

BULGARIAN ECONOMY

Monthly Report

7-8/2018

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, Productivity and Incomes
- » Inflation
- » External Sector
- » Financial Sector
- » Fiscal Sector
- » Tabl. Key Economic Indicators

Highlights

GDP growth decelerated to 3.2% yoy in Q2 2018 with positive contribution from domestic demand and negative from net exports. Private consumption growth accelerated to 7.3% in line with good labour market developments and credit growth. Gross fixed capital increased by 6.3% with positive contribution from investment in both *construction* and *machinery and equipment*. On the supply side, gross value added growth decelerated somewhat to 2.6% yoy due to lower growth in manufacturing and a decrease in construction.

Short-term business statistics reported mixed performance in June and July. Industrial production and sales gained speed in June, but the latter decelerated in July. Retail sales growth slowed down in both months, while construction production declined on a year earlier in June, before increasing again in July. The **consumer confidence indicator** followed a downward path in July and August.

Employment went up by 0.2% yoy in Q2; its pace of increase decelerated on the previous quarter on account of a decrease in self-employed. The **unemployed** declined to 5.5% of the labour force, while the **participation rate** (15-64) remained unchanged compared to Q2 2017.

Real productivity growth accelerated to 3.0% yoy in Q2 2018 and although **compensation per employee** also gained momentum, the increase in **nominal unit labour costs** decelerated to 5.1% yoy

In August **consumer prices** went up by 0.3% on a month earlier. The **annual inflation rate** (HICP) accelerated to 3.7% with positive contribution from higher food, energy and services prices. Core inflation reached 2.8% yoy.

The positive **current account balance** in June narrowed the deficit accumulated in H1 to 0.2% of projected GDP. **Financial account balance** came in positive at 1.7% of projected GDP in H1, while **Gross External Debt** kept decreasing and at end-June reached 62.2% of projected GDP.

Credit to the private sector continued to gain momentum, up by 7.1% yoy in July, with positive contribution from both credit to households and to non-financial corporations.

For seven months in a row, **the balance on the consolidated fiscal program** was positive, reaching BGN 2 bn (1.9% of projected GDP) as at end-July. The positive fiscal outcome resulted from higher revenues over expenditures on the national budget. ■

GROSS DOMESTIC PRODUCT

GDP growth decelerated to 3.2% yoy in Q2 2018 (fig. 1) with positive contribution from domestic demand (6.7 pps) and negative from net exports (-3.5 pps). The latter widened compared to Q1, as export rate of increase decelerated, while import gathered speed. Private consumption growth accelerated to 7.3% in line with good labour market developments and credit growth. Public consumption went up by 2.8%. Gross fixed capital increased by 6.3% with positive contribution from investment in both *construction* and *machinery and equipment*.

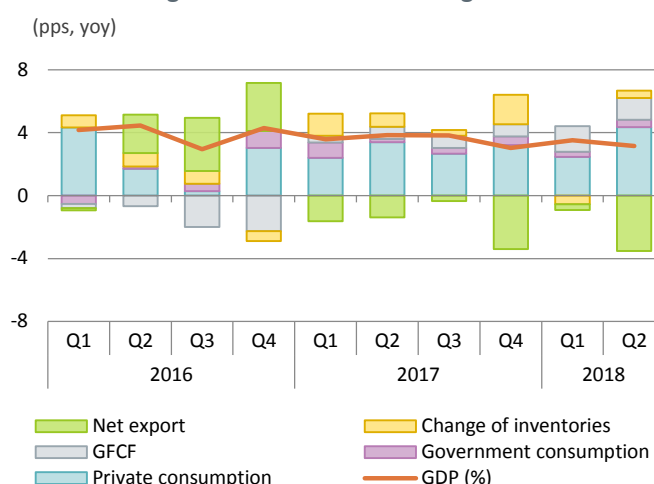
On the supply side, **gross value added (GVA) increased by 2.6% yoy in Q2** (fig. 2) compared with 3.5% yoy in Q1. The deceleration reflected lower growth in *manufacturing* and a decrease in *construction* value added, which according to the construction production index, was due to civil engineering. The growth in services was strong (3.9%) and was mostly due to *real estate activities* and *public administration, defence; education; health*.

SHORT-TERM BUSINESS STATISTICS

Industrial turnover increased by 6.8% yoy in June and 4.9% yoy in July. *Manufacturing* followed an upward trend in both months, supported by growth across all industries. However, weaker activity in *mining and electricity, gas, steam and air conditioning supply* in July let to the slowdown of industrial sales on a year earlier. Domestic turnover had major contribution for the overall growth in both months (fig. 3). It increased by 11.1% yoy in June and 7.9% yoy in July with *manufacture of basic metals and fabricated metal products, except machinery and equipment* being the main driver. At the same time, after four consecutive months of decline, foreign turnover returned to growth in June and July, up by 2.8% and 2% yoy, respectively. Major contribution for the reported increase came from *manufacture of transport equipment*.

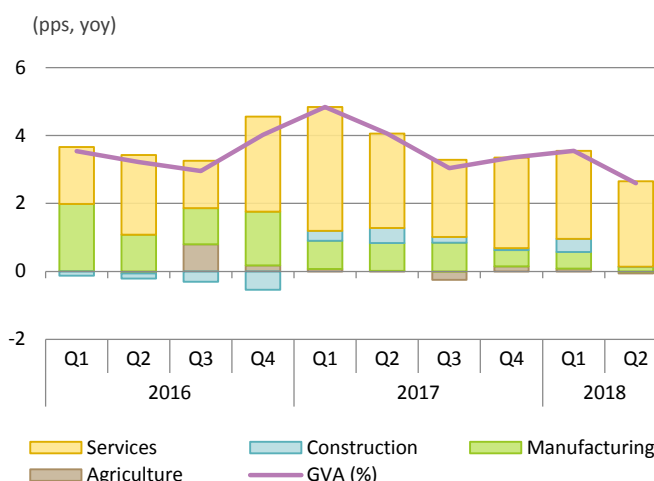
Industrial production growth followed an upward trend and reached 2.1% and 2.5% yoy in June and July, respectively. While *manufacture of motor vehicles, trailers and semi-trailers* led the reported in-

Fig. 1: Contributions to GDP growth



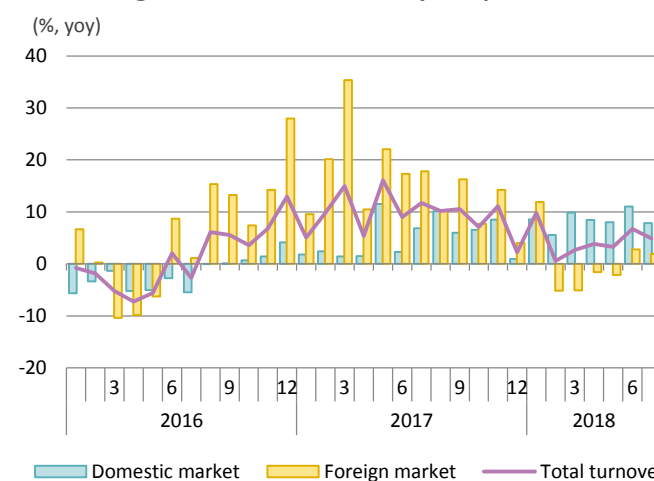
Source: NSI

Fig. 2: Contributions to GVA



Source: NSI

Fig. 3: Industrial turnover by components



Source: NSI

crease in June, the growth in July was mainly driven by *manufacture of basic metals* and *manufacture of rubber and plastic products*.

Construction production (fig. 4) continued to have a volatile performance. The index decreased by 5% yoy in June, as both *building construction* and *civil engineering* contributed for the reported decline, down by 4.2% and 5.9% yoy, respectively. In July the overall index increased by 3% yoy, supported by *building construction* and *civil engineering*, up by 2.1% and 4.2% yoy, respectively.

Retail trade growth reached 4.8% yoy in July (6% in June). *Retail sales of medical and orthopaedic goods* posted the largest increase of 14.5% yoy (15.3% in June), while *retail trade of computers, peripheral units and software* followed a downward trend and decreased by 5.7% yoy in July compared to a decline of 3.5% in June.

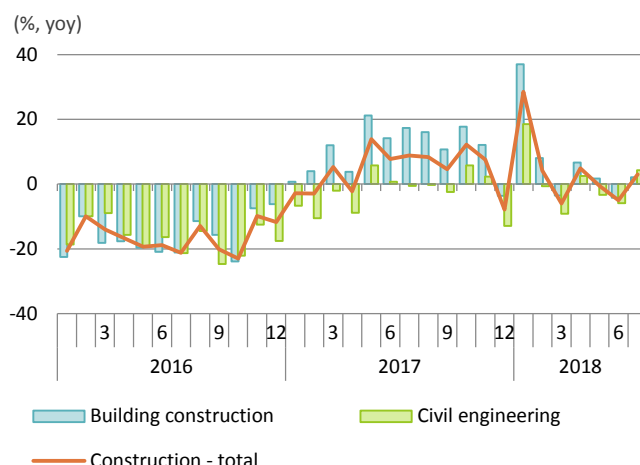
In July the **overall business climate indicator** remained close to its June level, but in August a decrease of 2.9 points was registered due to worsened assessments in all sectors (fig. 5 and fig. 6). Export expectations in industry were unfavourable. In construction, there was a decrease in the assurance with orders. Demand for services increased in August but the sales in retail trade decreased.

The **consumer confidence indicator** decreased by 1.4 points in July and by another point in August (fig. 7). While the worsening in July was mostly due to more reserved expectations for the economic situation, in August it was determined by expectations for an increase in unemployment.

LABOUR MARKET, PRODUCTIVITY AND INCOMES

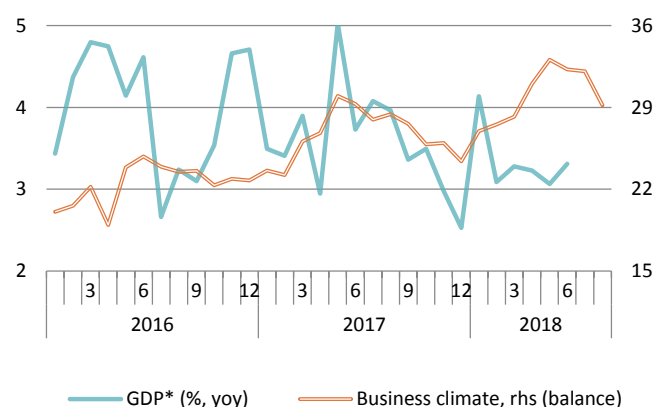
Employment growth (ESA 2010) **strongly decelerated** in Q2 (fig. 8), down to 0.2% from 1.2% in Q1. This was due to the negative dynamics of the self-employed, which was largely driven by the decrease in agriculture, in line with the unfavourable GVA developments in the sector. Despite the weakened export performance and the reported slowdown in labour demand in certain major export-oriented activities, such as *manufacturing of basic metals*, the pace of

Fig. 4: Construction production index



Source: NSI

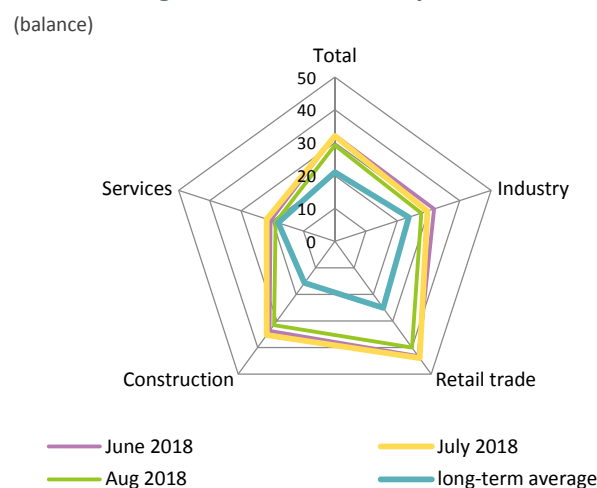
Fig. 5: Business climate and GDP



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

Source: NSI, MF

Fig. 6: Business climate by sectors



Source: NSI

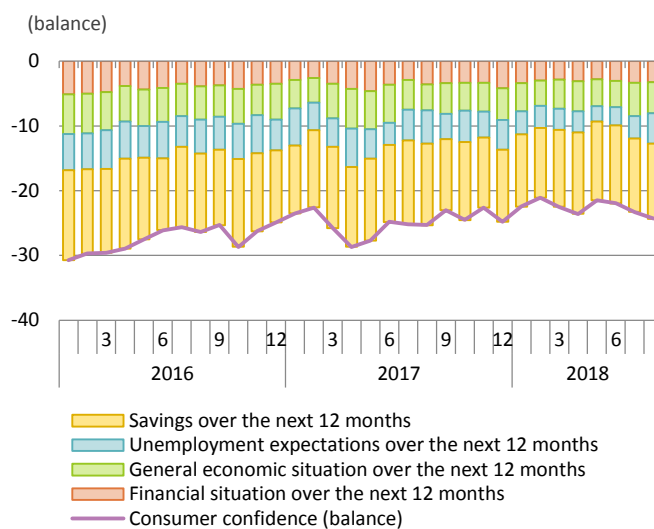
increase in total manufacturing employees remained unchanged from Q1, up by 0.8%. In construction there was a strong demand of labour despite the lower economic activity on a year earlier. The number of employed went up by 8.5% yoy in Q2 – one of the highest growth rates amongst the economic activities, but it should be mentioned that employed started to recover in the end of 2017. The service sector employment grew by 1.5%, as the lower increase in self-employment determined the reported deceleration compared to Q1. Labour demand in services remained high supported by both higher valued added economic activities, such as *creation and distribution of information*, and branches with relatively low-qualified labour force, such as *trade, transport and hotels and restaurants*.

In Q2 the **unemployed number** went down to 182.2 thousand which corresponded to 5.5% of the labour force (LFS; fig. 9). Thus, the unemployment rate almost reached its historical lowest level from the pre-crisis period. At the same time, the labour force also decreased, with main contribution from the young ages between 25 and 34, followed by these between 15-24, and 35-44. The decline in the economically active population took place along with continuing decrease in the discouraged. The latter constitute the largest part of the available labour resource from the pool of the inactive. Their number reached 89.8 thousand in Q2 and was more than 1.5 times lower compared to the historical low in the pre-crisis period. This suggests that even in the context of labour market activation, the demographic influence on the labour force is stronger. After an increase in the participation rate (15-64) in 2017 and Q1 2018, the indicator remained at its last year's level in Q2.

The **registered unemployed** declined further to 184 thousand as of end-August, down by 1% mom and 15.8% yoy. Both the unemployment inflow and outflow showed weaker dynamics on a month earlier but the outflow remained higher than the inflow, thus resulting in a continuing decrease of unemployment.

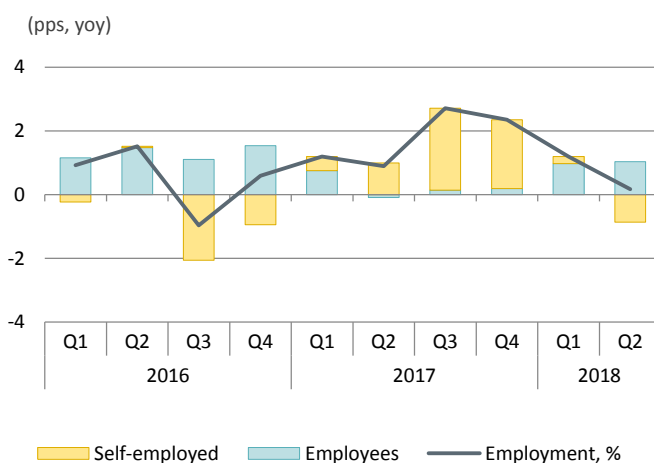
In Q2 **compensation per employee** grew by 8.2% yoy in nominal terms (fig. 10), as the pace of increase

Fig. 7: Consumer confidence indicator by components



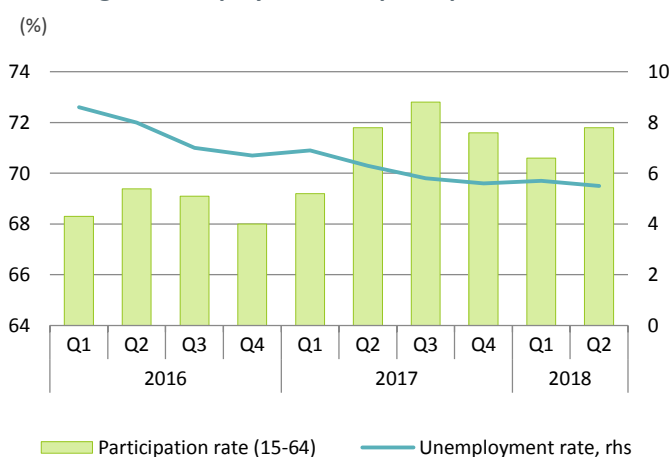
Source: Eurostat

Fig. 8: Employment growth and contributions according to the employment status



Source: NSI

Fig. 9: Unemployment and participation rates



Source: NSI

remained close to Q1 (8.5% yoy). *Industry* reported a significant deceleration to 8.6% yoy from 15.3% in Q2 2017 mostly on the back of construction. Compensation per employee in services speeded up to 8.1%, with the highest contributions coming from *creation and distribution of information, real estate and public administration, healthcare and education*. In Q2 the nominal average wage growth in public sector remained strong (9.6%), while the indicator in private sector was lower (7.6%). Thus, the average wage growth in the economy came at 8.2%. In line with the upward consumer price dynamics, the HICP deflated real wage growth decelerated to 5.7% yoy.

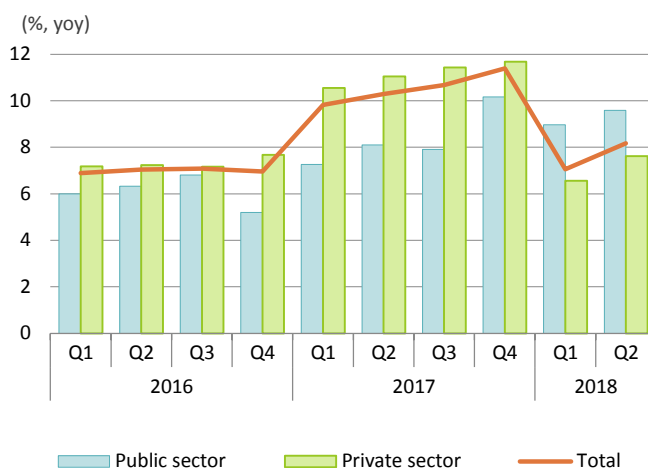
Following employment slowdown in Q2 **real productivity growth** accelerated to 3% yoy, being 2.3% yoy in the previous quarter and 2.4% yoy in the corresponding period of the previous year (fig. 11). *Services* had the major contribution, up by 2.3% yoy in Q2 from 1.2% yoy in Q1. *Agriculture* also reported a productivity increase (4.1% yoy), while the *manufacturing* sector dropped marginally by 0.1% along with a strong negative impact coming from *construction* (down by 8.1% yoy).

The recent upward trend of compensation per employee above productivity growth contributed to a nominal unit labour costs (ULC) increase. Still, due to productivity acceleration in Q2 the pressure on labour costs was somehow reduced compared to the second half of 2017. In Q2 ULC growth decelerated to 1% and 5.1% yoy in real and nominal terms, respectively (fig. 12).

INFLATION

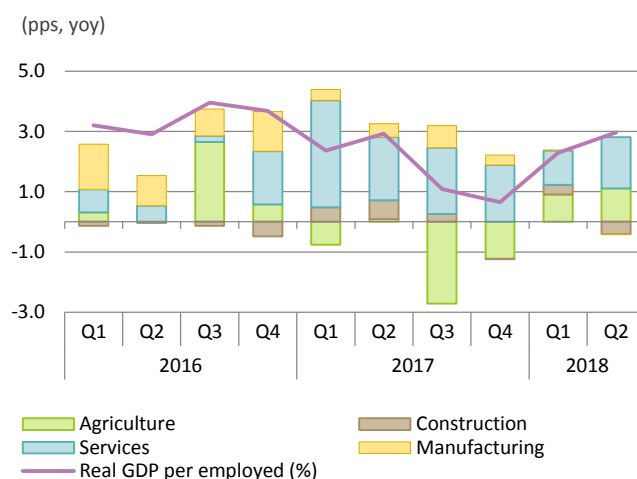
HICP increased in July and August, up by 1% and 0.3% on a month earlier respectively, and was entirely driven by higher prices of services. In July accommodation services, package holidays and international airfares soared by 20%, 13.3% and 10.4%, respectively, and accounted for most of the increase in the headline rate. Administered prices contributed to the rest of the HICP change as prices of electricity, central heating and supply of gas were raised as of the beginning of July. Fresh vegetables saw a seasonal price decline of 3% and had the biggest negative contribution to the overall index. In August the cost of insur-

Fig. 10: Nominal wage growth by sectors



Source: NSI, MF

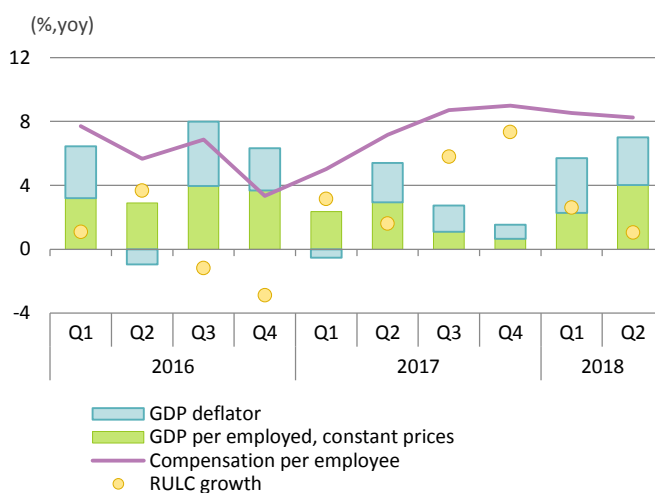
Fig. 11: Contributions to real productivity growth by sectors*



* GVA in services is not corrected for the imputed rent.

Source: NSI, MF

Fig. 12: Decomposition of real unit labour cost (RULC)



Source: NSI, MF

ance services went up by 18.5% on average after the Association of Bulgarian Insurers decided for an increase in the insurance premiums on motor third party liability. International airfares and accommodation services were the other main drivers of the monthly inflation as their prices went up by 10.1% and 2.6%, respectively. Negative contribution came from clothing and footwear, as their average price came down by 3.3%.

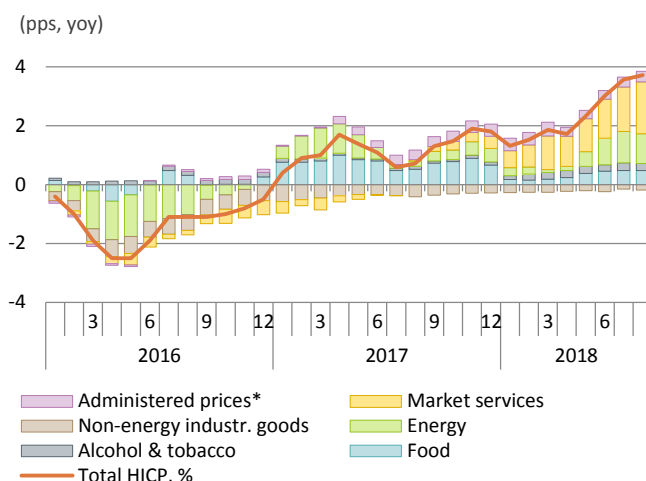
The **annual inflation** accelerated in July and August, up to 3.6% and 3.7%, respectively (fig. 13). All main HICP components, except for non-energy industrial goods, had positive contribution to the increase. Among them market services were the main driver as their average price increase continued to accelerate to 6.1% in July and 7.1% in August. Energy and food prices had notable contribution as well reflecting the sharp increase of international prices within the last 12 months. Fast increasing prices of services pushed up core inflation¹ and it reached 2.8% in August, up from 2.2% two months earlier.

EXTERNAL SECTOR

In June **Current account balance came in positive** at EUR 231.6 mln compared with a deficit of EUR 46.5 mln in May (fig. 14). The improvement was due to better *Services balance*, as travel receipts increased on a month earlier in line with the start of the summer tourist season. The services surplus reached 1.9% of projected GDP in January-June, up from 1.7% in H1 2017. In June *trade deficit* stood at EUR 300 mln and was comparable with the monthly balances posted in the year so far. However, import growth continued to outpace the increase of export on a year earlier and in H1 the trade deficit reached 3.2% of projected GDP compared with 2.1% in the same period of 2017.

Primary income balance remained almost unchanged on a month earlier in June, while *secondary income surplus* lowered due to higher transfers from General Government to the EU Budget. The surplus on *income articles* stood at 1.2% of projected GDP in H1, slightly down from 1.3% a year ago. In January-June current

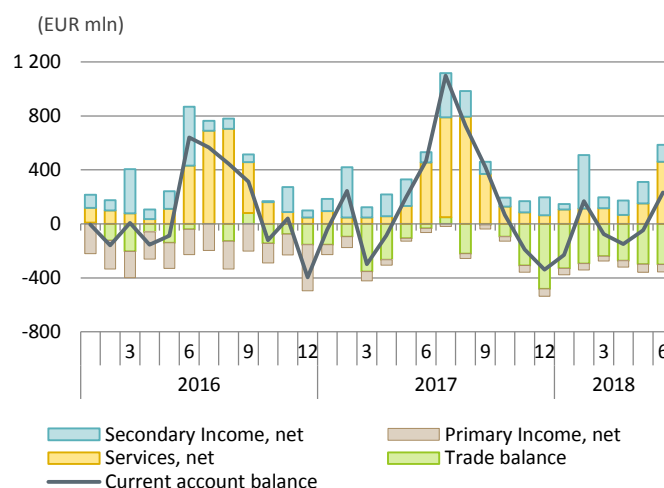
Fig. 13: Contributions by main HICP components



* 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.

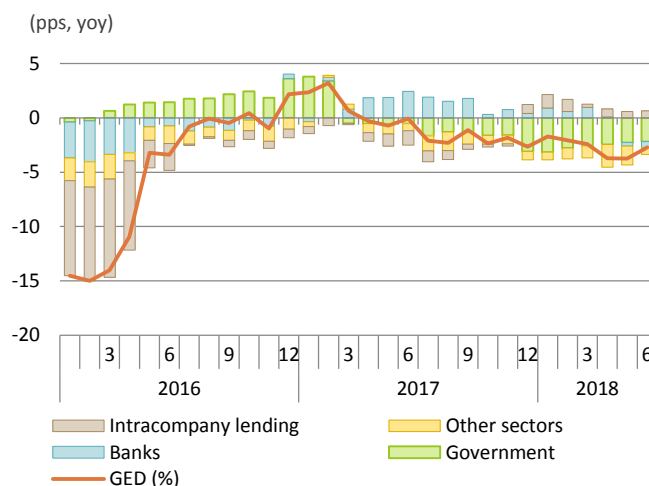
Source: Eurostat, MF

Fig. 14: Current account components



Source: BNB

Fig. 15: Contributions to GED growth



Source: BNB

¹ The total HICP excluding energy and unprocessed food

account reached a deficit of 0.2% of projected GDP compared with a surplus of 1% in H1 2017.

In June financial account balance came in negative due to capital inflows in all investment groups. In H1 **the balance** was positive at 1.7% of projected GDP, led by a strong increase in assets in January. In the period inward foreign investment equalled 0.7% of projected GDP.

Gross External Debt kept decreasing and at end-June reached 62.2% of projected GDP compared with 71.1% twelve months ago (fig. 15). Intercompany lending reached 23.6% of projected GDP and was the only institutional sector with higher debt level on a year earlier, up by 1.8%. Net external debt continued to improve as gross external assets exceeded gross external debt by EUR 1.8 bn and equalled 3.5% of projected GDP.

FINANCIAL SECTOR

In August, **international reserves reached EUR 24 bn**, up by 1% on a month earlier. Government deposit contributed positively with a monthly increase of 6%. Banknotes and coins in circulation and liabilities to other depositors also increased, up by 2.4% and 0.3%, respectively. Negative contribution came from bank reserves, down by 3.9%, and Banking Department deposit, down by 0.4%. On a year earlier, FX reserves decreased by 2% in August. Bank reserves continued to be the main driver for the decline, down by 15.7% yoy. Positive contributions came from notes and coins in circulation, up by 11.1% yoy, and liabilities to other depositors, up by 38% yoy. (fig. 16)

In July, **credit to the private sector** (fig. 19) continued to accelerate on a year earlier, up by 7.1% vs. 6.7% in June. Households' credit remained the major contributor, up by 10% yoy, while credit to non-financial corporations grew by 3.4% yoy. Loans to households accelerated on the back of consumer and mortgage loans, up by 15% and 9.2% yoy, respectively. Meanwhile "other credits" decreased by 6.4% yoy. The latter component includes the loans extended under the National Program for Energy Efficiency of Multi-family Residential Buildings and the downward dynamics reflects the loan repayments by the govern-

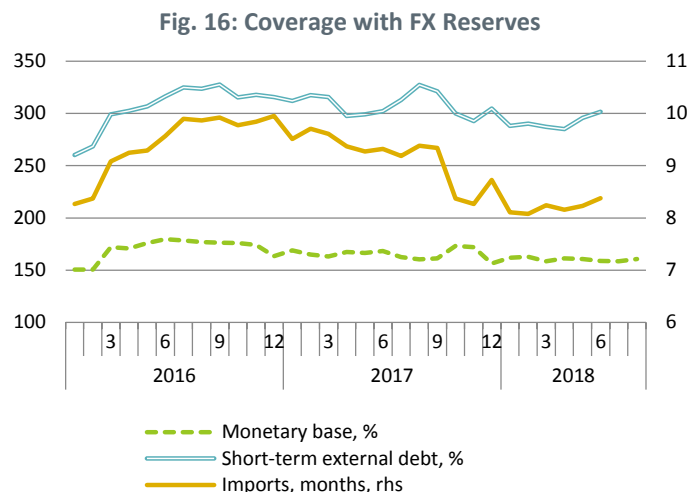


Fig. 17: Contributions to annual growth of total deposits by institutional sectors

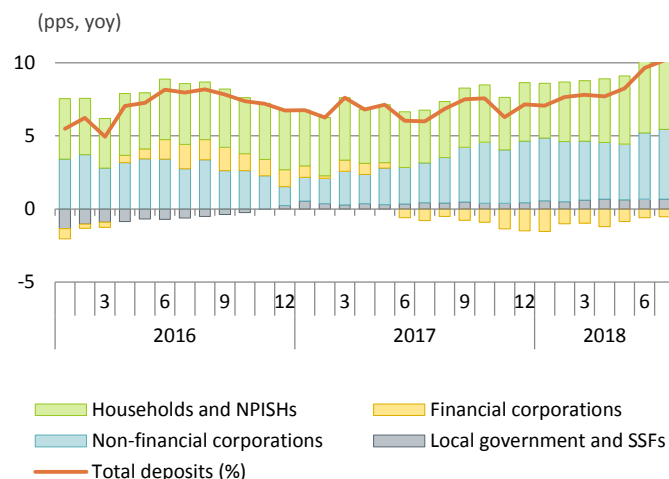
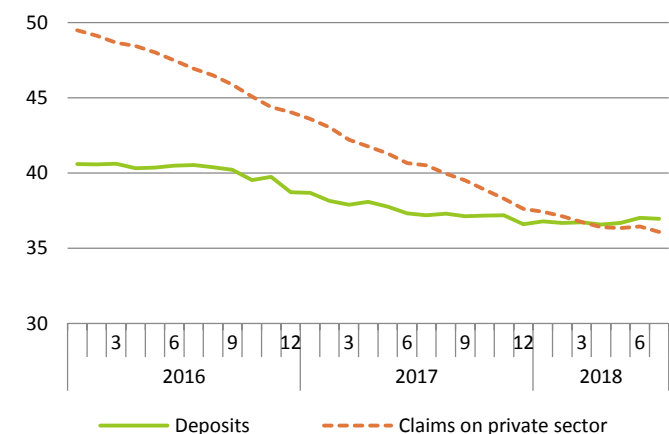


Fig. 18: Share of deposits and claims on private sector in FX



ment.

Weighted interest rate on new credits to non-financial corporations (table 1) increased by 17 bps in July. It was mainly due to new euro-denominated deals, while the price on loans in USD decreased. Interest rates on new corporate loans in BGN edged up by 1 bps. The total volume of new corporate credit came lower on the previous month and compared to end-July 2017, down by 4.3% mom and 20.7% yoy, respectively. The average price of mortgages decreased by 3 bps on a month earlier, while that of consumer credits moved up by 44 bps.

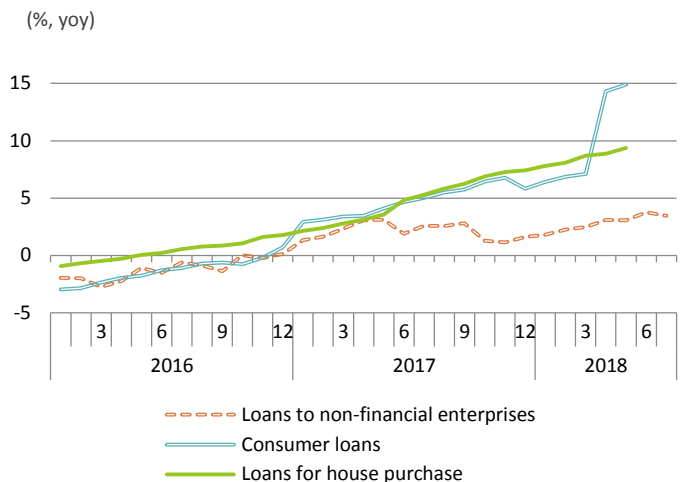
Weighted interest rate on new time deposits (table 2) went up by 14 bps in July compared to June and compensated for the 7bps decrease in the previous month. The increase in the month was driven by deposits denominated in USD and in EUR, while those in national currency decreased by 5 bps on a month earlier. The total volume of new time deposits reached BGN 1.6bn in July, up by 34.8% yoy.

FISCAL SECTOR

According to monthly data on a cash basis, **the budget balance on the consolidated fiscal programme** (CFP) came positive for the first seven months of 2018, reaching BGN 2 bn (1.9% of projected GDP). The positive fiscal outcome resulted from higher revenue over expenditure on the national budget (2.3% of projected GDP), while the EU funds account recorded a minor deficit (0.3% of projected GDP).

Revenue and grants (fig. 20) totalled BGN 20.5 bn, up by 10.1% compared to the same period of the previous year. Tax and non-tax receipts rose by 10.3% and 12.5%, respectively. At end-June grants posted a growth for the first time since March 2016, up by 4.2% yoy, and at end-July they remained close to the level a year ago. Social and health insurance contributions had the highest contribution to the overall revenue growth (up 13.9% yoy), followed by indirect tax receipts (up 7.7% yoy) and direct taxes (up 12.2% yoy). Cash receipts from VAT, excise and custom duties rose by 8.7%, 4.8% and 26.4% yoy, respectively.

Fig. 19: Credit growth



Source: BNB, MF

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

	July 2017	June 2018	July 2018
Non-financial companies	3.69	3.51	3.69
Consumer credits	8.08	8.30	8.74
Mortgages	3.91	3.44	3.41

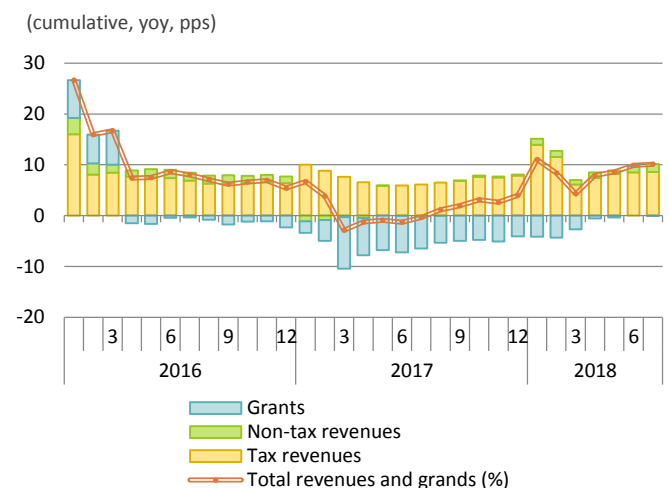
Source: BNB, MF

Table 2: Weighted average interest rate on new time deposits of households and non-financial companies, in %

	July 2017	June 2018	July 2018
BGN	0.19	0.24	0.19
EUR	0.22	0.11	0.23
USD	0.50	0.34	0.84

Source: BNB, MF

Fig. 20: Contribution to the growth of total revenues and grants



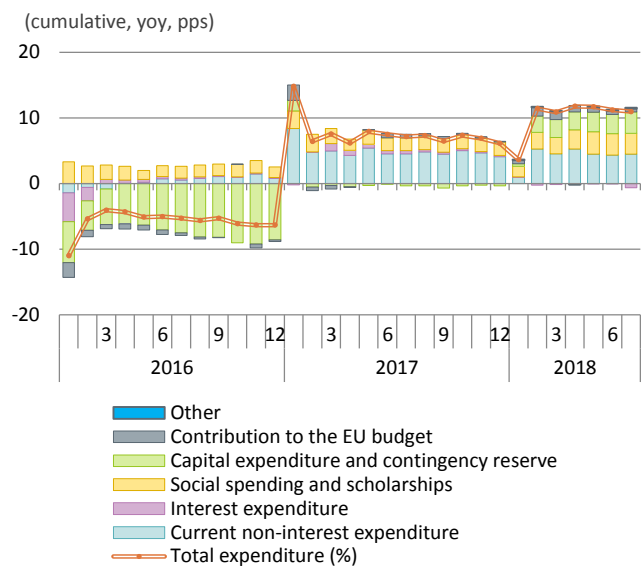
Source: MF

Consolidated government expenditure (fig. 21), including the Bulgarian contribution to the EU budget, reached BGN 20.5 bn, up by 11% yoy, as all expenditure items increased, exception for interests. Capital expenditure, including the contingency reserve, had the biggest contribution, up by 58.5% yoy. Social payments and scholarships (up 6.8% yoy), as well as personnel costs and current maintenance, up by 11.8% and 9.8% yoy respectively, also had a significant contribution.

Fiscal reserve amounted to BGN 10.8 bn (10.3% of projected GDP) as at end-July, of which BGN 9.6 bn were in bank deposits² and BGN 0.8 bn – EU funds receivables on certified expenses, advance payments etc.

General government debt, incl. guaranteed debt, decreased to BGN 24.2 bn or 23.2% of projected GDP as at end-July, being 25.8% of GDP a year earlier. Domestic debt lowered to 5.4% of projected GDP from 6.5% of GDP twelve months earlier. The external debt-to-GDP-ratio also improved, down to 15.9% from 17.2% in July 2017. Government guaranteed debt was 1.8% of projected GDP, being 2.1% of GDP a year earlier. ■

Fig. 21: Contribution to the growth of total expenditure



Source: MF

² FR deposits include all bank accounts of the budgetary units, except those of the municipalities



KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data							
		2015	2016	2017	Q3'17	Q4'17	Q1'18	Q2'18	02'18	03'18	04'18	05'18	06'18	07'18	08'18	
— GDP¹																
Gross Domestic Product	% , yoy	3.6	3.9	3.6	3.8	3.0	3.5	-	-	-	-	-	-	-	-	
Consumption	% , yoy	3.8	3.3	4.5	4.2	4.8	3.2	-	-	-	-	-	-	-	-	
Gross fixed capital formation	% , yoy	2.7	-6.6	3.8	4.2	4.1	10.2	-	-	-	-	-	-	-	-	
Export	% , yoy	5.7	8.1	4.0	4.6	2.1	5.0	-	-	-	-	-	-	-	-	
Import	% , yoy	5.4	4.5	7.2	5.4	8.2	4.6	-	-	-	-	-	-	-	-	
Agriculture	% , yoy	-6.8	5.3	-0.1	-1.5	2.9	-0.3	-	-	-	-	-	-	-	-	
Industry	% , yoy	4.2	4.0	3.4	3.5	2.3	2.9	-	-	-	-	-	-	-	-	
Services	% , yoy	3.3	3.1	4.2	3.6	3.7	3.8	-	-	-	-	-	-	-	-	
Adjustments	% , yoy	7.5	7.2	2.4	9.0	1.1	3.2	-	-	-	-	-	-	-	-	
— Short-term business statistics²																
Industrial production	% , yoy	2.9	2.7	3.4	3.5	1.6	1.6	-0.9	-0.9	0.1	0.8	0.5	2.1	2.5	-	
Industrial turnover	% , yoy	1.7	1.1	9.3	10.8	6.7	4.3	0.6	0.6	2.7	3.8	3.3	6.8	4.9	-	
Retail trade turnover	% , yoy	11.8	6.1	3.7	2.6	4.0	3.5	3.1	3.1	2.6	4.9	6.2	6.0	4.8	-	
Construction output	% , yoy	11.2	-16.7	4.6	7.3	4.2	7.1	4.2	4.2	-6.0	4.8	-0.5	-5.0	3.0	-	
Total business climate	balance	20.3	22.5	26.6	28.0	25.4	27.6	27.5	27.5	28.2	31.0	33.1	32.2	32.1	29.2	
Industry	balance	22.9	23.5	26.9	27.8	25.7	28.3	28.1	28.1	28.2	28.9	30.3	31.8	29.6	27.7	
Retail trade	balance	27.6	33.6	37.9	40.6	39.5	41.5	40.4	40.4	43.6	44.1	42.5	43.3	44.0	40.0	
Construction	balance	15.2	17.9	24.6	27.9	22.2	21.9	22.7	22.7	23.9	29.0	37.1	33.7	35.3	31.5	
Services	balance	12.7	13.8	16.7	15.8	13.8	17.8	18.4	18.4	17.0	24.1	25.0	20.5	21.8	19.0	
— Labour market																
Participation rate (15+)	level	54.1	53.3	55.4	56.5	55.5	54.6	-	-	-	-	-	-	-	-	
Employment rate (15+)	level	49.1	49.3	51.9	53.2	52.3	51.5	-	-	-	-	-	-	-	-	
Employment (SNA)	% , yoy	0.4	0.5	1.8	2.7	2.4	1.2	-	-	-	-	-	-	-	-	
Unemployment rate (LFS)	level	9.1	7.6	6.2	5.8	5.6	5.7	-	-	-	-	-	-	-	-	
Unemployment rate (EA)	level	10.1	8.7	7.2	6.6	6.9	7.0	7.0	7.0	6.8	6.4	6.1	5.7	5.7	5.6	
Nominal wage	% , yoy	6.8	8.0	11.8	10.7	11.4	7.1	6.3	6.3	6.9	8.1	7.3	9.0	-	-	
Real wage ³	% , yoy	8.0	9.5	10.5	9.7	9.5	5.4	4.7	4.7	4.9	6.3	4.9	5.8	-	-	
Labour productivity (GDP per employed)	% , yoy	3.3	3.4	1.7	1.1	0.7	2.3	-	-	-	-	-	-	-	-	
Real ULC (GDP)	% , yoy	0.1	0.1	4.5	5.8	7.3	2.6	-	-	-	-	-	-	-	-	
Nominal ULC (GDP)	% , yoy	2.3	2.3	5.7	7.5	8.3	6.1	-	-	-	-	-	-	-	-	
— Prices																
National consumer price index (CPI)	% , yoy	-0.1	-0.8	2.1	1.6	2.7	2.0	2.0	2.0	2.2	2.0	2.6	3.2	3.5	3.5	
Harmonized index of consumer prices (HICP)	% , yoy	-1.1	-1.3	1.2	0.9	1.7	1.6	1.5	1.5	1.9	1.7	2.3	3.0	3.6	3.7	
PPI, domestic market	% , yoy	-1.6	-2.9	4.2	5.7	5.5	4.9	4.4	4.4	4.8	3.8	4.8	5.7	3.4	-	
PPI, non-domestic market	% , yoy	-2.4	-3.5	6.0	4.7	4.6	0.6	-0.5	-0.5	0.3	1.6	7.1	8.3	6.8	-	
— Consolidated fiscal program (cumulative)																
Revenues and grants	mIn BGN	32 200	33 959	35 316	26 152	35 316	9 220	6 212	6 212	9 219	12 971	15 978	19 210	22 547	-	
Total expenditure	mIn BGN	34 685	32 491	34 471	23 732	34 471	8 628	5 460	5 460	8 626	11 652	14 557	17 496	20 533	-	
Contribution to EU budget	mIn BGN	946	859	888	677	888	308	220	220	308	390	457	576	654	-	
Cash deficit (-) / surplus (+)	mIn BGN	-2 485	1 468	846	2 420	846	592	752	752	593	1 319	1 422	1 714	2 015	-	
	% of GDP	-2.8	1.6	0.9	2.5	0.9	0.6	0.7	0.7	0.6	1.3	1.4	1.6	1.9	-	
Government debt (incl. guaranteed debt)	mIn BGN	23 300	27 424	25 531	25 479	25 531	24 429	24 463	24 463	24 429	24 389	24 344	24 250	24 242	-	
	% of GDP	26.3	29.1	25.9	25.6	25.6	23.3	23.4	23.4	23.3	23.3	23.3	23.2	23.2	-	
Fiscal reserve	mIn BGN	7 873	12 883	10 289	11 867	10 289	10 149	10 687	10 687	10 149	10 749	10 413	10 831	10 803	-	
	% of GDP	8.9	13.7	10.4	12.0	10.4	9.7	10.2	10.2	9.7	10.3	9.9	10.3	10.3	-	

		Annual data			Quarterly data				Monthly data						
		2015	2016	2017	Q3'17	Q4'17	Q1'18	Q2'18	02'18	03'18	04'18	05'18	06'18	07'18	08'18
— Financial sector															
BNB International reserves	mln EUR	20 285	23 899	23 662	24 551	23 662	22 606	22 215	22 215	22 606	22 518	22 825	23 510	23 731	23 960
Monetary base coverage	%	144.3	163.4	156.4	161.2	156.4	158.6	162.7	162.7	158.6	161.4	160.6	158.7	158.6	160.7
Coverage of import with FX reserves	months	8.5	10.0	8.7	9.3	8.7	8.2	8.1	8.1	8.2	8.2	8.2	8.4	-	-
Coverage of short-term external debt	%	267.5	315.7	304.6	321.1	304.6	287.0	290.1	290.1	287.0	284.9	295.7	301.6	-	-
Money M1 (Narrow money)	%, yoy	15.6	13.5	16.9	16.3	16.9	17.2	17.6	17.6	17.2	15.7	15.6	15.8	15.7	-
Money M3 (Broad money)	%, yoy	8.8	7.6	7.7	8.2	7.7	8.4	8.1	8.1	8.4	8.2	8.8	10.0	10.4	-
Deposits	%, yoy	8.2	6.7	7.2	7.5	7.2	7.8	7.7	7.7	7.8	7.7	8.3	9.6	10.2	-
Credit to private sector	%, yoy	-1.2	1.5	4.8	4.9	4.8	5.6	5.0	5.0	5.6	6.6	6.6	6.7	7.1	-
Credit to non-financial enterprises	%, yoy	-1.7	0.3	1.7	2.8	1.7	2.5	2.2	2.2	2.5	3.1	3.1	3.8	3.4	-
Credit to households	%, yoy	-1.3	2.0	6.0	6.0	6.0	6.3	6.1	6.1	6.3	9.1	8.9	9.2	10.0	-
Interest rate on credits ⁴	%	7.0	5.8	4.3	4.6	4.3	4.6	4.6	4.6	4.6	4.6	4.9	4.7	4.9	-
Interest rate on deposits ⁵	%	1.3	0.8	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	-
APRC ⁶ , consumer loans	%	11.5	11.0	10.2	10.2	10.8	10.0	9.9	9.9	9.7	10.7	10.0	10.2	10.9	-
APRC ⁶ , mortgages	%	6.4	5.5	4.4	4.3	4.2	4.1	4.1	4.1	4.0	3.9	3.8	4.0	3.9	-
Exchange rate BGN/USD	eop	1.79	1.86	1.63	1.66	1.63	1.59	1.60	1.60	1.59	1.62	1.67	1.68	1.67	1.68
	per. av.	1.76	1.77	1.74	1.67	1.66	1.59	1.58	1.58	1.59	1.59	1.66	1.67	1.67	1.69
— Gross External Debt (GED)															
Gross external debt	% of GDP	73.6	71.1	66.1	66.1	66.1	62.2	62.3	62.3	62.2	61.8	61.6	62.2	-	-
Short-term external debt	% of GED	22.2	22.1	23.3	22.9	23.3	23.7	23.0	23.0	23.7	23.9	23.4	23.4	-	-
Intercompany lending	% of GED	38.1	36.2	38.1	37.3	38.1	38.1	38.8	38.8	38.1	38.3	38.5	38.0	-	-
— Balance of payments⁷															
Current account	mln EUR	-17	1 091	2 269	2 250	-464	-139	169	169	-77	-149	-47	232	-	-
<i>Current account (moving average)</i>	% of GDP	0.0	2.3	4.5	4.7	4.7	4.2	3.7	3.7	4.2	4.0	3.6	3.1	-	-
Trade balance	mln EUR	-2 622	-984	-2 074	-179	-885	-865	-295	-295	-240	-273	-300	-302	-	-
<i>Trade balance (moving average)</i>	% of GDP	-5.8	-2.0	-4.1	-3.3	-4.3	-4.4	-4.6	-4.6	-4.4	-4.4	-4.7	-5.2	-	-
Export, f.o.b.	mln EUR	21 919	23 104	25 754	6 631	6 747	6 109	1 872	1 872	2 187	2 071	2 139	2 388	-	-
	%, yoy	4.2	5.4	11.5	9.0	7.2	2.8	-5.4	-5.4	2.1	7.1	-3.4	4.6	-	-
Import, f.o.b.	mln EUR	18 678	24 088	27 829	6 811	7 632	6 973	2 167	2 167	2 427	2 344	2 438	2 690	-	-
	%, yoy	-21.5	29.0	15.5	11.1	14.4	6.5	4.6	4.6	-2.8	6.6	5.0	16.1	-	-
Capital account	mln EUR	1 422	1 070	526	144	188	1	-18	-18	3	77	35	92	-	-
Financial account	mln EUR	-738	-356	2 320	1 325	1 099	1 371	485	485	-266	111	76	-653	-	-
Net Foreign Direct Investments	mln EUR	-2 329	-356	-688	-97	-208	-42	10	10	264	52	-18	-100	-	-
Net Portfolio Investments	mln EUR	44	2 198	878	-193	752	476	98	98	78	-255	19	168	-	-
Other Investments – net	mln EUR	-4 603	1 734	843	126	476	1 207	114	114	-239	241	-499	-127	-	-
Change in BNB reserve assets	mln EUR	3 730	3 467	-99	597	-869	-1 035	-76	-76	399	-101	260	733	-	-

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. Annual Percentage Rate of Charge on new loans to households by original maturity, weighted by currency and maturity;

7. Analytical presentation (BPM6).

This issue of the Monthly Report on Bulgarian Economy is based on materials and statistical data received up to September 17, 2018. 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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