

BULGARIAN ECONOMY

Monthly Report

2/2017

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 Developments
- » Tabl. Key Economic Indicators

Highlights

GDP growth reached 3.5% yoy in Q4 2016, thus Bulgarian economy expanded by 3.4% for the whole year.

Both domestic demand and net export contributed positively for the quarterly growth. On the supply side, gross value added increased by 3.4% yoy in the last quarter.

Short-term business statistics showed somewhat mixed performance in the beginning of 2017, as the industrial production and sales decelerated, the decline in the construction output narrowed and retail trade increased in January. The **consumer confidence** also improved in February on the back of better expectations regarding the economic situation and the financial situation of households, while the overall **business climate indicator** decreased due to some worsening of the assessments in retail trade and industry.

The **number of employed** increased by 0.6% yoy in Q4 2016 supported by the positive developments in services and manufacturing. **Registered unemployment** stood at 8.2% in January and February.

The higher economic activity and job creation boosted **labour productivity**, up by 2.9% yoy in real terms, while the **compensation per employee** went up by 0.8% yoy, which was its lowest increase since 2009. These developments resulted in a decrease in **nominal unit labour costs** (NULC) for second consecutive quarter, down by 2% yoy.

The **annual average inflation rate** (HICP) accelerated to 0.9% yoy in February, driven mainly by the ongoing recovery in international crude oil prices and the subsequent increase in domestic fuel prices. The negative core inflation narrowed to -0.3% yoy.

The **current account surplus** increased almost 9.5 times to EUR 1.8 bn (3.8% of GDP) in 2016, as the trade deficit and the negative balance of the primary income narrowed and the services surplus rose on a year earlier. The **financial account balance** indicated a net inflow of EUR 368.7 mln in 2016. FDI stood at EUR 1.1 bn (2.3% of GDP) in 2016, down by 34.5% yoy.

According to preliminary data on a cash basis, the **budget surplus on the consolidated fiscal program** accounted for BGN 884.2 mln (0.9% of projected GDP) as of end-January 2017. The positive fiscal outcome resulted from higher revenues over expenditure both on the national budget and the EU funds account. ■



GROSS DOMESTIC PRODUCT

GDP growth reached 3.5%¹ yoy in Q4 2016, thus Bulgarian economy expanded by 3.4% for the whole 2016. Both domestic demand and net export contributed positively for the quarterly growth (+1.5 pps and +2 pps respectively, fig. 1). Private consumption reached its highest growth for the year, up by 3%, on the back of positive developments on the labour market and stronger consumer confidence. Higher government expenditures in the last quarter contributed to the 7.1% increase in public consumption. Meanwhile, public capital expenditure posted a decrease and fixed investments went down by 7.4% yoy. Despite the higher domestic demand, the import growth (2.8%) decelerated compared to Q3, most likely due to weaker demand from export oriented industries as export growth was also lower compared to Q3, up by 6.4%.

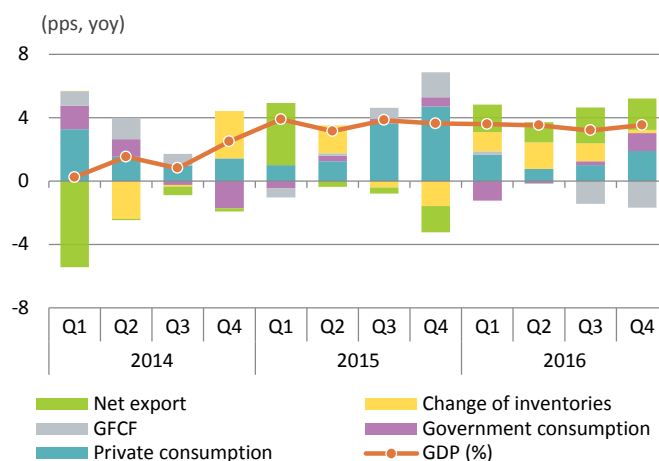
On the supply side, **gross value added** (GVA) increased by 3.4% yoy in Q4 (fig. 3). Value added in agriculture increased by 6.3%, while growth in manufacturing accelerated to 4.8%. In the services sector, *trade; transportation; accommodation* (+1.2 pps) and *real estate activities* (+0.8 pps) were among the activities which contributed to the GVA growth.



SHORT-TERM BUSINESS STATISTICS

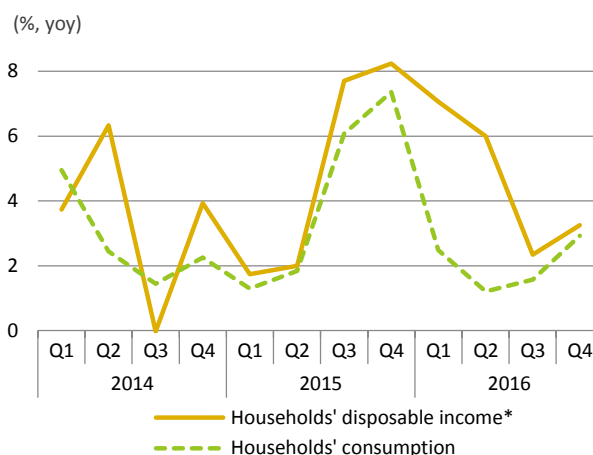
The growth of **industrial turnover**² decelerated to 5.9% yoy in January as a result of weaker performance of foreign industrial sales (fig. 4). Foreign turnover rose by 9.6% yoy compared to an annual increase of 28% at the end of 2016. The observed downward trend was mainly due to the negative development of *manufacture of fabricated metal products, except machinery and equipment*. At the same time, *manufacture of basic metals* which have the largest share in foreign sales kept its upward

Fig. 1: Contributions to GDP growth



Source: NSI

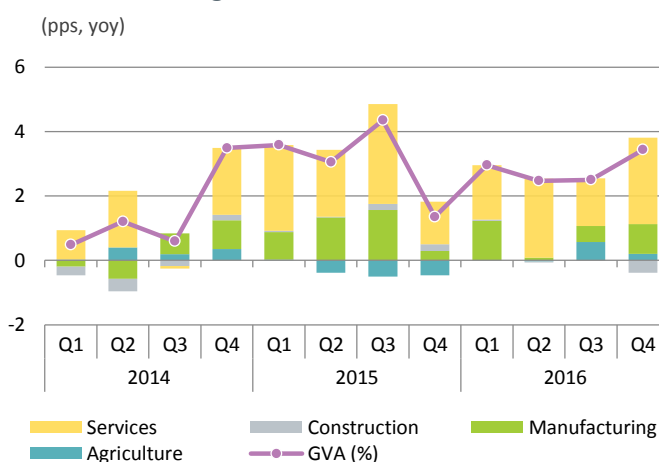
Fig. 2: Households' consumption and income



* Households' disposable income is the sum of compensation of employees, mixed income, received transfers (old-age pensions, social transfers, remittances) minus social security contributions and income taxes payable by employees. The disposable income in constant prices is acquired from that in current deflated with the households' consumption deflator.

Source: NSI, MF

Fig. 3: Contributions to GVA



Source: NSI

¹ Quarterly GDP growth rates are derived from chain-linked (2010) level series, not seasonally adjusted data.

² 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.

dynamics and contributed the most for the reported increase. The growth of domestic turnover reached 3.2% yoy with *energy products* being the major contributor.

The increase in **industrial production** slowed down to 1.7% yoy in January, affected negatively by the development of foreign industrial sales, mainly the slump in *manufacture of fabricated metal products, except machinery and equipment*. Meanwhile, *manufacture of basic metals and electricity, gas, steam and air conditioning supply* contributed the most for the reported growth.

The slump in **construction production index** narrowed to 4.9% yoy in January (fig. 5) as the yoy decline in both *building construction* and *civil engineering* slowed down to, respectively, 1.8% (6.2% in December) and 8.3% (17.5% in December).

Retail trade rose by 4.5% in January compared to the same period of the previous year. *Retail sales of computers, peripheral units and software* posted the largest increase, up by 25.3% yoy, followed by *retail trade of medical, orthopaedic goods and cosmetics*, and *sales of textiles, clothing, footwear and leather goods*, up by 12.8% and 11.9%, respectively. Only *retail trade of automotive fuel* and *sales of audio and video equipment* reported a decline of 9.1% and 2.7%, respectively.

The **consumer confidence indicator** increased in February on the back of better expectations regarding the economic situation in the country and the financial situation of households (fig. 6). Inflation expectations were more pronounced, while those for the unemployment were more moderate.

The **overall business climate indicator** decreased by 0.4 points in February (fig. 7 and 8) due to the worse assessments in retail trade and industry. In both sectors the current business situation of the enterprises is unfavourable but entrepreneurs were optimistic. A decrease in orders in construction was recorded but expectations for the construction activity in the next 3 months were favourable. Expectations for demand in services also improved.

Fig. 4: Industrial turnover by components

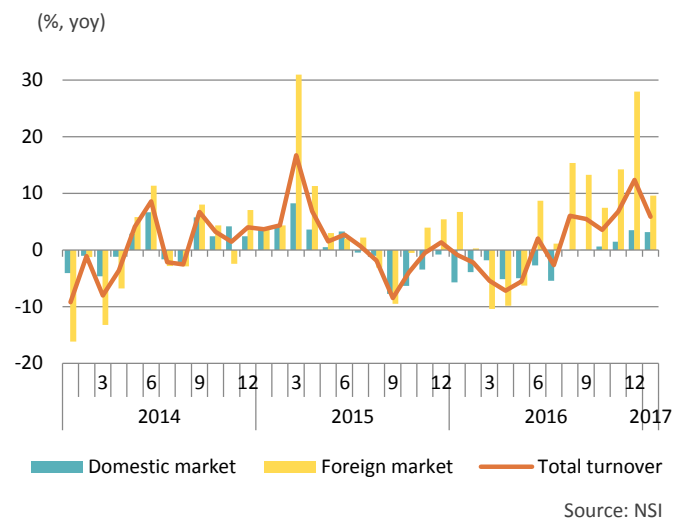


Fig. 5: Construction production index

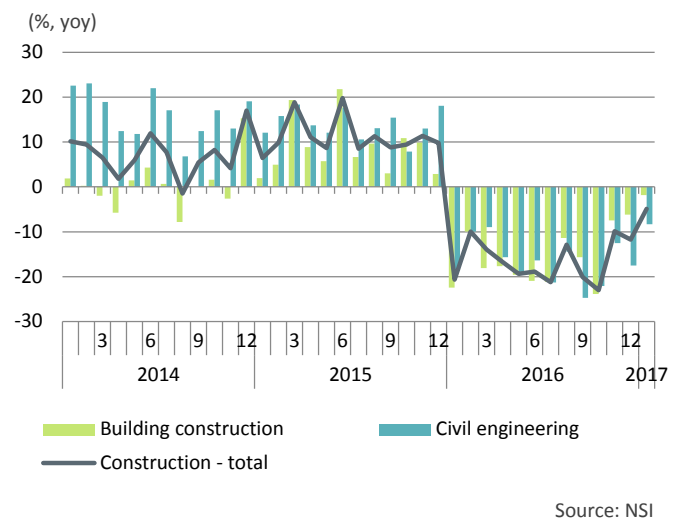
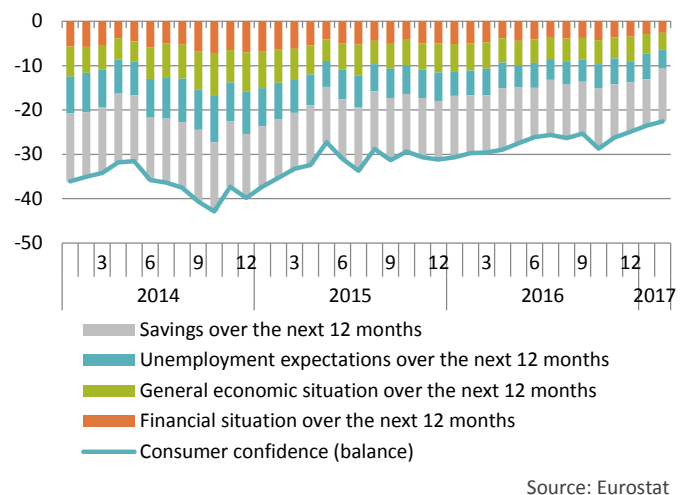


Fig. 6: Consumer confidence (balance) and its dynamics by main components (pps)





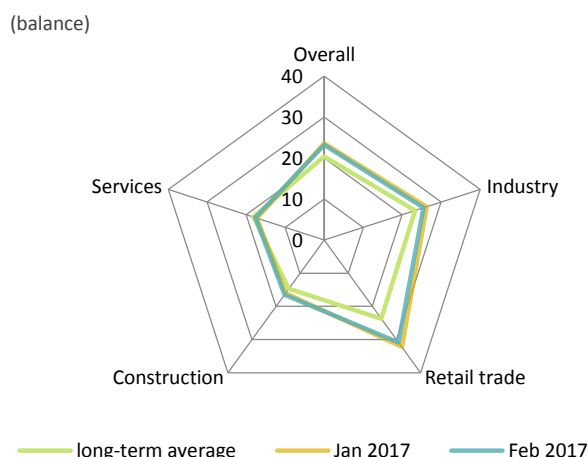
LABOUR MARKET, PRODUCTIVITY AND INCOMES

The **number of employed (ESA 2010)** increased by 0.6% yoy in Q4 2016 supported by the positive developments in services and manufacturing. Employment in services went up by 1.8% yoy led by the higher economic activity in all subsectors, and was comparable to the 2.2% increase in the previous quarter. Only the number of employed in *financial and insurance activities, real estates and public administration, education and health* showed no change over the same quarter of the previous year. The almost 5% GVA growth in manufacturing in the last three months of 2016 was accompanied by stronger job creation. Meanwhile, agricultural production increased for a second consecutive quarter but the employment number in the sector continued decreasing. Albeit the latter declined at a slower pace compared to Q3, it was due to the high share of self-employment and its general downward trend. The weak economic activity in construction was in line with the drop in employment, which together with agriculture contributed to the slower employment recovery in the fourth quarter.

Labour productivity went up by 2.9% yoy in real terms in Q4 2016 (fig. 10) supported by both higher economic activity and job creation. Productivity in *trade, transportation and accommodation and food services activities* and *manufacturing* increased at a higher rate than the average for the economy, up by 3.5 and 3.6% respectively, and they contributed the most to the overall employment growth. There was also a stronger productivity increase among activities which posted either retention or decrease in employment, such as *financial and insurance activities* (4.1%), *real estates* (8.3%) and *agriculture* (9.1%). Only productivity in construction declined on a year earlier as the employment drop there did not manage to offset the considerably higher decrease in real GVA.

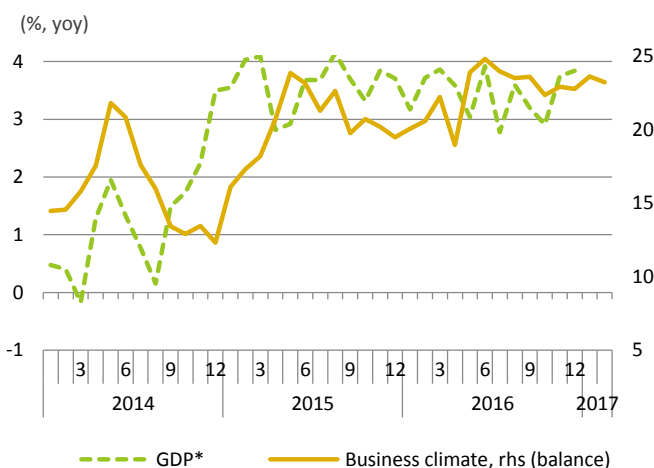
Compensation per employee went up by 0.8% yoy in Q4 2016, moderating further to its lowest increase since

Fig. 7: Business climate by sectors



Source: NSI

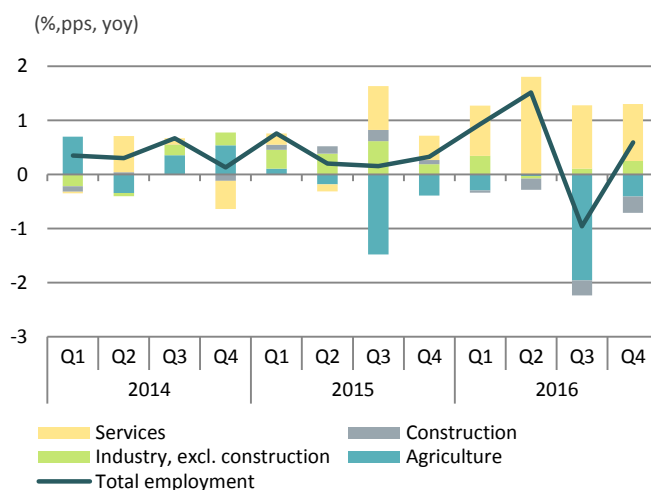
Fig. 8: Business climate and GDP



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

Source: NSI, MF

Fig. 9: Employment growth (%) and contribution by sectors (pps)



Source: NSI

2009. It was largely due to the decrease reported in services and the considerable slowdown in construction compared to the previous three quarters. The increase in compensation per employee in manufacturing remained strong at a double-digit rate (13.1%), sustained by the robust economic activity, higher productivity and labour demand.

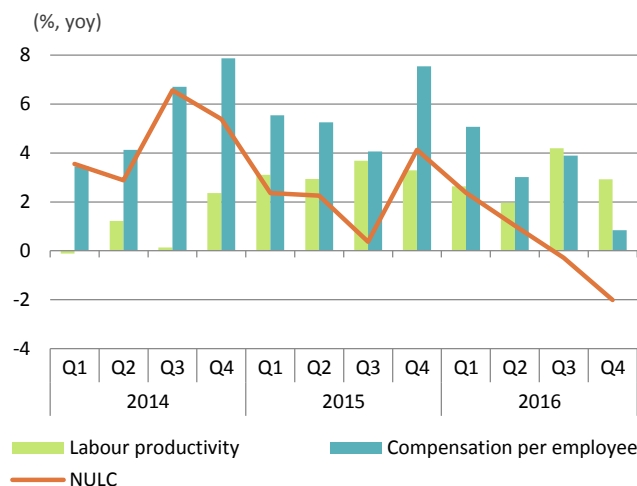
Compensation per employee and productivity developments in Q4 2016 resulted in a decrease in **nominal unit labour costs (NULC)** for a second quarter in row, down by 2% yoy. This largely reflected the decline reported in services and agriculture, while the indicator increased further in industry. The rise in NULC in manufacturing didn't hamper competitive positions of export-oriented industries which was evidenced by the stable industrial production real growth and robust export performance.

Registered unemployment increased to 8.2% in January 2017. However, it remained 2 pps lower compared to the same period of 2016. The unemployment inflow stepped up from end-2016 to 31.4 thousand, while the outflow of unemployed decreased to 22.7 thousand on the account of seasonal factors. In February the trends in both flows reversed, thus the inflow narrowed to 26.7 thousand and the outflow increased to 26.9 thousand. The latter was particularly due to the higher number of people who found jobs. The approximately equal size of both flows resulted in a marginal mom decrease in the registered unemployment stock (down by 107 persons), thus the unemployment rate remained practically unchanged at 8.2%. The level of unemployment was 1.8 pps lower compared to February 2016, while the number of unemployed went down by 18.2% yoy.

 **INFLATION**

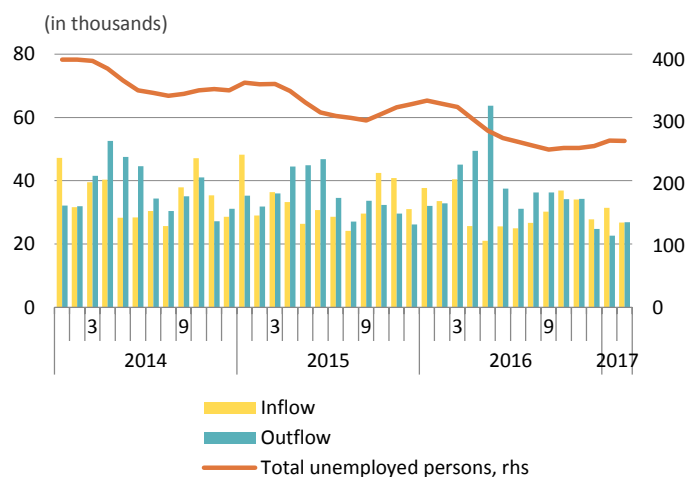
Consumer prices as measured by the HICP remained unchanged over the previous month in February. The monthly increase in food and energy prices, up by 0.3% and 0.9% respectively, was almost fully offset by a 0.5% decrease in prices of non-energy industrial goods (mainly clothing and footwear and consumer durable goods).

Fig. 10: Labour productivity, compensation per employee and NULC growth



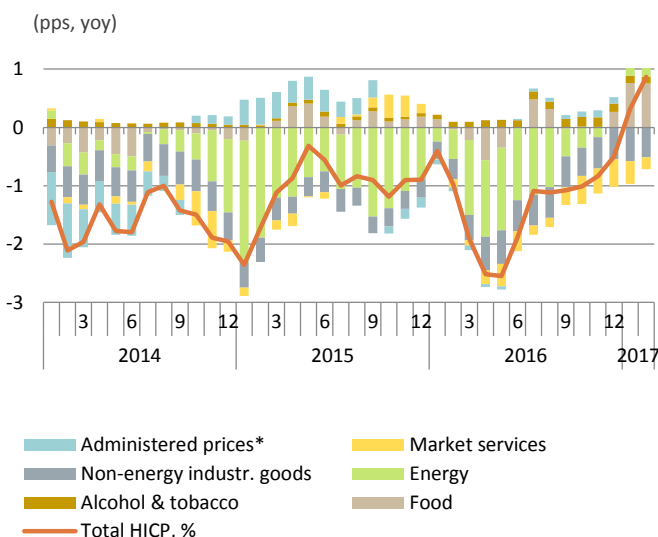
Source: NSI, MF

Fig. 11: Inflow, outflow and unemployed numbers



Source: EA

Fig. 12: 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: NSI, MF

The annual average inflation rate accelerated to 0.9% yoy in February, driven mainly by the ongoing recovery in international crude oil prices (fig. 12 and 13). As a consequence, domestic fuel prices went up by 12.9% on a year earlier contributing by 0.8 pps to the change in the headline rate. Meanwhile, the negative core inflation³ narrowed to -0.3% yoy.

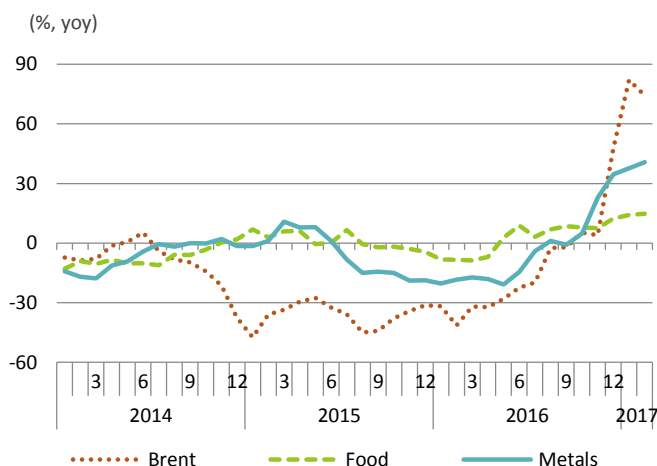


EXTERNAL SECTOR

The current account surplus increased almost 9.5 times yoy to EUR 1.8 bn in 2016. Its ratio to GDP also rose to 3.8%, up from 0.4% of GDP in the previous year. There was also a substantial improvement in the balance on goods as export grew by 3.3% yoy and import fell by 0.4% yoy. Trade deficit narrowed to 3.8% of GDP compared with the 5.8% of GDP in 2015. Downward price dynamics throughout most of the year restricted both nominal export and import, but the rise in volume terms in export was strong enough to result in a nominal increase. Trade with EU expanded in 2016, while trade with non-EU countries declined. Primary income largely contributed to the increase in the current account, as its negative value fell by 31.5% yoy and its ratio to GDP dropped to 2.8% of GDP from 4.3% of GDP in 2015. The decrease of investment payments to non-residents was the main driver behind the primary income improvement.

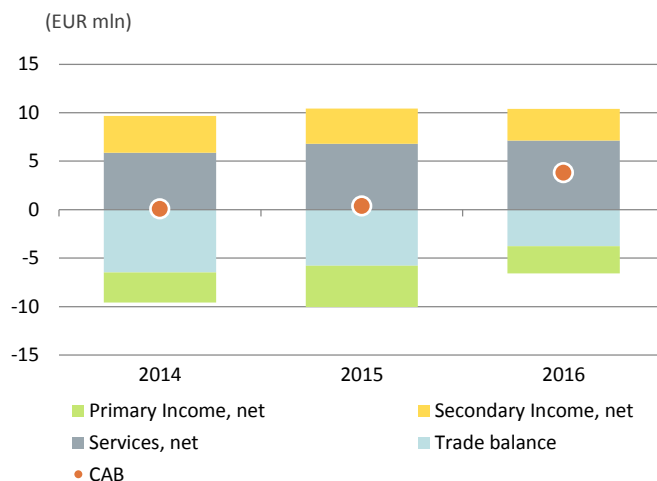
Services surplus rose by 9.3% yoy and reached 7.1% of GDP, being 6.8% of GDP a year earlier. Leading component for growth of services was travel services sub-account which rose by 15.7% yoy. There was a 20.4% yoy increase in the number of foreigners visiting Bulgaria, as visits on tourist trips increased by 19.9% yoy, business trips – by 34% yoy, while visits with other purposes (incl. transit) increased by 15.8% yoy. The highest contribution to the overall increase in visits came from travellers from other members of EU.

Fig. 13: International prices of major commodities in euro



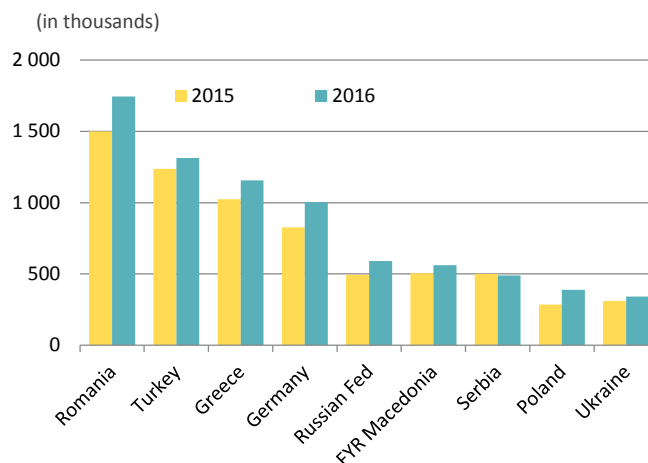
Source: World bank, MF

Fig. 14: Current account components



Source: BNB

Fig. 15: Foreign visits in Bulgaria by country



Source: NSI

³ The total index excluding energy and unprocessed food, also referred to as *underlying inflation*.

The **financial account balance** indicated a net inflow of EUR 368.7 mln in 2016. Its 1.5% yoy decrease was accompanied by a 34.5% yoy decline in foreign direct investments, which stood at EUR 1.1 bn (2.3% of GDP).

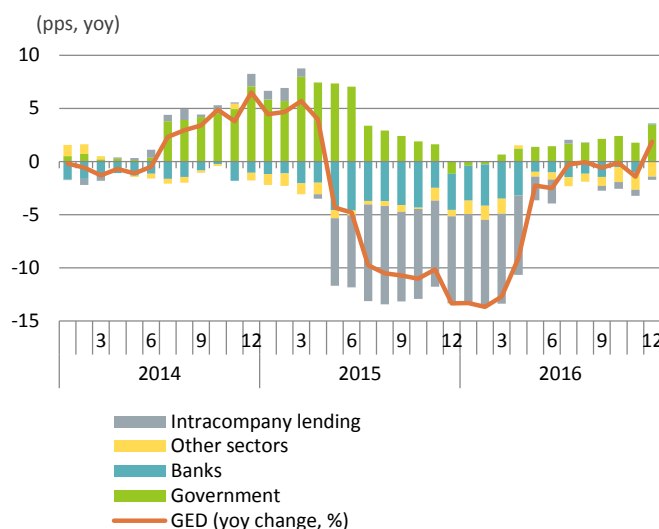
Gross external debt reached 73.3% of GDP at end-2016, being down by EUR 636.1 mln on a year earlier. The level of FDI and banking sector debt remained almost unchanged, while the indebtedness ratio to GDP of both sectors declined due to denominator effect of the higher GDP. Other private debt decreased by 4.1% yoy, as non-banking companies repaid long-term loans. General government external debt increased, following the issue of EUR 1.99 bn debt in March 2016. Net external debt was 6.1% of GDP being 14.8% at end-2015. The decrease in net indebtedness was due to the reduction of gross debt as well as accumulation of BNB reserve assets.

FINANCIAL SECTOR

International reserves expanded by 3.1% mom in February to reach EUR 23.8 bn. Bank reserves were the main driver of the overall reserves' increase, going up by 11% mom. The Government deposit with the BNB also had a positive contribution after growing by 3.2% mom. Other depositors' account recorded a 47.2% drop in February alone. The significant monthly growth of the official reserves boosted their annual growth rate, up to 20.8% as of end-February, coming from 18.2% a month earlier. The Government deposit remained the main contributor (up by 88.9% yoy), followed by notes in circulation (up by 12.4% yoy).

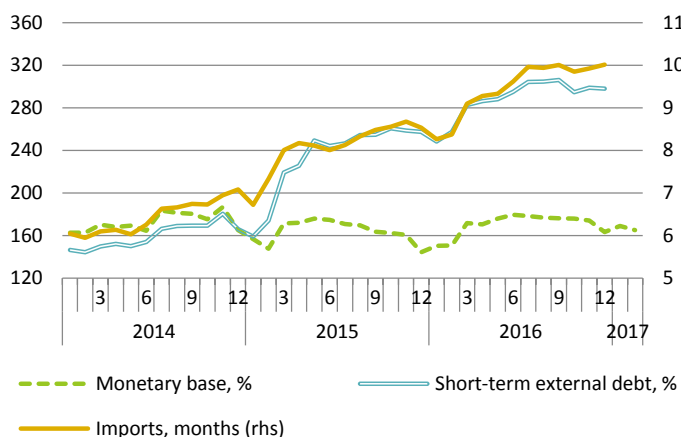
Credit to the private sector gained momentum in January and accelerated its annual growth to 3.1% vs. 1.5% end December 2016 (fig. 20). Positive contributions came from loans to both non-financial corporations and households, up 1.6% and 4.1% yoy respectively. Consumer credits gathered speed, as well, up by 2.8% after coming out from negative territory a month ago. Mortgages increased by 1.8% yoy vs. 1.4% yoy in December 2016. **Bad and restructured credits** decreased by 9.8% yoy, while their share in total credits to non-financial

Fig. 16: Gross external debt by institutional sector



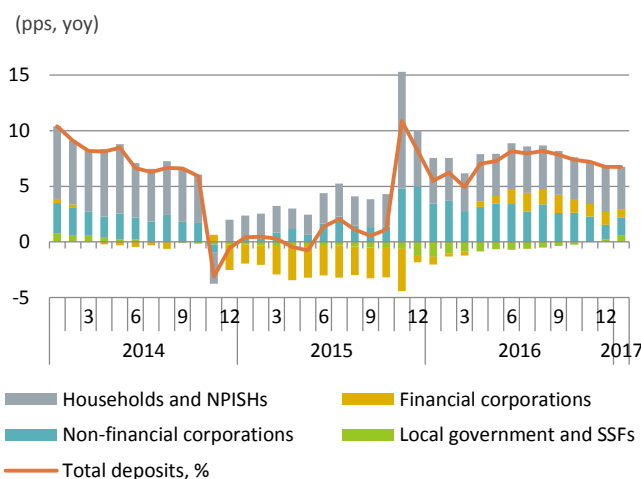
Source: BNB

Fig. 17: Coverage with FX Reserves



Source: BNB, MF

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



Source: BNB

corporations and households stood unchanged over the previous month at 15.9%.

Weighted average interest rate on credits to non-financial corporations increased in January, up by 32 bps, which fully compensated their decrease in the previous month (table 1). The upward dynamics came from USD and EUR denominated corporate loans, while those in national currency continued to decrease, down by 3 bps. The monthly volume of new corporate loans was lower compared to the same period of the previous year, down by 30.3%. The price of mortgages increased in January, up by 8 bps after months on the downward trend. At the same time, prices of consumer loans decreased more noticeably, down by 102 bps compared to end-December.

Weighted average interest rates on time deposits slightly increased in January for a second consecutive month, up by 2 bps, on the back of households' segment, while the weighted price of time deposits of non-financial corporations went down by 1 bps. In terms of currency structure, the increase came mostly on the account of those denominated in EUR and national currency, up by 2 and 3 bps, respectively. USD denominated time deposits went down by 2 bps. The total monthly volume of new time deposits reached BGN 1.38 bn, down by 36.2% compared to January 2016 (table 3).

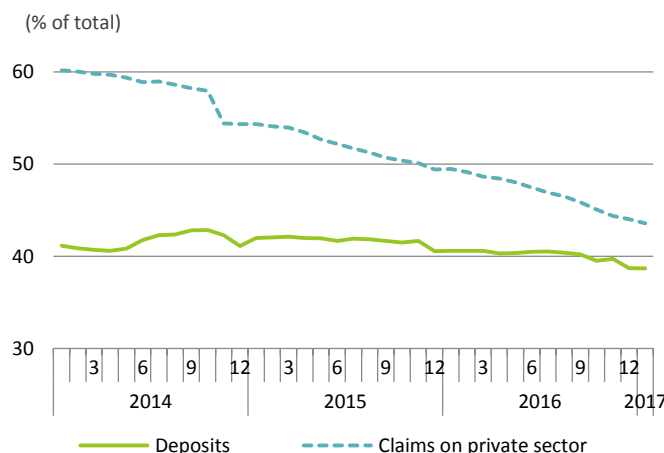


FISCAL DEVELOPMENTS

According to preliminary data on cash basis, the **budget surplus on the consolidated fiscal program** accounted for BGN 884.2 mln (0.9% of projected GDP) as of end-January 2017. The positive fiscal outcome resulted from higher revenues over expenditure both on the national budget (0.8% of GDP) and the EU funds account (0.1% of GDP).

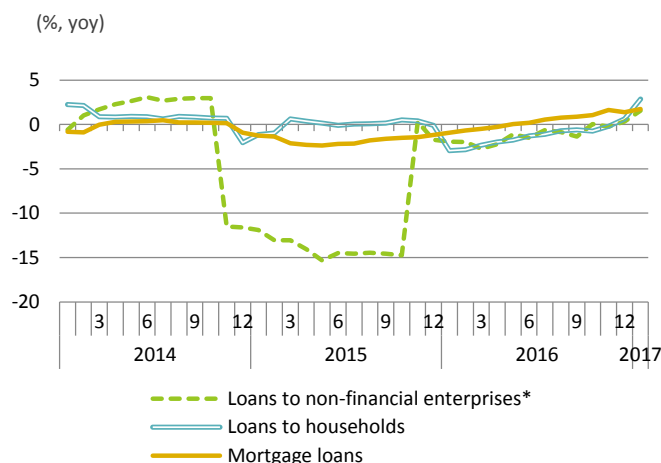
Total revenues and grants amounted to BGN 3.3 bn, up by 6.7% compared to January 2016. The growth was entirely due to higher tax receipts. The biggest contribution to tax receipts' upsurge had indirect taxes, up by 11.5% yoy. The latter was owing to higher VAT receipts and

Fig. 19: Share of deposits and claims on private sector in FX



Source: BNB, MF

Fig. 20: Credit growth



* The dramatic decline between November 2014 and 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 %

	January 2016	December 2016	January 2017
Non-financial companies	6.13	4.05	4.37
Consumer credits	10.58	10.67	9.65
Mortgages	5.41	4.33	4.41

Source: BNB, MF

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

	January 2016	December 2016	January 2017
Consumer credits	11.63	11.34	10.40
Mortgages	5.97	4.80	4.87

* 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

excise duties, up by 10.4% and 13.8% yoy, respectively. Revenues from direct taxes were also higher, up by 14.8% yoy. By contrast, non-tax revenues went down by 10.4% compared to the same period of the previous year. Grants decreased significantly, down by 31.6% yoy.

Total government spending posted a 14.8% yoy increase and accounted for BGN 2.5 bn. The latter came largely on the account of the higher expenses on subsidies (up by 140.7% yoy), social spending (up by 4.9% yoy), maintenance (up by 18.9%) and trebled contribution to the EU budget. Capital spending (including the net increase of state reserve) also grew, up by 59.5%, while interest expenditures decreased by 5% yoy, owing to lower interest on domestic debt.

The fiscal reserve amounted to BGN 13.8 bn (14.5% of projected GDP) in January 2017, of which BGN 11.6 bn in bank deposits and BGN 2.3 bn EU funds receivables on certified expenses. The fiscal reserve increased significantly compared to the same period of previous year, up by 50.6%.

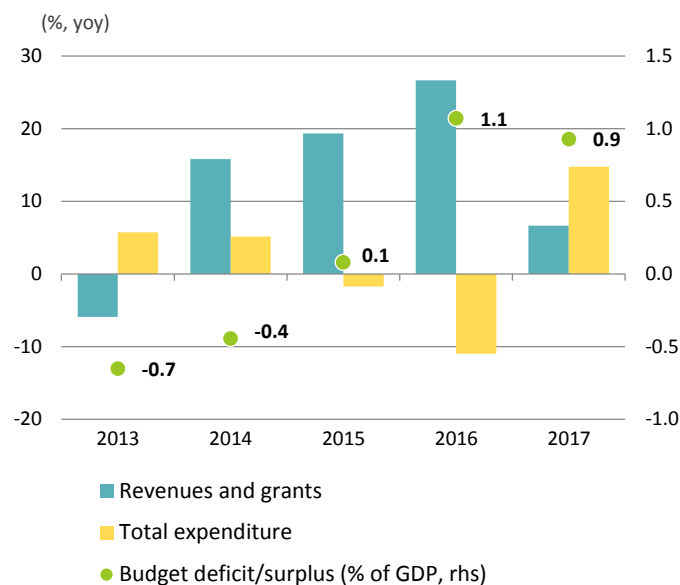
General government debt, incl. guaranteed debt, totalled BGN 27 bn or 28.4% of projected GDP at the end of January, being 25.1% of GDP a year earlier. Domestic debt stepped down to 6.6% of projected GDP from 7.8% of GDP in January 2016. The nominal level of external debt remained unchained from its previous month level, but compared to a year earlier the external debt-to-GDP ratio moved up from 16.7% to 20%. Government guaranteed debt was 1.8% of GDP, being 0.6% of GDP a year earlier. ■

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

	January 2016	December 2016	January 2017
BGN	1.03	0.62	0.65
EUR	0.99	0.51	0.53
USD	0.77	0.47	0.45

Source: BNB, MF

Fig. 21: Revenues and expenditure growth rates as at end-January



Source: MF



KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q1'16	Q2'16	Q3'16	Q4'16	08'16	09'16	10'16	11'16	12'16	01'17	02'17
— GDP¹															
Gross Domestic Product	% , yoy	1.3	3.6	3.4	3.6	3.5	3.2	3.5	-	-	-	-	-	-	-
Consumption	% , yoy	2.2	3.8	1.8	0.6	0.8	1.6	3.8	-	-	-	-	-	-	-
Gross fixed capital formation	% , yoy	3.4	2.7	-4.0	1.4	-0.3	-6.9	-7.4	-	-	-	-	-	-	-
Export	% , yoy	3.1	5.7	5.7	3.0	4.6	7.9	6.4	-	-	-	-	-	-	-
Import	% , yoy	5.2	5.4	2.8	0.9	2.8	4.6	2.8	-	-	-	-	-	-	-
Agriculture	% , yoy	4.8	-6.8	4.3	0.5	-0.7	7.1	6.3	-	-	-	-	-	-	-
Industry	% , yoy	0.3	4.2	2.0	4.4	0.0	1.6	2.5	-	-	-	-	-	-	-
Services	% , yoy	1.7	3.3	3.1	2.5	3.7	2.3	3.8	-	-	-	-	-	-	-
Adjustments	% , yoy	0.1	7.5	7.2	7.5	10.2	7.6	4.1	-	-	-	-	-	-	-
— Short-term business statistics²															
Industrial production	% , yoy	1.8	2.9	2.7	2.5	1.0	2.9	4.1	5.5	3.7	1.2	5.2	5.8	1.7	-
Industrial turnover	% , yoy	0.0	1.7	1.0	-2.9	-3.6	2.8	7.6	6.0	5.5	3.5	6.8	12.4	5.9	-
Retail trade turnover	% , yoy	10.2	11.8	3.9	2.5	5.7	3.7	3.6	5.8	2.9	2.2	5.2	3.5	4.5	-
Construction output	% , yoy	7.0	11.2	-16.7	-14.8	-18.3	-18.1	-15.3	-12.9	-20.1	-23.0	-9.9	-11.7	-4.9	-
Total business climate	balance	15.9	20.3	22.5	20.9	22.5	23.7	22.7	23.5	23.6	22.3	22.9	22.8	23.6	23.2
Industry	balance	18.2	22.9	23.5	24.6	21.8	24.6	23.1	24.5	25.5	21.1	23.0	25.3	26.2	25.5
Retail trade	balance	24.0	27.6	33.6	28.3	34.8	36.5	34.6	35.7	36.3	34.2	37.4	32.2	32.2	30.9
Construction	balance	7.3	15.2	17.9	15.0	19.0	19.8	17.8	18.3	19.7	20.0	16.0	17.2	16.0	16.5
Services	balance	11.7	12.7	13.8	12.4	15.4	12.8	14.7	14.4	10.8	15.2	15.0	13.7	17.2	17.7
— Labour market															
Participation rate (15+)	level	54.1	54.1	53.3	53.1	53.8	53.6	52.7	-	-	-	-	-	-	-
Employment rate (15+)	level	48.0	49.1	49.3	48.5	49.5	49.9	49.2	-	-	-	-	-	-	-
Employment (LFS)	% , yoy	0.4	0.4	0.5	0.9	1.5	-1.0	0.6	-	-	-	-	-	-	-
Unemployment rate (LFS)	level	11.4	9.1	7.6	8.6	8.0	7.0	6.7	-	-	-	-	-	-	-
Unemployment rate (EA)	level	11.2	10.1	8.7	10.0	8.8	8.0	7.9	8.0	7.8	7.9	7.9	8.0	8.2	8.2
Nominal wage	% , yoy	6.0	6.8	9.5	7.3	7.6	7.7	8.2	7.6	7.8	8.9	7.6	8.0	-	-
Real wage ³	% , yoy	7.7	8.0	11.0	8.5	10.2	8.9	9.0	8.8	9.0	10.0	8.5	8.5	-	-
Labour productivity (GDP per employed)	% , yoy	1.0	3.3	2.9	2.6	2.0	4.2	2.9	-	-	-	-	-	-	-
Real ULC (GDP)	% , yoy	4.1	0.1	-0.9	0.0	2.8	-3.0	-3.1	-	-	-	-	-	-	-
Nominal ULC (GDP)	% , yoy	4.6	2.3	0.2	2.4	1.0	-0.3	-2.0	-	-	-	-	-	-	-
— Prices															
National consumer price index (CPI)	% , yoy	-1.4	-0.1	-0.8	-0.7	-1.9	-0.3	-0.3	-0.3	-0.6	-0.6	-0.5	0.1	1.4	1.7
Harmonized index of consumer prices (HICP)	% , yoy	-1.6	-1.1	-1.3	-1.1	-2.3	-1.1	-0.8	-1.1	-1.1	-1.0	-0.8	-0.5	0.3	0.9
PPI, domestic market	% , yoy	-0.9	-1.6	-2.9	-3.7	-4.3	-3.0	-0.5	-2.7	-2.4	-1.4	-0.6	0.6	1.9	-
PPI, non-domestic market	% , yoy	-1.8	-2.4	-3.5	-6.6	-6.7	-3.1	2.8	-2.7	-1.3	0.5	1.3	6.5	9.1	-
— Consolidated fiscal program (cumulative)															
Revenues and grants	mIn BGN	29 409	32 200	-	9 097	17 709	25 652	-	23 015	25 650	28 290	31 084	33 953	3 339	-
Total expenses	mIn BGN	32 482	34 685	-	7 234	14 639	22 290	-	19 698	22 288	24 855	27 619	32 481	2 455	-
Contribution to EU budget	mIn BGN	955	946	-	254	397	612	-	536	612	688	763	859	71	-
Cash deficit (-) / surplus (+)	mIn BGN	-3 073	-2 485	-	1 862	3 071	3 363	-	3 317	3 362	3 435	3 465	1 473	884	-
	% of GDP	-3.7	-2.8	-	2.0	3.3	3.7	-	3.6	3.6	3.7	3.7	1.6	0.9	-
Government debt (incl. guaranteed debt)	mIn BGN	22 753	23 300	-	26 675	26 683	26 395	-	26 688	26 417	26 395	26 330	27 424	27 039	-
	% of GDP	27.2	26.3	-	29.1	29.1	28.8	-	28.8	28.5	28.5	28.4	29.6	28.4	-
Fiscal reserve	mIn BGN	9 170	7 873	-	11 866	14 132	14 283	-	14 497	14 287	14 283	14 321	12 883	13 842	-
	% , yoy	95.9	9.1	-	7.0	28.1	41.8	-	30.7	41.8	39.6	44.7	63.6	50.6	-

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q1'16	Q2'16	Q3'16	Q4'16	08'16	09'16	10'16	11'16	12'16	01'17	02'17
— Financial sector															
BNB International reserves	mIn EUR	16 534	20 285	23 899	21 360	22 442	23 494	23 899	23 308	23 494	23 224	23 465	23 899	23 128	23 849
Monetary base coverage	%	165.1	144.3	163.4	171.9	179.6	176.2	163.4	176.9	176.2	175.9	174.0	163.4	168.9	165.1
Coverage of import with FX reserves	months	7.1	8.5	10.0	9.1	9.6	10.0	10.0	9.9	10.0	9.8	9.9	10.0	-	-
Coverage of short-term external debt	%	166.0	257.5	298.1	283.5	295.0	306.1	298.1	304.7	306.1	294.8	298.9	298.1	-	-
Money M1 (Narrow money)	%, yoy	15.1	15.6	13.5	10.1	15.0	14.6	13.5	14.5	14.6	13.8	13.5	13.5	14.3	-
Money M3 (Broad money)	%, yoy	1.1	8.8	7.6	6.0	8.9	8.7	7.6	8.9	8.7	8.1	8.1	7.6	7.6	-
Deposits	%, yoy	-0.5	8.2	6.7	4.9	8.2	7.8	6.7	8.2	7.8	7.4	7.2	6.7	6.8	-
Credit to private sector	%, yoy	-8.2	-1.2	1.5	-2.1	-0.6	-0.1	1.5	0.1	-0.1	1.1	1.1	1.5	3.1	-
Credit to non-financial enterprises	%, yoy	-11.6	-1.7	0.3	-2.7	-1.5	-1.4	0.3	-0.9	-1.4	0.0	-0.2	0.3	1.6	-
Credit to households	%, yoy	-1.6	-1.3	2.0	-1.5	-0.7	0.5	2.0	0.1	0.5	0.9	1.6	2.0	4.1	-
Interest rate on credits ⁴	%	7.9	7.0	5.8	6.5	5.8	5.5	5.4	5.4	5.4	6.0	5.2	4.9	5.2	-
Interest rate on deposits ⁵	%	2.6	1.3	0.8	1.0	0.8	0.7	0.6	0.7	0.6	0.6	0.5	0.6	0.6	-
Exchange rate BGN/USD	eop	1.61	1.79	1.86	1.72	1.76	1.75	1.86	1.76	1.75	1.79	1.84	1.86	1.82	1.85
	per. av.	1.47	1.76	1.77	1.77	1.74	1.75	1.81	1.74	1.74	1.77	1.81	1.86	1.84	1.84
— Gross External Debt (GED)															
Gross external debt	% of GDP	92.0	75.3	73.3	72.6	73.3	72.1	73.3	72.8	72.1	72.4	72.1	73.3	-	-
Short-term external debt	% of GED	25.3	23.1	23.1	22.0	21.9	22.5	23.1	22.2	22.5	23.0	23.0	23.1	-	-
Intercompany lending	% of GED	40.3	37.1	36.1	36.8	36.9	36.8	36.1	36.9	36.8	36.5	36.9	36.1	-	-
— Balance of payments⁶															
Current account	mIn EUR	35	172	1 810	282	540	1 428	-441	542	402	-51	105	-494	-	-
Current account (moving average)	% of GDP	0.1	0.4	3.8	0.8	2.4	3.1	3.8	2.6	3.1	3.3	4.3	3.8	-	-
Trade balance	mIn EUR	-2 777	-2 622	-1 790	-356	-478	-320	-636	-223	-7	-253	-164	-219	-	-
Trade balance (moving average)	% of GDP	-6.5	-5.8	-3.8	-5.1	-5.0	-4.6	-3.8	-5.0	-4.6	-4.5	-4.1	-3.8	-	-
Export, f.o.b.	mIn EUR	21 026	21 919	22 643	5 132	5 452	5 907	6 151	1 924	1 991	2 040	2 073	2 038	-	-
	%, yoy	-0.9	4.2	3.3	-2.1	-4.6	5.9	14.3	6.2	12.1	7.5	15.4	20.7	-	-
Import, f.o.b.	mIn EUR	23 803	18 678	24 433	5 488	5 930	6 227	6 787	2 147	1 998	2 293	2 237	2 257	-	-
	%, yoy	-1.4	-21.5	30.8	-6.4	-4.9	2.9	6.2	16.8	1.5	4.6	3.5	10.7	-	-
Capital account	mIn EUR	960	1 422	1 068	561	250	182	74	5	55	15	34	25	-	-
Financial account	mIn EUR	-2 090	-583	-901	92	-241	36	-256	689	-354	199	171	-626	-	-
Net Foreign Direct Investments	mIn EUR	-882	-1 596	-901	-258	-241	-146	-256	-91	94	18	1	305	-	-
Net Portfolio Investments	mIn EUR	1 871	40	2 272	1 175	-132	579	650	958	-338	212	148	290	-	-
Other Investments – net	mIn EUR	2 170	-4 418	1 539	419	952	-512	679	-211	-344	416	-282	545	-	-
Change in BNB reserve assets	mIn EUR	1 807	3 730	3 467	927	904	1 061	576	235	165	-178	302	451	-	-

Notes:

Ratios to GDP are calculated using GDP data as follows: for 2014 - BGN 83 634.3 mIn, for 2015 - BGN 88 571.3 mIn, for 2016 – BGN 92 634.7 mIn and MF projections for 2017 - BGN 95 347.6 mIn;

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 March 15, 2017. 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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