

2013

# RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, MARCH 2013

- ▶ Macroeconomic environment and policies in brief
- ▶ Recent Economic Developments
- ▶ Key Economic Indicators
- ▶ Government Debt Review



**REPUBLIC OF BULGARIA**  
Ministry of Finance



## — MACROECONOMIC ENVIRONMENT AND POLICIES IN BRIEF

- **Short-term business statistics** showed some positive developments in the beginning of the year. Growth in industrial production and turnover accelerated in January, while the slump in retail sales and construction output index narrowed. Only the business climate indicator deteriorated somewhat in March, as the business juncture was assessed less favorable due to pessimistic assessments and expectations in retail sales and industry.
- **Registered unemployed** increased to 392.7K in February, which corresponded to a rate of unemployment of 12%. Annual **HICP inflation** decelerated further to 2.2%, largely on account of the declining rate of increase in food prices.
- Current account deficit narrowed compared to a year earlier led by the trade balance improvement in January. The growth rate of exports to the EU turned positive, while exports to third countries further intensified. The Financial account stood negative at EUR 1.1 bn.
- According to monthly data on a cash basis, in the first two months of 2013 **consolidated budget deficit** stood at 0.9% of GDP (BGN 732 mln).
- The sustainable level of demand of GS on primary market is indicative of the positive attitude of investor community to the **domestic government debt market**. The stable levels of the CDS indicator - the insurance premium against default of the issuer - reflected the sustainability achieved in the area of public finances in the country and put Bulgaria in a group together with the Baltic countries, Poland and Slovakia. ▼

*This issue of Recent Economic Developments Review is based on materials and statistical data received up to April 5, 2013. Contents of the Monthly Report on Bulgarian Economy 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.*

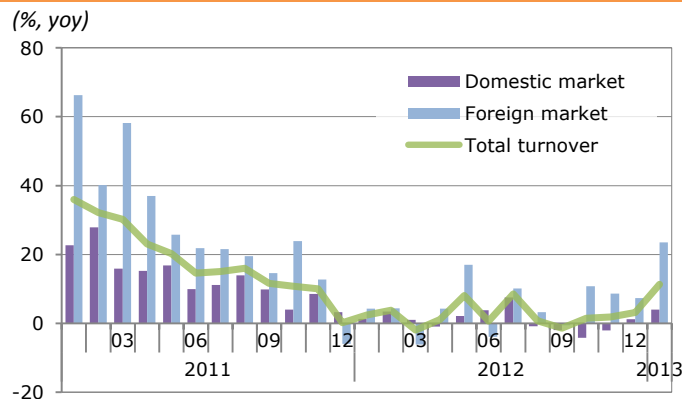
*The current report, as well as previous issues, is available at the [Ministry of finance website](#). For any questions or comments, please contact the Economic and Financial Policy Directorate at 102, Rakovski Str., 1040 Sofia, Bulgaria, or at [secretary.evp@minfin.bg](mailto:secretary.evp@minfin.bg).*

— RECENT ECONOMIC DEVELOPMENTS

**Industrial turnover growth accelerated to 11.3% yoy in January.** This was mainly driven by the strong performance of foreign market sales which increased by 23.5%. Besides the continuing favorable dynamics in energy products, manufacture of basic metals which has the largest share in foreign turnover also had strong positive contribution to the observed growth.

The increase in domestic turnover also gained momentum and reached 4% compared to a year earlier. Major contribution for the registered growth had manufacture of food products and manufacture of motor vehicles, trailers and semi-trailers, mainly manufactory of parts and accessories for motor vehicles.

**Industrial turnover**



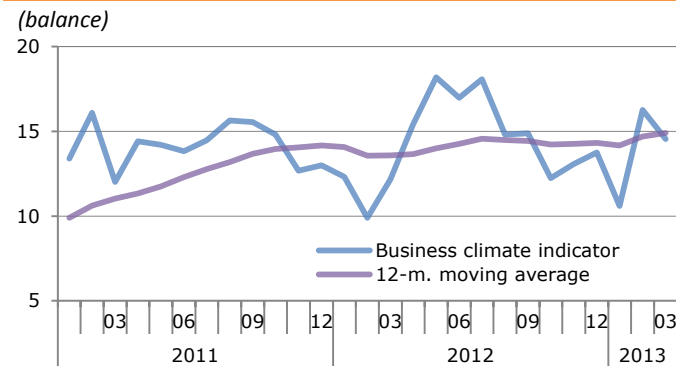
Source: NSI

**Industrial production** also registered a strong increase, up 7.9% yoy. Manufacture of basic metals contributed the most for the observed positive development. Electricity, gas, steam and air conditioning supply also kept its good performance for a second consecutive month.

**The slump in retail sales** narrowed slightly to 5.3% yoy with all retail sales components on the decline. As in previous month, retail sales of audio and video equipment posted the largest drop of 15.2%, followed by retail sales of computers and telecommunications equipment, down 6.9%.

**Construction production index** slowed its decline down to 3.2% yoy in January. Although not so strong as in previous month, both civil engineering and building construction registered declines, down by 7.2% and 0.2% respectively.

**Business climate**



Source: NSI

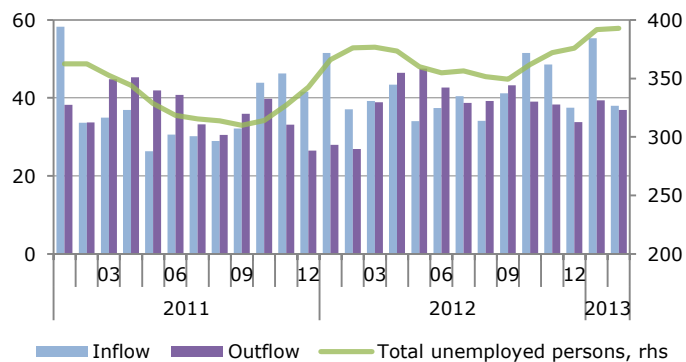
The **overall business climate** indicator decreased by 1.7 pps in March, compared to February. The business juncture in all sectors of the economy was assessed as less favorable, though retail trade and manufacturing had the largest contribution to the registered decline. The managers in retail trade were more pessimistic regarding the future business situation and sales. In industry, the assessment of the current business situation of the enterprises worsened due to insufficient domestic and foreign

demand. At the same time, the expectations of the entrepreneurs in the sector improved and this also held true for respondents in services. Orders in construction increased, however, expectations in this sector remained reserved.

**Registered unemployed** increased to 392.7K in February, up by a marginal 0.3% mom, which corresponded to a rate of unemployment of 12% as of end-month. Both the inflow and outflow of unemployed decreased over the previous month. The number of persons who found jobs in February went 21.2% down, largely on the account of the lower activity of subsidized employment programs, as most projects have already started in January. At the same time, albeit the traditionally narrowed primary labour market over the winter season, demand of labour increased for a second month in a row and supported the higher number of persons who started working there (9.1K).

#### Inflow, outflow and unemployed persons

(in thousands)



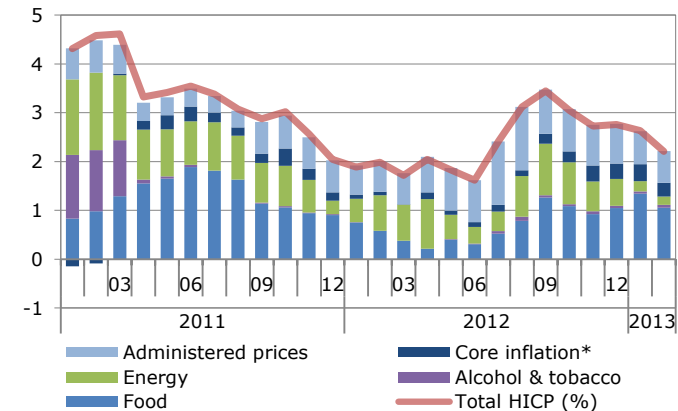
Source: EA

According to final data, **monthly inflation rate** has been confirmed at 0.2% as of January. February consumer prices increased by another 0.2% over the previous month, as automo-

tive fuel prices went up by 3.3% on average and contributed the most (+0.32 pps) to the monthly increase in the headline rate. Their impact was partially offset by core inflation, down by 0.3% mom, as both prices of market services and consumer non-energy goods declined during the month. Food and administered prices remained virtually unchanged on the aggregate level. **Annual HICP inflation** decelerated further to 2.2%, largely on account of the declining rate of increase in food prices.

#### HICP and contributions by main components

(pps, yoy)



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

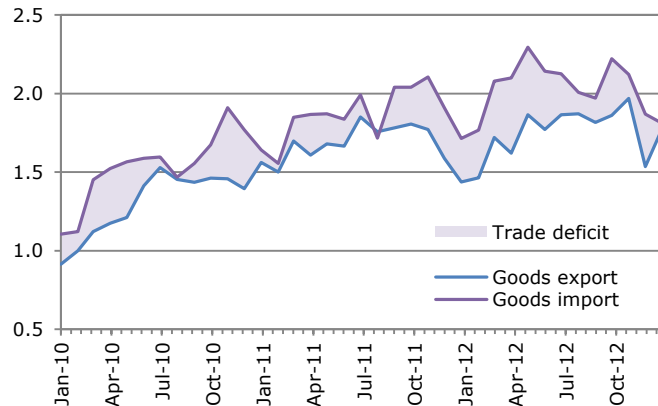
Source: NSI, MF

**Current Account** stood negative at EUR 10.9 mln in January compared to the EUR 253.6 mln deficit a year earlier. The latter resulted mainly from the trade balance improvement. Both exports and imports recorded positive growth rates in January and the increase in exports was above that of imports (23.9% against 5.5% yoy respectively). As a consequence, merchandise trade deficit shrunk to EUR 29.5 mln, down from EUR 278.3 mln a year earlier. After declining for five consecutive months, the growth rate of exports to the EU turned positive at 17% in Janu-

ary. The tendency for higher export to third countries intensified and its growth rate accelerated to 34.8% yoy.

### Merchandise trade dynamics

(bn EUR)



Source: BNB

The *Income balance* was negative by EUR 63.3 mln. However, the deficit decreased by 30.3% yoy mainly due to lower income from other investments paid to non-residents. *Services surplus* decreased by 45.6% yoy, due to poor performance of computer services and other business services. *Current transfers* reached EUR 51.9 mln in January and had a positive contribution to the CA balance.

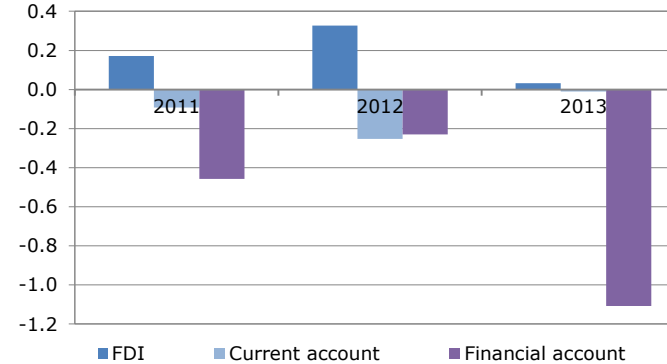
The **Financial account** dynamics during the month were driven by the repayment of global bonds on the one hand, and the increase of bank deposits abroad on the other. As a result, *other investment* net outflow reached EUR 857.5 mln in January, being EUR 573 mln a year earlier.

The long-term external debt of the Government sector was reduced by EUR 310.4 mln to 7.5% of GDP. The other external

debt positions remained almost unchanged over the previous month, as banking sector indebtedness stood at 15.5% of GDP. The private sector debt accounted for 29.7% of GDP, dropping 1.5% yoy at the end of January, while the debt of local subsidiaries to the parent companies was 38.3% of GDP. As at the end of January **Bulgaria's external debt** amounted to EUR 37.2 bn or 90.9% of GDP.

### FDI, Current and Financial Account

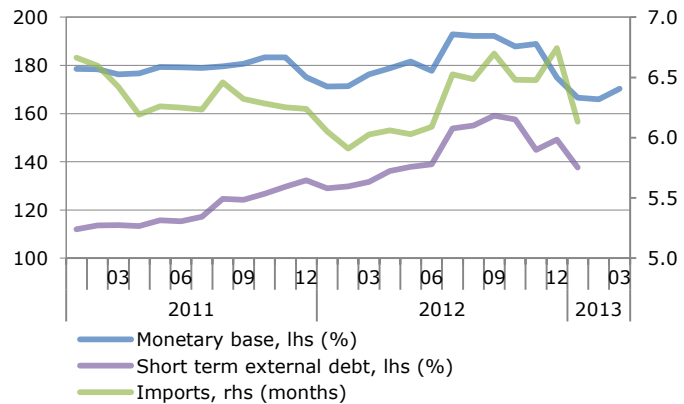
(January, bn EUR)



Source: BNB

**International reserves** grew by 4.2% mom in March and at the end of the month reached EUR 14.5 bn. All liabilities components except notes in circulation expanded with the largest positive contribution coming from other depositors' account and the Government deposit, up 31.8% and 9.4% mom respectively. Reserves increased by 9.9% on a year earlier, speeding up a bit compared to 8.8% as of end-February, mostly defined by the 22.6% yoy growth of bank reserves. The coverage of the monetary base improved compared to the previous month and stood at 170.3%. At the end of January the stock of reserves could cover 6.1 months of imports or 137.7% of the short term external debt.

### Coverage with FX Reserves



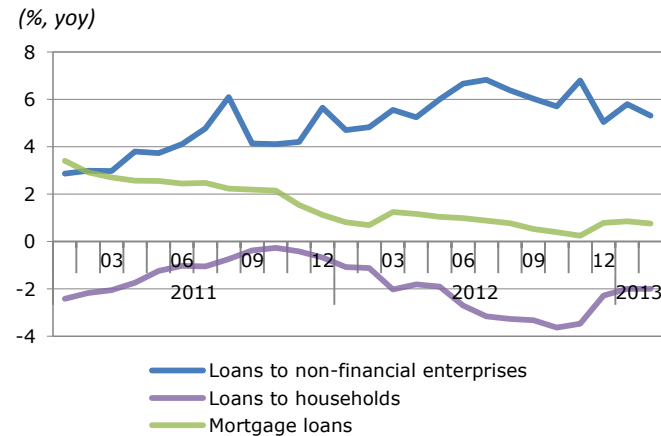
Source: BNB, MF

**Money supply** picked up a bit in February and grew by 7.9% yoy (7.1% a month earlier) due to the faster growth of the liquid aggregate M1 (7.6% vs. 5.3% yoy as of end-January). At the same time deposits with agreed maturity slowed down from 3.8% to 2.4% yoy, while deposits, redeemable at notice continued gaining speed as their annual growth rate reached 41.8%. This development followed the introduction of the tax on time deposit earnings since the beginning of the year as firms and households are moving their savings to non-taxable bank products. Broad money grew by 0.7% over the previous month and that was attributed to a 4.9% expansion of overnight deposits, a 7.2% increase of deposits redeemable at notice, and a 2.1% decrease of deposits with agreed maturity. Total deposits went up by 8.2% yoy at the end of February fed up by a faster growth of the deposits from the households and the non-financial enterprises.

**Credit to the private sector** went up by 3.1% yoy in February compared to 3.5% a month earlier. Corporate credit was once

again the main driver behind the private credit dynamics as it slowed down from 5.8% to 5.3% yoy. Consumer credits kept shrinking by 2% and mortgages lost only a fraction of their speed going up by 0.8% vs. 0.9% at the end of the previous month. Bad and restructured credits slowed down further in February to 3.9% yoy (4.8% in January) while decreasing by 0.2% mom. Nevertheless, their share in total credit for firms and households remained at 18%, which points in the direction of banks continuing to sell non-performing loans as they did in December 2012.

### Credit growth

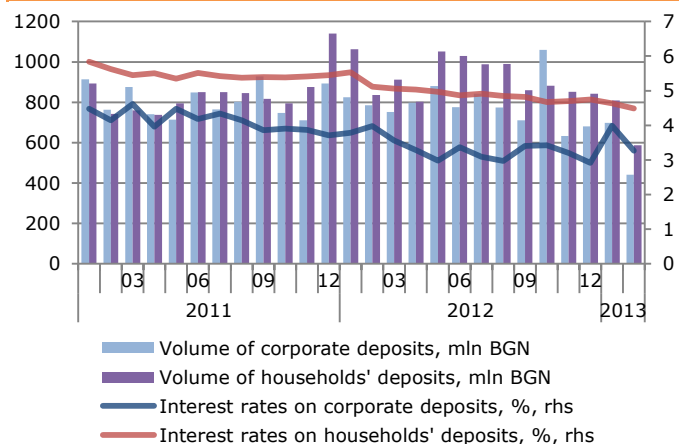


Source: BNB, MF

Weighted average **interest rate on corporate credits** went significantly down by 2.2 pps in February, but that had no positive effect on new business volume which came 41.2% lower compared to January readings. The rate on mortgages decreased by 11 bps leading to just 1.8% more new loans, while the price of consumer credits dropped by 1 bp and the volume of new credits of this type went up by 10.9%. Weighted average inter-

est rates on BGN and EUR denominated deposits declined by 35 and 9 bps respectively, while the rate on USD denominated deposits was up by 60 bps. The total of newly made deposits in February reached BGN 2.2 bn and was by 30.8% lower than in January.

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



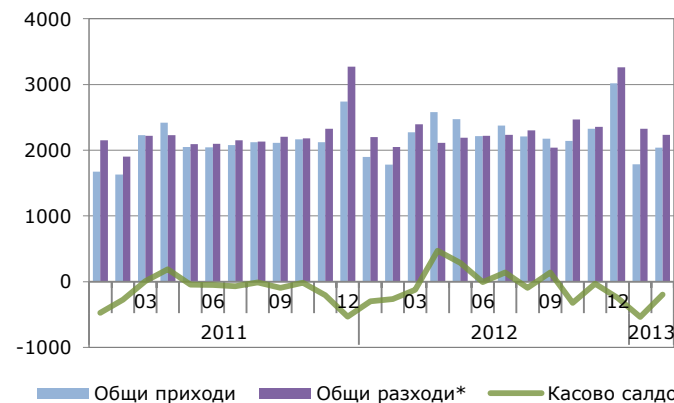
Source: BNB, MF

According to monthly data on a cash basis, in the first two months of 2013 **consolidated budget** deficit stood at 0.9% of GDP (BGN 732 mln), up by 0.2 pps compared to a year earlier.

**Total revenue and grants** accounted for BGN 3 827.3 mln, up 4% yoy in nominal terms. Tax revenue increased by 3.9% yoy, which was mainly on account of higher receipts from VAT, up 23.2% yoy, and custom duties, up 11.6%. Tax proceeds from excise duties and those from levy on insurance premium decreased by 7.4% and 89.5% respectively, thus having a negative contribution to the overall revenue dynamics. Non-tax revenues were 8% higher compared to February 2012, while grants declined by 50.5%.

Consolidated Budget

(monthly value, mln BGN)



\* Incl. contribution to EU budget

Source: MF

**General government expenditure**, including Bulgarian contribution to the common EU budget, accounted for BGN 4 559.3 mln, up 7.4% yoy in nominal terms. The overall outlays' growth came largely on the account of social expenditures (including scholarships), up 13.3% yoy, as well as payments on interest, wages and salaries and social and health insurance spending, while subsidies and capital expenditures declined in comparison to February 2012, down by 39.9% and 7% respectively.

**Fiscal reserve** stood at BGN 3.9 bn at end-February 2013, while according to preliminary data it went up to BGN 5.3 bn as of mid-April.

**General government debt**, including government guaranteed debt, accounted for 17.5% of GDP, of which: 7.4% of GDP domestic debt, 8.9% of GDP external debt and 1.2% of GDP government guaranteed debt. ▼

— KEY ECONOMIC INDICATORS

		2009	2010	2011	2012	Q1'12	Q2'12	Q3'12	Q4'12	IX'12	X'12	XI'12	XII'12	I'13	II'13
<b>— GDP</b>															
Gross Domestic Product <sup>1</sup>	% , yoy	-5.5	0.4	1.8	0.8	0.8	0.7	0.6	0.5						
Consumption	% , yoy	-7.3	0.5	1.5	1.8	2.1	2.5	1.9	1.0						
Gross fixed capital formation	% , yoy	-17.6	-18.3	-6.5	0.8	2.2	0.7	-1.5	1.5						
Export	% , yoy	-11.2	14.7	12.3	-0.4	-0.1	3.3	0.0	-2.1						
Import	% , yoy	-21.0	2.4	8.8	3.7	3.4	9.8	2.6	-0.5						
Agriculture	% , yoy	-9.5	-6.2	-1.1	3.5	9.5	5.9	2.7	2.3						
Industry	% , yoy	-5.7	-6.3	5.8	0.8	1.1	1.9	1.2	0.3						
Services	% , yoy	-1.3	4.4	0.7	-0.2	-0.5	0.4	-0.3	0.6						
Adjustments	% , yoy	-16.5	-0.5	0.2	3.8	7.4	3.7	1.3	0.9						
<b>— SHORT-TERM BUSINESS STATISTICS</b>															
Industrial production	% , yoy	-18.3	2.0	5.8	-0.4	-2.2	-0.3	0.4	0.6	-2.8	-0.6	0.0	2.5	7.9	
Industrial turnover	% , yoy	-20.2	14.1	17.2	2.3	1.2	3.2	2.6	2.1	-1.4	1.4	1.8	3.2	11.3	
Retail trade turnover	% , yoy	-7.7	-8.4	0.6	-2.3	-3.1	-0.7	-0.4	-5.1	-3.6	-4.5	-4.9	-5.9	-5.3	
Construction output	% , yoy	-14.5	-14.9	-12.8	-0.8	-1.8	0.1	0.4	-1.9	-4.1	8.8	1.0	-16.9	-3.2	
Total business climate	balance	10.2	9.6	14.2	14.3	11.5	16.9	15.9	13.0	14.9	12.2	13.1	13.8	10.6	16.3
Industry	balance	12.3	13.4	22.4	21.3	21.3	22.8	21.7	19.4	20.8	17.2	20.7	20.3	18.4	22.0
Retail trade	balance	13.5	10.1	17.3	16.4	10.5	18.1	17.8	19.3	19.7	17.9	16.7	23.1	10.9	22.6
Construction	balance	8.5	5.1	2.8	0.3	-4.1	4.2	3.0	-1.8	3.4	0.5	-4.8	-1.2	-1.2	2.9
Services	balance	5.1	5.6	5.9	12.2	8.2	16.4	15.4	8.8	9.7	8.4	12.0	6.1	6.4	11.7
<b>— LABOUR MARKET</b>															
Participation rate (15+)	level	53.0	52.0	52.5	53.1	51.8	52.7	54.2	53.6						
Employment rate (15+)	level	49.4	46.7	46.6	46.6	45.1	46.2	47.9	47.0						
Employment (LFS)	% , yoy	-2.6	-4.7	-3.4	-4.3	-3.8	-4.8	-3.9	-4.9						
Unemployment rate (LFS)	level	6.8	10.2	11.3	12.3	12.9	12.3	11.5	12.4						



		2009	2010	2011	2012	Q1'12	Q2'12	Q3'12	Q4'12	IX'12	X'12	XI'12	XII'12	I'13	II'13
Unemployment rate (Employment agency)	level	7.6	9.5	10.1	11.1	11.4	11.1	10.7	11.3	10.6	11.0	11.3	11.4	11.9	12.0
Nominal wage	%, yoy	11.8	6.4	5.8	11.7	8.9	8.4	8.8	8.5	9.1	9.9	7.6	8.0		
Real wage <sup>2</sup>	%, yoy	9.1	3.3	2.4	9.1	6.9	6.5	5.6	5.5	5.5	6.7	4.8	5.1		
Labor productivity (GDP per employed)	%, yoy	-3.0	5.3	6.2	5.4	4.9	6.2	4.9	5.5						
Real ULC (GDP)	%, yoy	8.1	2.7	-3.7	-2.0	2.8	-2.3	-1.4	-5.8						
<b>— PRICES</b>															
National index of consumer prices (CPI)	%, yoy	2.8	2.4	4.2	3.0	2.0	1.6	4.0	4.2	4.9	4.4	3.9	4.2	4.4	3.6
Harmonized index of consumer prices (HICP)	%, yoy	2.5	3.0	3.4	2.4	1.9	1.8	3.0	2.8	3.5	3.0	2.7	2.8	2.6	2.2
Domestic producer prices	%, yoy	-4.2	7.1	8.6	5.4	5.0	4.3	6.2	6.1	6.7	6.9	6.5	5.0	2.5	2.5
<b>— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)</b>															
Revenue and grants	mIn BGN	25 041	23 933	25 378	27 470	5 956	13 224	19 986	27 470	19 984	22 127	24 454	27 470	1 788	3 827
Total expenses	mIn BGN	25 667	26 755	26 867	27 828	6 647	13 162	19 733	27 828	19 736	22 202	24 559	27 820	2 324	4 559
Contribution to EU budget	mIn BGN	746	670	779	809	307	467	629	809	629	683	724	809	90	258
Cash deficit (-) / surplus (+)	mIn BGN	-626	-2 823	-1 488	-358	-691	62	253	-358	248	-74	-105	-350	-536	-732
	% of GDP	-0.9	-4.0	-2.0	-0.5	-0.9	0.1	0.3	-0.5	0.3	-0.1	-0.1	-0.5	-0.7	-0.9
Government and government guaranteed debt	mIn BGN	10 641	11 778	12 826	14 683	13 053	12 943	14 736	14 683	14 736	14 753	14 810	14 683	13 081	13 988
	% of GDP	15.6	16.7	17.0	18.9	16.8	16.7	19.0	18.9	19.0	19.0	19.1	18.9	16.4	17.5
Fiscal reserve	mIn BGN	7 673	6 012	4 999	6 081	4 531	5 062	7 172	6 081	7 172	6 640	6 756	6 081	4 144	3 871
	%, yoy	-8.5	-21.6	-16.9	21.6	-3.6	-1.8	41.4	21.6	41.4	24.3	27.1	21.6	2.9	1.8
<b>— FINANCIAL SECTOR</b>															
BNB International reserves	mIn EUR	12 919	12 977	13 349	15 552	13 192	13 866	15 507	15 552	15 507	15 094	15 096	15 552	14 190	13 915
Monetary base coverage	%	195.2	179.8	175.1	174.9	176.3	177.7	192.3	174.9	192.3	187.9	188.9	174.9	166.6	166.0
Coverage of import with FX reserves	months	8.0	7.3	6.2	6.8	6.0	6.1	6.7	6.8	6.7	6.5	6.5	6.7	6.1	
Coverage of short-term external debt	%	100.2	115.3	133.8	146.7	133.6	140.9	161.7	146.7	159.1	157.6	144.9	149.1	137.7	
Money M1 (Narrow money)	%, yoy	-8.8	0.8	14.4	9.5	17.2	13.4	12.6	9.5	12.6	11.1	13.6	9.5	5.3	7.6
Money M3 (Broad money)	%, yoy	4.2	6.2	12.2	8.5	10.7	10.2	8.8	8.5	8.7	8.6	10.1	8.5	7.1	7.9
Deposits	%, yoy	7.6	6.6	13.2	8.4	11.0	10.2	8.7	8.4	8.6	8.5	10.1	8.4	7.2	8.2
Credit to private sector	%, yoy	3.8	1.1	3.3	3.0	3.1	4.1	3.5	3.0	3.5	3.3	3.9	3.0	3.5	3.1
Credit to non-financial enterprises	%, yoy	2.3	2.4	5.7	5.0	5.7	6.8	6.1	5.0	6.0	5.7	6.8	5.0	5.8	5.3

		2009	2010	2011	2012	Q1'12	Q2'12	Q3'12	Q4'12	IX'12	X'12	XI'12	XII'12	I'13	II'13
Credit to households	%, yoy	5.8	-0.8	-0.4	-1.0	-1.0	-1.1	-1.5	-1.0	-1.5	-1.7	-1.7	-1.0	-0.8	-1.0
Interest rate on short-term loans	%	10.5	8.5	7.2	7.6	8.3	7.2	7.5	7.3	7.8	7.4	7.7	6.7	7.4	7.3
Interest rate on time deposits	%	7.0	5.4	4.8	4.3	4.6	4.2	4.2	4.1	4.3	4.1	4.2	4.1	4.4	4.1
Exchange rate BGN/USD	eop	1.36	1.47	1.51	1.48	1.46	1.55	1.51	1.48	1.51	1.51	1.51	1.48	1.44	1.49
	per. av.	1.41	1.48	1.41	1.52	1.49	1.53	1.56	1.51	1.52	1.51	1.52	1.49	1.47	1.46
<b>— GROSS EXTERNAL DEBT (GED)</b>															
Gross external debt	% of GDP	108.3	102.7	94.1	94.8	92.3	93.3	94.6	94.8	94.6	93.8	95.5	94.8	90.9	
Short term external debt	% of GED	32.1	30.2	27.8	27.7	27.4	27.0	26.0	25.8	26.0	25.8	27.5	27.7	25.2	
Intercompany lending	% of GED	38.5	40.4	42.7	41.6	43.5	43.6	43.5	43.7	43.5	43.7	42.3	41.6	38.2	
<b>— BALANCE OF PAYMENTS</b>															
Current account	mIn EUR	-3 116	-533	39	-528	-562	-383	914	-498	256	-178	34	-354	-11	
<i>Current account (moving average)</i>	% of GDP	-8.9	-1.5	0.1	-1.3	-1.1	-2.2	-2.2	-1.3	-2.2	-2.3	-1.5	-1.3	-0.7	
Trade balance	mIn EUR	-4 174	-2 764	-2 156	-3 622	-942	-1 281	-552	-848	-156	-361	-153	-334	-29	
<i>Trade balance (moving average)</i>	% of GDP	-11.9	-7.7	-5.6	-9.1	-7.3	-9.0	-9.4	-9.1	-9.2	-9.6	-9.1	-9.1	-8.3	
Export, f.o.b.	mIn EUR	11 699	15 561	20 264	20 793	4 620	5 256	5 552	5 365	1 815	1 860	1 969	1 536	1 780	
	%, yoy	-23.1	33.0	30.2	2.6	-2.9	6.2	3.0	3.9	1.9	3.0	11.2	-3.2	23.9	
Import, f.o.b.	mIn EUR	15 873	18 325	22 420	24 415	-5 561	-6 537	-6 105	-6 212	-1 971	-2 221	-2 122	-1 869	-1 809	
	%, yoy	-33.3	15.4	22.3	8.9	10.2	17.3	6.2	2.6	-3.3	8.9	0.8	-2.1	5.5	
Capital account	mIn EUR	477	291	497	537	11	44	164	317	33	-80	177	220	9	
Financial account	mIn EUR	1 163	-673	-968	2 231	29	1 256	805	141	177	32	-187	296	-1 108	
Net Foreign Direct Investments	mIn EUR	2 505	977	1 199	1 302	641	410	480	-229	48	186	-165	-250	31	
Net Portfolio Investments	mIn EUR	-619	-635	-357	-931	-370	-57	736	-1 239	-66	-60	-1 108	-71	-281	
Other Investments – net	mIn EUR	-704	-990	-1 744	1 894	-235	909	-404	1 624	196	-85	1 087	623	-858	
Change in BNB reserve assets <sup>3</sup>	mIn EUR	650	384	-159	-2 161	176	-639	-1 483	-215	-392	336	5	-556	1 312	

Notes: 1. Reference year 2005, seasonally and working day adjusted data; 2. HICP deflated; 3. (-) - increase; (+) - decrease in BNB International Reserves.



— GOVERNMENT DEBT REVIEW

**Ministry of Finance reopened the 10.5Y GS issue maturing July 2023**

Ministry of Finance reopened the 10.5Y benchmark issue maturing 9 July 2023. MF offered BGN 50 mln at the auction held on March 11, while participants subscribed BGN 100.55 mln. The yield achieved was 3.63%. A wide range of investors took part in the auction. The distribution by type of investor was as follows: banks acquired 54.5% of the approved amount, followed by pension funds (20.7%), investment intermediaries (10%), other investors (10%) and insurance companies (4.80%). After the auction the issue totaled BGN 150 mln.

**7Y EUR-denominated GS has been reopened**

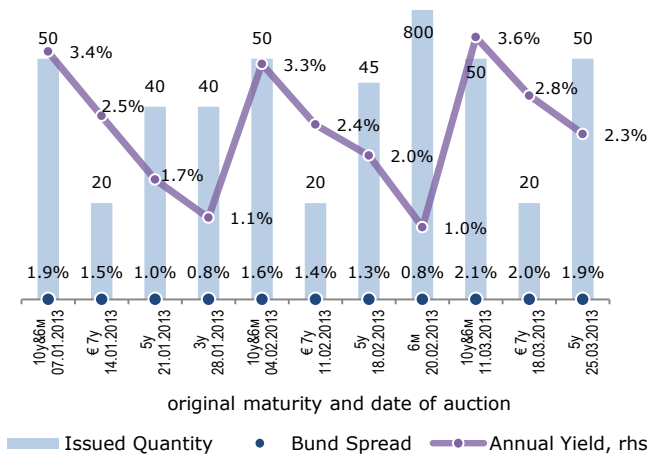
On March 18, MF reopened the 7Y euro denominated bond. This was the third reopening of the issue since the beginning of 2013 and after the auction its nominal totaled EUR 60 mln. All GS primary dealers took part and demand exceeded almost three times the EUR 20 mln offered for sale, thus the coverage coefficient achieved pointed to an increased investor interest compared to the previous reopening of this issue on February 11. Besides the traditionally strong presence of banks which purchased 88.9% of the approved nominal, pension funds and insurance companies also participated in the auction acquiring 9.15% and 2% respectively. The average weighted annual yield achieved at the auction was 2.82%.

**5Y BGN-denominated bond has been reopened on March 25**

At the third reopening of the 5Y BGN denominated bond at the auction held on March 25, the yield achieved stood at 2.29%. The coverage coefficient reached 2.16, with the amount offered for sale being BGN 50 mln. All GS primary dealers took part in the auction, banks acquiring 88.7% of the total amount approved; pension funds purchased 4.3%, insurance companies - 1% and other institutional investors - 6%. After the last auction the issue totaled BGN 135 mln.

Latest Government Securities Auction Results

(mln BGN/EUR)



Additional data on the auction results can be viewed on the site of the Bulgarian National Bank, that is a fiscal agent to the government [www.bnb.bg](http://www.bnb.bg)

Source: MF

**Stable nominal value of government debt is of primary significance to government finance**

The nominal value of government debt amounted to EUR 6 659.3 mln at the end of February, including domestic debt of EUR 3 026.7 mln and external debt of EUR 3 632.6 mln. Debt posted a EUR 463.2 mln increase in nominal terms compared to its level at the end of the previous month. This was mainly due to the increase in domestic debt as a result of new domestic financing of government securities during the month. Government debt-to-GDP ratio stood at 16.2%.

**Table: Government Debt, mln EUR**

Structure	31.12. 2010	31.12. 2011	31.12. 2012	31.01. 2013	30.02. 2013
Domestic government debt	2 011.5	2 458.3	2 546.7	2 591.1	3 026.7
External government debt	3 373.5	3 487.6	4 444.5	3 605.1	3 632.6
Government Debt, total	5 385.0	5 945.9	6 991.2	6 196.1	6 659.3
Government Debt /% GDP	14.9	15.5	17.7	15.0	16.2

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

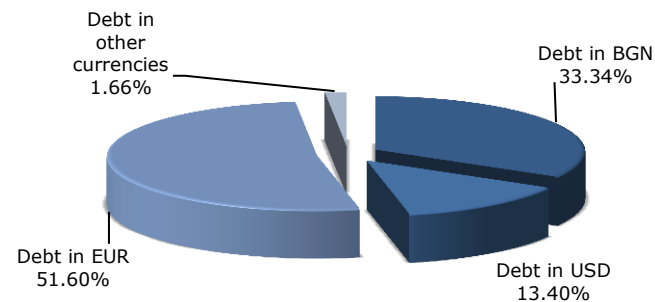
Debt denominated in BGN increased to 33.3% as of February, while debt in EUR, USD and other currencies decreased and amounted to 51.6%, 13.4% and 1.7% respectively.

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

At the end of February, the share of debt with fixed interest recorded an increase over the previous month and reached 85.1%, while debt with floating interest narrowed to 14.9%.

**Government Debt Currency Structure**

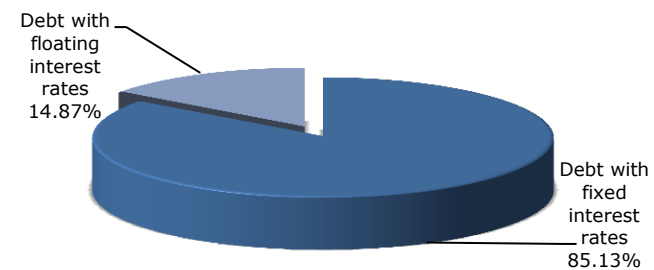
(as of 28 February)



Source: MF

**Government Debt Interest Rate Structure**

(as of 28 February)



Source: MF

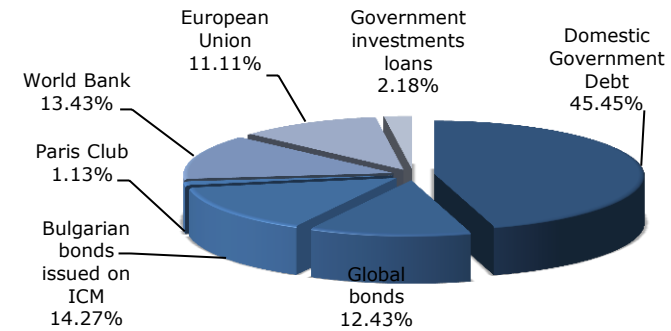
**Government debt portfolio structure is another key indicator for the successful debt management**

The share of domestic government debt stood at 45.6%, followed by euro-denominated bonds issued in international capital markets – 14.3%, commitments to the World Bank – 13.4%, global bonds – 12.4% commitments to the European Union – 11.1%, the Paris Club – 1.1% and other creditors – 2.2%. ▲

Comprehensive information on Bulgarian Government Debt, including monthly bulletins and annual reviews, could be found at the website of Bulgarian Ministry of Finance [here](#).

### Government Debt Structure by Creditor

(as of 28 February)



Source: MF