

2013

RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, OCTOBER 2013

- ▶ Macroeconomic environment and policies in brief
- ▶ Recent Economic Developments
- ▶ Key Economic Indicators
- ▶ Government Debt Review



REPUBLIC OF BULGARIA
Ministry of Finance



— MACROECONOMIC ENVIRONMENT AND POLICIES IN BRIEF

- According to flash estimates, **Bulgarian GDP growth gathered speed** in Q3, up 0.8% yoy (s.a. data). Export of goods and services which increased by 6.7% has been the main growth driver, while imports expanded by 5%. Investment in fixed capital also contributed positively, up by 1.2%. The low consumer confidence, as reported by the latest consumer survey, was reflected in a 1% decrease in individual consumption while collective government expenditures increased by 2.1%.
- **Short-term business statistics** showed somewhat mixed performance in August, as retail sales growth accelerated further during the month while declines in industrial production and turnover deepened. Construction production index also showed some unfavorable developments, as its main components both deteriorated. The **business climate indicator** declined as well.
- **Registered unemployment** stepped up by a marginal 0.1 pps mom to 10.8% as of end-September. Annual **HICP inflation** decreased further to 1.3%. The negative inflation rate led to acceleration in real wage growth to 4.2% yoy in Q3, despite the continuing deceleration in its nominal rate of increase.
- *Net income and transfers* kept their positive contribution to the current account dynamic and together with the sharp improvement in trade balance resulted in positive monthly **current account balance** at EUR 884.4 mln. Thus the accumulated surplus for the first eight months reached EUR 1.3 bn (3.1% of GDP). **Financial account deficit** accumulated in Jan-Aug stood at 4.3% of GDP, while *foreign direct investments* inflow over the period came in at 1.9% of GDP.
- **General government budget balance** came negative at BGN 360.5 mln (0.5% of GDP) in Jan-Sept mainly as a result of increased social spending, government consumption and public investment. ▼

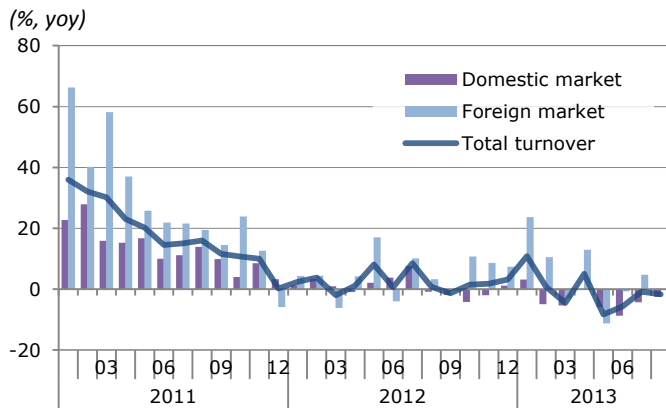
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— RECENT ECONOMIC DEVELOPMENTS

The decline in **industrial turnover** accelerated to 1.7% yoy in August, as foreign market sales returned to negative territory, down by 0.3%. Energy products contributed the most for the reported decline while the *manufacture of basic metals* and *manufacture of basic precious and other non-ferrous metals* in particular had the highest positive contribution. The slump in domestic turnover decelerated to 2.5% yoy mostly due to the smaller negative contribution of *electricity, gas, steam and air conditioning supply*.

Industrial turnover



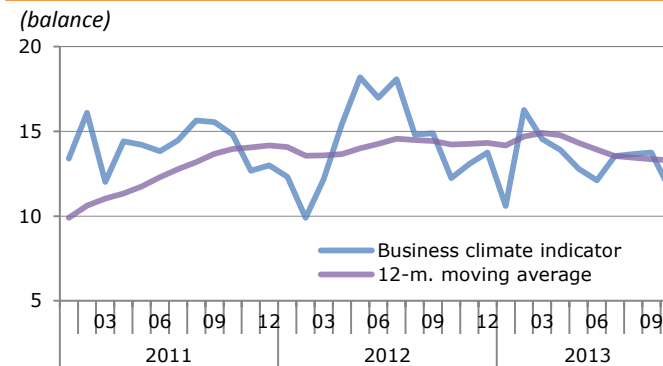
Source: NSI

Industrial production decreased by 3.6% yoy. Energy products once again outlined the unfavorable dynamics in industrial activity as they reported the largest negative contribution. *Manufacture of food products* also contributed negatively, while *manufacture of basic metals* had the highest positive contribution.

The growth in **retail sales** accelerated to 5.2% compared to a year earlier as only *retail sales of computers, software and telecommunications equipment* registered a decline, down by 6%. Similarly to previous month developments, *retail sales of textile, clothing, footwear, and leather goods* posted the largest increase, up 23.5%.

Construction production index decreased further, down 11.1% yoy. The slump accelerated in both *building construction* and *civil engineering*, down by 9.6% and 13% respectively.

Business climate



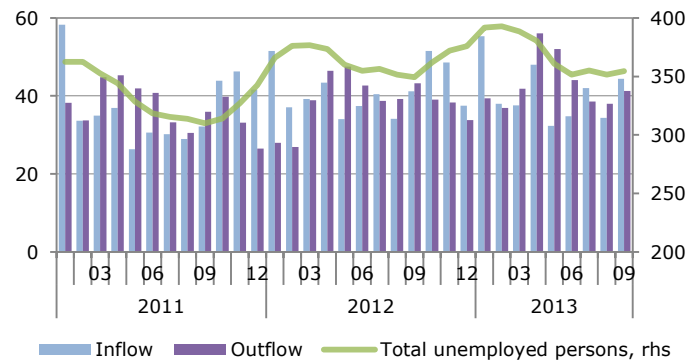
Source: NSI

The business climate indicator declined by 2.1 pps in October due to the worsening conjuncture in industry and services. Respondents in all sectors of the economy had more pessimistic expectations about production, sales and demand. Insufficient domestic demand remained among the main problems affecting industrial activity; however, there was also an increase in the number of entrepreneurs who reported deterioration in external

demand and thus their export expectations worsened. Assurance with orders in construction stood close to July's observation at 4.8 months, and the entrepreneurs in the sector didn't expect an increase in orders in the next six months.

Inflow, outflow and unemployed persons

(in thousands)



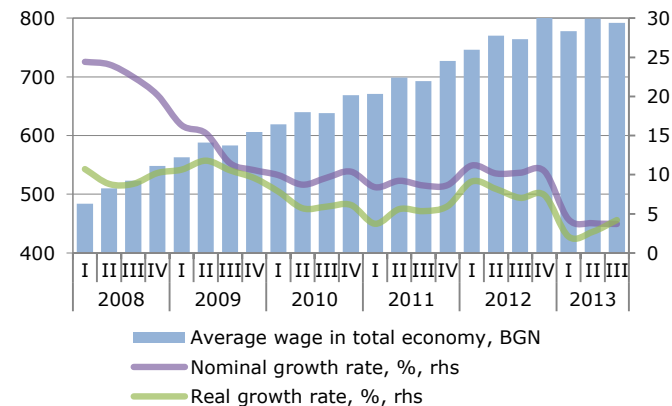
Source: EA

Registered unemployment stepped up by a marginal 0.1 pps mom to 10.8% as of end-September. Both the inflow and outflow of unemployed posted an increase, though the number of newly registered in employment offices was slightly larger. Thus unemployed people amounted to 354.6 K, up 0.9% over the previous month. The unemployment inflow widened to 44.4 K, up by 29.1% mom, boosted by the gradual fall in seasonal works, while the jobless outflow expanded to 41.3 K, entirely on the account of the higher number of persons who found jobs (25.3 K). The positive dynamics of persons who started working in September was largely due to primary labour market demand for new employees at the beginning of the school year. At the same time, the number of unemployed who got jobs under the ALMM (8.1 K) remained close to its previous month level, supported by the im-

plemented programs and schemes under the OP "Human resource development"

In Q3 2013 the country's **average wage** stood at BGN 792, up by 3.7% yoy in nominal terms. Its annual rate of increase continued to decelerate strongly, while on a quarterly basis it slowed down by marginal 0.1 pps. Despite that, the real wage growth accelerated to 4.2% yoy from 2.7% in Q2, given the reported decrease in annual HICP inflation. The increase of labour incomes in the period Jan-Sept came at 3.9% and 3% yoy, in nominal and real terms respectively.

Average wage developments

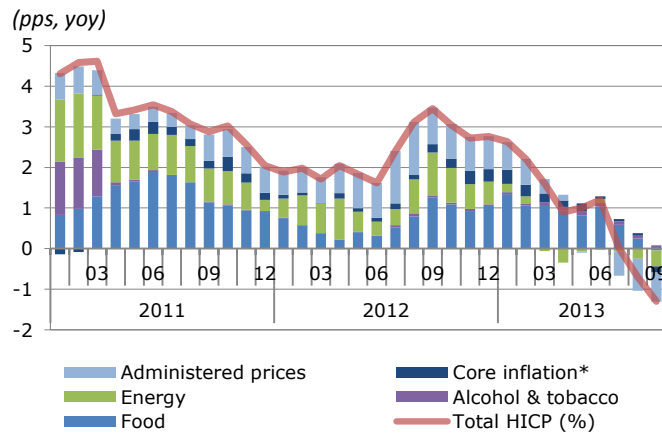


Source: NSI

Recent wage dynamics was mainly influenced by developments in the private sector, which reported significantly slower growth rate of 3.3% yoy, while wages in the public sector grew by 5.1%. A downward trend in income dynamics has been evidenced by almost all economic activities with the largest contribution coming from the services' sector. It should be reminded, however, that the observed 2013 wage developments were also

influenced by downward revisions in 2011 annual data, which in turn pushed up 2012 wage growth. *Manufacturing, water supply, public administration and education* were among activities, which evidenced accelerating growth rates, both on annual and quarterly basis. *Information and communication and financial and insurance activities*, on the other hand, witnessed an improvement over the previous quarter.

HICP and contributions by main components



* Overall index excluding energy, food, alcohol and tobacco.

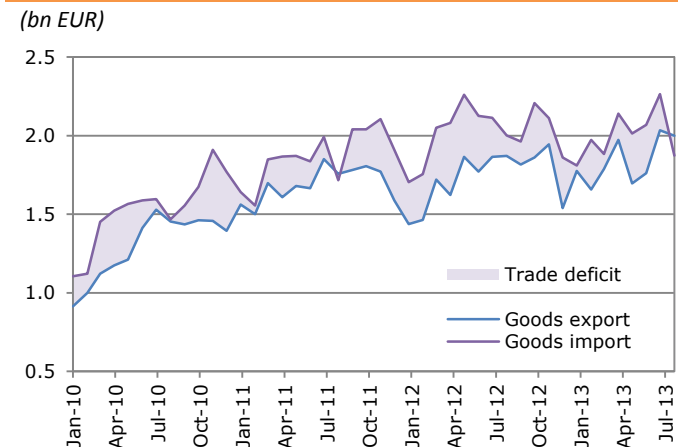
Source: NSI, MF

Consumer prices posted a 0.3% decrease in September over the previous month, thus the accumulated deflation rate from the beginning of the year plunged further to 1.3%. Price dynamics during the month has been largely driven by seasonal factors. Market services, on the one hand, had the largest negative contribution (-0.44 pps) to the registered decrease in the headline rate, as their prices went down by 1.8% mom on average. The latter was mainly triggered by the seasonal drop in prices of package holidays and accommodation in resorts, down by 18.8%

and 18.2% mom respectively, at the end of the high summer tourist season. On the other hand, food prices increased by 0.9% mom resulting from the seasonal hikes in prices of unprocessed food, up 3.9% on average. Prices of LPG also went up by 4.8%, thus together with food prices offset to a certain degree (+0.25 pps) the negative contribution of services.

Annual HICP inflation decreased further to 1.3% largely on the account of decreases of administered prices. Almost all main components reported negative changes on a year earlier, and negative contribution respectively, except for alcohol & tobacco and market services.

Merchandise trade dynamics



Source: BNB

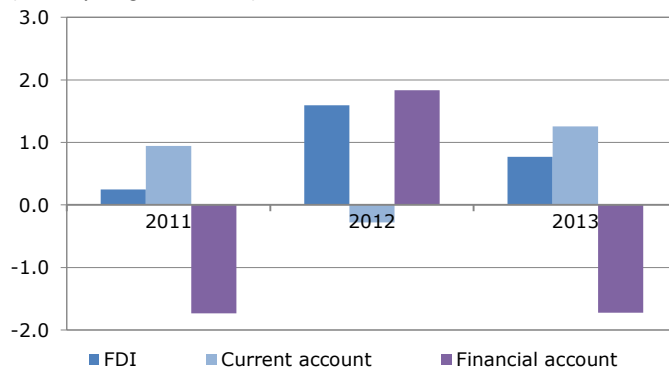
Strong export of goods and declining import resulted in positive *trade balance* of EUR 125.1 mln in August. Thus the deficit accumulated from the beginning of the year narrowed to EUR 1.3 bn or 3.3% of GDP compared with the negative balance of 6.2% during the same period a year earlier. The improved export per-

formance in the first eight months of the year was mainly due to intensified trade with the EU, although export to non-EU countries also increased.

Regarding *services*, travel surplus contracted by 1.4% yoy to EUR 1.49 bn in Jan-Aug, with travel expenditures growing faster than receipts. On the other hand, the number of foreign tourist visits increased by 6.4% in the eight months. Visits from EU countries remained unchanged in yoy terms, while visits from other European countries increased by more than 17%, mainly due to higher visits from Russia and Ukraine, up by 17.3 and 17.1% respectively. Other services' trade continue to contract on a year earlier, thus the accumulated surplus halved to EUR 80.9 mln (0.2% of GDP).

FDI, Current and Financial Account

(January-August, bn EUR)



Source: BNB

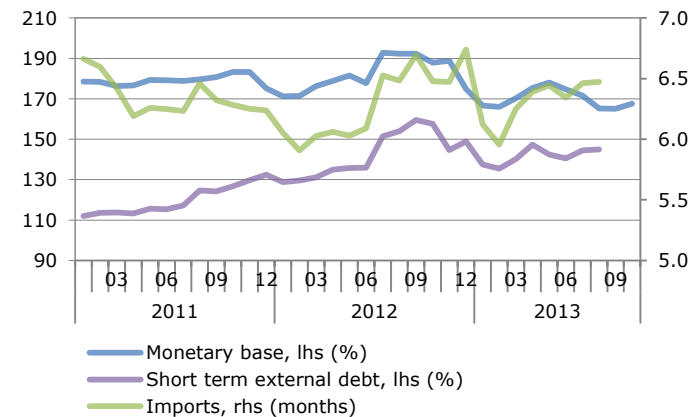
Net income and transfers kept their positive contribution to the current account dynamic and together with the sharp improvement in trade balance resulted in monthly **current account**

surplus of EUR 884.4 mln. For the first eight months the accumulated surplus reached EUR 1.3 bn (3.1% of GDP).

Financial account deficit went in the opposite direction and widened by EUR 567.9 mln in Aug, thus the accumulated negative balance in Jan-Aug reached EUR 1.7 bn (4.3% of GDP). The main outflow resulted from the increase of banks' assets abroad. *Foreign direct investments* inflow over the period reached EUR 772.5 mln (1.9% of GDP). Transport, storage and communication, trade and industry attracted most of the capital.

Gross external debt (GED) stood at EUR 37.2 bn (92.3% of GDP) as of end-August, down from 94.6% of GDP in August 2012 and 94.9% in December 2012.

Coverage with FX Reserves



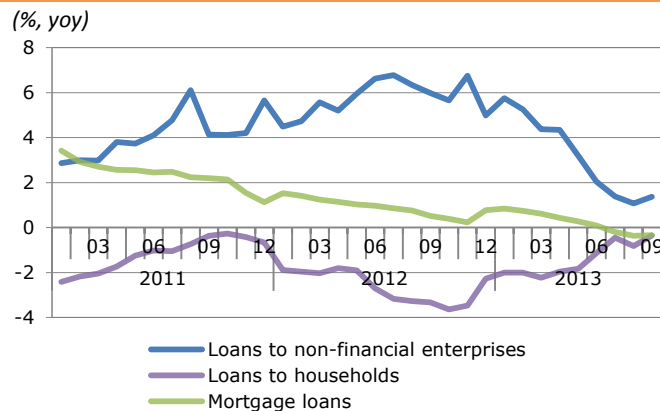
Source: BNB, MF

International reserves dropped by 3.3% mom and reached BGN 14.5 bn at the end of October. Thus their slump deepened to 4.3% yoy coming from 3.7% at the end of September. Although all reserves' components contributed negatively, the main

reason for the registered decrease was the 8.7% mom drop of bank reserves. Bank reserves' decrease outpaced the slump of total reserves, hence the coverage of the monetary base improved by 2.5 pps to 167.6%. At the end of August the level of reserves could cover 6.5 months of imports or 145% of the short-term external debt.

Money supply growth speeded up to 8.1% yoy in September coming from 7.7% a month earlier. Deposits, redeemable at notice, continued gathering speed, up 69.5% yoy from 66.7% yoy as of end-August, and had the largest positive contribution. Liquid monetary aggregate M1 slowed down from 16.9% to 16.7% yoy, while deposits with agreed maturity limited their decrease to 8.9% yoy coming from 9.2% in August. Total deposits grew by 0.9% mom, up BGN 520 mln, at the end of September, which brought their annual growth rate up to 8.3%. The improvement came on the back of stronger growth of deposits from non-financial enterprises, up 5.9% yoy in September, as opposed to the 3.2% increase a month earlier.

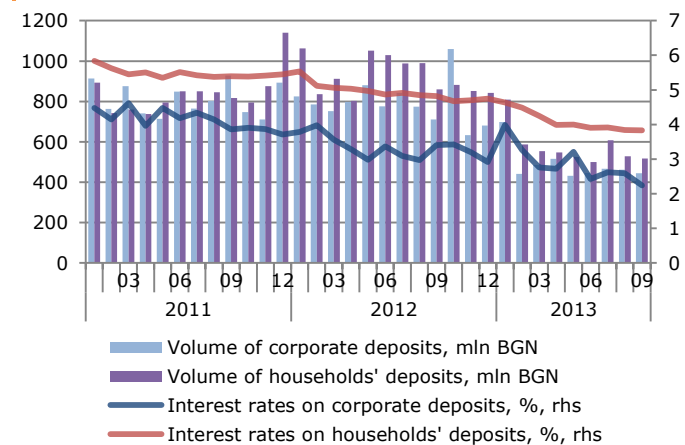
Credit growth



Source: BNB, MF

Credit to the private sector recovered marginally in September as its growth rate stood at 0.5% from 0.3% yoy as of end-August. After slowing down to 1.1% yoy in the previous month, corporate credits picked up again to 1.4%. Meanwhile, the decline in consumer credits narrowed to 0.3% from 0.8% yoy in August, while mortgages shrank marginally by 0.3% yoy. Bad and restructured credits decreased by 2.8% yoy and their share in total credits for non-financial enterprises and households went down by 11 bps to 18.3%.

Interest rates and volumes of time deposits in BGN up to 1Y



Source: BNB, MF

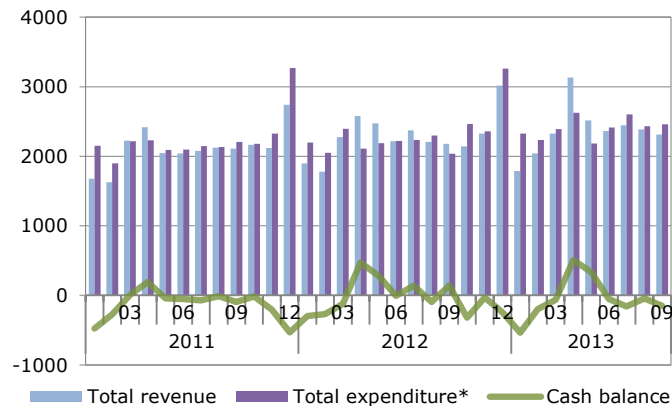
Weighted average interest rates on corporate credits and mortgages dropped in September, down by 20 and 12 bps respectively, while the average rate on consumer credits went up by 16 bps. All three types of credits, however, saw their monthly volumes higher compared to the same month of the previous year – up by 1.8% for corporate credits, up 14% for mortgages and up 10.2% for consumer credits. Weighted average interest rates on deposits declined for all 3 major currencies, down by

18, 32 and 29 bps for BGN, EUR and USD-denominated deposits respectively. The total amount of new deposits in September was 21.4% lower than their volume 12 months earlier.

General government budget balance came negative at BGN 360.5 mln (0.5% of GDP) in Jan-Sept mainly as a result of increased social spending, government consumption and public investment.

Consolidated Budget

(monthly value, mln BGN)



* Incl. contribution to EU budget

Source: MF

Total receipts for the first nine months of 2013 recorded a 6.6% nominal yoy increase on a cash basis and totalled BGN 21 307.9 mln, which is 70.1% of the annual plan according to the amended 2013 Budget Law. Their growth was largely driven by the significant surge in grants (mainly coming from EU funds), up 62.6% yoy, and higher tax receipts, up 3.3%. The latter was owing to VAT and custom duties increase, up by 4.4% and 23.5% yoy respectively. The decline of excise duties narrowed to 0.7% yoy from 4.7% on average for the first eight

months. Direct tax revenue also had a negative contribution to overall receipts dynamics, with a fall of 3.3% yoy, while non-tax revenue grew by 2.7% yoy.

Total expenditure, incl. Bulgarian contribution to EU budget, increased by 9.8% yoy and amounted to BGN 21 668.4 mln (67.8% from the updated full-year plan). The nominal growth in expenses was mostly on the account of the increase in social spending and scholarships, up 7.2% yoy, wages and salaries, up 8.2%, social and health insurance contributions, up 30%, and investment costs, higher by 13% yoy.

Fiscal reserve stood at BGN 5 bn (6.3% of GDP) as of end-September.

General government debt, including government guaranteed debt, accounted for 17.6% of GDP at end-September. Domestic debt was 7.4% of GDP, external – 9.1% of GDP, government guaranteed - 1.1% of GDP. ▼

— KEY ECONOMIC INDICATORS

		2009	2010	2011	2012	Q3'12	Q4'12	Q1'13	Q2'13	IV'13	V'13	VI'13	VII'13	VIII'13	IX'13
— GDP															
Gross Domestic Product ¹	% , yoy	-5.5	0.4	1.8	0.8	0.7	0.6	0.4	0.2						
Consumption	% , yoy	-7.3	0.5	1.5	1.8	1.7	0.4	-0.4	0.2						
Gross fixed capital formation	% , yoy	-17.6	-18.3	-6.5	0.8	-0.7	3.1	5.0	1.4						
Export	% , yoy	-11.2	14.7	12.3	-0.4	-0.6	-1.5	10.8	4.5						
Import	% , yoy	-21.0	2.4	8.8	3.7	2.6	-0.4	5.6	2.0						
Agriculture	% , yoy	-9.5	-6.2	-1.1	3.5	3.9	3.0	3.6	6.2						
Industry	% , yoy	-5.7	-6.3	5.8	0.8	-0.8	0.4	-0.3	-0.5						
Services	% , yoy	-1.3	4.4	0.7	-0.2	-0.5	-0.2	0.1	0.9						
Adjustments	% , yoy	-16.5	-0.5	0.2	3.8	2.5	1.3	-1.0	0.8						
— SHORT-TERM BUSINESS STATISTICS															
Industrial production	% , yoy	-18.3	2.0	5.8	-0.4	0.4	0.6	1.6	-4.1	1.6	-7.7	-5.9	-1.3	-3.6	
Industrial turnover	% , yoy	-20.2	14.1	17.2	2.3	2.6	2.1	2.2	-3.1	5.1	-8.3	-5.6	-0.8	-1.7	
Retail trade turnover	% , yoy	-7.7	-8.4	0.6	-2.3	-0.4	-5.1	-3.8	1.5	3.8	0.8	0.0	4.8	5.2	
Construction output	% , yoy	-14.5	-14.9	-12.8	-0.8	0.4	-1.9	-1.5	-5.9	6.4	-12.5	-10.5	-5.0	-11.1	
Total business climate	balance	10.2	9.6	14.2	14.3	15.9	13.0	13.8	12.9	13.9	12.8	12.1	13.5	13.7	13.7
Industry	balance	12.3	13.4	22.4	21.3	21.7	19.4	20.4	14.3	16.6	12.2	14.2	17.4	12.7	15.3
Retail trade	balance	13.5	10.1	17.3	16.4	17.8	19.3	17.0	18.1	17.6	21.0	15.7	20.9	21.9	21.8
Construction	balance	8.5	5.1	2.8	0.3	3.0	-1.8	1.3	5.0	6.6	4.7	3.7	1.9	4.3	1.8
Services	balance	5.1	5.6	5.9	12.2	15.4	8.8	9.9	13.0	12.1	14.0	12.8	10.0	16.6	14.4
— LABOUR MARKET															
Participation rate (15+)	level	53.0	52.0	52.5	53.1	54.2	53.6	52.8	53.9						
Employment rate (15+)	level	49.4	46.7	46.6	46.6	47.9	47.0	45.6	47.0						
Employment (LFS)	% , yoy	-1.7	-3.9	-2.2	-2.5	-1.9	-2.3	-1.7	0.7						
Unemployment rate (LFS)	level	6.8	10.2	11.3	12.3	11.5	12.4	13.8	12.9						
Unemployment rate (Employment agency)	level	7.6	9.5	10.1	11.1	10.7	11.3	11.9	11.1	11.6	11.0	10.7	10.8	10.7	10.8
Nominal wage	% , yoy	11.8	6.4	5.8	13.3	10.6	10.3	4.3	3.8	4.5	3.4	3.3	5.1	3.1	3.1

		2009	2010	2011	2012	Q3'12	Q4'12	Q1'13	Q2'13	IV'13	V'13	VI'13	VII'13	VIII'13	IX'13
Real wage ²	%, yoy	9.1	3.3	2.4	10.7	7.4	7.3	2.1	2.7	3.5	2.3	2.0	5.1	3.8	4.5
Labor productivity (GDP per employed)	%, yoy	-3.6	4.5	4.1	3.4	2.7	2.7	2.5	-0.9						
Real ULC (GDP)	%, yoy	7.4	2.4	-2.2	-2.6	-2.2	-6.6	8.1	11.7						
— PRICES															
National index of consumer prices (CPI)	%, yoy	2.8	2.4	4.2	3.0	4.0	4.2	3.6	2.2	2.0	2.0	2.6	0.5	-0.7	-1.6
Harmonized index of consumer prices (HICP)	%, yoy	2.5	3.0	3.4	2.4	3.0	2.8	2.2	1.1	0.9	1.0	1.2	0.0	-0.7	-1.3
Domestic producer prices	%, yoy	-4.2	7.1	8.6	5.4	6.2	6.1	1.9	-0.7	-1.4	-0.7	0.0	-1.8	-2.9	-3.5
— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)															
Revenue and grants	mIn BGN	25 041	23 933	25 378	27 470	19 986	27 470	6 158	14 166	9 289	11 802	14 165	16 610	18 996	21 308
Total expenses	mIn BGN	25 667	26 755	26 867	27 828	19 733	27 827	6 955	14 172	9 575	11 757	14 173	16 778	19 209	21 668
Contribution to EU budget	mIn BGN	746	670	779	809	629	809	328	533	396	465	533	605	675	747
Cash deficit (-) / surplus (+)	mIn BGN	-626	-2 823	-1 488	-358	253	-358	-799	-7	-286	46	-8	-168	-213	-360
	% of GDP	-0.9	-4.0	-2.0	-0.5	0.3	-0.5	-1.0	0.0	-0.4	0.1	0.0	-0.2	-0.3	-0.5
Government and government guaranteed debt	mIn BGN	10 641	11 778	12 826	14 683	14 736	14 683	14 408	14 428	14 387	14 458	14 428	14 385	13 627	13 886
	% of GDP	15.6	16.7	17.0	18.9	19.0	18.9	18.0	18.1	18.2	18.3	18.3	18.2	17.3	17.6
Fiscal reserve	mIn BGN	7 673	6 012	4 999	6 081	7 172	6 081	4 216	5 754	5 405	5 825	5 754	5 569	4 717	4 965
	%, yoy	-8.5	-21.6	-16.9	21.6	41.4	21.6	-6.9	13.7	9.8	15.4	13.7	-21.4	-31.8	-30.8
— FINANCIAL SECTOR															
BNB International reserves	mIn EUR	12 919	12 977	13 349	15 552	15 507	15 552	14 493	14 590	14 859	14 842	14 590	14 938	14 875	14 937
Monetary base coverage	%	195.2	179.8	175.1	174.9	192.3	174.9	170.3	174.7	175.3	178.1	174.7	171.6	165.2	165.1
Coverage of import with FX reserves	months	8.0	7.3	6.2	6.7	6.7	6.7	6.3	6.3	6.4	6.4	6.3	6.5	6.5	
Coverage of short-term external debt	%	100.2	115.3	133.8	146.7	159.1	149.1	140.8	141.6	147.4	142.4	140.6	144.4	145.0	
Money M1 (Narrow money)	%, yoy	-8.8	0.8	14.4	9.5	12.6	9.5	10.7	17.1	10.1	13.3	17.1	14.0	16.9	16.7
Money M3 (Broad money)	%, yoy	4.2	6.2	12.2	8.4	8.7	8.4	8.9	7.7	7.4	7.5	7.7	6.4	7.7	8.1
Deposits	%, yoy	7.6	6.6	13.2	8.4	8.6	8.4	9.3	7.8	7.3	7.5	7.8	6.4	7.8	8.3
Credit to private sector	%, yoy	3.8	1.1	3.3	3.0	3.5	3.0	2.3	0.8	2.2	1.5	0.8	0.5	0.3	0.5
Credit to non-financial enterprises	%, yoy	2.3	2.4	5.7	5.0	6.0	5.0	4.4	2.0	4.3	3.2	2.0	1.4	1.1	1.4
Credit to households	%, yoy	5.8	-0.8	-0.4	-1.0	-1.5	-1.0	-1.3	-0.9	-1.2	-1.3	-0.9	-0.5	-0.8	-0.6
Interest rate on short-term loans	%	10.5	8.5	7.2	7.6	7.5	7.3	7.6	8.5	9.5	7.8	8.2	7.4	7.2	7.2
Interest rate on time deposits	%	7.0	5.4	4.8	4.3	4.2	4.1	4.1	3.5	3.5	3.8	3.3	3.5	3.4	3.2

		2009	2010	2011	2012	Q3'12	Q4'12	Q1'13	Q2'13	IV'13	V'13	VI'13	VII'13	VIII'13	IX'13
Exchange rate BGN/USD	eop	1.36	1.47	1.51	1.48	1.51	1.48	1.53	1.50	1.50	1.50	1.50	1.47	1.48	1.45
	per. av.	1.41	1.48	1.41	1.52	1.56	1.51	1.48	1.50	1.50	1.51	1.48	1.50	1.47	1.46
— GROSS EXTERNAL DEBT (GED)															
Gross external debt	% of GDP	108.3	102.7	94.1	94.8	94.6	94.8	92.8	92.8	92.5	92.9	92.5	92.6	92.3	
Short-term external debt	% of GED	32.1	30.2	27.8	27.7	25.9	27.8	27.6	27.5	26.8	27.7	27.6	27.5	27.3	
Intercompany lending	% of GED	38.5	40.4	42.7	41.6	43.7	41.6	42.5	43.2	42.2	42.5	42.4	42.7	42.6	
— BALANCE OF PAYMENTS															
Current account	mIn EUR	-3 116	-533	39	-528	897	-493	-390	517	455	-138	200	244	884	
<i>Current account (moving average)</i>	% of GDP	-8.9	-1.5	0.1	-1.3	-2.2	-1.3	-0.9	1.3	1.0	1.0	1.3	1.2	2.5	
Trade balance	mIn EUR	-4 174	-2 764	-2 156	-3 622	-527	-837	-444	-793	-167	-318	-308	-230	125	
<i>Trade balance (moving average)</i>	% of GDP	-11.9	-7.7	-5.6	-9.1	-9.0	-8.7	-7.5	-6.4	-6.8	-6.6	-6.4	-6.4	-5.8	
Export, f.o.b.	mIn EUR	11 699	15 561	20 264	20 793	5 550	5 343	5 223	5 428	1 972	1 696	1 760	2 035	1 999	
	%, yoy	-23.1	33.0	30.2	2.6	3.0	3.5	13.0	3.3	21.6	-9.1	-0.6	9.1	6.9	
Import, f.o.b.	mIn EUR	15 873	18 325	22 420	24 415	-6 076	-6 180	-5 666	-6 222	-2 140	-2 014	-2 068	-2 265	-1 874	
	%, yoy	-33.3	15.4	22.3	8.9	5.7	2.1	2.9	-3.8	2.9	-10.9	-2.7	7.2	-6.4	
Capital account	mIn EUR	477	291	497	537	164	321	-9	83	-49	101	31	28	63	
Financial account	mIn EUR	1 163	-673	-968	2 231	635	150	-735	-303	21	-163	-161	-116	-568	
Net Foreign Direct Investments	mIn EUR	2 505	977	1 199	1 302	518	-315	466	178	-99	109	168	108	-42	
Net Portfolio Investments	mIn EUR	-619	-635	-357	-931	736	-1 207	-577	-207	-45	-20	-142	-121	-34	
Other Investments – net	mIn EUR	-704	-990	-1 744	1 894	-612	1 687	-615	-183	209	-210	-181	-95	-491	
Change in BNB reserve assets ³	mIn EUR	650	384	-159	-2 161	-1 483	-215	1 045	-527	-530	-35	39	-250	129	

Notes:

1. Reference year 2005, seasonally and working day adjusted data.

2. HICP deflated.

3. (-) - increase; (+) - decrease in BNB International Reserves.

— GOVERNMENT DEBT REVIEW

MF reopened the 10.5Y benchmark bond

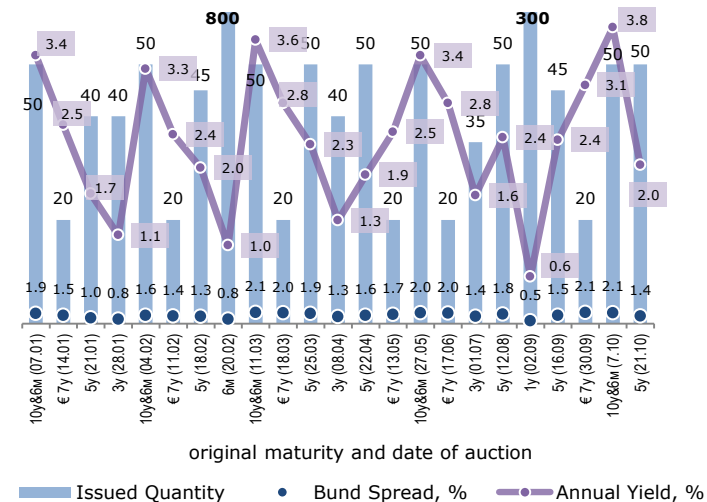
Ministry of finance (MF) reopened the 10.5Y benchmark issue of government securities (GS) issued on January 9, 2013, maturing July 9, 2023. At the auction held on October 7, the yield on the approved amount of BGN 50 mln reached 3.79%. The primary dealers placed offers for BGN 114.35 mln, thus the coverage ratio stood at 2.29. After this auction, the volume of the issue in circulation reached BGN 250 mln. Banks acquired the largest amount of GS (42.4%), followed by insurance companies (29.1%), pension funds (18.4%), investment intermediaries (3.8%) and other investors (6.2%).

MF reopened a 5Y BGN-denominated benchmark GS issue

MF reopened the 5Y BGN denominated benchmark GS issue maturing January 23, 2018. GS amounting to BGN 50 mln were offered and approved at the auction held on October 21. The yield achieved was 2.03%, which is below its level on the previous two auctions, being 2.35% on September 16 and 2.38% on August 12. The coverage coefficient reached 2.18, as the primary dealers subscribed BGN 109.2 mln. After this auction the issue totaled BGN 330 mln. Banks acquired the largest amount of GS at the auction - 62.6%, followed by insurance companies - 14%, guarantee and contractual funds - 9.8%, pension funds - 9.6% and investment intermediaries - 4%.

Results from Government Securities Auction held in 2013

(mln BGN/EUR)



Additional data on the auction results can be viewed on the site of the Bulgarian National Bank, that is a fiscal agent to the government www.bnb.bg

Source: MF

Stable nominal value of government debt is of primary significance to government finance

The nominal value of government debt at the end of September amounted to EUR 6 672.3 mln, including domestic debt of EUR 2 992.8 mln and external debt of EUR 3 679.5 mln. In nominal terms, the debt posted an increase of EUR 147.3 mln over the end of the previous month. This was mainly due to the 1Y T-bills issue on the domestic market. At the end of September the government debt-to-GDP ratio stood at 16.3%.

Government Debt Amount, mln EUR

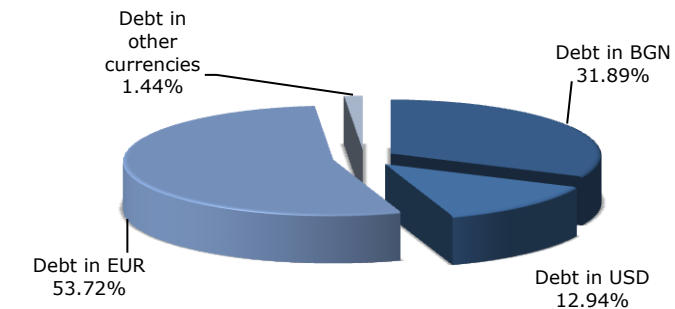
Structure	31.12.2010	31.12.2011	31.12.2012	31.03.2013	30.04.2013	31.05.2013	30.06.2013	31.07.2013	31.8.2013	31.9.2013
Domestic government debt	2 011.5	2 458.3	2 546.7	3 098.9	3 144.0	3 189.3	3 209.1	3 200.6	2817.3	2992.8
External government debt	3 373.5	3 487.6	4 444.5	3 785.9	3 746.2	3 747.9	3 716.6	3 707.1	3707.7	3679.5
Government debt, total	5 385.0	5 945.9	6 991.2	6 884.8	6 890.2	6 937.2	6 925.6	6 907.7	6525.0	6672.3
Government debt /% GDP	14.9	15.5	17.6	16.8	16.9	17.0	16.9	16.9	16.0	16.3

Government debt currency structure does not generate risks associated with its servicing

By end-September the share of debt denominated in EUR was 53.7%, in BGN - 31.9%, in USD - 12.9% and in other currencies - 1.5%.

Government Debt Currency Structure

(as of 30 September)



Source: MF

Government debt interest rate structure provides predictability of resources required for its servicing

At the end of August, the share of debt with fixed interest reached 85.5%, while debt with floating interest stood at 14.5%. At the end of August, the share of debt with fixed interest reached 85.2%, while debt with floating interest stood at 14.8%.

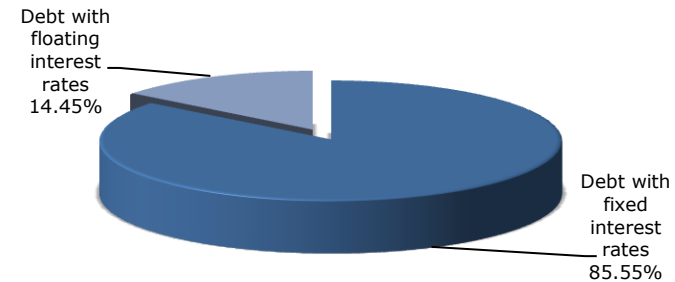
Government debt portfolio structure is another key indicator for the successful debt management policy

According to debt portfolio structure as of August, domestic government debt had the largest relative share at 44.8%, followed by Eurobonds issued in international capital markets – 14.2%, World Bank – 13%, European Union – 12.9%, global bonds – 12.1%, the Paris Club – 0.9% and other creditors – 1.9%.▲

Comprehensive information on Bulgarian government debt, including monthly bulletins and annual reviews, could be found at the website of Bulgarian Ministry of Finance [here](#).

Government Debt Currency Structure

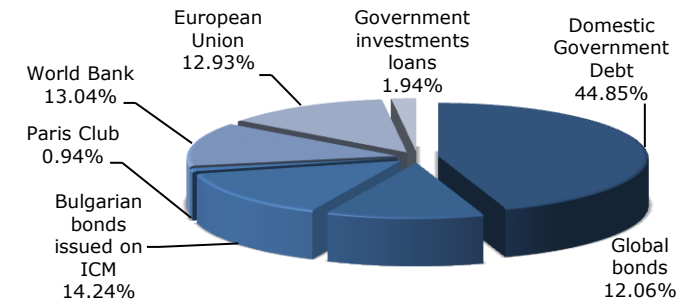
(as of 30 September)



Source: MF

Government Debt Currency Structure

(as of 30 September)



Source: MF