3.2	3.4	3.4	2.9	2.9
Annual rate of change					
External assumptions					
External demand	3.1	1.7	-13.3	8.1	5.4
Average annual Brent oil price (in USD)	30.7	-9.9	-38.7	7.3	6.8
Average annual price of non-energy products (in USD)	4.1	-3.6	-2.0	3.8	2.9
Brent oil price at the end of period (in USD)	9.6	-7.0	-36.7	9.2	6.1
Price of non-energy products at the end of period (in USD)	-1.1	0.8	-1.4	3.8	2.5

* Data refer to non-financial corporations.

Source: the BNB.