

BULGARIAN ECONOMY

Monthly Report

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Main topics:

- » Short-term Business Statistics
- » Labour Market and Incomes
- » Inflation
- » External Sector
- » Financial Sector
- » Fiscal Developments
- » Tabl. Key Economic Indicators

Highlights

According to NSI recently published data, **GDP increased by 3.8% yoy in Q3 2017** (nsa data). The growth was driven by the increase in final consumption and gross fixed capital formation, both up by 4.2%. Export growth stood at 4.6% yoy, but it was surpassed by the increase in import, up by 5.4%. Q3 GDP growth stood close to that reported in Q2. The contribution of domestic demand narrowed but it was compensated by the lower negative contribution of net export.

Short-term business statistics reported somewhat mixed performance in September, as industrial turnover slightly accelerated, while industrial and construction production, as well as retail trade growth decelerated. Meanwhile, the **business climate** and the **consumer confidence indicators** both declined.

The **unemployment** rate went down to 5.8% reaching its record low since the beginning of 2009. The **participation rate** of population, on the other hand, reported its record high in Q3 at 56.5% (15+) and 72.8% (15-64), respectively. The **registered unemployment** rate went

slightly up to 6.7% in October due to discontinuation of seasonal activities.

The **average wage** nominal growth accelerated to 10.2% yoy in Q3 2017, mainly driven by private sector wages. **The annual inflation rate** accelerated further to 1.5% yoy in October, as the contribution of higher services prices strengthened.

In January-August, the **current account surplus** increased by 3.5% yoy to EUR 2.3 bn (4.5% of projected GDP). All subaccounts except for trade in goods performed better compared to August 2016. The services surplus stood at 5.2% of projected GDP in January-August with the number of foreigners visiting Bulgaria in the period up by 10.2% yoy.

Credit to the private sector gained further speed, up by 4.9% yoy in September. **Weighted average interest rate on credits** to non-financial corporations continued on the decrease, down by 5 bps, while **weighted average interest rate on time deposits** increased by 4 bps at end-September, due to higher average rate on non-financial corporations deposits.

For the first nine months of the year, **the balance on the consolidated fiscal program** was positive, reaching BGN 2.4 bn (2.4% of projected GDP) at end-September. The positive fiscal outcome resulted from higher revenues over expenditure on the national budget, while EU funds account was on a minor deficit. ■



SHORT-TERM BUSINESS STATISTICS

The growth of **industrial turnover**¹ slightly accelerated to 10.6% yoy in September (10.1% yoy in August), as a result of the stronger performance of foreign industrial sales (fig. 1). The later increased by 15.9% yoy, with major contribution for the reported growth from *manufacture of basic metals*. At the same time, the growth of domestic turnover slowed down to 6.4% yoy due to weaker performance in manufacturing industries.

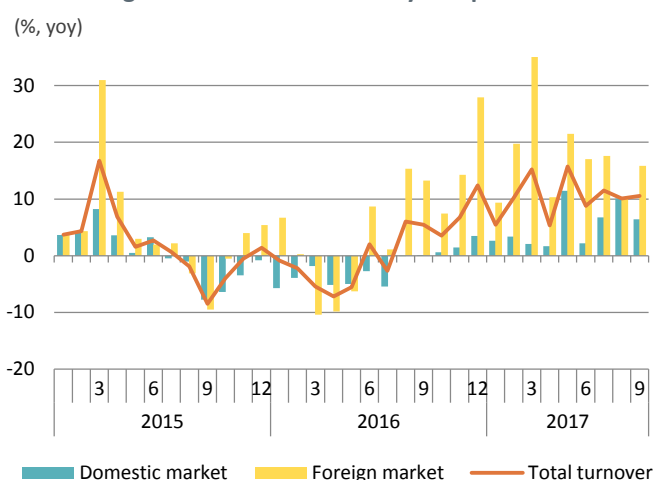
The growth of **industrial production** decelerated to 1.7% yoy in September (4.1% yoy in August) affected negatively by weaker domestic sales. Major contribution for the reported increase had *manufacture of basic metals*, which is oriented primarily towards foreign markets.

The increase of **construction production index** also slowed down to 5% yoy in September compared to an annual growth of 8.3% in August (fig. 2). Both *building construction* and *civil engineering* contributed for the reported downward trend. The growth of *building construction* decelerated to 10.7% yoy (16% yoy in August), while the decline of *civil engineering* deepened to 1.6% yoy (0.3% in August).

Retail trade rose by 2% yoy in September. *Retail sales in non-specialized stores* posted the largest increase of 12.9%, followed by retail sales of audio and video equipment, up 10.4%. Similar to previous months, only retail sales of automotive fuels continued to report a decline, down 12.8%.

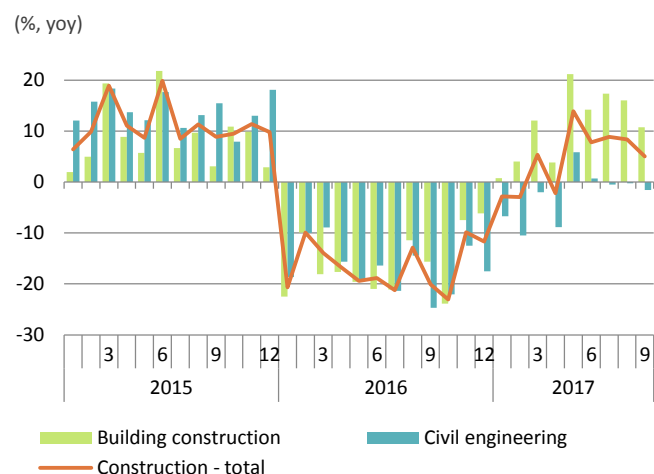
In October **the overall business climate indicator** declined by 1.8 points due to worsened expectations about the business situation of the enterprises over the next 6 months in all sectors (fig. 3 and 4). In industry, the number of respondents who report insufficient domestic demand increased. In construction, the assurance with orders was 6.9 months, which is a de-

Fig. 1: Industrial turnover by components



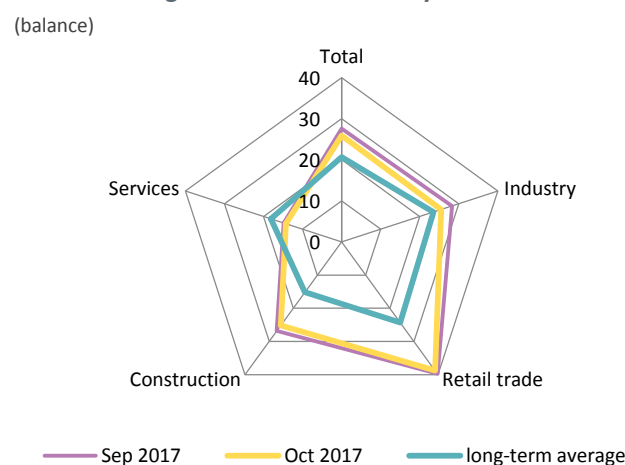
Source: NSI

Fig. 2: Construction production index



Source: NSI

Fig. 3: Business climate by sectors



Source: NSI

¹ According to NSI methodology, the *industrial turnover index* reflects changes in both volume of sales and prices, while for the *industrial production index* compilation, the value of enterprises' production is deflated by the producer price index in order to isolate the price fluctuations.

crease by 0.5 months compared to the quarterly observation in July. In the same time, the volume of retail sales has increased and the expectations in the sector are favourable.

In October, the **consumer confidence indicator** decreased by 1.5 points. The expectations of the respondents regarding the financial situation of households and the general economic situation improved. However, there was worsening in their unemployment expectations (fig. 5).



LABOUR MARKET AND INCOMES

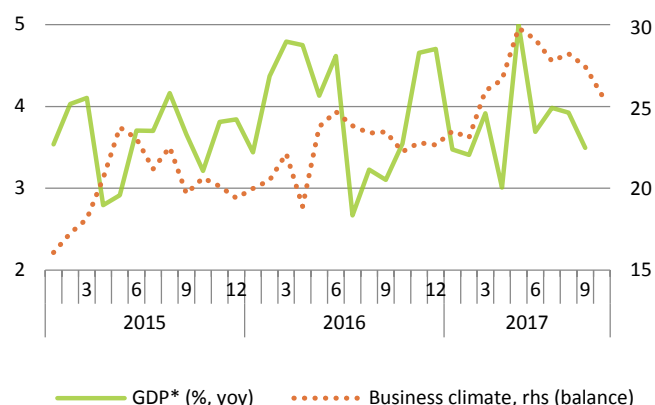
In Q3 2017, labour demand continued to increase, which resulted in labour force increase and a decrease of **unemployment** (fig. 6). The higher seasonal employment in the *construction, accommodation and food service activities, agriculture, manufacturing industry*, as well as in *education* due to the start of the new school year contributed to the decline in the unemployment number to 200.2 thousand². The **unemployment rate** went down to 5.8% of the labour force reaching its record low since the beginning of 2009.

Nearly 16.7% of the employment growth³ in the third quarter in yoy terms was due to the decrease of the unemployed, while the rest of the increase of about 83% was on the account of the higher labour supply. The **participation rate** of population reported its record high of 56.5% and 72.8%, for the 15+ and 15-64 age groups respectively. All the age sub-groups registered stronger labour force participation on a year earlier (fig. 7), with the biggest increase for the first time since the beginning of the year made by youths (15-24), followed by older workers (55-64). The enhanced job opportunities in 2017 influenced favourably the employment rate of youths, going up by 5.6 pps yoy to 25.2% in Q3 after a prolonged period of decrease in 2009-2016. The positive employment and participation rates developments for the youth age group also reflected the targeted government policy in

² According the Labour Force Survey (LFS) figures.

³ According to the LFS the employment growth was 5.6% in Q3 yoy.

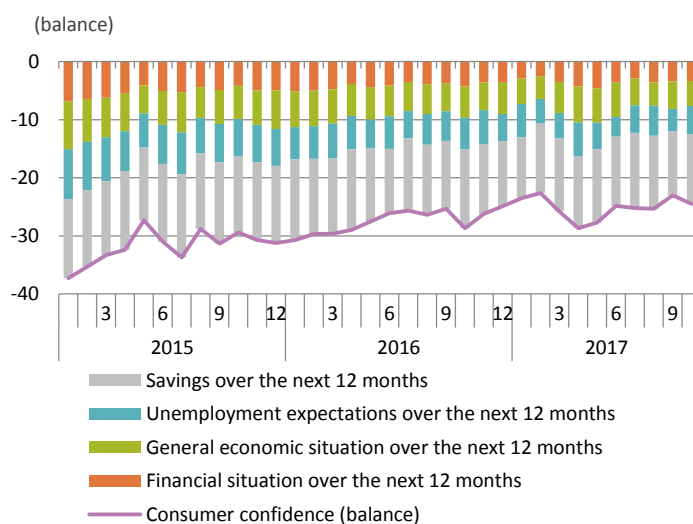
Fig. 4: Business climate and GDP



* Monthly GDP data is obtained using Chow-Lin methodology for temporal disaggregation

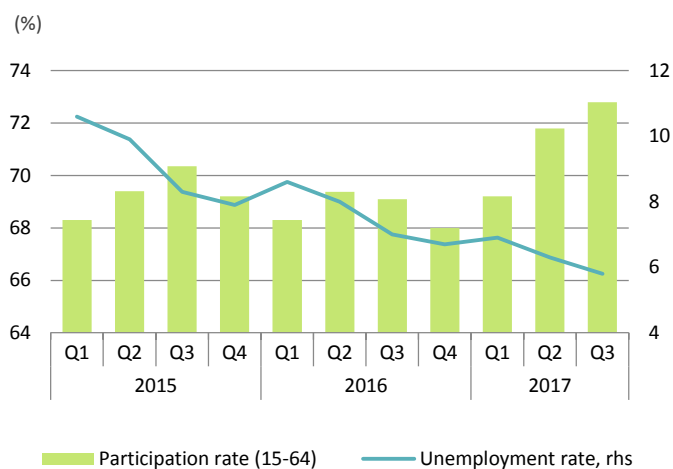
Source: NSI, MF

Fig. 5: Consumer confidence indicator by components



Source: Eurostat

Fig. 6: Unemployment and Participation Rates



Source: NSI

support of young people. The latter have been part of the targeted groups on the labour market together with the older workers. The higher labour force participation of the older workers was also sustained by the pension reform aiming to ensure longer stay on the labour market, amongst others.

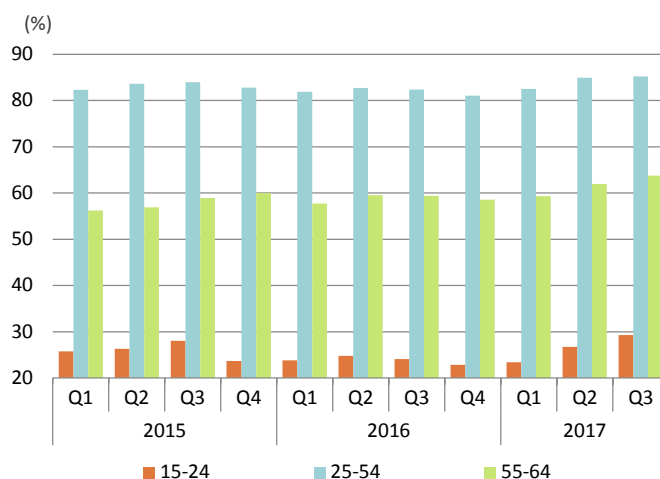
In October, **registered unemployment** rate went up by 0.2 pps mom to 6.7% due to discontinuation of seasonal activities. The unemployment inflow increased by 37.3% and its level of 38.3 thousand exceeded the outflow of unemployment (31.4 thousand). In result, total unemployed grew by 3.2% to 220.2 thousand, while remaining 14.7% lower compared to October 2016. The outflow of unemployment decreased over September mainly due to the weaker activity on the primary labour market, where labour demand went down. At the same time, the scope of the newly hired unemployed in active labour market programmes and measures remained close to the one in the previous month at 3.7 thousand persons.

The country's **average wage** growth in Q3 2017 came at 10.2% yoy in nominal terms (fig. 8), close to that in the previous quarter (9.9% yoy) and higher compared to a year earlier (7.7% yoy). Given the ongoing positive price dynamics, the accelerated nominal wage growth boosted the purchasing power up, as the HICP deflated real wage stepped up 9.2% yoy.

Recent developments were mainly driven by the private sector wages, up by 10.9% yoy, while the public sector wage growth was 7.9% yoy. A breakdown by economic activity showed that the highest wage growth was reported by *real estate* (13.5% yoy), *administrative and subsidiary activities* (12.9% yoy), followed by *trade* (11.8% yoy), *professional activities* (11.5% yoy) and *industry excl. construction* (11.2%). The ongoing upward wage dynamics in *education* (12%) had a major contribution to the stronger public wage growth than a year earlier. The latter reflected the envisaged increase of the minimum wages by occupations in education since the beginning of 2017.

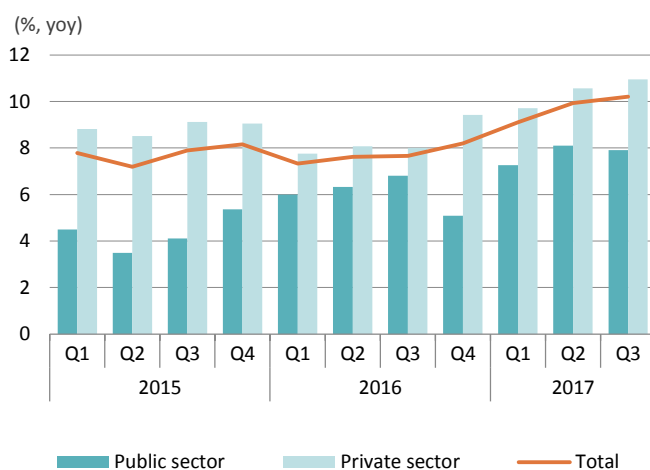
The observed stronger wage growth in Q3 2017 also reflected an increase in the number of jobs across the

Fig. 7: Participation Rates by Age Groups



Source: NSI

Fig. 8: Nominal wage growth by economic sectors



Source: NSI

Fig. 9: Contributions to the employees' growth by occupation in the industrial and service sector



Source: NSI, MF

highly-skilled⁴ occupations and a decrease among the relatively lower-skilled occupations, being most pronounced within the service sector activities (fig. 9). Meanwhile, the strong wage growth in the industrial sector was accompanied by a respective production growth, particularly within the export-oriented activities, such as *manufacturing of chemicals and chemical products, rubber and plastic products, basic metals and fabricated metal products, machinery and equipment*. The same held true for the *construction*, where the average wage growth went up by 7.7% yoy. It remained lower than the average rate for the economy, but significantly higher on a year earlier (1.7%) in line with the upward production dynamics in the sector (7.4%).



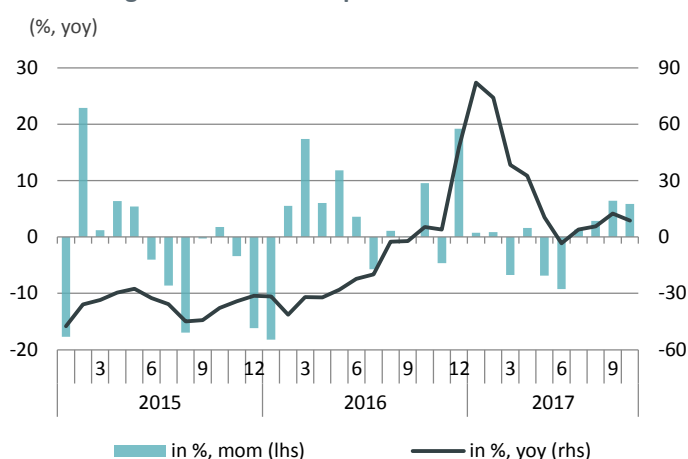
INFLATION

Consumer prices, as measured by the HICP, posted a minor increase in October, up 0.1% mom. Higher prices for clothing and footwear, which rose by 6.4% on average over September, largely accounted for the monthly increase in the headline rate. Prices of transport fuels also went up during the month, up by 0.7%, in line with developments in international crude oil prices (fig. 10). On the other hand, international airfares decreased by 25.2% mom, offsetting the positive contribution of the two components above. Rates for accommodation services also dropped in October, down by 3.7% mom, while prices for package holidays increased by 11.6%.

Administered prices increased by 0.2% mom after another hike in prices for water supply - up by 1.4%, sewerage and water purification services - up by 1.2% and tertiary education - up by 1.4%.

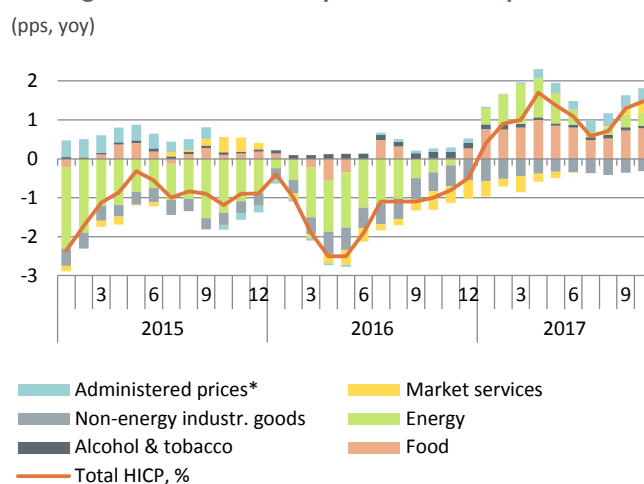
The annual inflation rate accelerated further to 1.5% yoy as the positive contribution from higher services prices strengthened (fig. 11). Core inflation⁵ also continued to gain speed, up 0.8% yoy in October.

Fig. 10: International prices of Brent in euro



Source: World bank, MF

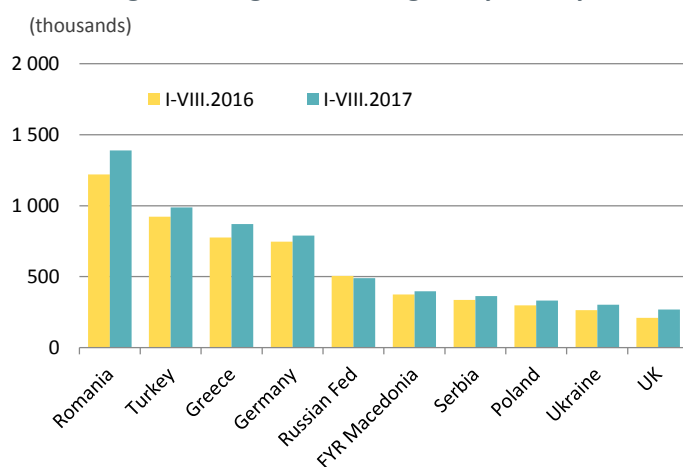
Fig. 11: Contributions by main HICP components



* The index of administered prices is calculated as a weighted average of all elementary aggregate groups (goods and services) the prices of which are set or influenced to a significant extent by the government.

Source: Eurostat, MF

Fig. 12: Foreign visits in Bulgaria by country



Source: NSI

⁴ This group includes managers, professionals and technicians and associate professionals according to the National classification of occupations

⁵ The total index excluding energy and unprocessed food



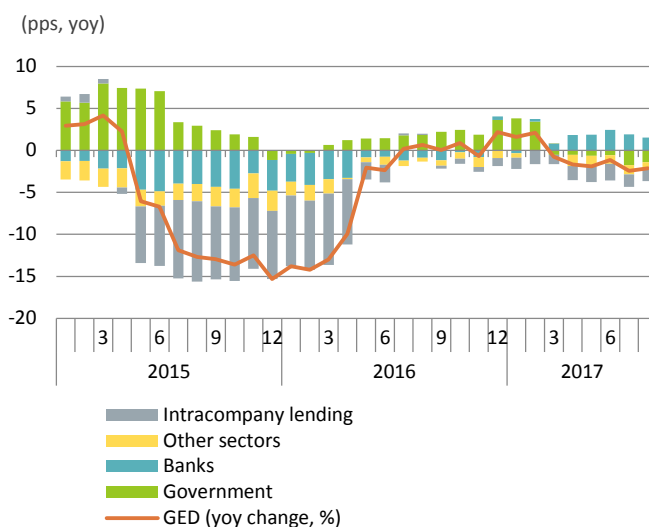
EXTERNAL SECTOR

In January-August the **current account** surplus increased by 3.5% yoy and reached EUR 2.3 bn (4.5% of projected GDP), exceeding in nominal terms last year's balance of EUR 2.2 bn (4.6% of GDP). In August alone, the current account surplus also improved in yoy terms. All subaccounts except for trade in goods performed better compared to August 2016. Export of goods increased by 11.9% yoy, while import rose by 14.7% yoy. Both dynamics were affected by higher international prices as well as by the rise in traded quantities. Leading commodity groups for export in August were – *cereals, rubber and steel* and *chemicals*, and for import – *metal ores, crude oil* and *electrical machinery*. *Services surplus* improved on an annual basis as export's growth surpassed the increase in import during the month. Travel services drove the increase in both export and import. Travel was the main contributor to the services surplus of 5.2% of GDP in January-August. According to NSI data, the number of foreigners visiting Bulgaria in the period increased by 10.2% yoy, with visitors from EU countries contributing the most (fig. 12).

Primary income balance came in positive for a second consecutive month in August. Thus the primary income deficit accumulated since the beginning of the year improved to 0.5% of projected GDP compared to 1.5% in 2016. *Secondary income surplus* in August surpassed the level reached a year ago, but the overall balance for the eight-month period (2.6% of GDP) was comparable to the surplus recorded in January-August 2016.

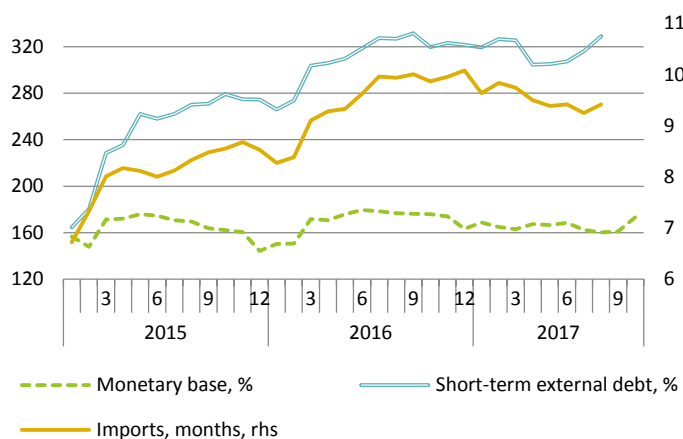
Gross external debt stood at EUR 33.1 bn at end-August (65.1% of projected GDP). There was yoy improvement in the external indebtedness of all institutional sectors, except for the banks (fig. 13). As regards the maturity structure, short-term debt stood at 14.6% of GDP, while long-term debt declined by 3.8% yoy to 50.5% of GDP. At the end of August, Bulgaria held a positive external debt position of 2.3% of GDP, i.e. the country's gross external assets surpassed the stock of gross external debt.

Fig. 13: Contributions to GED growth



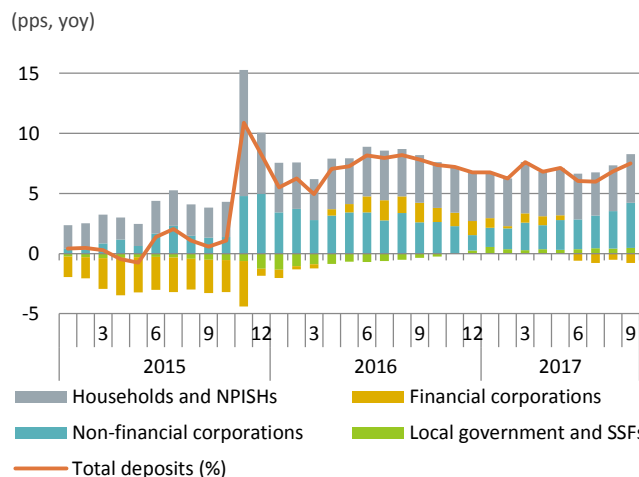
Source: BNB

Fig. 14: Coverage with FX Reserves



Source: BNB, MF

Fig. 15: Contributions to annual growth of total deposits by institutional sectors



Source: BNB



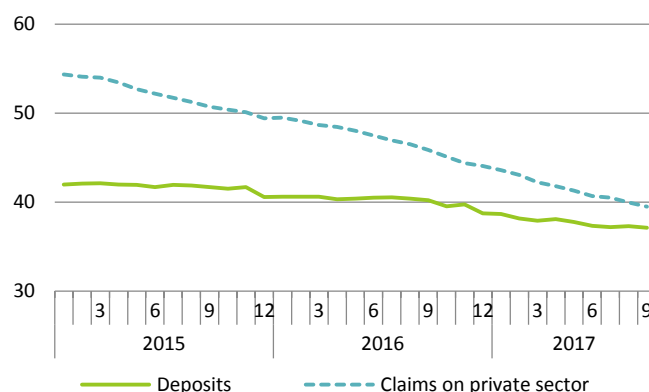
FINANCIAL SECTOR

International reserves decreased in October, down by 9.5% mom and amounted to EUR 22.2 bn. This was due basically to a drop in banks' reserves, which contracted by 30.7% compared to end-September reflecting the implementation of a more negative interest rate on banks' excess reserves. The other component with a monthly negative contribution was notes in circulation, down by 1.2% mom. The annual growth of the reserves was negative, down by 4.3% yoy as of end-October. Positive contribution to the annual growth came from notes in circulation and liabilities to other depositors, up by 11.4% and 29.1% yoy, respectively, while the annual growth of the banks' reserves was negative, down by 18.1% yoy (fig. 14).

Credit to the private sector continued to accelerate and registered 4.9% yoy growth in September vs. 4.6% yoy at the end of August (fig. 17). The growth of corporate loans was 3.1% yoy vs. 2.8% yoy a month ago. Loans to households contributed more to the positive growth of private sector credit and accelerated to 5.9% yoy at the end of Q3 2017. Mortgage loans also kept gathering speed and their growth stood at 5.8% yoy as of end-September (vs. 5.4% yoy at the end of August). Consumer loans followed a similar dynamics and accelerated to 5.7% yoy vs. 5.4% annual growth at the end of the previous month. **Bad and restructured credits** accelerated their decline in September, down by 11.8% yoy, while their share in total credits to non-financial corporations and households at the end of September was 14.2% vs. 16.8% in September 2016.

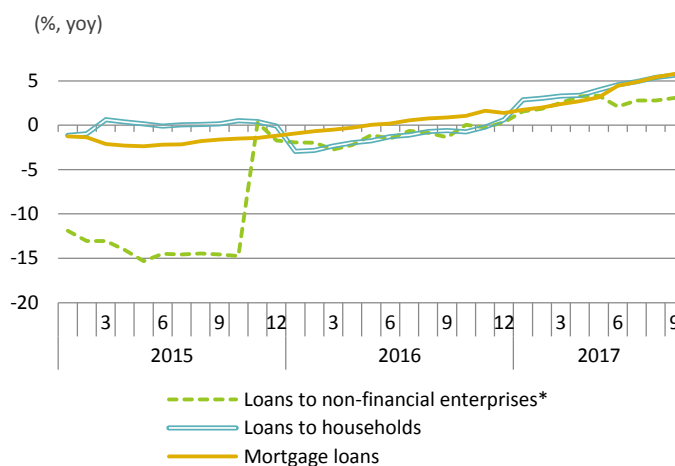
Weighted average interest rate on credits to non-financial corporations registered a decrease for another month, down by 5 bps in September (table 1), driven mainly by those denominated in EUR in terms of currency structure. The monthly volume of new corporate loans came lower, down by 30.9% yoy. The average price of mortgages and consumer loans decreased slightly compared to August, down by 3 bps and 4 bps respectively.

Fig. 16: Share of deposits and claims on private sector in FX (% of total)



Source: BNB, MF

Fig. 17: Credit growth (% yoy)



* The double-digit decline, which persisted until October 2015 was due to the statistical effect of the exclusion of Corporate Commercial bank (CCB) as a reporting agent from the monetary statistics data of the sector "Other monetary financial institutions".

Source: BNB, MF

Table 1: Weighted average interest rate on new credits to households and non-financial companies, in %

	September 2016	August 2017	September 2017
Non-financial companies	4.54	3.35	3.30
Consumer credits	8.85	8.06	8.02
Mortgages	4.81	3.94	3.90

Source: BNB, MF

Table 2: Annual Percentage Rate of Charge on new loans to households

	September 2016	August 2017	September 2017
Consumer credits	11.07	10.16	10.25
Mortgages	5.27	4.37	4.32

* Annual Percentage Rate of Charge on New Business on Loans to Households Sector by Original Maturity. APRC for consumer credits and mortgages are weighted by currency and maturity.

Source: BNB, MF

Weighted average interest rate on time deposits slightly increased at end-September, up by 4 bps. The average rate on households' deposits went down by 1 bps, while those from non-financial corporations rose 18 bps compared to end-August. Euro and BGN denominated time deposits' price increased, up by 9 and 4 bps respectively, while those in USD moved down by 9 bps. The total monthly volume of new time deposits reached BGN 1.21 bn, which was 2.5% higher compared to September 2016 (table 3).



FISCAL DEVELOPMENTS

For the first nine months of the year, **the balance on the consolidated fiscal program** was positive, reaching BGN 2.4 bn (2.4% of projected GDP) at end-September. The positive fiscal outcome resulted from higher revenues over expenditure on the national budget, while EU funds account was on a minor deficit.

Total revenues and grants amounted to BGN 26.2 bn, up by 2% compared to September 2016. The drop in grants that started in April 2016 persisted in September 2017 as well (down 54.9% yoy in cumulative terms), but the overall positive development of tax revenues offset the negative contribution of EU funds. Total tax revenues increased by 8.7% yoy, mainly as a result of higher social and health insurance contributions and indirect tax revenues, up by 14.2% and 6.2% yoy respectively. The former was a result of higher VAT receipts and excises, up by 7.9% and 3% yoy, respectively. Direct tax revenues increased by 8.7% compared to September 2016 (fig. 18).

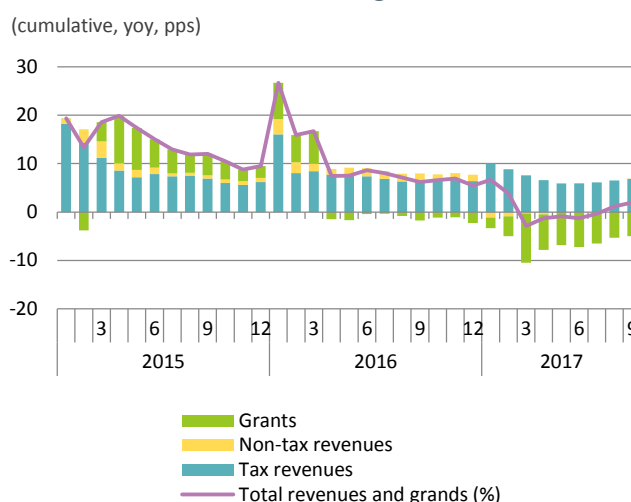
Total government spending posted a 6.5% yoy increase and amounted to BGN 23.7 bn. The growth came mainly on the account of higher personnel payments (up 25% yoy), social expenditures and scholarships (up 4.3% yoy) and subsidies (up 26.2% yoy). A significant drop of 14.7% was reported by current maintenance. Capital spending (including the net increase of state reserve) also remained 10.2% lower than its previous year level (fig. 19).

Table 3: Weighted average interest rate on new time deposits of households and non-financial companies, in %

	September 2016	August 2017	September 2017
BGN	0.68	0.34	0.38
EUR	0.65	0.31	0.40
USD	0.44	0.45	0.35

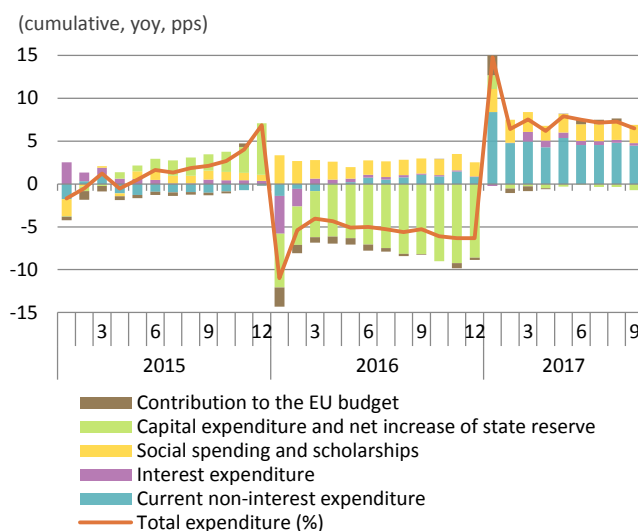
Source: BNB, MF

Fig. 18: Contribution to the growth of total revenues and grants



Source: MF

Fig. 19: Contribution to the growth of total expenditures



Source: MF

The fiscal reserve amounted to BGN 11.9 bn (11.9% of projected GDP) in September, of which BGN 11.4 bn in bank deposits and BGN 0.5 bn EU funds receivables on certified expenses. The fiscal reserve decreased by 16.9% yoy.

General government debt, incl. guaranteed debt, remained almost unchanged from its level in the previous month at BGN 25.5 bn (25.6% of projected GDP), being 28.5% of GDP a year earlier. Domestic and external debt stood at 6.5% and 17% of GDP respectively, down from 7.3% and 20.7% of GDP in the previous year. Government guaranteed debt-to-GDP ratio was 2% at end-September, being 0.6% a year earlier. ■



KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q4'16	Q1'17	Q2'17	Q3'17	04'17	05'17	06'17	07'17	08'17	09'17	10'17
— GDP¹															
Gross Domestic Product	% , yoy	1.3	3.6	3.9	4.3	3.6	3.9	3.8	-	-	-	-	-	-	-
Consumption	% , yoy	2.2	3.8	3.3	5.1	4.2	4.7	4.2	-	-	-	-	-	-	-
Gross fixed capital formation	% , yoy	3.4	2.7	-6.6	-10.0	2.4	4.0	4.2	-	-	-	-	-	-	-
Export	% , yoy	3.1	5.7	8.1	10.6	6.1	3.6	4.6	-	-	-	-	-	-	-
Import	% , yoy	5.2	5.4	4.5	4.9	9.1	6.2	5.4	-	-	-	-	-	-	-
Agriculture	% , yoy	4.8	-6.8	5.3	5.4	-0.1	0.0	-1.5	-	-	-	-	-	-	-
Industry	% , yoy	0.3	4.2	4.0	4.6	3.7	4.1	3.5	-	-	-	-	-	-	-
Services	% , yoy	1.7	3.3	3.1	3.9	5.4	4.3	3.6	-	-	-	-	-	-	-
Adjustments	% , yoy	0.1	7.5	7.2	6.0	-4.0	2.7	9.0	-	-	-	-	-	-	-
— Short-term business statistics²															
Industrial production	% , yoy	1.8	2.9	2.7	4.1	3.9	4.8	3.4	0.6	11.1	3.3	4.6	4.1	1.7	-
Industrial turnover	% , yoy	0.0	1.7	1.0	7.6	10.3	9.9	10.7	5.4	15.7	8.8	11.5	10.1	10.6	-
Retail trade turnover	% , yoy	10.2	11.8	3.9	3.6	4.7	3.4	2.5	1.3	6.3	2.7	2.3	3.2	2.0	-
Construction output	% , yoy	7.0	11.2	-16.7	-15.3	0.1	6.4	7.5	-2.2	13.9	7.8	8.9	8.3	5.0	-
Total business climate	balance	15.9	20.3	22.5	22.7	24.3	28.7	28.0	26.8	30.0	29.3	27.9	28.4	27.6	25.8
Industry	balance	18.2	22.9	23.5	23.1	26.5	27.7	27.8	27.2	28.5	27.3	28.6	26.4	28.3	25.5
Retail trade	balance	24.0	27.6	33.6	34.6	32.1	39.4	40.6	35.4	41.0	41.7	38.8	43.3	39.8	38.7
Construction	balance	7.3	15.2	17.9	17.8	19.0	29.1	27.9	26.4	29.3	31.5	28.3	28.6	26.8	25.2
Services	balance	11.7	12.7	13.8	14.7	17.4	19.6	15.8	17.7	22.4	18.7	15.4	17.3	14.8	14.2
— Labour market															
Participation rate (15+)	level	54.1	54.1	53.3	52.7	53.7	55.8	56.5	-	-	-	-	-	-	-
Employment rate (15+)	level	48.0	49.1	49.3	49.2	50.0	52.2	53.2	-	-	-	-	-	-	-
Employment (SNA)	% , yoy	0.4	0.4	0.5	0.6	1.2	0.9	-	-	-	-	-	-	-	-
Unemployment rate (LFS)	level	11.4	9.1	7.6	6.7	6.9	6.3	5.8	-	-	-	-	-	-	-
Unemployment rate (EA)	level	11.2	10.1	8.7	7.9	8.1	7.2	6.6	7.6	7.1	6.8	6.7	6.7	6.5	6.7
Nominal wage	% , yoy	6.0	6.8	9.5	8.2	9.1	9.9	10.1	10.2	9.9	9.7	9.7	9.2	11.5	-
Real wage ³	% , yoy	7.7	8.0	11.0	9.1	8.3	8.4	9.2	8.4	8.3	8.5	9.1	8.4	10.1	-
Labour productivity (GDP per employed)	% , yoy	1.0	3.3	3.4	3.7	2.4	2.9	-	-	-	-	-	-	-	-
Real ULC (GDP)	% , yoy	4.1	0.1	0.1	-2.9	3.1	1.6	-	-	-	-	-	-	-	-
Nominal ULC (GDP)	% , yoy	4.6	2.3	2.3	-0.3	2.6	4.1	-	-	-	-	-	-	-	-
— Prices															
National consumer price index (CPI)	% , yoy	-1.4	-0.1	-0.8	-0.3	1.7	2.3	1.6	2.6	2.3	1.9	1.3	1.4	2.1	2.5
Harmonized index of consumer prices (HICP)	% , yoy	-1.6	-1.1	-1.3	-0.8	0.2	1.5	0.5	1.7	1.4	1.1	0.6	0.7	1.3	1.5
PPI, domestic market	% , yoy	-0.9	-1.6	-2.9	-0.5	2.3	3.4	5.7	3.9	3.5	2.7	5.3	5.9	6.0	-
PPI, non-domestic market	% , yoy	-1.8	-2.4	-3.5	2.8	9.6	5.6	4.8	8.4	4.6	3.7	3.5	5.5	5.3	-
— Consolidated fiscal program (cumulative)															
Revenues and grants	mIn BGN	29 409	32 200	33 953	33 956	8 838	17 483	26 152	12 017	14 716	17 482	20 478	23 285	26 151	-
Total expenses	mIn BGN	32 482	34 685	32 481	32 491	7 781	15 737	23 732	10 426	13 033	15 735	18 506	21 133	23 731	-
Contribution to EU budget	mIn BGN	955	946	859	859	214	488	677	286	364	488	560	607	677	-
Cash deficit (-) / surplus (+)	mIn BGN	-3 073	-2 485	1 473	1 465	1 058	1 746	2 420	1 591	1 683	1 747	1 972	2 151	2 421	-
	% of GDP	-3.7	-2.8	1.6	1.6	1.1	1.8	2.4	1.6	1.7	1.8	2.0	2.2	2.4	-
Government debt (incl. guaranteed debt)	mIn BGN	22 753	23 300	27 424	27 424	26 886	27 212	25 479	26 911	27 028	27 212	25 492	25 457	25 479	-
	% of GDP	27.2	26.3	29.1	29.6	27.0	27.3	25.6	27.0	27.1	27.3	25.6	25.6	25.6	-
Fiscal reserve	mIn BGN	9 170	7 873	12 883	12 883	12 574	13 174	11 867	13 168	12 820	13 174	11 698	11 632	11 867	-
	% , yoy	95.9	9.1	63.6	63.6	6.0	-6.8	-16.9	6.9	-4.7	-6.8	-19.3	-19.8	-16.9	-

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q4'16	Q1'17	Q2'17	Q3'17	04'17	05'17	06'17	07'17	08'17	09'17	10'17
— Financial sector															
BNB International reserves	mIn EUR	16 534	20 285	23 899	23 899	24 044	23 970	24 551	23 634	23 666	23 970	23 729	24 444	24 551	22 230
Monetary base coverage	%	165.1	144.3	163.4	163.4	163.0	168.4	161.2	167.5	166.6	168.4	162.4	160.3	161.2	173.2
Coverage of import with FX reserves	months	7.1	8.5	10.0	10.1	9.7	9.4	-	9.5	9.4	9.4	9.2	9.4	-	-
Coverage of short-term external debt	%	166.0	257.5	298.1	299.2	302.6	307.1	-	304.6	305.0	307.1	316.1	329.0	-	-
Money M1 (Narrow money)	%, yoy	15.1	15.6	13.5	13.5	17.7	15.2	16.3	16.4	16.9	15.2	14.6	16.2	16.3	-
Money M3 (Broad money)	%, yoy	1.1	8.8	7.6	7.6	8.5	7.0	8.2	7.6	8.0	7.0	6.9	7.7	8.2	-
Deposits	%, yoy	-0.5	8.2	6.7	6.7	7.6	6.0	7.5	6.8	7.1	6.0	6.0	6.8	7.5	-
Credit to private sector	%, yoy	-8.2	-1.2	1.5	1.5	3.8	4.2	4.9	4.3	4.7	4.2	4.5	4.6	4.9	-
Credit to non-financial enterprises	%, yoy	-11.6	-1.7	0.3	0.3	2.5	2.1	3.1	3.3	3.3	2.1	2.8	2.8	3.1	-
Credit to households	%, yoy	-1.6	-1.3	2.0	2.0	4.7	6.0	5.9	5.2	5.8	6.0	5.5	5.7	5.9	-
Interest rate on credits ⁴	%	7.9	7.0	5.8	5.4	5.3	4.6	4.3	4.8	4.7	4.6	4.3	4.4	4.3	-
Interest rate on deposits ⁵	%	2.6	1.3	0.8	0.6	0.5	0.4	0.4	0.3	0.4	0.4	0.3	0.3	0.4	-
Exchange rate BGN/USD	eop	1.61	1.79	1.86	1.86	1.83	1.71	1.66	1.79	1.74	1.71	1.67	1.65	1.66	1.68
	per. av.	1.47	1.76	1.77	1.81	1.84	1.74	1.64	1.82	1.77	1.74	1.70	1.66	1.64	1.66
— Gross External Debt (GED)															
Gross external debt	% of GDP	92.0	75.0	73.1	70.1	65.8	66.2	-	66.3	66.1	66.1	65.0	65.1	-	-
Short-term external debt	% of GED	25.3	23.1	23.1	21.7	21.8	23.1	-	23.0	23.0	23.2	22.7	22.4	-	-
Intercompany lending	% of GED	40.3	37.2	36.1	36.8	36.4	35.9	-	35.7	36.0	35.8	36.5	36.7	-	-
— Balance of payments⁶															
Current account	mIn EUR	35	-61	1 989	-112	-74	502	-	-111	182	432	1 137	751	-	-
Current account (moving average)	% of GDP	0.1	-0.1	4.2	5.4	4.7	4.1	-	4.4	4.6	4.0	4.8	5.2	-	-
Trade balance	mIn EUR	-2 777	-2 622	-1 845	-376	-714	-522	-	-306	-142	-74	13	-205	-	-
Trade balance (moving average)	% of GDP	-6.5	-5.8	-3.9	-2.1	-2.8	-3.3	-	-3.2	-3.2	-3.3	-3.2	-3.4	-	-
Export, f.o.b.	mIn EUR	21 026	21 919	22 556	6 294	5 948	6 427	-	1 935	2 216	2 277	2 272	2 216	-	-
	%, yoy	-0.9	4.2	2.9	16.9	16.4	14.4	-	5.7	23.9	13.9	10.9	11.9	-	-
Import, f.o.b.	mIn EUR	23 803	18 678	24 400	6 670	6 662	6 949	-	2 241	2 357	2 351	2 259	2 422	-	-
	%, yoy	-1.4	-21.5	30.6	4.3	22.7	18.6	-	18.6	22.3	15.3	10.2	14.7	-	-
Capital account	mIn EUR	960	1 422	1 067	75	113	79	-	8	33	38	76	41	-	-
Financial account	mIn EUR	-2 090	-1 076	-764	423	-542	-23	-	138	183	-344	1 051	-17	-	-
Net Foreign Direct Investments	mIn EUR	-882	-2 388	-764	502	-192	-162	-	64	-72	-155	23	-69	-	-
Net Portfolio Investments	mIn EUR	1 871	44	2 198	632	-29	348	-	183	56	109	-359	44	-	-
Other Investments – net	mIn EUR	2 170	-4 510	1 523	1 078	46	-11	-	404	52	-466	239	109	-	-
Change in BNB reserve assets	mIn EUR	1 807	3 730	3 467	576	77	96	-	-379	94	381	-209	681	-	-

Notes:

Ratios to GDP are calculated using GDP data as follows: for 2014 - BGN 83 634.3 mln, for 2015 - BGN 88 571.3 mln, for 2016 – BGN 94 129.9 mln and MF projections for 2017 - BGN 99 623.9 mln;

1. Growth rates derived from chain-linked (2010) level series, not seasonally adjusted data;
2. Not seasonally adjusted data;
3. HICP deflated;
4. Weighted average interest rate on new credits to households, NPISHs and non-financial companies by type, currency and maturity;
5. Weighted average interest rate on new time deposits of households, NPISHs and non-financial companies by type, currency and maturity;
6. Analytical presentation (BPM6).

This issue of the Monthly Report on Bulgarian Economy is based on materials and statistical data received up to November 15, 2017, with the exception of the Q3 GDP data release on 5 December, which has been included as a brief note in the Highlights. Contents of the Monthly Report may be quoted or reproduced without further permission; however, due acknowledgment is requested. The estimates and projections published in this issue should not be regarded as advice or recommendation.

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