

# BULGARIAN ECONOMY

## Monthly Report

4/2018

Ministry of Finance of the Republic of Bulgaria • Economic and Financial Policy Directorate

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### Main topics:

- » Gross Domestic Product
- » Short-term Business Statistics
- » Labour market and Incomes
- » Inflation
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- » Financial sector
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## Highlights

According to preliminary data, **Bulgarian GDP** increased by 3.5% yoy (not s.a.) in Q1 2018 driven by both consumption and investment, up by 3.2% and 10.2% respectively. Meanwhile, the negative contribution of net export narrowed to 0.4 pps.

**Short-term business statistics** showed somewhat mixed performance in March, as industrial production and sales increased, while the construction output narrowed and retail trade growth slowed over the previous month. In April, the **overall business climate indicator** increased on the account of better assessments in all sectors, while the **consumer confidence indicator** decreased due to worsening expectations for the financial situation of households and for the general economic situation in the country.

In Q1 2018, the working-age labour force continued to increase. The **unemployment rate** reached 5.7%, which was comparable with its values in mid-2008. The

**average wage** in the country reported 7.1% nominal yoy growth in Q1 2018.

In April, **consumer prices** stepped up by 0.3% on a month earlier largely on the account of seasonal hikes in prices of unprocessed food and clothing and footwear. Nevertheless, the annual HICP inflation rate slowed down to 1.7% yoy. Core inflation also decelerated somewhat to 1.9% yoy.

**Current account balance** turned into surplus at the amount of EUR 218.1 mln in February compared with a deficit of EUR 155.3 mln in January. The trade deficit shrank by 18.4% mom as the decline in import of goods (6.2% mom) outpaced the decline in export (4.3%). **Gross external debt** kept decreasing in absolute value and as a ratio to GDP reaching 62% at the end of February.

**Credit to the private sector** continued to accelerate in March, up by 5.6% yoy vs. 5% yoy a month earlier, with positive contribution from both the corporate sector and households' credit.

**Weighted interest rate** on new time deposits in March went down by 2 bps. The average price of consumer loans and mortgages also decreased compared to the end of February, down by 2 and 16 bps, respectively.

According to monthly data on a cash basis, **the budget balance on the consolidated fiscal programme** (CFP) for the first three months of 2018 was positive, amounting to BGN 0.6 bn (0.6% of projected GDP). The surplus resulted from higher revenues over expenditure on the national budget (0.8% of GDP), while the EU funds account recorded a minor deficit (0.3% of GDP).



## GROSS DOMESTIC PRODUCT

**Bulgarian GDP** increased by 3.5% yoy in Q1 2018 driven by domestic demand (fig. 1). Both consumption and investment contributed positively, up by 3.2% and 10.2% respectively. Private consumption rose by 3.6% yoy in the first quarter and thus continued to be the main driver of the economic growth. Meanwhile, the negative contribution of net export substantially narrowed to 0.4 pps due to the robust export performance, up by 5%, and the lower growth of import, which decelerated to 4.6%.

On the supply side, **gross value added** increased by 3.5% yoy (fig. 2), with a major contribution from services (+2.6 pps), namely trade; *transportation; accommodation and real estate activities*. Industrial sector developments were supported by both *manufacturing* and *construction*, which increased by 1.9% and 9.3%, respectively.

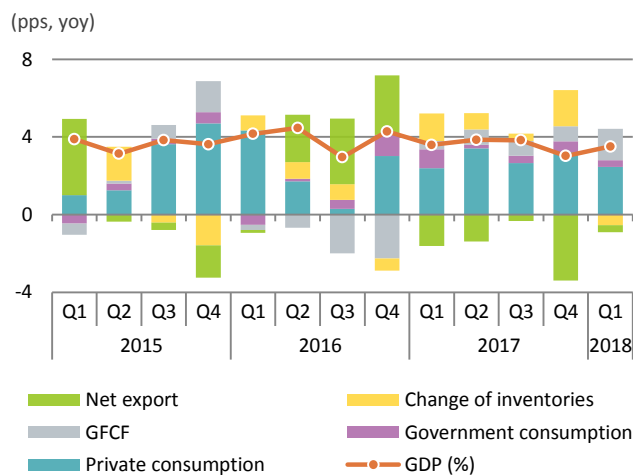
## SHORT-TERM BUSINESS STATISTICS

The growth of **industrial turnover** reached 3% yoy in March (fig. 3), driven by domestic industrial sales, up 10.5% yoy. Major contribution for the reported increase of domestic turnover had *electricity, gas, steam and air conditioning supply* and *manufacture of food products*. Meanwhile, foreign turnover decreased by 5.3% yoy mainly due to the unfavourable development of *energy products*.

**Industrial production** reported a slight increase of 0.2% in March compared to the same period of the previous year. The growth was supported by *electricity, gas, steam and air conditioning supply* oriented towards domestic market while both *mining* and *manufacturing* industries followed a downward trend.

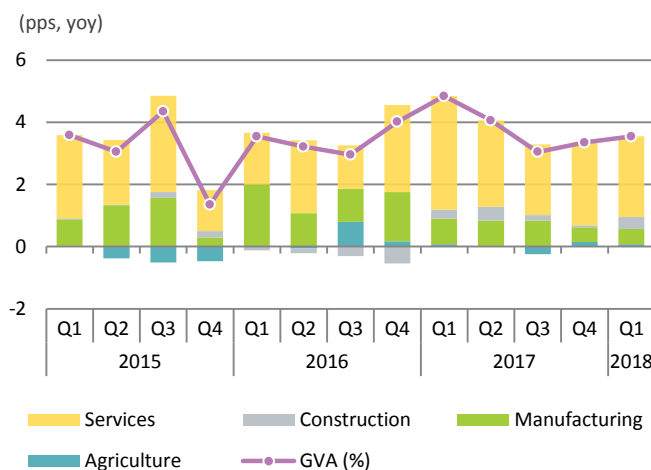
**Construction production index** decreased by 5.6% yoy in March (fig. 4). Both *building construction* and *civil engineering* contributed for the reported decline,

Fig. 1: Contributions to GDP growth



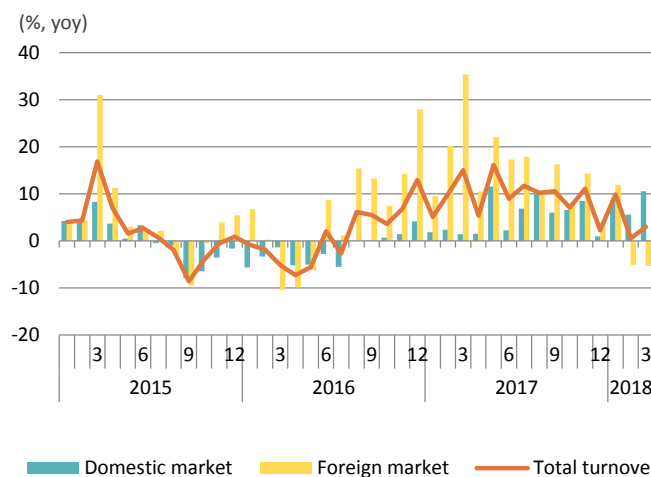
Source: NSI

Fig. 2: Contributions to GVA growth



Source: NSI

Fig. 3: Industrial turnover by components



Source: NSI

down by 2.6% and 9.4%, respectively.

The growth of **retail trade** reached 2.6% yoy in March. *Retail sales of medical and orthopaedic goods* posted the largest increase, up by 15.2%, followed by *retail trade of food, beverages and tobacco* and *sales of audio and video equipment*, up by 8.1% and 5.1%, respectively. The rest of the retail sales' items posted a decline.

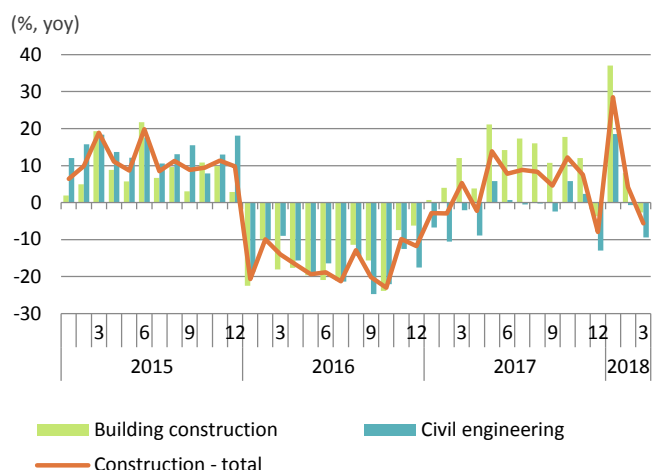
In April, the **overall business climate indicator** increased by 2.8 points due to better assessments in all sectors (fig. 5 and 6). Expectations for demand of services were optimistic as only 12% of the respondents reported problems with insufficient demand. Expectations about new orders in construction over the next 6 months also improved as the present construction activity increased. In industry, expectations for production activity and export were favourable. In retail trade, expectations for the business situation of enterprises over the next 6 months also improved and projections about the orders placed with suppliers were more favourable.

The **consumer confidence indicator** decreased by 1.1 points in April (fig. 7) due to worsening of expectations for the financial situation of households and for the general economic situation in the country.

## LABOUR MARKET AND INCOMES

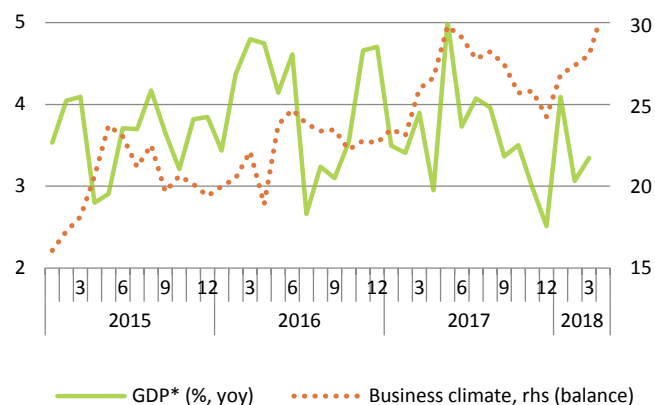
In Q1 2018, the **working-age labour force** (fig. 8) continued to increase. For the record, there was a slight decrease reported in Q1 2017, but its current increase remained slower than that registered from Q2 to Q4 2017. The **participation rate of population** (15-64) went up by 1.4 pps to 70.6%. The positive yoy dynamics was supported by all age groups, except for youths (15-64), whose participation rate dropped. The latter resulted in a decrease of youth employment rate by 0.5 pps to 19.9%, while their unemployment rate kept declining to 11.8%. Discouraged people constitute a

Fig. 4: Construction production index



Source: NSI

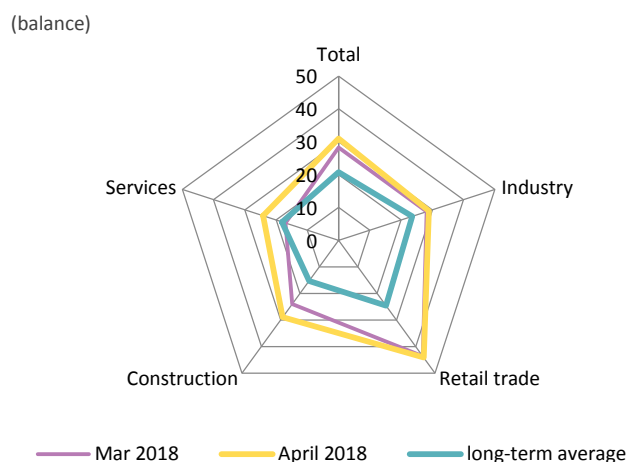
Fig. 5: Business climate and GDP



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

Source: NSI, MF

Fig. 6: Business climate by sectors



Source: NSI

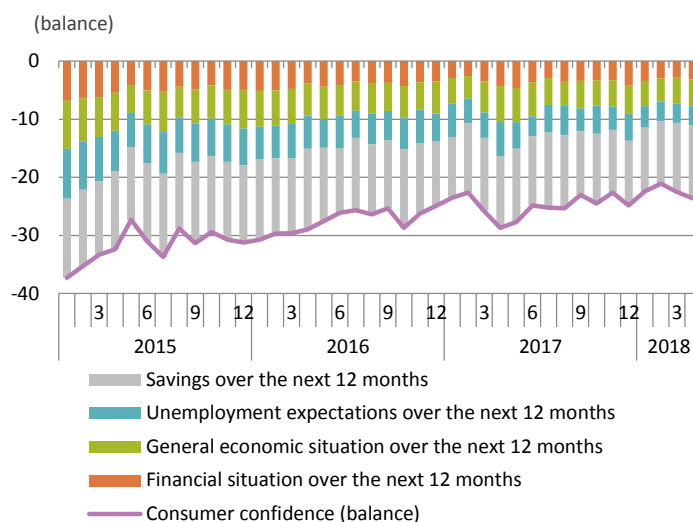
potential source of employment from the pool of inactive people, as they could rapidly go back to the labour market to meet the labour demand. The number of discouraged decreased to 91.6 thousand (in the age group 15-64) but their decrease (down by 40.5 thousand) was higher than the increase of the working-age labour force (20.8 thousand). This proved further the activation in the context of population decline but also evidenced that part of the potential labour reserve was not absorbed by the labour market.

The increased demand of labour in Q1 2018 reflected not only the activation of previously inactive but also the decline in unemployed. The **unemployment rate** reached 5.7%, which was comparable with its values in mid-2008. Along with the cyclical unemployment decrease, there was also a structural improvement evidenced by the long-term unemployment rate dynamics. It came down to 3% of the labour force and this was the lowest value since end-2009. The lower number of unemployed compared to Q1 2017 explained about 63% of the increase in employed (15-64), while the remaining 37% was due to the inflow from inactivity into the labour force (fig. 8).

**Registered unemployment** continued decreasing to 6.4% at end-April, which corresponded to 211 thousand unemployed people (fig. 10). The decline compared to March was due to the distinct decrease in the unemployment inflow, down by 8.3% to 20.6 thousand, while the outflow of unemployment was held back due to the slight decrease in the number of persons who started working. The latter remained at about 22 thousand in April, as those who found jobs under the active labour market programmes and measures went down compared to March, while the demand of labour on the primary labour market resulted in a higher number of job starters.

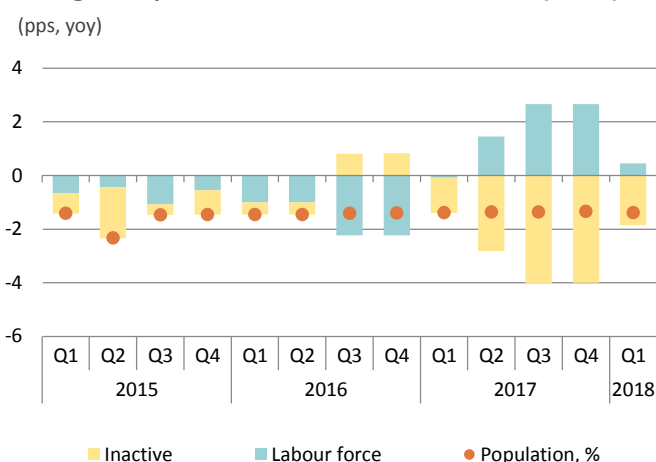
In Q1 2018, the **average wage** for the whole economy reported a nominal growth of 7.1% yoy, down from 9.8% yoy a year earlier and 11.4% yoy in the previous quarter. The private sector average wage growth of

Fig. 7: Consumer confidence indicator by components



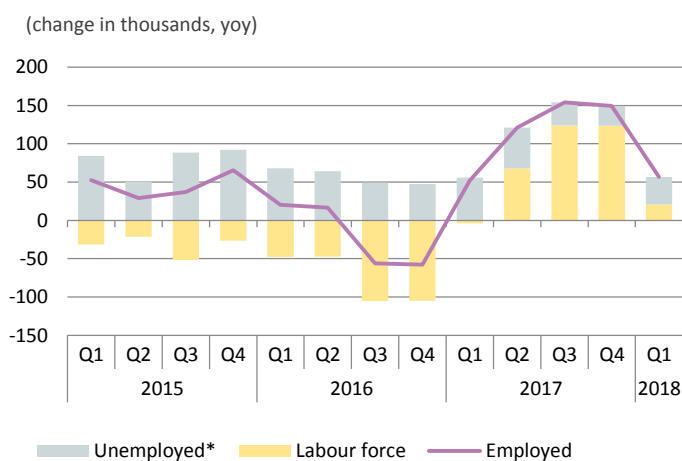
Source: Eurostat

Fig. 8: Population, labour force and inactive (15-64)



Source: NSI, MF

Fig. 9: Employed, unemployed and labour force (15-64)



\* the change is presented with inverted sign

Source: NSI

6.6% yoy was the main contributor for the country's wage deceleration, while public sector wages stepped further up to 9.0% yoy. The latter was due to the *education*, in line with the implemented changes in the public income policy in the end of 2017 (fig. 11).

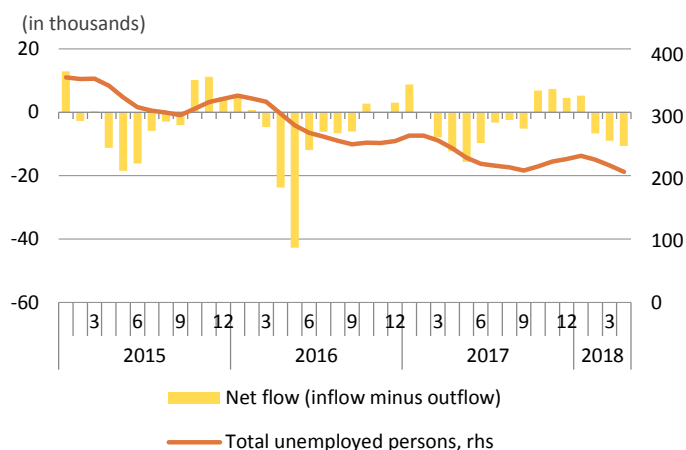
Wage dynamic by economic activity was quite volatile. Industrial sector reported a double-digit wage growth, both in *manufacturing* (10.3% yoy) and *construction* (10.6% yoy). There were also substantial wage increases in part of the service sector activities, such as *information and communications* (10.1% yoy) and *administrative and subsidiary activities* (9.1% yoy). On the contrary, wage dynamics in *trade* and *real estates* turned on a negative territory (down by 1.7% yoy and 5.2% yoy, respectively), which determined the private sector average wage deceleration. Generally, the Q1 slowdown was largely driven by skill compositional effect on average wages, coming from the increasing employment in the low-skilled segment. In addition, the turnover index in *wholesale trade and retail trade, except motor vehicles and motorcycles*, reported weaker performance in Q1, which also limited the wage dynamics there.

The real average wage growth slowed down to 5.4%<sup>1</sup> yoy. The latter corresponded to the weakened assessments of consumers about the current financial situation. However, the households' expectations regarding their financial situation in the next 12 months improved (fig. 12).

## INFLATION

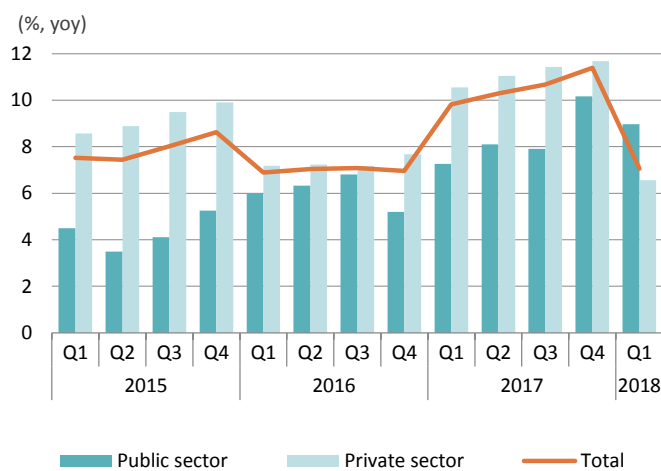
In April, **consumer prices** stepped up by 0.3% on a month earlier largely on the account of seasonal hikes in prices of unprocessed food and clothing and footwear. Prices of fresh fruits and vegetables increased by 2.9% and 2.8% mom, respectively, and together with higher prices of clothing and footwear, up by

Fig. 10: Net flow and stock of unemployment



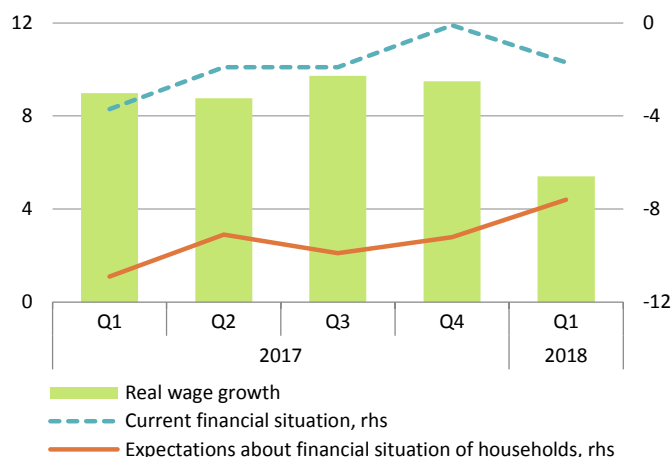
Source: Eurostat

Fig. 11: Nominal wage growth by sectors



Source: NSI, MF

Fig. 12: Real wage growth (%) and households' assessments of the current financial situation and expectations over the next 12 months (balances)



Source: NSI, MF

<sup>1</sup> Deflated by HICP.

4.7% mom on average, contributed by 0.28 pps for the monthly change in the headline rate. Among the other major HICP components, transport fuel prices went up by 0.5% mom, following the upward dynamics in Brent prices on world markets (fig. 13). On the other hand, market services prices posted a decrease, down by 0.3%<sup>2</sup> mom, but prices of catering services continued on the increase, up by another 0.3% over the previous month.

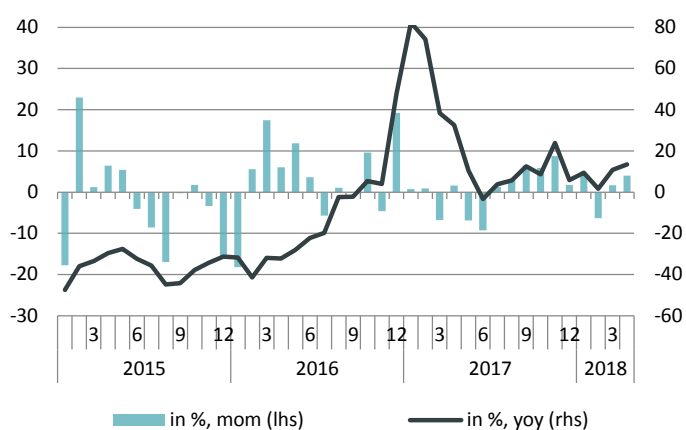
The **annual HICP inflation rate** slowed down to 1.7% yoy in April, almost entirely due to a lower contribution from market services and administered prices (fig. 14). Core inflation also decelerated somewhat to 1.9% yoy, from 2% in the previous month.

## EXTERNAL SECTOR

**Current account balance** turned into surplus at EUR 218.1 mln in February compared with a deficit of EUR 155.3 mln in January. The **trade deficit** shrank by 18.4% mom as the decline in import of goods (6.2% mom) outpaced the decline in export (4.3%). In accumulated terms, *trade deficit came in at 1.1% of GDP* in the first two months of 2018, being 0.5% in the same period of 2017. Due to lower export of transport and travel services, the export of services shrank by 21.1% mom, while the services import decrease by 16% mom in February. Given the strong export of services in the first month of the year, the overall surplus of **services balance** increased to 0.4% of projected GDP in January-February from 0.3% of GDP in the same period a year earlier.

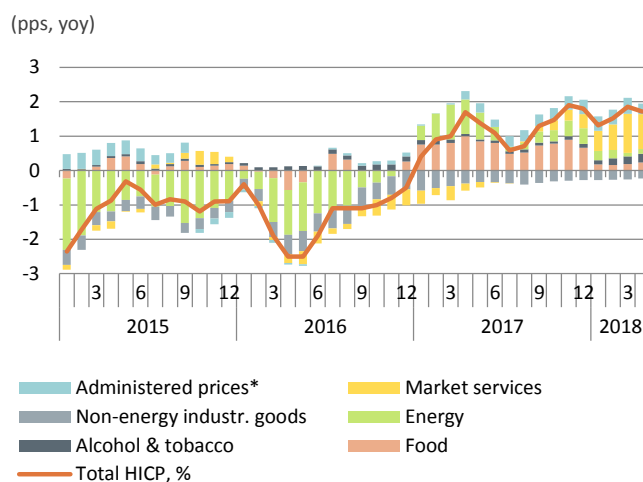
The **primary income balance** remained almost balanced in February. The **secondary income balance** rose 9.4 times over the previous month, up by 6.4% yoy, due to higher EU transfers to General Government. The overall surplus on the **current account** decreased to 0.1% of projected GDP in January-February

Fig. 13: International prices of Brent in euro



Source: World bank, MF

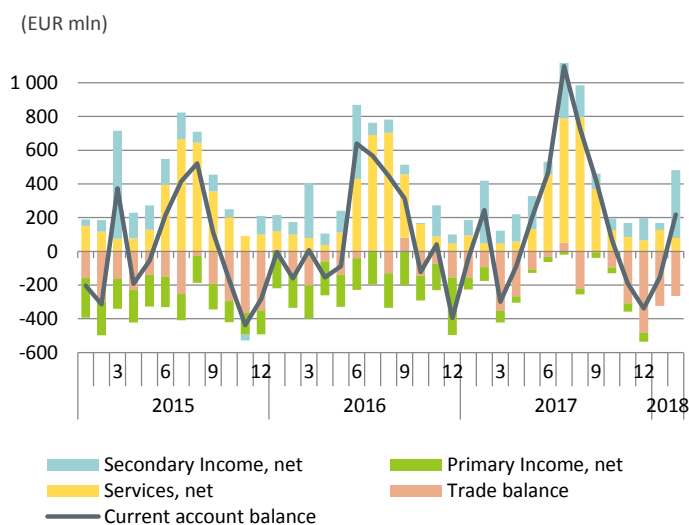
Fig. 14: Contributions by main HICP components



\* 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. 15: Current account components



Source: BNB

<sup>2</sup> Administered prices are excluded.

compared with 0.4% of GDP in the same period of 2017 (fig. 15).

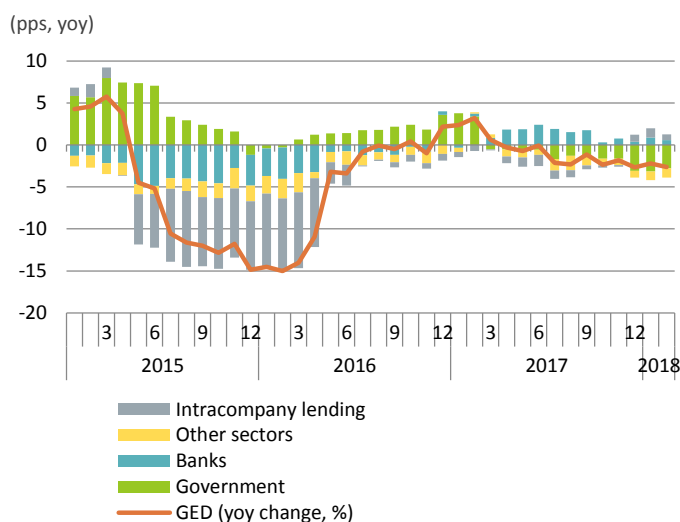
**Gross external debt (GED)** kept decreasing in absolute value and as a ratio to GDP, reaching 62% at the end of February (fig. 16). As regards the maturity structure<sup>3</sup>, short term debt stood at 14.3% of GDP, inter-company lending (FDI) decreased to 23.9% of GDP, while the long-term indebtedness of private and public sector was 47.6% of GDP. For the last twelve months, net external debt went from a positive 2.5% of GDP in February 2017 to a negative 2.6% of GDP in February 2018, due to the stock of assets held abroad that surpassed the liabilities to non-residents.

## FINANCIAL SECTOR

**International reserves** posted a slight decrease of 0.4% mom in April, reaching EUR 22.5 bn. Their monthly dynamics were largely driven by the decline in bank reserves, down by 5.6% mom compared to the end of the previous month. The other components had a positive contribution. The Government deposit increased by 4.1%, which almost offset its 4.5% mom decrease in March. Currency in circulation increased, slightly, up by 0.8%. On a year earlier, reserves decreased by 4.7% vs. a drop of 6% in the previous month. The Government deposit and bank reserves continued to be the main drivers behind this, down by 20.1% and 13.1% yoy, respectively, while currency in circulation increased by 10.8% yoy.

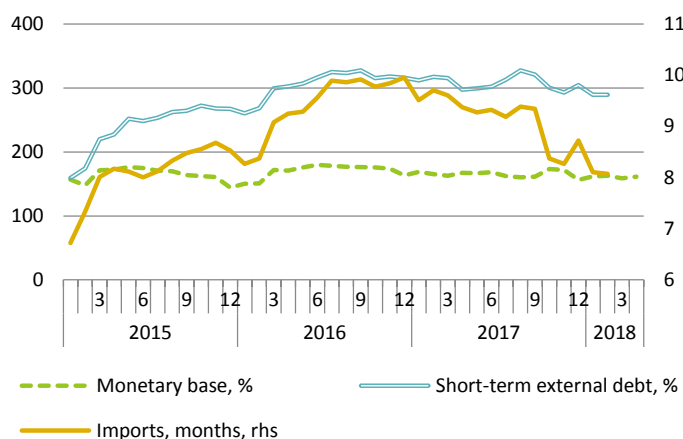
**Credit to the private sector** continued to accelerate in March, up by 5.6% yoy vs. 5% yoy a month earlier. Positive contribution came both from the corporate sector and households' credit, which picked up to 2.3% yoy and 6.3% yoy, respectively. The annual growth rate of mortgages accelerated to 9.1% yoy, and consumer credits stepped up by 7.2% yoy, both posting their highest increases since November 2009.

Fig. 16: Contributions to GED growth



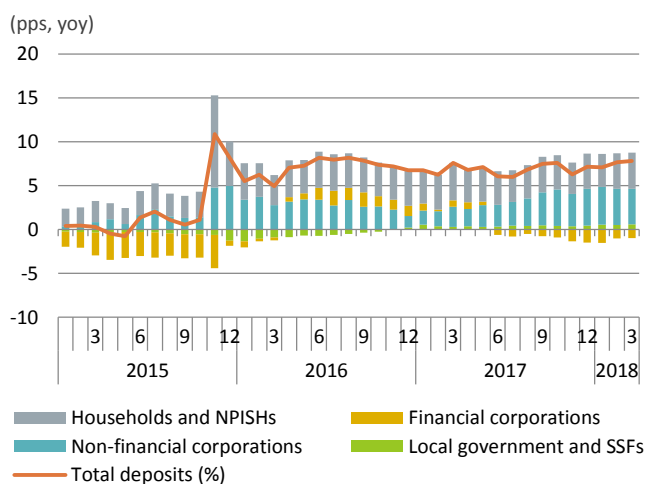
Source: BNB

Fig. 17: Coverage with FX Reserves



Source: BNB, MF

Fig. 18: Contributions to annual growth of total deposits by institutional sectors



Source: BNB

<sup>3</sup> Original maturity

“Other credits” registered a negative annual change for a second consecutive month, down by 8.2% yoy vs. 2% a month earlier. Bad and restructured credits continued on the decrease, down by 15.4% yoy. Their share in total credits to non-financial corporations and households narrowed to 12.7%.

**Weighted interest rate on new credits** to non-financial corporations increased by 24 bps in March. The biggest contribution for the upward change came from new deals denominated in EUR (up by 49 bps), but those in BGN and USD also registered an increase, up by 7 bps and 14 bps, respectively. Nevertheless, the average price of consumer loans and mortgages in March continued to decrease, down by 2 and 16 bps respectively compared to the end of February. The total volume of new corporate and households’ credits in March reached BGN 1.89 bn, up by 4.1% yoy.

**Weighted interest rate on new time deposits** went down by 2 bps in March compared to a month earlier. The change came both from the corporate and the households segment. In terms of currency, the biggest decrease was in euro denominated deposits, down by 12 bps, while those in USD increased by 19 bps. The weighted price on new time deposits in local currency decreased by 7 bps compared to the end-February. The total volume of new time deposits reached BGN 1.09 bn in March, up by 0.5% yoy.

## FISCAL DEVELOPMENTS

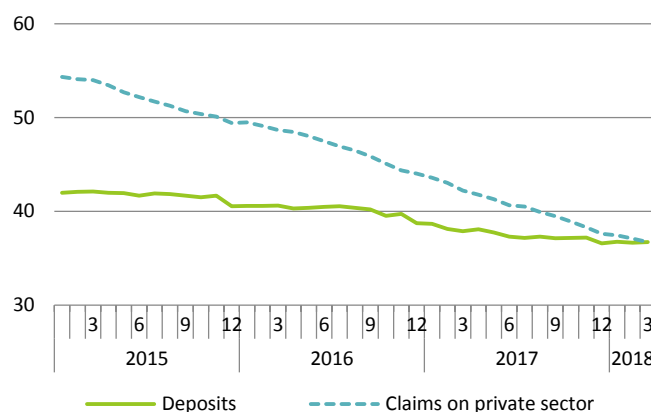
According to monthly data on a cash basis, **the budget balance on the consolidated fiscal programme (CFP)** for the first three months of 2018 was positive, amounting to BGN 0.6 bn (0.6% of projected GDP). The surplus resulted from higher revenues over expenditure on the national budget (0.8% of GDP), while the EU funds account recorded a minor deficit (0.3% of GDP).

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

	March 2017	February 2018	March 2018
Non-financial companies	4.59	3.63	3.87
Consumer credits	7.93	7.79	7.77
Mortgages	4.16	3.76	3.60

Source: BNB, MF

**Fig. 19: Share of deposits and claims on private sector in FX (% of total)**



Source: BNB, MF

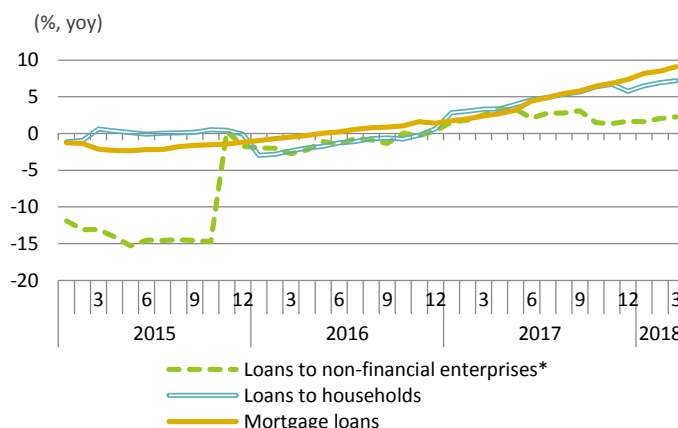
**Table 2: Annual Percentage Rate of Charge on new loans to households**

	March 2017	February 2018	March 2018
Consumer credits	9.79	9.90	9.73
Mortgages	4.64	4.14	3.97

\* 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

**Fig. 20: 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



**Revenues and grants** (fig. 21) totalled BGN 9.2 bn (up 4.3% yoy). Compared to the same period of the previous year, tax and non-tax receipts rose by 7.4% and 7%, respectively, while grants came significantly lower (down 63.8%). Social and health insurance contributions, up by 14.6% yoy, added the most to the overall revenue growth, followed by direct tax receipts (up 9.2% yoy) and indirect taxes (3.1% yoy). Proceeds from VAT, excise and custom duties rose 1.5%, 5.5% and 25.4% yoy, respectively.

**Consolidated government expenditure** (fig. 22), including the Bulgarian contribution to the EU budget, accounted for BGN 8.6 bn, up by 10.9% yoy. The latter was mostly due to higher personnel costs (up 27.6% yoy), as a result of increased remunerations in the educational sector. Social payments and scholarships, up 5.2% yoy, also had significant contribution, mainly on the account of the base effect of the pensions increase in July 2017. Investment costs recovered as well, being 62.7% higher compared to March 2017. Current maintenance and interest costs went down by 10.5% and 3.3% yoy respectively.

**Fiscal reserve** as of March 31, 2018 amounted to BGN 10.1 bn (9.7% of projected GDP), of which BGN 9.5 bn in bank deposits and BGN 0.6 bn EU funds receivables on certified expenses.

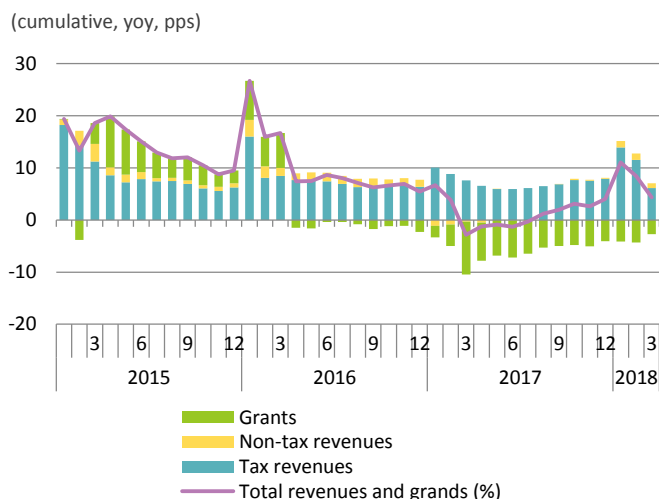
**General government debt**, incl. guaranteed debt, decreased to BGN 24.4 bn or 23.3% of projected GDP at the end of March, being 27.3% of GDP a year earlier. Domestic debt stepped down to 5.4% of projected GDP from 6.2% of GDP in March 2017. The external debt-to-GDP ratio also moved down from 19.2% to 16%. Government guaranteed debt was 1.9% of GDP, being 1.8% of GDP a year earlier.

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

	March 2017	February 2018	March 2018
<b>BGN</b>	0.35	0.23	0.15
<b>EUR</b>	0.41	0.31	0.19
<b>USD</b>	0.24	0.69	0.88

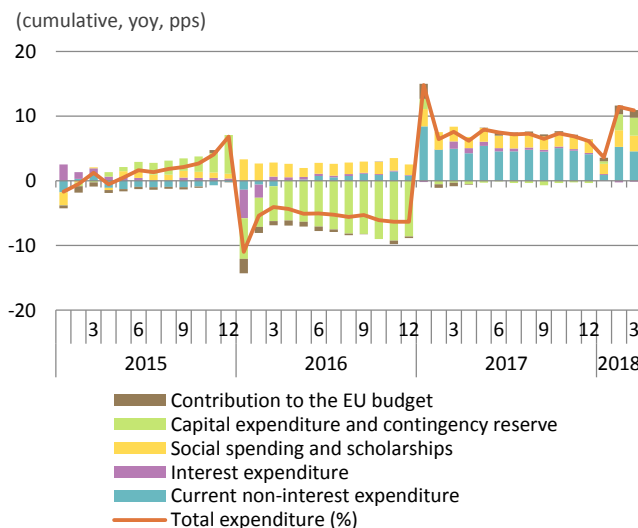
Source: BNB, MF

**Fig. 21: Contribution to the growth of total revenues and grants**



Source: MF

**Fig. 22: Contribution to the growth of total expenditure**



Source: MF



## KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data						
		2015	2016	2017	Q2'17	Q3'17	Q4'17	Q1'18	10'17	11'17	12'17	01'18	02'18	03'18	04'18
<b>— GDP<sup>1</sup></b>															
Gross Domestic Product	% , yoy	3.6	3.9	3.6	3.9	3.8	3.0	3.5	-	-	-	-	-	-	-
Consumption	% , yoy	3.8	3.3	4.5	4.7	4.2	4.8	3.2	-	-	-	-	-	-	-
Gross fixed capital formation	% , yoy	2.7	-6.6	3.8	4.0	4.2	4.1	10.2	-	-	-	-	-	-	-
Export	% , yoy	5.7	8.1	4.0	3.6	4.6	2.1	5.0	-	-	-	-	-	-	-
Import	% , yoy	5.4	4.5	7.2	6.2	5.4	8.2	4.6	-	-	-	-	-	-	-
Agriculture	% , yoy	-6.8	5.3	-0.1	0.0	-1.5	2.9	-0.3	-	-	-	-	-	-	-
Industry	% , yoy	4.2	4.0	3.4	4.1	3.5	2.3	2.9	-	-	-	-	-	-	-
Services	% , yoy	3.3	3.1	4.2	4.3	3.6	3.7	3.8	-	-	-	-	-	-	-
Adjustments	% , yoy	7.5	7.2	2.4	2.7	9.0	1.1	3.2	-	-	-	-	-	-	-
<b>— Short-term business statistics<sup>2</sup></b>															
Industrial production	% , yoy	2.9	2.7	3.4	4.9	3.5	1.6	1.6	4.3	1.9	-1.1	5.8	-0.9	0.2	-
Industrial turnover	% , yoy	1.7	1.1	9.3	10.1	10.8	6.7	4.4	7.1	11.1	2.2	9.8	0.6	3.0	-
Retail trade turnover	% , yoy	11.8	6.1	3.7	3.4	2.6	4.0	3.5	3.9	4.0	4.0	5.0	3.1	2.6	-
Construction output	% , yoy	11.2	-16.7	4.6	6.4	7.3	4.2	7.3	12.2	7.6	-7.9	28.5	4.2	-5.6	-
Total business climate	balance	20.3	22.5	26.6	28.7	28.0	25.4	27.6	25.8	26.0	24.4	27.0	27.5	28.2	31.0
Industry	balance	22.9	23.5	26.9	27.7	27.8	25.7	28.3	25.5	26.7	24.8	28.6	28.1	28.2	28.9
Retail trade	balance	27.6	33.6	37.9	39.4	40.6	39.5	41.5	38.7	39.7	40.1	40.5	40.4	43.6	44.1
Construction	balance	15.2	17.9	24.6	29.1	27.9	22.2	21.9	25.2	22.5	19.0	19.1	22.7	23.9	29.0
Services	balance	12.7	13.8	16.7	19.6	15.8	13.8	17.8	14.2	14.1	13.2	18.1	18.4	17.0	24.1
<b>— Labour market</b>															
Participation rate (15+)	level	54.1	53.3	55.4	55.8	56.5	55.5	54.6	-	-	-	-	-	-	-
Employment rate (15+)	level	49.1	49.3	51.9	52.2	53.2	52.3	51.5	-	-	-	-	-	-	-
Employment (SNA)	% , yoy	0.4	0.5	1.8	0.9	2.7	2.4	-	-	-	-	-	-	-	-
Unemployment rate (LFS)	level	9.1	7.6	6.2	6.3	5.8	5.6	5.7	-	-	-	-	-	-	-
Unemployment rate (EA)	level	10.1	8.7	7.2	7.2	6.6	6.9	7.0	6.7	6.9	7.1	7.2	7.0	6.8	6.4
Nominal wage	% , yoy	6.8	8.0	11.8	10.3	10.7	11.4	7.1	11.2	11.5	11.6	8.0	6.3	6.9	-
Real wage <sup>3</sup>	% , yoy	8.0	9.5	10.5	8.8	9.7	9.5	5.4	9.5	9.4	9.7	6.7	4.7	4.9	-
Labour productivity (GDP per employed)	% , yoy	3.3	3.4	1.7	2.9	1.1	0.7	-	-	-	-	-	-	-	-
Real ULC (GDP)	% , yoy	0.1	0.1	4.5	1.6	5.8	7.3	-	-	-	-	-	-	-	-
Nominal ULC (GDP)	% , yoy	2.3	2.3	5.7	4.1	7.5	8.3	-	-	-	-	-	-	-	-
<b>— Prices</b>															
National consumer price index (CPI)	% , yoy	-0.1	-0.8	2.1	2.3	1.6	2.7	2.0	2.5	3.0	2.8	1.8	2.0	2.2	2.0
Harmonized index of consumer prices (HICP)	% , yoy	-1.1	-1.3	1.2	1.4	0.9	1.7	1.6	1.5	1.9	1.8	1.3	1.5	1.9	1.7
PPI, domestic market	% , yoy	-1.6	-2.9	4.2	3.4	5.7	5.5	4.9	5.5	5.8	5.1	5.6	4.4	4.8	3.8
PPI, non-domestic market	% , yoy	-2.4	-3.5	6.0	5.6	4.8	4.6	0.6	5.8	5.6	2.3	2.1	-0.5	0.3	1.5
<b>— Consolidated fiscal program (cumulative)</b>															
Revenues and grants	mIn BGN	32 200	33 959	35 316	17 483	26 152	35 316	-	29 167	31 903	35 315	3 706	6 212	9 219	-
Total expenditure	mIn BGN	34 685	32 491	34 471	15 737	23 732	34 471	-	26 673	29 518	34 470	2 544	5 460	8 626	-
Contribution to EU budget	mIn BGN	946	859	888	488	677	888	-	746	816	888	84	220	308	-
Cash deficit (-) / surplus (+)	mIn BGN	-2 485	1 468	846	1 746	2 420	846	-	2 493	2 386	845	1 162	752	593	-
	% of GDP	-2.8	1.6	0.9	1.8	2.5	0.9	-	2.5	2.4	0.9	1.1	0.7	0.6	-
Government debt (incl. guaranteed debt)	mIn BGN	23 300	27 424	25 531	27 212	25 479	25 531	-	25 539	25 518	25 531	24 461	24 463	24 429	-
	% of GDP	26.3	29.1	25.9	27.6	25.6	25.6	-	25.9	25.9	25.9	23.4	23.4	23.3	-
Fiscal reserve	mIn BGN	7 873	12 883	10 289	13 174	11 867	10 289	-	12 013	11 916	10 289	11 186	10 687	10 149	-
	% , yoy	9.1	63.6	-20.1	-6.8	-16.9	-20.1	-	-15.9	-16.8	-20.1	-19.2	-21.3	-19.3	-

		Annual data			Quarterly data				Monthly data						
		2015	2016	2017	Q2'17	Q3'17	Q4'17	Q1'18	10'17	11'17	12'17	01'18	02'18	03'18	04'18
<b>— Financial sector</b>															
BNB International reserves	mIn EUR	20 285	23 899	23 662	23 970	24 551	23 662	22 606	22 230	22 198	23 662	22 264	22 215	22 606	22 518
Monetary base coverage	%	144.3	163.4	156.4	168.4	161.2	156.4	158.6	173.2	172.0	156.4	161.8	162.7	158.6	161.4
Coverage of import with FX reserves	months	8.5	10.0	8.7	9.3	9.3	8.7	-	8.4	8.3	8.7	8.1	8.1	-	-
Coverage of short-term external debt	%	267.5	315.7	304.6	302.1	321.1	304.6	-	300.1	292.7	304.6	289.3	289.3	-	-
Money M1 (Narrow money)	%, yoy	15.6	13.5	16.9	15.2	16.3	16.9	-	16.2	15.0	16.9	16.9	17.6	17.2	-
Money M3 (Broad money)	%, yoy	8.8	7.6	7.7	7.0	8.2	7.7	-	8.2	7.0	7.7	7.7	8.1	8.4	-
Deposits	%, yoy	8.2	6.7	7.2	6.0	7.5	7.2	-	7.6	6.3	7.2	7.1	7.7	7.8	-
Credit to private sector	%, yoy	-1.2	1.5	4.8	4.2	4.9	4.8	-	4.2	4.2	4.8	4.8	5.0	5.6	-
Credit to non-financial enterprises	%, yoy	-1.7	0.3	1.7	2.1	3.1	1.7	-	1.5	1.3	1.7	1.6	2.0	2.3	-
Credit to households	%, yoy	-1.3	2.0	6.0	6.0	5.9	6.0	-	6.3	6.4	6.0	6.1	6.1	6.3	-
Interest rate on credits <sup>4</sup>	%	7.0	5.8	4.3	4.8	4.6	4.3	4.6	4.1	4.5	4.4	4.6	4.6	4.6	-
Interest rate on deposits <sup>5</sup>	%	1.3	0.8	0.2	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3	-
Exchange rate BGN/USD	eop	1.79	1.86	1.63	1.71	1.66	1.63	1.59	1.68	1.65	1.63	1.57	1.60	1.59	1.62
	per. av.	1.76	1.77	1.74	1.78	1.67	1.66	1.59	1.66	1.67	1.65	1.60	1.58	1.59	1.59
<b>— Gross External Debt (GED)</b>															
Gross external debt	% of GDP	73.6	71.1	66.1	67.9	66.1	66.1	-	65.4	65.5	66.1	62.0	62.0	-	-
Short-term external debt	% of GED	22.2	22.1	23.3	23.2	22.9	23.3	-	22.5	22.9	23.3	23.2	23.2	-	-
Intercompany lending	% of GED	38.1	36.2	38.1	36.3	37.3	38.1	-	37.5	37.7	38.1	38.4	38.5	-	-
<b>— Balance of payments<sup>6</sup></b>															
Current account	mIn EUR	-17	1 091	2 269	581	2 250	-464	-	66	-190	-339	-155	218	-	-
<i>Current account (moving average)</i>	% of GDP	0.0	2.3	4.5	2.7	4.5	4.5	-	4.8	4.4	4.5	4.3	4.2	-	-
Trade balance	mIn EUR	-2 622	-984	-2 074	-407	-179	-885	-	-95	-308	-483	-323	-264	-	-
<i>Trade balance (moving average)</i>	% of GDP	-5.8	-2.0	-4.1	-2.9	-3.1	-4.1	-	-3.0	-3.5	-4.1	-4.4	-4.8	-	-
Export, f.o.b.	mIn EUR	21 919	23 104	25 754	6 431	6 631	6 747	-	2 455	2 267	2 025	2 050	1 962	-	-
	%, yoy	4.2	5.4	11.5	14.5	9.0	7.2	-	16.0	5.6	-0.3	12.4	-0.8	-	-
Import, f.o.b.	mIn EUR	18 678	24 088	27 829	6 838	6 811	7 632	-	2 550	2 575	2 508	2 373	2 225	-	-
	%, yoy	-21.5	29.0	15.5	16.7	11.1	14.4	-	12.8	15.9	14.7	19.9	7.4	-	-
Capital account	mIn EUR	1 422	1 070	526	81	144	188	-	25	35	88	0	4	-	-
Financial account	mIn EUR	-738	-356	2 320	232	1 325	1 099	-	2 376	-254	-1 023	1 377	359	-	-
Net Foreign Direct Investments	mIn EUR	-2 329	-356	-688	-160	-97	0	-	-26	-166	-17	-162	-56	-	-
Net Portfolio Investments	mIn EUR	44	2 198	878	348	-193	752	-	517	26	209	247	100	-	-
Other Investments – net	mIn EUR	-4 603	1 734	843	378	126	476	-	1 520	29	-1 074	1 236	140	-	-
Change in BNB reserve assets	mIn EUR	3 730	3 467	-99	96	597	-869	-	-2 339	-3	1 473	-1 359	-76	-	-

## Notes:

Ratios to GDP are calculated using GDP data as follows: for 2015 - BGN 88 571.3 mln, for 2016 – BGN 94 129.9 mln, for 2017 – BGN 98 631.1 and MF projections for 2018 - BGN 104 674.4 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 May 16, 2018, with the exception of the Q1 GDP data released on June 7. 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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