

2013

RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, NOVEMBER 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 s.a. data, **GDP growth accelerated to 0.7% yoy in Q3 2013**, driven by the expansion in exports. Even though the growth rate of imports also gained momentum, net exports sustained their positive contribution. GFCF increased as well, while households' expenditures declined for a second quarter in a row. Nevertheless, the slump in private consumption was offset by the public expenditures growth. On the supply side, **GVA** increased by 0.5%, as growth in manufacturing accelerated to 3%, driven by external demand.
- The **number of employed** (SNA) went slightly down by 0.1% yoy in Q3 due to negative developments in industry. On the back of seasonal employment, the **unemployment rate** decreased to 12% on average in July-September, while **registered unemployment** increased to 11.2% in October with the fall in seasonal activities. Meanwhile, **labor productivity** broke the negative trend observed in the previous quarter and stepped up by 1.6% yoy in real terms following higher economic activity in the country.
- October **consumer prices** increased by 0.2% over the previous month, thus the negative *annual HICP inflation* rate decelerated to 1.1%. Seasonal hikes in prices of unprocessed food and garments and footwear almost fully accounted for the registered growth in the headline rate, while fuel prices largely declined over September.
- With a surplus in September alone, the positive **current account balance** expanded to EUR 1.39 bn in the first nine months of the year (3.4% of GDP). The CAB has been improving in yoy terms in most of the months of 2013, mainly resulting from stronger export of goods.
- **General government budget balance** came negative at BGN 443 mln (0.6% of GDP) at the end of October, as the annual growth of total expenditure outpaced the increase in total revenue and grants received in January-October. ▼

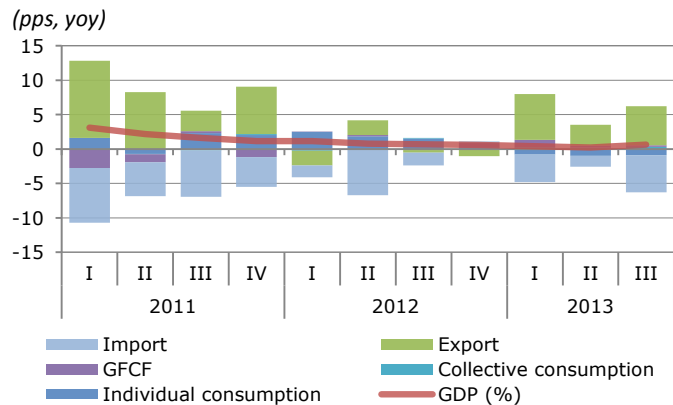
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The current report, as well as previous issues, is available at the [Ministry of finance website](#). For any questions or comments, please contact the Economic and Financial Policy Directorate at 102, Rakovski Str., 1040 Sofia, Bulgaria, or at secretary.evp@minfin.bg.

— RECENT ECONOMIC DEVELOPMENTS

Bulgarian **GDP growth** accelerated to 0.7% yoy (s.a. data) in Q3 2013 boosted by the exports growth, up 8.5%. Even as demand from export oriented industries led to acceleration in imports' growth, up by 7.4%, net exports sustained their positive contribution. GFCF also increased, up 1.2%, and according to data on expenditures for fixed assets acquisition, growth came mainly from the *manufacturing sector*. Households' expenditures, on the other hand, declined for a second quarter in a row, this time down by 0.5%, possibly reflecting the further decline in consumer confidence and worsened assessment of the financial situation of households as reported by recent consumer surveys. Nevertheless, the slump in private consumption was offset by the public expenditures growth.

Contributions to GDP growth

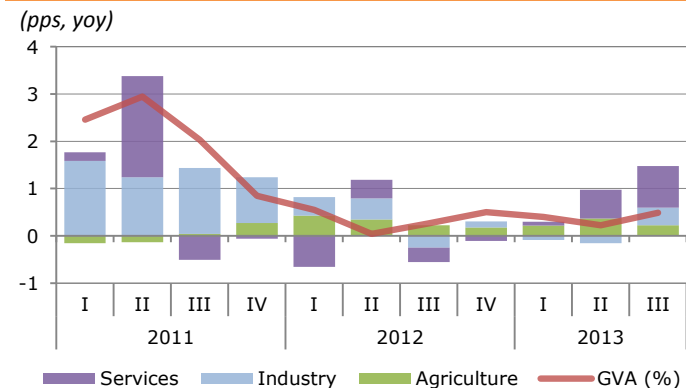


Source: NSI

On the supply side, **GVA** increased by 0.5%. Growth in manufacturing accelerated to 3%, driven by external demand with foreign turnover returning to positive territory after slight

decrease in the second quarter. Most of the activities in services' sector like *trade; transport; accommodation, information and communication, financial and insurance activities* had positive contribution to the economic performance. Growth in the agricultural sector decelerated compared to the previous quarter and reached 3.8% yoy. The decline of VA in construction slowed down to 5.4%, being up 0.2% qoq.

Contributions to GVA growth

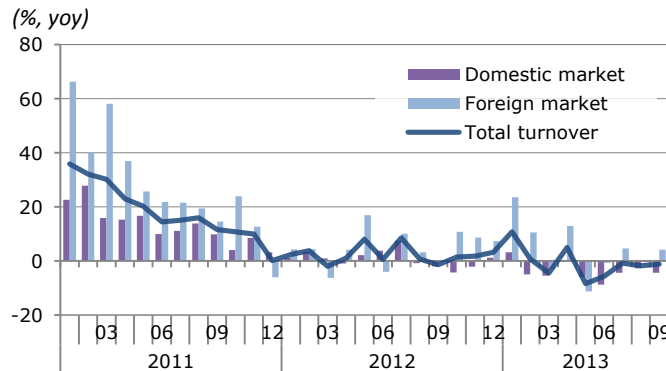


Source: NSI

The decline in **industrial turnover** stood at 1.1% yoy in September due to the weak performance of domestic sales, down by 4.3%. Although *manufacture of electricity, gas, steam and air conditioning supply* reported an increase, according to the industrial production index, the observed decline of that item in domestic turnover was probably a result of the downward price dynamics in the sector. The latter had the largest contribution for the overall domestic sales' decline, followed by *manufacture of food products*. Foreign market sales increased by

4.1% compared to a year earlier mainly due to the positive contribution of *manufacture of basic metals and fabricated metal products, except machinery and equipment*, followed by *manufacture of food products, beverages and tobacco products*.

Industrial turnover



Source: NSI

Industrial production returned to positive territory as it increased by 1.8% yoy. Major contribution for the reported growth had *the manufacture of basic metals and fabricated metal products, except machinery and equipment* supported by the favorable development of foreign industrial sales.

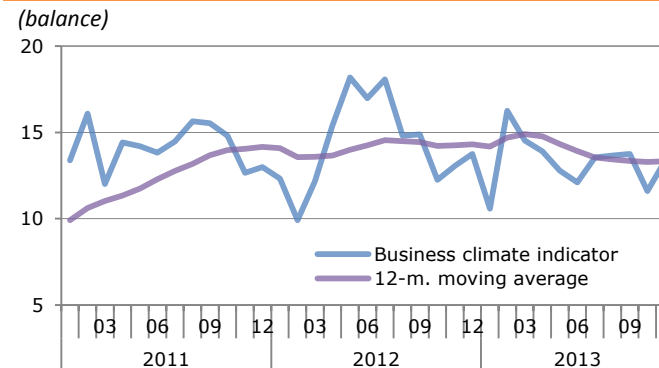
The growth of **retail sales** continued to gain speed and reached 6.7% compared to a year earlier as all retail sales' components registered an increase. As in previous months, *retail sales of textile, clothing, footwear, and leather goods* and *other retail sales in non-specialized stores* posted the largest increase, up 27.4% and 12.6% respectively.

The development of **the construction production index** remained unfavorable and it decreased by 4.4% yoy. Both

building construction and *civil engineering* contributed negatively for the registered decline, down by 1.5% and 8%, respectively.

The **business climate indicator** increased by 1.7 pps in November due to the more favorable assessment of the present conjuncture in all sectors. However, expectations were optimistic only in industry where managers reported an increase in orders. Orders were up also in construction but the entrepreneurs' expectations about the business situation and activity over the next months were more unfavorable. There has been an increase in the number of respondents in services and retail trade who reported problems with insufficient demand.

Business climate

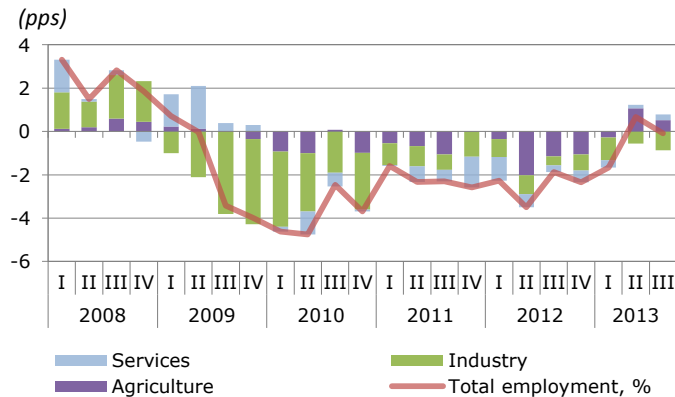


Source: NSI

In Q3 2013 **the overall employed number** (SNA) went slightly down by 0.1% yoy due to negative developments in industry. Employment dynamics in *manufacturing* remained on the negative territory and the pace of its annual decrease widened further to 3.2%, while the drop for the previous three months was 1.7%. Economic activity in *manufacturing* remained subdued due to both depressed domestic demand and foreign

environment uncertainty. As a consequence, employers continued improving their efficiency through labor cost optimization, which resulted in productivity increase, after the indicator's drop in Q2. *Construction* activity also remained weak in Q3 and the number of employed kept decreasing. Agriculture and services' sectors had a positive contribution to the overall employment dynamics during the considered period. Seasonal employment in agriculture boosted the number of employed in this sector, up by 2.5% yoy, while the rise in employment in services by 0.5% was due to the reported increase in the *creation and distribution of information, professional activities, research, administrative and subsidiary activities, and public administration, education and healthcare* subsectors¹.

Employment developments and contribution by sectors



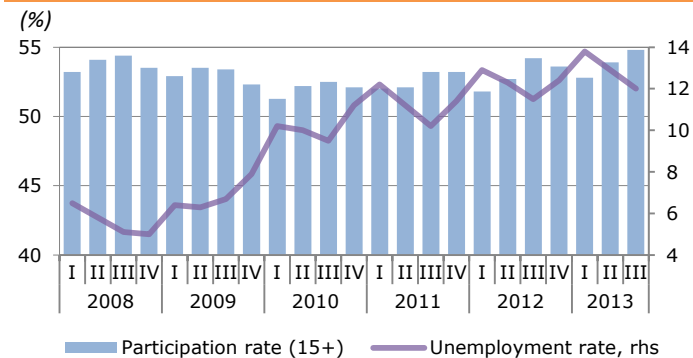
Source: NSI (SNA, LFS)

On the back of seasonal employment, the **unemployment rate** decreased to 12% on average in July-September, its level, however, remained 0.5 pps higher compared to the same period

¹ According to NACE 2008 by 10 economic activities.

of the previous year. The number of unemployed went 4.7% up yoy, which, along with the employment decrease, outlined the higher labor force participation of the population. The participation rate (15+) reached 54.8%, up 0.6 pps compared to Q3 2012.

Participation and Unemployment Rates



Source: NSI

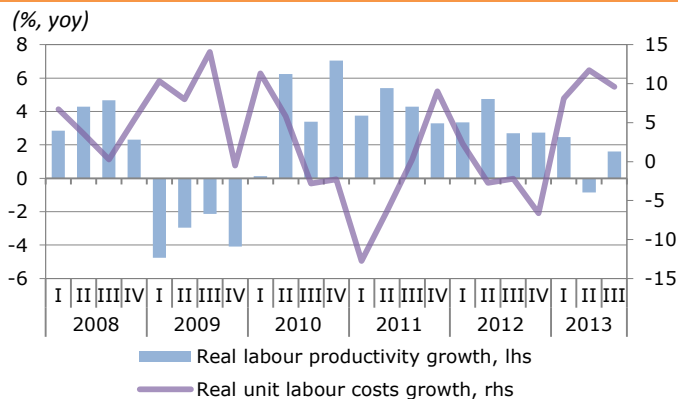
Registered unemployment increased to 11.2% in October. With the fall in seasonal activities unemployment inflow started increasing in September and reached 52.1 K in October. The outflow of unemployed decreased to 39.7 K, on the account of the smaller number of those who found jobs – 20.3 K. The latter was 13.8% lower compared to September due to both reduced demand for workers on the primary labor market and the lower number of persons included in the active labor market programs.

Labor productivity stepped up by 1.6% yoy in real terms in Q3, following higher economic activity in the country, thus breaking the negative trend observed in the previous quarter. The upward productivity trend in industry was the main driver behind the quarterly reading, up by 4% yoy, with the largest

contribution coming from *manufacturing*, up by 4.1% yoy. Productivity in *agriculture* also increased, up by 2.4%, while its dynamics in services remained on a negative territory, down by 0.3% yoy. The latter was due to negative outcome in *informational* and *professional activities*, down by 4.4% and 1.5% yoy respectively, as well as the slump in *trade* by 0.9% yoy. On the positive side, all remaining activities followed an upward trend as *financial intermediation* reported the highest productivity growth, up by 4.5% yoy.

In line with recent positive labor productivity developments, **RULC** growth decelerated to 9.6% yoy in Q3, from 11.7% yoy in the previous quarter. Still, RULC maintained its high rate of increase due to the strong increase in compensation per employee, while gross value added continued decreasing. RULC in industry and services also moved up, by 5.1% and 5.8% yoy respectively, however, it remained lower than the average for the whole economy.

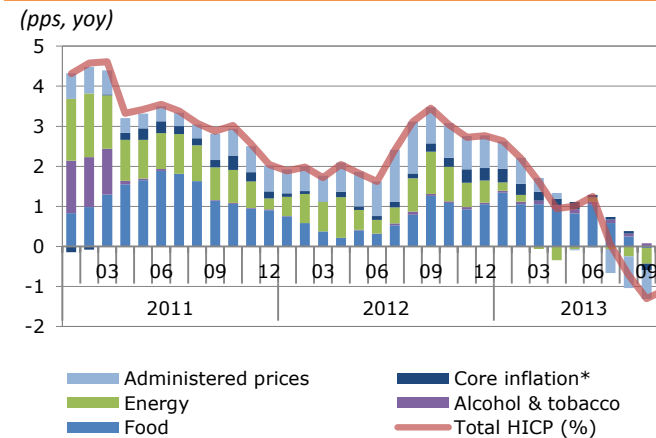
Labor productivity and real unit labor costs



Source: NSI, MF

Consumer prices increased by a marginal 0.2% mom in October. Thus the deflation rate accumulated from the beginning of the year narrowed slightly to 1.2%, while the negative *annual HICP inflation* rate decelerated to 1.1%. Seasonal hikes in prices of unprocessed food, up 2.1% mom on average, once again had the largest positive contribution (+0.13 pps) for the monthly change in the headline rate. The latter, however, was almost totally offset by the decrease in automotive fuel prices, down by 1.4% over the previous month. Core inflation also increased during the month entirely on the back of higher prices of garments and footwear, up 4.1% mom on average.

HICP and contributions by main components



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

Source: NSI, MF

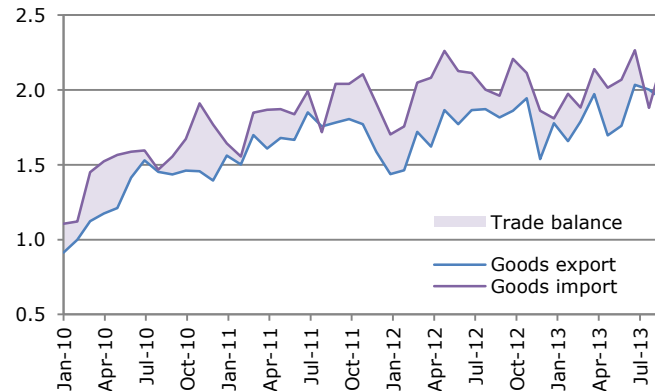
With a surplus of EUR 155.5 mln in September alone, the **current account surplus** expanded to EUR 1.39 bn in the first nine months of the year (3.4% of GDP), compared to a deficit of EUR 27.8 mln in the same period a year ago. CAB improved in yoy terms in most of the months of 2013, mainly resulting from

stronger export of goods. In September, however, the recorded surplus was almost 40% lower than the corresponding month of 2012. The contraction came as merchandise import increased 12.4% yoy outpacing thus the rise in export, up 6.7%. Trade with EU countries drove the growth in both indicators.

Services balance accumulated surplus from the beginning of the year reached 4.8% of GDP, compared with 5.3% surplus in the same period of 2012. The reduction in the outcome resulted from lower receipts on other services, as the communication services, computer and information services and construction services credit kept on declining in yoy terms.

Merchandise trade dynamics

(bn EUR)

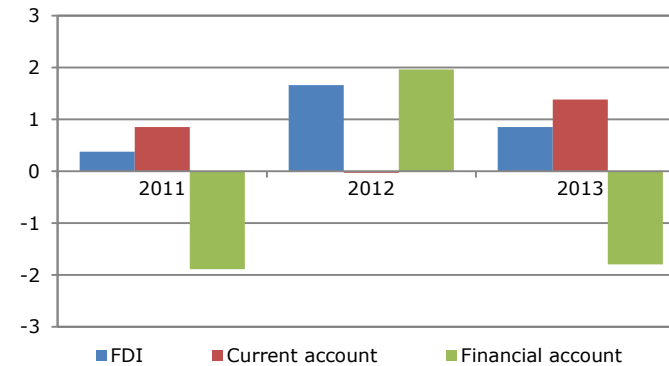


Source: BNB

Net income and transfers kept their positive contribution to the current account dynamics. In Jan-Sep income deficit narrowed to 2.3% of GDP vs. 2.7% in 2012, while the surplus on current transfers increased to 4.9% of GDP, being 4% in the corresponding period of 2012.

FDI, Current and Financial Account

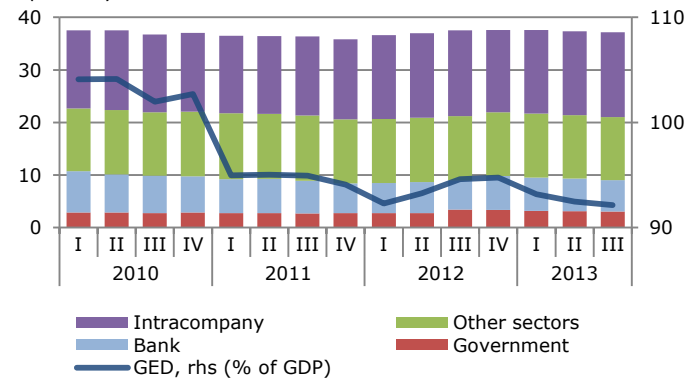
(January-September, bn EUR)



Source: BNB

Gross external debt by institutional sector

(bn EUR)

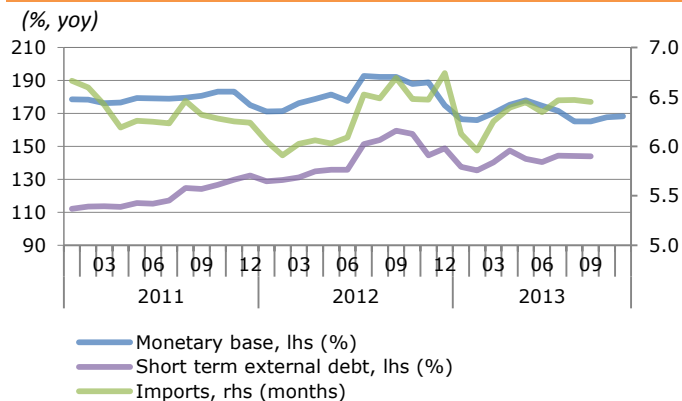


Source: BNB

Gross external debt (GED) stood at EUR 37.2 bn (92.1% of GDP) as of end-September, being 94.5% of GDP a year earlier and 94.9% at end-December 2012. In Jan-Sep the banking sector made the largest debt repayments (EUR 1.25 bn),

followed by other non-financial private sector (EUR 1.19 bn). Most of the new debt in the period was attracted as financing from foreign parent-companies to their local subsidiaries (EUR 1.17 bn). As of end-September *Government external debt* stood at 7.6% of GDP, decreasing on annual basis after the bond repayment in January. Banking sector indebtedness was 14.8%, being on a downward trend from the beginning of the year, while other private debt and intercompany lending kept their ratios to GDP at 30% and 40%, respectively.

Coverage with FX Reserves



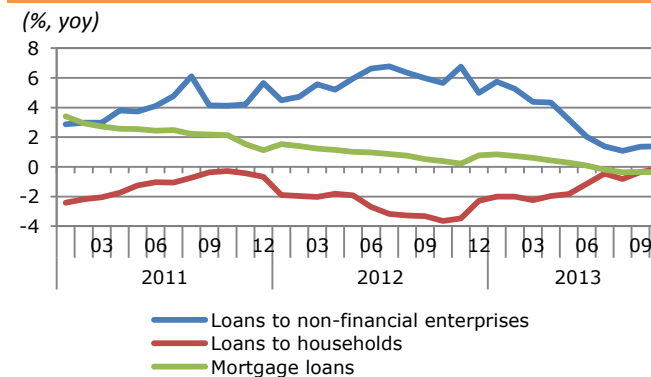
Source: BNB, MF

International reserves dropped by 1.1% in November and reached EUR 14.3 bn by the end of the month. Thus their annual rate of decrease accelerated to 5.3% coming from 4.3% a month earlier. The main reason for the change of reserves was the decrease of bank reserves by 4.7% mom, as well as the 2.5% decline in Banking Department deposit, the latter being affected by the decline in gold prices during the month. The drop of bank reserves supported the improvement of the monetary base coverage, up by 0.7 pps to 168.3%. As of end-September the

international reserves could cover 6.4 months of imports or 144% of the short-term external debt.

Money supply kept on accelerating for a third month in a row and its growth rate reached 9.5% yoy as of end-October (being 8.1% a month earlier). The faster expansion of overnight deposits (19.2% vs. 16.7% yoy in September) and deposits, redeemable at notice, which accelerated from 69.5% to 72.9% yoy, largely accounted for these developments. Deposits with agreed maturity contributed as well, as their decrease slowed marginally down from 8.9% to 8.7%. Total deposits reached a growth rate of 9.9% as of end-October due to the faster increase of deposits of all institutional sectors. The outstanding amount of total deposits increased by 0.9% (BGN 517 mIn) over the previous month.

Credit growth

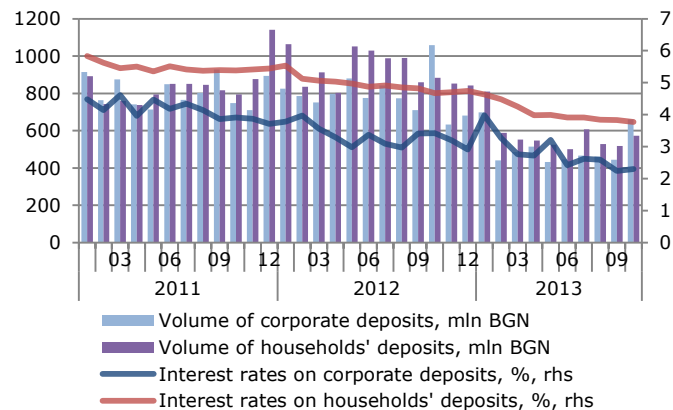


Source: BNB, MF

Credit to the private sector had again a marginal recovery in October as its growth rate in yoy terms went slightly up to 0.7% from 0.5% as of end-September. That could be attributed mainly to base effects as the annual growth rates of private credit

components remained almost unchanged over the end of the previous month. Corporate credits kept their growth rate at 1.4% yoy. Consumer credits limited their 12-month slump to just 0.1%, while mortgages decreased a fraction faster (0.4% vs. 0.3% in September). Bad and restructured loans continued their decline, this time down by 2% yoy, with contribution from all credit types. Thus their share of total credits for corporations and households went down by 4 bps to 18.2%.

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



Source: BNB, MF

Weighted average interest rate on corporate credits went up by 52 bps in October over the previous month, while the monthly volume of new credits was by 28.9% less than a year earlier. At the same time both the average rates of consumer credits and mortgages slightly declined – down by 13 and 6 bps respectively. The volume of new consumer credits was just 0.8% lower compared to October 2012, while the volume of new mortgages for the same period was by 4.1% smaller. **Weighted average interest rates on time deposits** in BGN and USD both went down by 7 bps, while the average return rate on

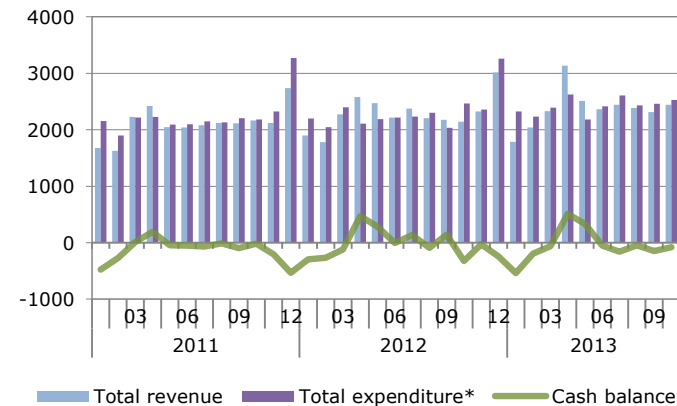
deposits in EUR went up by 5 bps. The monthly volume of new deposits was by 28.3% less compared to 12 months earlier.

General government budget deficit was BGN 443 mln (0.6% of GDP) at the end of October. It consisted of BGN 204.4 mln deficit under the national budget and BGN 238.6 mln deficit under EU funds.

Total revenue and grants received in Jan-Oct equaled 78.2% of the annual plan, up 7.3% yoy. Both tax and non-tax revenues grew, up by 3.7% and 3.2% respectively. Concerning the main tax revenue groups, an increase was registered in PIT, VAT and custom duty proceeds. Social and health insurance contributions were also higher compared to the same period last year. A significant growth rate of 70.9% yoy was reached on the grants item at the end of the period concerned, even though still amounting to 55.6% of the total annual plan.

Consolidated budget

(monthly value, mln BGN)



* Incl. contribution to EU budget

Source: MF

Total expenditure, including Bulgarian contribution to EU budget, grew by 9% yoy in Jan-Oct, with the highest contribution coming from social spending followed by wages and salaries, maintenance and social and health insurance contributions. Total expenditure equaled 75.7% of the annual plan.

Fiscal reserve amounted to BGN 4.9 bn (6.2% of GDP) at the end of October.

General government debt accounted for 17.7% of GDP at end-October, domestic debt stood at 7.6% of GDP, external debt – at 9.1% of GDP and government guaranteed debt – at 1% of GDP. ▼

— KEY ECONOMIC INDICATORS

		2009	2010	2011	2012	Q4'12	Q1'13	Q2'13	Q3'13	V'13	VI'13	VII'13	VIII'13	IX'13	X'13
— GDP															
Gross Domestic Product ¹	% , yoy	-5.5	0.4	1.8	0.8	0.6	0.4	0.2	0.7						
Consumption	% , yoy	-7.3	0.5	1.5	1.8	0.4	-0.4	0.2	0.4						
Gross fixed capital formation	% , yoy	-17.6	-18.3	-6.5	0.8	3.1	5.0	1.4	1.2						
Export	% , yoy	-11.2	14.7	12.3	-0.4	-1.5	10.8	4.5	8.5						
Import	% , yoy	-21.0	2.4	8.8	3.7	-0.4	5.6	2.0	7.4						
Agriculture	% , yoy	-9.5	-6.2	-1.1	3.5	3.0	3.6	6.2	3.8						
Industry	% , yoy	-5.7	-6.3	5.8	0.8	0.4	-0.3	-0.5	1.3						
Services	% , yoy	-1.3	4.4	0.7	-0.2	-0.2	0.1	0.9	1.4						
Adjustments	% , yoy	-16.5	-0.5	0.2	3.8	1.3	-1.0	0.8	1.5						
— SHORT-TERM BUSINESS STATISTICS															
Industrial production	% , yoy	-18.3	2.0	5.8	-0.4	0.6	1.6	-4.1	-1.3	-7.7	-5.9	-1.3	-4.1	1.8	
Industrial turnover	% , yoy	-20.2	14.1	17.2	2.3	2.1	2.2	-3.1	-1.2	-8.3	-5.6	-0.8	-1.8	-1.1	
Retail trade turnover	% , yoy	-7.7	-8.4	0.6	-2.3	-5.1	-3.8	1.5	5.5	0.8	0.0	4.8	5.2	6.7	
Construction output	% , yoy	-14.5	-14.9	-12.8	-0.8	-1.9	-1.5	-5.9	-6.9	-12.5	-10.5	-5.0	-11.0	-4.4	
Total business climate	balance	10.2	9.6	14.2	14.3	13.0	13.8	12.9	13.6	12.8	12.1	13.5	13.7	13.7	11.6
Industry	balance	12.3	13.4	22.4	21.3	19.4	20.4	14.3	15.2	12.2	14.2	17.4	12.7	15.3	10.7
Retail trade	balance	13.5	10.1	17.3	16.4	19.3	17.0	18.1	21.6	21.0	15.7	20.9	21.9	21.8	23.4
Construction	balance	8.5	5.1	2.8	0.3	-1.8	1.3	5.0	2.7	4.7	3.7	1.9	4.3	1.8	2.2
Services	balance	5.1	5.6	5.9	12.2	8.8	9.9	13.0	13.7	14.0	12.8	10.0	16.6	14.4	11.1
— LABOUR MARKET															
Participation rate (15+)	level	53.0	52.0	52.5	53.1	53.6	52.8	53.9	54.8						
Employment rate (15+)	level	49.4	46.7	46.6	46.6	47.0	45.6	47.0	47.9						
Employment (LFS)	% , yoy	-1.7	-3.9	-2.2	-2.5	-2.3	-1.7	0.7	-0.1						
Unemployment rate (LFS)	level	6.8	10.2	11.3	12.3	12.4	13.8	12.9	12.0						
Unemployment rate (Employment agency)	level	7.6	9.5	10.1	11.1	11.3	11.9	11.1	10.8	11.0	10.7	10.8	10.7	10.8	11.2
Nominal wage	% , yoy	11.8	6.4	5.8	13.3	10.3	4.3	3.8	3.7	3.4	3.3	5.1	3.1	3.1	

		2009	2010	2011	2012	Q4'12	Q1'13	Q2'13	Q3'13	V'13	VI'13	VII'13	VIII'13	IX'13	X'13
Real wage ²	%, yoy	9.1	3.3	2.4	10.7	7.3	2.1	2.7	4.4	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	2.5	-0.9	1.6						
Real ULC (GDP)	%, yoy	7.4	2.4	-2.2	-2.6	-6.6	8.1	11.7	9.6						
— PRICES															
National index of consumer prices (CPI)	%, yoy	2.8	2.4	4.2	3.0	4.2	3.6	2.2	-0.6	2.0	2.6	0.5	-0.7	-1.6	-1.4
Harmonized index of consumer prices (HICP)	%, yoy	2.5	3.0	3.4	2.4	2.8	2.2	1.1	-0.7	1.0	1.2	0.0	-0.7	-1.3	-1.1
Domestic producer prices	%, yoy	-4.2	7.1	8.6	5.4	6.1	1.9	-0.7	-2.8	-0.7	0.0	-1.8	-2.9	-3.5	-3.9
— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)															
Revenue and grants	mIn BGN	25 041	23 933	25 378	27 470	27 470	6 158	14 166	21 307	11 802	14 165	16 610	18 996	21 308	23 751
Total expenses	mIn BGN	25 667	26 755	26 867	27 828	27 827	6 955	14 172	21 668	11 757	14 173	16 778	19 209	21 668	24 194
Contribution to EU budget	mIn BGN	746	670	779	809	809	328	533	747	465	533	605	675	747	790
Cash deficit (-) / surplus (+)	mIn BGN	-626	-2 823	-1 488	-358	-358	-799	-7	-360	46	-8	-168	-213	-360	-443
	% of GDP	-0.9	-4.0	-2.0	-0.5	-0.5	-1.0	0.0	-0.5	0.1	0.0	-0.2	-0.3	-0.5	-0.6
Government and government guaranteed debt	mIn BGN	10 641	11 778	12 826	14 683	14 683	14 408	14 428	13 886	14 458	14 428	14 385	13 627	13 886	13 968
	% of GDP	15.6	16.7	17.0	18.9	18.9	18.3	18.3	17.6	18.3	18.3	18.2	17.3	17.6	17.7
Fiscal reserve	mIn BGN	7 673	6 012	4 999	6 081	6 081	4 216	5 754	4 965	5 825	5 754	5 569	4 717	4 965	4 902
	%, yoy	-8.5	-21.6	-16.9	21.6	21.6	-6.9	13.7	-30.8	15.4	13.7	-21.4	-31.8	-30.8	-26.2
— FINANCIAL SECTOR															
BNB International reserves	mIn EUR	12 919	12 977	13 349	15 552	15 552	14 493	14 590	14 937	14 842	14 590	14 938	14 875	14 937	14 452
Monetary base coverage	%	195.2	179.8	175.1	174.9	174.9	170.3	174.7	165.1	178.1	174.7	171.6	165.2	165.1	167.6
Coverage of import with FX reserves	months	8.0	7.3	6.2	6.7	6.7	6.3	6.3	6.4	6.4	6.3	6.5	6.5	6.4	
Coverage of short-term external debt	%	100.2	115.3	133.8	146.7	149.1	140.2	140.6	144.0	142.4	140.6	144.4	144.3	144.0	
Money M1 (Narrow money)	%, yoy	-8.8	0.8	14.4	9.5	9.5	10.7	17.1	16.7	13.3	17.1	14.0	16.9	16.7	19.2
Money M3 (Broad money)	%, yoy	4.2	6.2	12.2	8.4	8.4	8.9	7.7	8.1	7.5	7.7	6.4	7.7	8.1	9.5
Deposits	%, yoy	7.6	6.6	13.2	8.4	8.4	9.3	7.8	8.3	7.5	7.8	6.4	7.8	8.3	9.9
Credit to private sector	%, yoy	3.8	1.1	3.3	3.0	3.0	2.3	0.8	0.5	1.5	0.8	0.5	0.3	0.5	0.7
Credit to non-financial enterprises	%, yoy	2.3	2.4	5.7	5.0	5.0	4.4	2.0	1.4	3.2	2.0	1.4	1.1	1.4	1.4
Credit to households	%, yoy	5.8	-0.8	-0.4	-1.0	-1.0	-1.3	-0.9	-0.6	-1.3	-0.9	-0.5	-0.8	-0.6	-0.6
Interest rate on short-term loans	%	10.5	8.5	7.2	7.6	7.3	7.6	8.5	7.3	7.8	8.2	7.4	7.2	7.2	8.3
Interest rate on time deposits	%	7.0	5.4	4.8	4.3	4.1	4.1	3.5	3.4	3.8	3.3	3.5	3.4	3.2	3.2

		2009	2010	2011	2012	Q4'12	Q1'13	Q2'13	Q3'13	V'13	VI'13	VII'13	VIII'13	IX'13	X'13
Exchange rate BGN/USD	eop	1.36	1.47	1.51	1.48	1.48	1.53	1.50	1.45	1.50	1.50	1.47	1.48	1.45	1.43
	per. av.	1.41	1.48	1.41	1.52	1.51	1.48	1.50	1.48	1.51	1.48	1.50	1.47	1.46	1.43
— GROSS EXTERNAL DEBT (GED)															
Gross external debt	% of GDP	108.3	102.7	94.1	94.8	94.8	93.2	92.5	92.1	92.9	92.5	92.6	92.5	92.1	
Short-term external debt	% of GED	32.1	30.2	27.8	27.7	27.8	27.5	27.6	27.9	27.7	27.6	27.5	27.4	27.6	
Intercompany lending	% of GED	38.5	40.4	42.7	41.6	41.6	42.3	43.3	43.4	42.5	42.4	42.7	43.1	42.9	
— BALANCE OF PAYMENTS															
Current account	mIn EUR	-3 116	-533	39	-528	-493	-390	517	1 259	-138	200	244	860	156	
<i>Current account (moving average)</i>	% of GDP	-8.9	-1.5	0.1	-1.3	-1.3	-0.9	1.3	2.2	1.0	1.3	1.2	2.5	2.2	
Trade balance	mIn EUR	-4 174	-2 764	-2 156	-3 622	-837	-444	-793	-379	-318	-308	-230	121	-270	
<i>Trade balance (moving average)</i>	% of GDP	-11.9	-7.7	-5.6	-9.1	-8.7	-7.5	-6.5	-6.1	-6.6	-6.4	-6.4	-5.8	-6.1	
Export, f.o.b.	mIn EUR	11 699	15 561	20 264	20 793	5 343	5 223	5 428	5 972	1 696	1 760	2 035	2 001	1 936	
	%, yoy	-23.1	33.0	30.2	2.6	3.5	13.0	3.3	7.6	-9.1	-0.6	9.1	7.0	6.7	
Import, f.o.b.	mIn EUR	15 873	18 325	22 420	24 415	-6 180	-5 666	-6 222	-6 351	-2 014	-2 068	-2 265	-1 880	-2 206	
	%, yoy	-33.3	15.4	22.3	8.9	2.1	2.9	-3.8	4.5	-10.9	-2.7	7.2	-6.0	12.4	
Capital account	mIn EUR	477	291	497	537	321	-9	83	156	101	31	28	73	55	
Financial account	mIn EUR	1 163	-673	-968	2 231	150	-735	-303	-758	-163	-161	-116	-546	-96	
Net Foreign Direct Investments	mIn EUR	2 505	977	1 199	1 302	-315	466	178	142	109	168	108	40	-6	
Net Portfolio Investments	mIn EUR	-619	-635	-357	-931	-1 207	-577	-207	-146	-20	-142	-121	53	-78	
Other Investments – net	mIn EUR	-704	-990	-1 744	1 894	1 687	-615	-183	-744	-210	-181	-95	-638	-10	
Change in BNB reserve assets ³	mIn EUR	650	384	-159	-2 161	-215	1 045	-527	-269	-35	39	-250	129	-148	

Notes:

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

2. HICP deflated.

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



— GOVERNMENT DEBT REVIEW

Ministry of finance (MF) reopened for the 3rd time the 3Y BGN-denominated issue of government securities (GS) maturing January 30, 2016. Securities amounting to BGN 40 mln were offered and approved at the auction held on November 4. The yield of 1.24% has been the lowest one since January 2013, down by 40 bps drop from the previous auction held for the same issue in July this year. Primary dealers placed offers for BGN 155.35 mln, thus the bid-to-cover ratio reached 3.88 which is one of the highest for this issue. Guarantee and contractual funds acquired the largest amount of GS at the auction, i.e. 64.5%, followed by banks with 30.6% and pension funds with 4.9%. The volume of the issue in circulation reached BGN 155 mln after the auction. The spread against the German benchmark bonds in this maturity segment stood at 1.14% - its lowest value since the launch of the issue in January 2013.

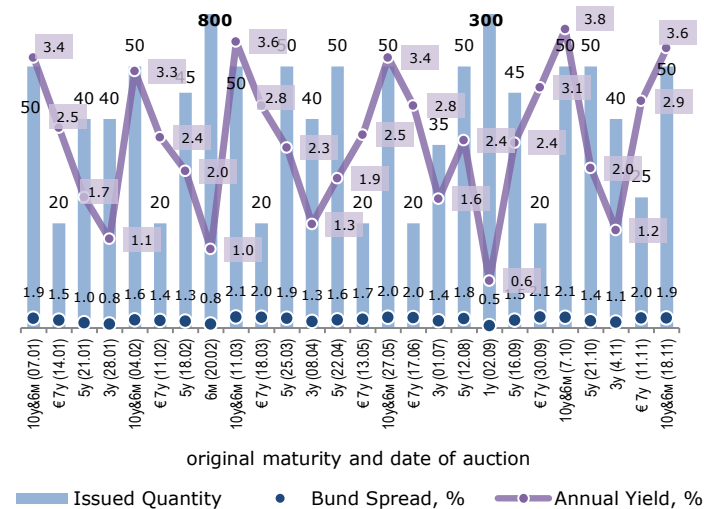
MF reopened for the 6th time a 7-year GS issue denominated in euro, maturing January 16, 2020. At the auction held on November 11, the yield achieved stood at 2.88%. The GS face value offered and approved for sale was EUR 25 mln, while the primary dealers subscribed EUR 65.54 mln, the coverage coefficient being 2.62. Pension funds acquired the largest amount of GS at 45.4%, followed by insurance companies - 22.6%, banks - 20% and investment intermediaries - 12%. After this auction, the issue in circulation totaled EUR 145 mln.

MF reopened for the 5th time this year the 10.5-year benchmark issue of BGN denominated GS. It has been issued on January 9, 2013, and matures on June 9, 2023. At the

auction held on November 18, the yield achieved was 3.55% with GS offered for sale at the amount of BGN 50 mln with a coverage coefficient of 1.73. The yield has been lower by 24 bps compared to the previous auction for this issue in October 2013. The largest amount of GS has been acquired by banks - 57.5%, followed by pension funds - 20.5%, investment intermediaries - 12% and insurance companies - 10%. After its 5th reopening, the issue in circulation totaled BGN 300 mln.

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 October amounted to EUR 6 725 mln, including domestic debt of EUR 3 063.3 mln and external debt of EUR 3 661.7 mln. In nominal terms, the debt posted an increase of EUR 52.8 mln over the end of the previous month. This was mainly due to the T-bills issued on the domestic market during the month. At the end of October the government debt-to-GDP ratio stood at 16.7%.

Government Debt Amount, mln EUR

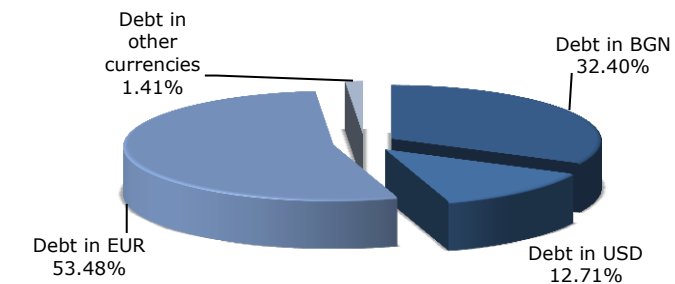
Structure	31.12.2010	31.12.2011	31.12.2012	30.04.2013	31.05.2013	30.06.2013	31.07.2013	31.8.2013	31.9.2013	31.10.2013
Domestic government debt	2 011.5	2 458.3	2 546.7	3 144.0	3 189.3	3 209.1	3 200.6	2 817.3	2 992.8	3 063.3
External government debt	3 373.5	3 487.6	4 444.5	3 746.2	3 747.9	3 716.6	3 707.1	3 707.7	3 679.5	3 661.7
Government debt, total	5 385.0	5 945.9	6 991.2	6 890.2	6 937.2	6 925.6	6 907.7	6 525.0	6 672.3	6 725.0
Government debt-to-GDP (%)	14.9	15.4	17.6	16.9	17.2	17.2	17.1	16.2	16.5	16.7

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

By end-October the share of debt denominated in EUR was 53.5%, in BGN – 32.4%, in USD - 12.7% and in other currencies - 1.4%.

Government Debt Currency Structure

(as of 31 October)



Source: MF

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

At the end of October, the share of debt with fixed interest reached 85.8%, while debt with floating interest stood at 14.2%.

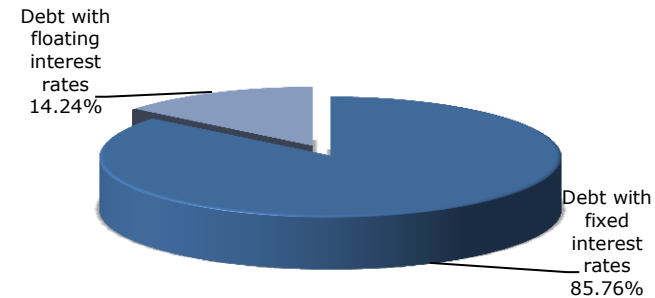
Government debt portfolio structure is another key indicator for the successful debt management policy

According to debt portfolio structure as of October, domestic government debt had the largest relative share at 45.6%, followed by Eurobonds issued in international capital markets – 14.1%, World Bank – 12.8%, European Union – 12.8%, global bonds – 11.8%, 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

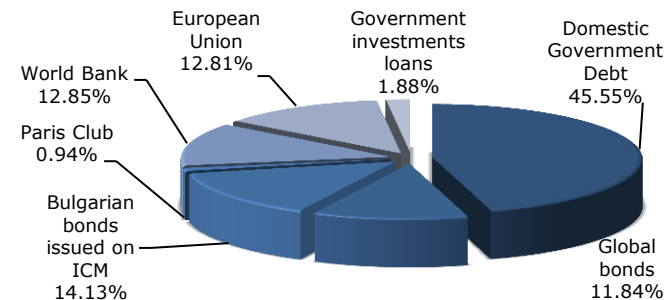
(as of 31 October)



Source: MF

Government Debt Currency Structure

(as of 31 October)



Source: MF