



Revision of the macroeconomic projections

- October 2015 -

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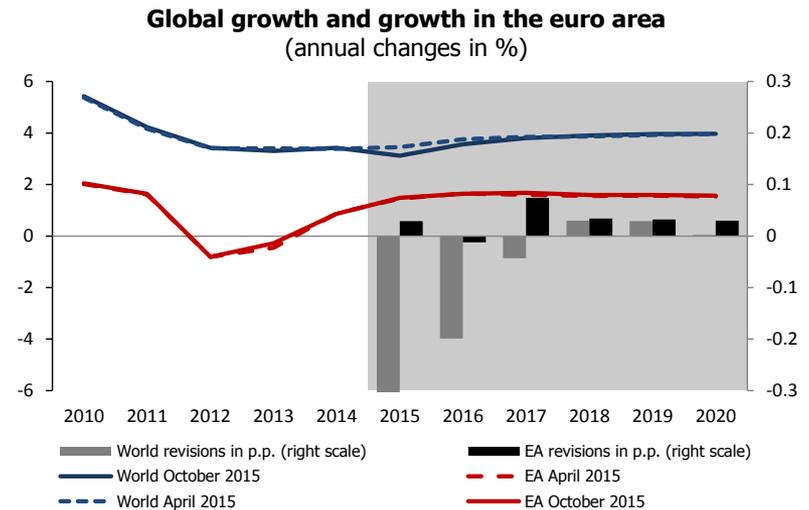
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External assumptions

- ❑ **Deteriorated prospects for the external economic environment** due to weaker global growth
- ❑ Worsened condition on the metal market
- ❑ However, it is still expected moderate activity increase in the euro area in 2015 and slight growth intensification in 2016 and 2017

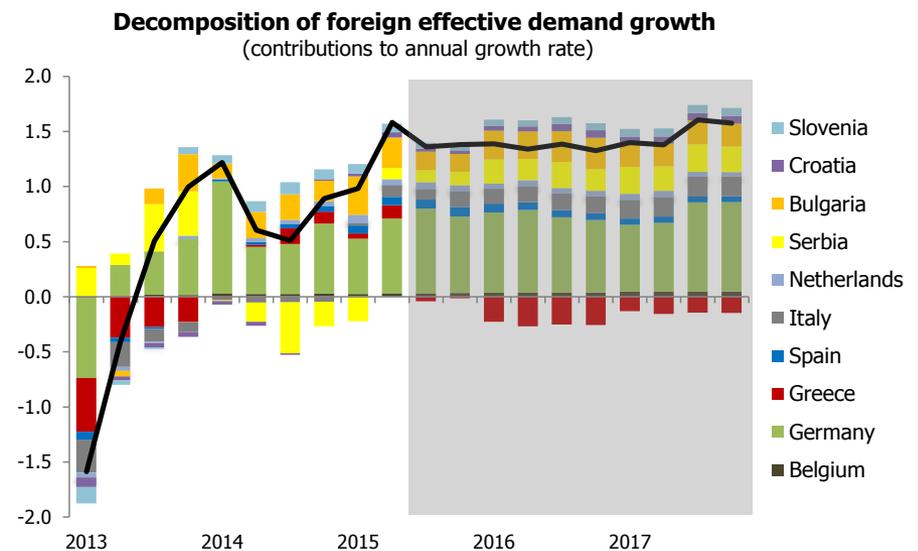
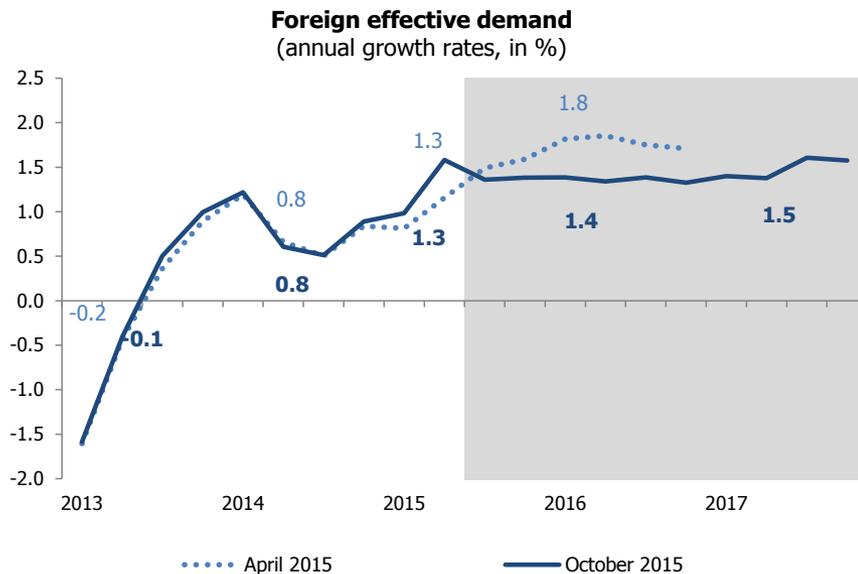


- ❑ **More pronounced negative risks regarding the external environment compared to the previous projection** related to:
 - ❑ Further deceleration of the growth of the emerging economies and slower recovery of the developed economies
 - ❑ Larger volatility on the global financial markets
 - ❑ Sudden changes in the prices of both primary products and financial assets
 - ❑ Reduced, but still present risks of stagnation and long-lasting low inflation in developed countries



Foreign demand

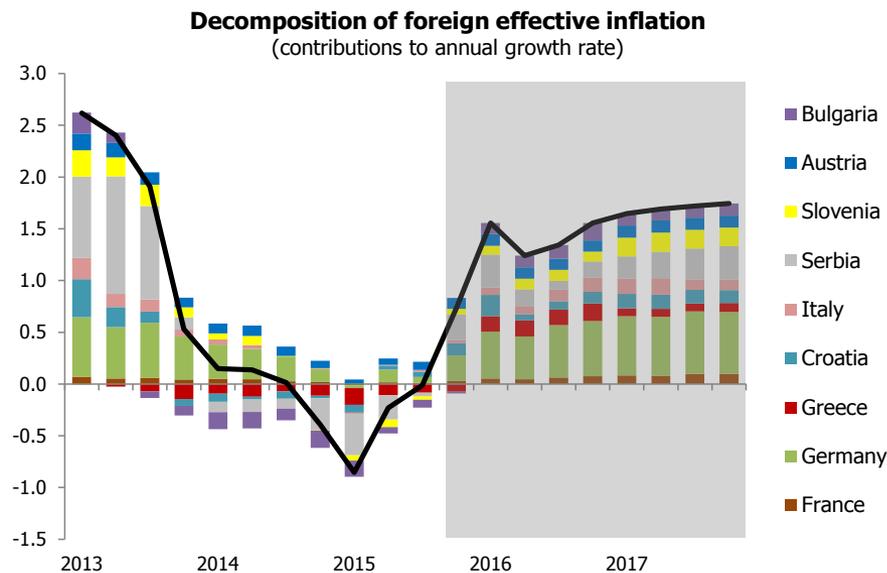
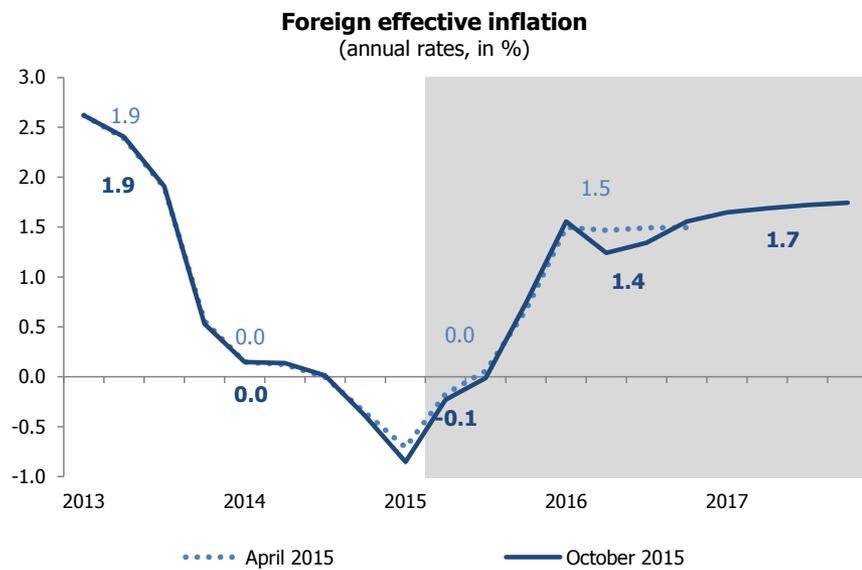
- The foreign effective demand in 2015 is in line with April projection
- **The expectations for the foreign effective demand in 2015 have been revised downwards** relative to the previous projection – primarily due to the worsened outlook for the Greek economy
- However, gradual growth intensification is expected over the entire projection horizon





Foreign effective inflation

- Slightly lower foreign effective inflation than anticipated in 2015 and 2016 – lesser pressures on the domestic prices than previously expected
- In 2016 and 2017 gradual acceleration of the foreign inflation

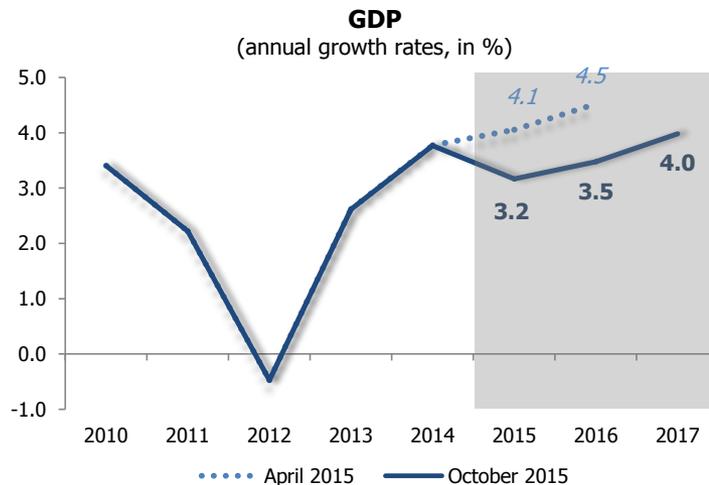




Macroeconomic projections for 2015-2017

GDP

- ❑ **Downward growth revision** amid worsened external environment, especially more unfavorable for the metal export sector and higher uncertainty in the domestic economy
- ❑ **Still expecting solid recovery of the economy** with a growth rate of 3.2% in 2015, 3.5% and 4% in the following two years
- ❑ **Retained assumptions as regards the fundamental factors of growth:**
 - ❑ government investment stimulus
 - ❑ positive effects of the current and new export-oriented facilities
 - ❑ favorable developments on the labour market
 - ❑ solid credit support
- ❑ **Moderate growth acceleration in the projection horizon**





GDP components

- ❑ **In 2015 the growth** will be driven mainly by the exports, as well as by the domestic demand (with increase in all its components)
- ❑ **In 2016 and 2017, moderate growth acceleration is expected** – from the viewpoint of individual components, averagely for both years, with **investments and exports** as the driving factors
- ❑ Intensification of the export and investments, as well as growth acceleration of the private consumption – factors that explain **the import growth in 2016 and 2017**
- ❑ **Moderate increase in the public consumption in 2016 and 2017**, in line with the medium-term fiscal strategy

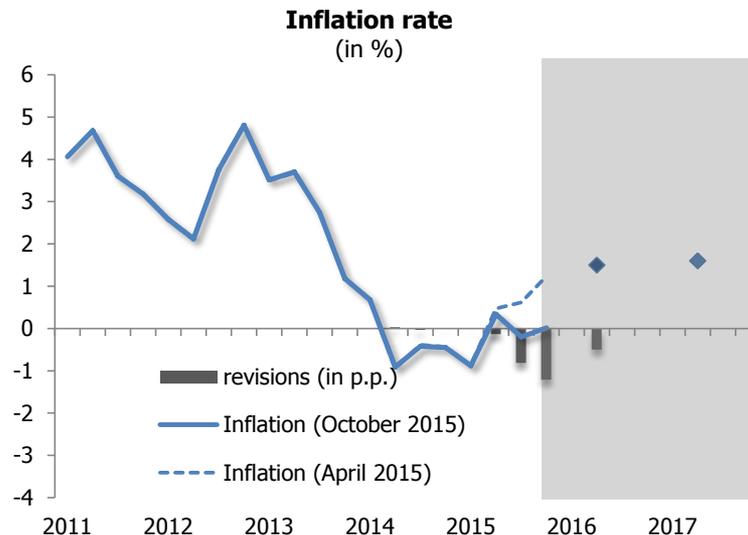
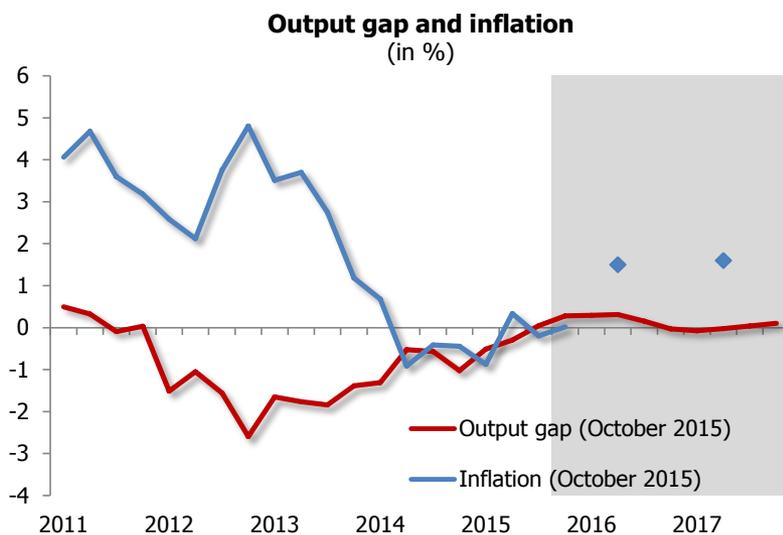
FORECAST COMPARISON

	CONTRIBUTIONS TO ANNUAL GROWTH (in p.p.)															
	PRIVATE CONSUMPTION		INVESTMENTS		EXPORTS		IMPORTS		PUBLIC CONSUMPTION		Domestic demand		Net export		GDP	
	Oct.15	Apr.15	Oct.15	Apr.15	Oct.15	Apr.15	Oct.15	Apr.15	Oct.15	Apr.15	Oct.15	Apr.15	Oct.15	Apr.15	Oct.15	Apr.15
2015	1.4	2.2	0.7	2.7	1.6	2.7	-1.1	-3.7	0.6	0.2	2.7	5.1	0.5	-1.0	3.2	4.1
2016	1.6	2.2	2.8	2.9	2.9	3.1	-4.0	-3.8	0.2	0.2	4.6	5.3	-1.1	-0.7	3.5	4.5
2017	2.2		2.1		2.0		-2.5		0.2		4.5		-0.5		4.0	



Inflation

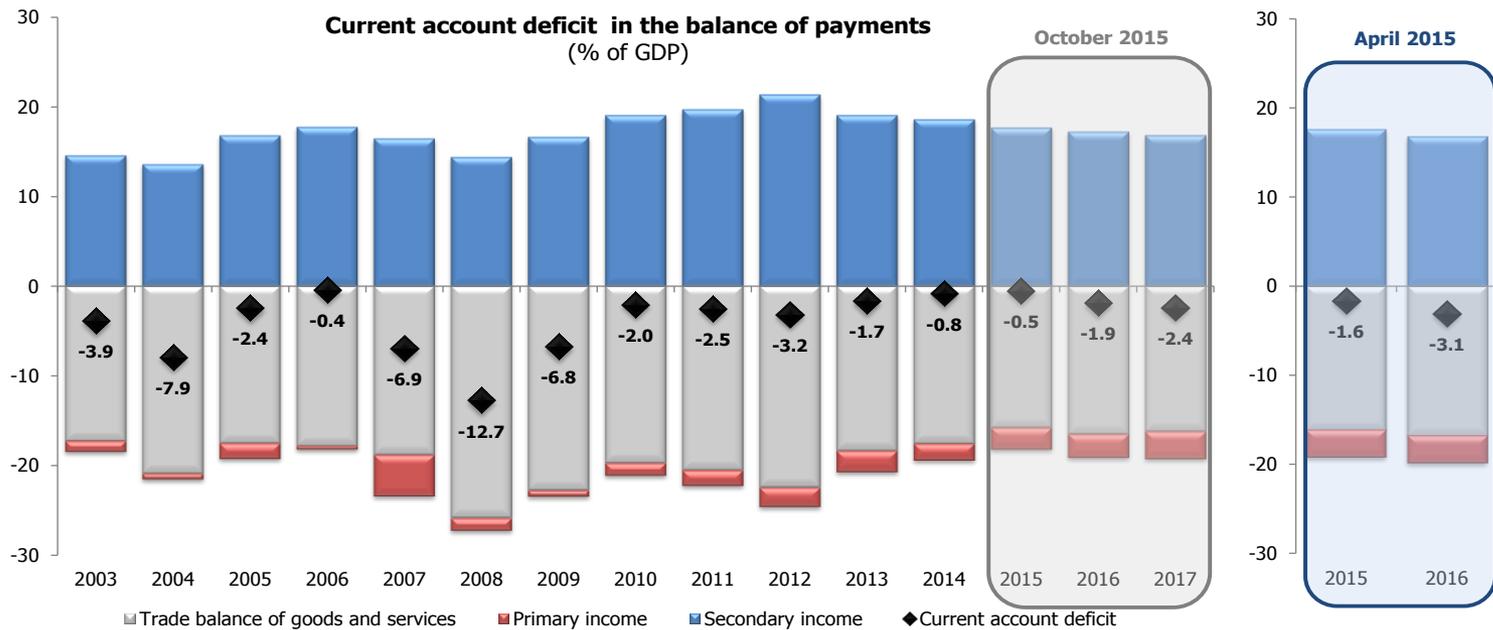
- **Downward revision of the inflation projection for 2015 and 2016**, which is now projected at about **0% and 1.5%**, respectively, given lower initial conditions and downward revision of the external assumptions (downward revisions with oil and food prices)
- Closure of the negative output gap in the third quarter of 2015, although in the following two years, the gap is expected to be broadly stable
- In **2017 an inflation rate of 1.6% is expected** on the backdrop of increase in food and energy prices and the foreign effective inflation





Current account of the balance of payments

- Smaller current account deficit in 2015 compared to April projections
- Moderate current account deficit in the following 2016-2017 period
- After the narrowing in 2015, in the following two years slight widening is anticipated:
 - Decrease in the relative share of the private transfers – their level will stabilize
 - Larger deficit in the primary income
 - Reduction of the trade deficit in 2015 (mainly, an effect of the lower prices of crude oil, with positive contribution from the new companies, too), with no major changes expected in the following two years

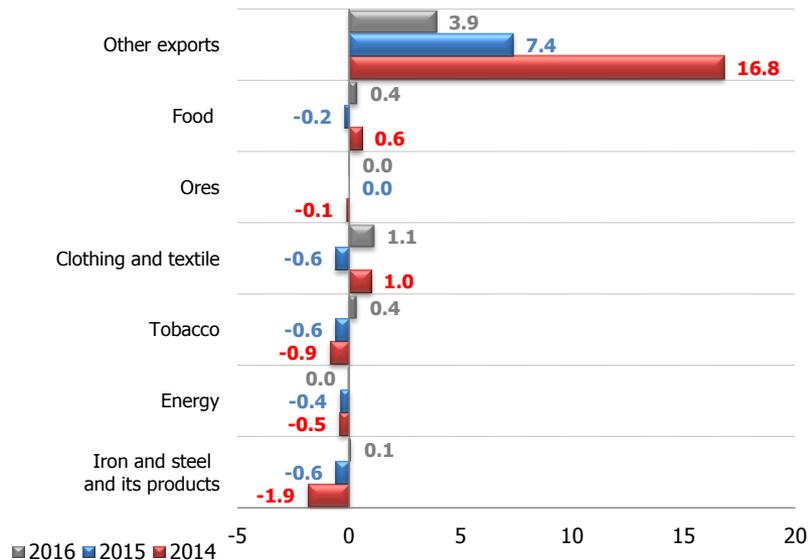




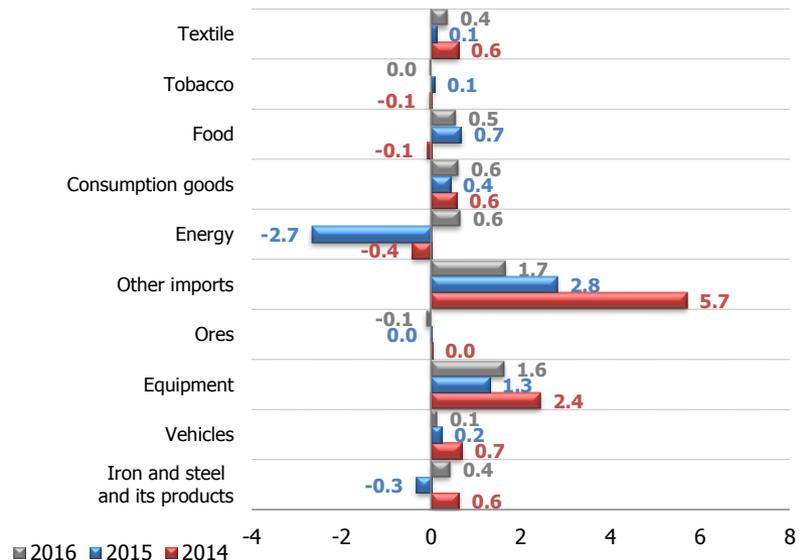
Trade

- **Gradual increase in the export of goods in 2015-2017 (of 4.9%, 5.9% and 9.2% annually, respectively)**
 - The new export facilities remain to be the main drivers, with recovery of the traditional export sector in 2016, and gradual recovery of the foreign demand being also expected
- **Gradual increase in the imports in 2015-2017 period (of 2.6%, 5.9% and 7.8% annually, respectively)**
 - Mainly imports of raw materials and investment goods, given reduced energy imports in 2015 and its moderate increase in 2016
- **Changes in the terms of trade in different directions** – favorable effects of the lower prices of energy and food prices, unfavorable effects of the lower metal prices
- New export facilities (included in the category other export/import), with dominant contribution in both, exports and imports, with the contribution on the export side being larger

Exports by components, contributions to the annual change in 2014, 2015 and 2016



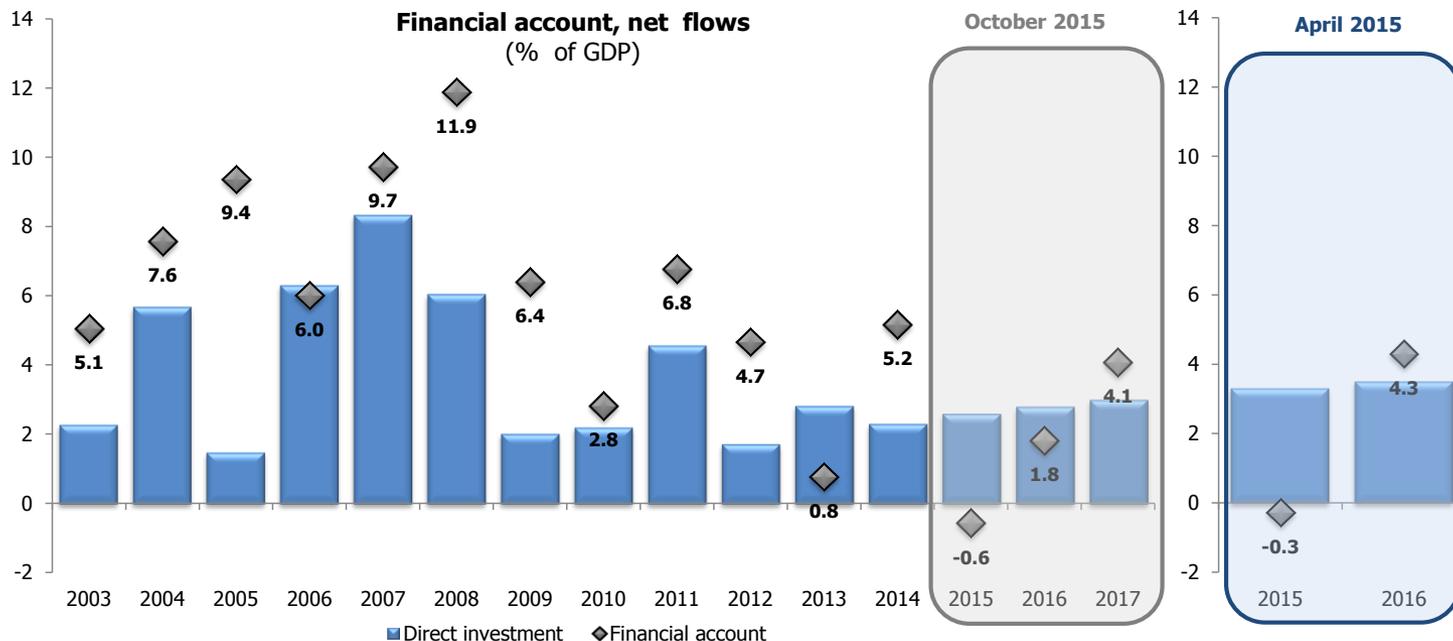
Imports by components, contributions to the annual change in 2014, 2015 and 2016





Financial account of the balance of payments

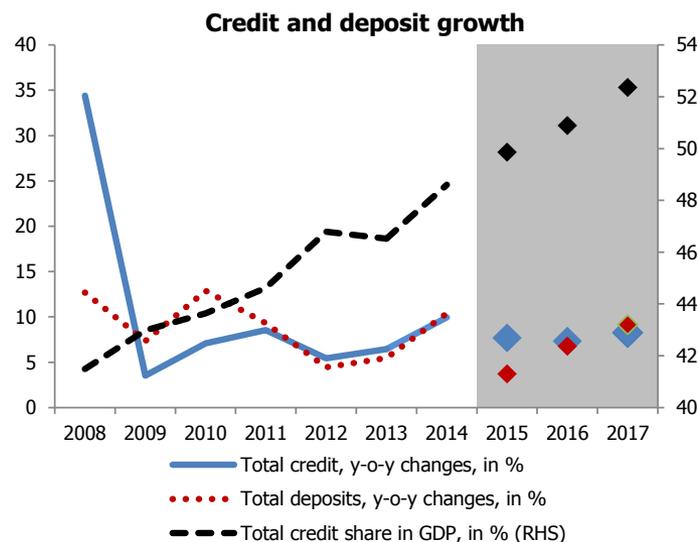
- ❑ Lower net financial inflows in comparison with the April projection amid worsened global environment
- ❑ Structure of the financial account within the projection horizon, similar to the previous expectations:
 - ❑ net inflows based on public sector borrowings and foreign direct investments
 - ❑ negative short-term flows, net
- ❑ Foreign reserves adequacy indicators remain in the safe zone





Deposits and loans

- In 2015, according to the developments so far, deceleration in the deposit growth to around 4% is expected, considering the influence of the uncertainty and the political risks, while in the following two years, a growth acceleration to 6.8% and 9.1% annually is anticipated, given the economic growth, gradual depletion of the domestic risks and reduction of the global risks
- The credit growth in 2015 remained solid and it is estimated at 7.7%, and in the following two years, it is expected that it will stay at the level of approximately 7-8% annually
- The banking system is still stable, liquid and highly capitalized





Summary

- ❑ **Downward revision of the economic growth on the backdrop of worsened external environment and higher uncertainty in the domestic economy, but the fundamental factors of growth are still present**
- ❑ **Expectations for solid economic growth in time horizon of the projections have been maintained, driven mainly from the exports and investments, additionally contributed also by the private consumption**
- ❑ **Downward revision of the inflation projection due to changes in the supply side factors**
- ❑ **Moderate deficit in the current account also in the following period, which is lower than in the April projections**
- ❑ **The structure of the financial flows is expected to be combination of debt and non-debt creating flows**
- ❑ **Within 2015-2017 period, slight increase in the foreign reserves is expected, with the reserve adequacy indicators being kept in the safe zone**
- ❑ **Sensitivity of the scenario to possible changes in the global economic environment and domestic risks, related to uncertain political conditions**