

2013

# RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, JUNE 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, as all of its components developed on positive territory in April. Only the overall business climate indicator deteriorated somewhat as of June, yet respondents of the survey saw an improvement in the business conjuncture in industry.
- The **registered unemployment** continued on the decrease, as the jobless rate narrowed further to 10.7% as of June. May **consumer prices** practically showed no change over the previous month, while annual HICP stepped up marginally to 1% yoy.
- The **overall balance of payments** came in positive in April with both Current and Financial accounts contributing to the surplus. **CA** remained on a surplus for a second month in a row, largely on the account of improving *trade balance*.
- **Consolidated budget surplus** stood at 0.1% of GDP on a cash basis in the first five months of the year. Budget outturn came below its level during the corresponding period a year earlier, mainly as a result of higher expenditure and slower revenue growth.
- **Fitch Ratings** has affirmed Bulgaria's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BBB-' and 'BBB', respectively. The outlook on both ratings is stable. General government debt, which is the second-lowest in the EU, and well below the 'BBB' 10-year category median, has been cited among key rating drivers. The stable outlook reflected Fitch's assessment that upside and downside risks to the rating are currently well balanced. Nonetheless, a material deterioration in growth prospects and fiscal performance could

lead to a negative rating action, while the implementation of key structural reforms, leading to stronger sustainable economic growth, could prompt a positive rating action in the medium term. ▼

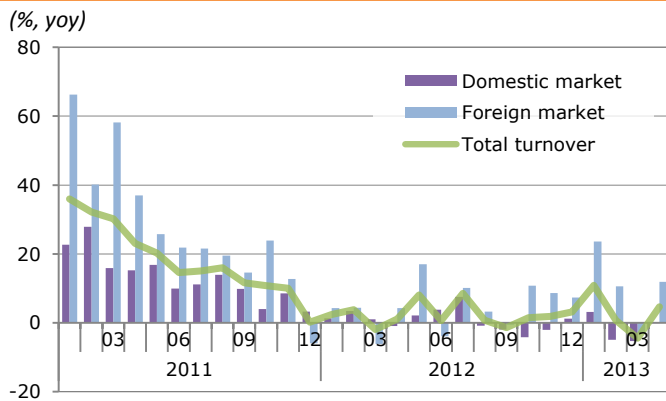
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*The current report, as well as previous issues, is available at the [Ministry of finance website](#). For any questions or comments, please contact the Economic and Financial Policy Directorate at 102, Rakovski Str., 1040 Sofia, Bulgaria, or at [secretary.evp@minfin.bg](mailto:secretary.evp@minfin.bg).*

— RECENT ECONOMIC DEVELOPMENTS

**Industrial turnover** returned to positive territory in April, up by 4.7% yoy. The observed favorable dynamics was entirely due to foreign market sales which increased by 11.9% yoy, while the slump in domestic turnover narrowed to 0.1%. *Manufacture of basic metals and fabricated metal products, excluding machinery and equipment*, largely accounted for the registered growth in sales abroad. Domestic turnover remained on negative territory. Although manufacturing performed relatively well during the month, its positive contribution has been offset by declines registered in *electricity, gas, steam and air conditioning supply*, as well as *water supply, sewerage and disposal of waste and mining and quarrying*.

Industrial turnover



Source: NSI

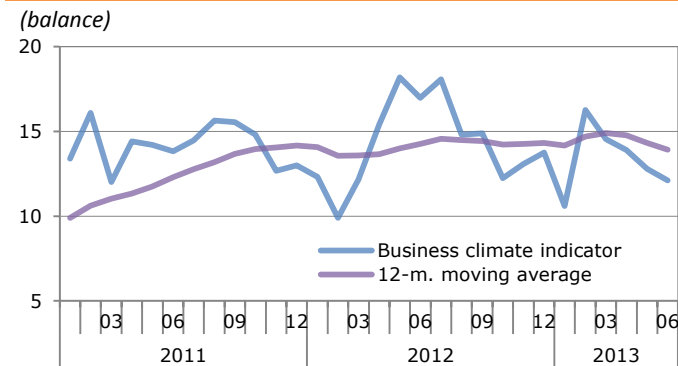
**Industrial production** also improved, up 1.5% yoy. Almost all manufacturing subsectors underwent positive developments as most of them return to growth, except for *manufacture of basic metals, manufacture of other transport equipment and repair and installation of machinery and equipment*. *Manufacture of*

*textiles, wearing apparel and leather and related products* contributed the most for the registered growth, while *manufacture of basic metals*, down 16.6% yoy, had the largest negative contribution. The latter pointed to inventories stocks driven growth in foreign sales of basic metals, as international prices of base metals reportedly decreased during the month.

**Retail sales** moved to positive territory for the first time since August 2012, up 3.8% compared to a year earlier. Retail sales in non-specialized stores increased the most, up 21.3%, followed by retail sales of textiles, clothing, footwear and leather goods, up 17.7%, and retail sales of automotive fuel, up 13%.

**Construction production index** continued to be characterized by diverse dynamics and surged 6.5% yoy in April. Both building construction and civil engineering, up by 9.8% and 2.2%, respectively, contributed positively to growth.

Business climate



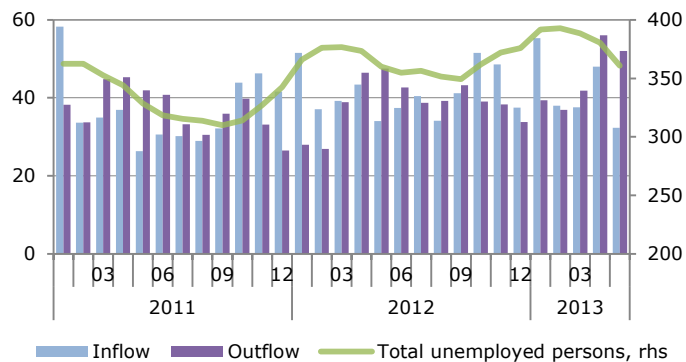
Source: NSI

June **business climate** deteriorated by 0.7 pps over the previous month due to the worsened managers' expectations about

current economic activity in construction, retail trade and services sector. Only the business conjuncture in industry saw an improvement as the present business situation of enterprises was assessed as more optimistic, while the assurance of production with orders expanded. Respondents in retail trade and services didn't expect any increase in sales and demand. At the same time there was a certain increase in the construction activity, nevertheless, entrepreneurs in the sector remained reserved in their projections for the next three months.

**Inflow, outflow and unemployed persons**

(in thousands)



Source: EA

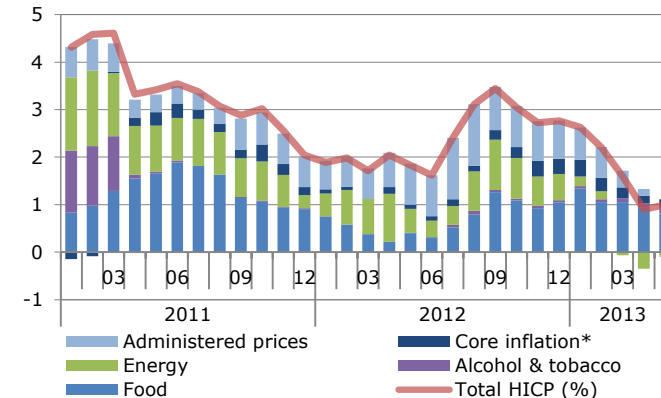
**Registered unemployment** improved further to 11% in May, down by 0.6 pps mom, yet it stayed relatively constant compared to the corresponding period of 2012. Jobless number contraction was due primarily to the lower inflow of unemployed. Outflows decreased by 4 K as well; however, it was rather lower than inflows, which came down by 15.6 K. The number of persons who started working followed a downward trend from 32.5 K in April to 27.5 K in May, still it stood 12.1% higher on a year earlier. Recent unemployment developments reflected higher

primary sector labour demand in seasonal activities including manufacturing, trade, accommodation and catering services, and agriculture. It was further supported by subsidized employment programs within the social package of urgent measures undertaken by the caretaker government.

The positive developments in the unemployment rate continued in June as well. Jobless rate moved down to 10.7%, which corresponded to 351.6 K. In the period under review unemployed numbers moved down by 2.5% on a month earlier and 0.9% as compared to the corresponding month of 2012. June's annual unemployed dynamics remained on a positive territory for the first time since the beginning of the year, coming from a significant decrease in inflow numbers. The influence of seasonal factors over this time of the year traditionally was in the core of favorable labor market developments.

**HICP and contributions by main components**

(pps, yoy)



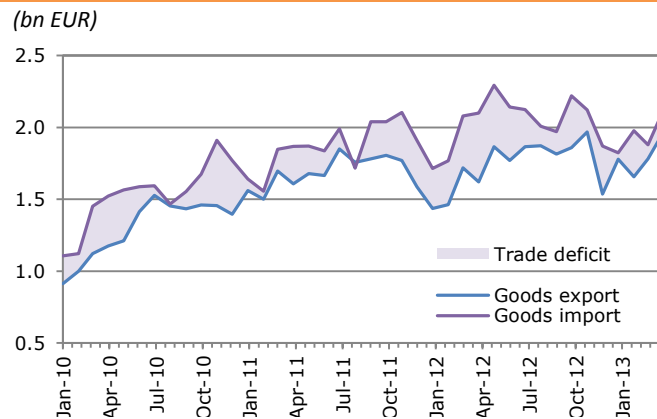
\* Overall index excluding energy, food, alcohol and tobacco.

Source: NSI, MF

**Consumer prices** practically showed no change over the previous month, thus accumulated inflation in Jan-May remained neg-

ative at 0.5%, while annual HICP stepped up marginally to 1% yoy. The slump in fuel prices decelerated during the month, thus they went down by 0.4% mom and had a slightly negative contribution to the headline rate. Other major consumer price components showed practically no change compared to the previous month. In yoy terms, the contribution of administered prices narrowed further, becoming slightly negative as of May, while the slump in automotive fuel prices decelerated considerably due to the lower base effect on a year earlier.

**Merchandise trade dynamics**



Source: BNB

The **overall balance of payments** came in positive at EUR 530.3 mln in April with both Current and Financial accounts contributing to the surplus. **CA** remained on a surplus for a second month in a row, as the latter reached EUR 519.2 mln in April compared to a deficit of EUR 314.2 mln for the corresponding month of 2012. The accumulated surplus since the beginning of the year was EUR 162 mln (0.4% of GDP) largely on the account of improving *trade balance*. During the first four months of 2013 exports growth outpaced the change in imports, 15.2% versus

2.3% yoy respectively, resulting in a 54.3% yoy decrease in trade deficit, which stood at EUR 649.9 mln.

*Exports* to EU expanded by 13.2% yoy in Jan-Apr mainly due to the increase in the exports to Germany and Italy. For the first quarter of 2013 the strong performance of exports to these two countries was due to the increase in the exported quantities of metals and machinery to Germany and oil and refined oil products and metals to Italy. In Jan-Apr exports to third countries increased by 18.3% yoy, with Turkey contributing the most for these developments. The exports growth to Turkey in Q1 2013 resulted from the rise in the exported quantities of metals, oils and refined oil products. According to the latest data published by the Turkish Statistical Institute industrial production has increased in yoy terms since the beginning of the year which might be the reason for the increasing imports of intermediate goods and raw materials. *Imports* from EU were up 3.9% yoy for the period Jan-Apr and were driven to a great extent by the upsurge in imports from Italy, Spain and Poland. Meanwhile, the increase of imports from third countries decelerated to 1% yoy during the considered period, mostly on the account of the April drop in imports from the Russian Federation.

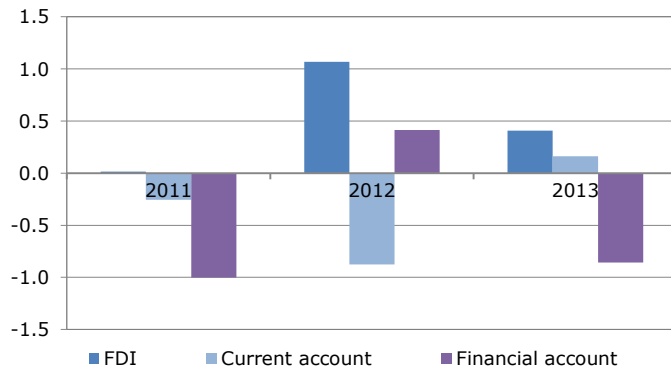
*Current transfers* continued to rise during the month as the European Commission refunded the agricultural subsidies to Bulgaria. Net transfers increased by 28.3% yoy for the first four months of the year and amounted to EUR 995.1 mln.

**Financial account** inflows reached EUR 105.6 mln, as net FDI were EUR 38.7 mln, *net other investments* were EUR 121.7 mln and *portfolio investments* recorded an outflow of EUR 19.5 mln. In Jan-Apr financial account was negative by EUR 858 mln, reflecting both the repayment of external government debt in January (approx. EUR 200 mln) and outflow of currency and deposits in Jan-Feb. Accumulated inward FDI stood at 1% of GDP (EUR

409 mln). Transportation and storage attracted most of the investments, followed by manufacturing and financial intermediation.

### FDI, Current and Financial Account

(January-April, bn EUR)

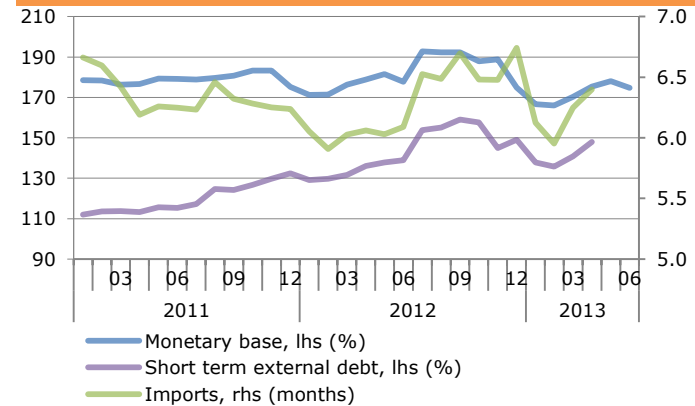


Source: BNB

**Gross external debt** stood at 90.9% of GDP as at the end of April compared to 92.4% of GDP a year ago.

**International reserves** shrank by 1.7% mom to EUR 14.5 bn at the end of June. Their annual growth rate went down to 5.2% coming from 9.5% as of end-May. The sharp decrease of gold prices in June led to an 8.2% drop of the Bank Department deposit, which was the main reason for the negative change of reserves. Bank reserves and the Government deposit contributed to the decrease as they dropped by 2.3% and 1.1% mom respectively. As a result, the high coverage of the monetary base at the end of June declined somewhat compared to a month earlier – 174.7% vs. 178.1%. The level of reserves at the end of April was enough to cover 6.4 months of imports or 148% of the short term external debt.

### Coverage with FX Reserves



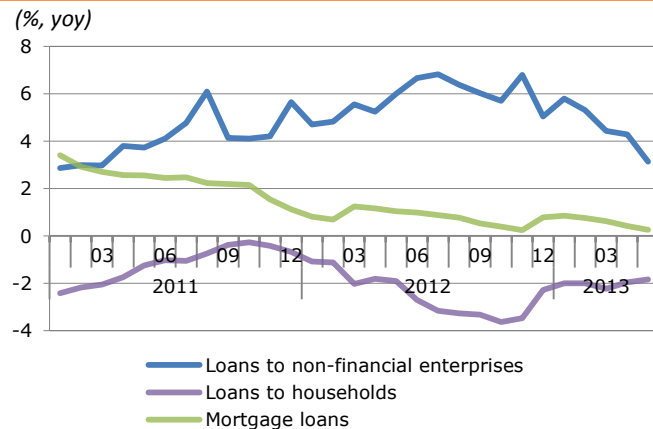
Source: BNB, MF

**Money supply** grew by 7.5% yoy at the end of May compared to 7.4% at the end of the previous month. The increase in deposits, redeemable at notice, and the overnight deposits gathered speed, up by 56.8% and 16.1% yoy respectively, thus largely contributing to the registered annual growth in M3. The recently introduced interest tax on time deposit continued to influence households' choice of deposit type. As a consequence deposits with agreed maturity shrank further by 4.9% yoy from a 2.3% decline a month earlier. Total deposits improved somewhat, up 7.5% yoy, after a 0.4% increase (BGN 200 mln) in May alone.

**Credit to the private sector** continued to lose momentum and at the end of May its growth rate decelerated to 1.4% yoy from 2.2% as of end-April, as corporate credit growth slowed further to 3.1% yoy. The slump in consumer credits narrowed slightly to 1.8% in May, while the annual change in mortgages remained roughly unchanged at 0.3% yoy. The overall private credit dynamics can be largely attributed to the subdued demand, caused by the elections related political uncertainty over the month. Bad

and restructured credits declined by 0.4% yoy; nevertheless, their share in total credit to households and firms increased slightly from 18.4% to 18.5%.

### Credit growth

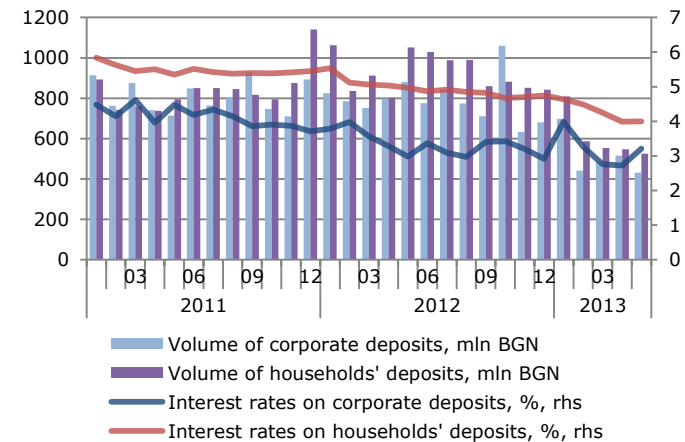


Source: BNB, MF

**Weighted average interest rate on corporate credits** went down in May by 1.2 pps, but it didn't result in higher volume of new credits. The latter was by 33% less compared to the corresponding month of 2012 and reflected the low demand from local enterprises. The interest rate on mortgages decreased by 9 bps over the end-April as the monthly volume of new housing credits came lower by 9.3% compared to a year earlier. The average price of consumer credits went up by 21 bps, however, credits received by households increased by 0.8% yoy. **Weighted average interest rates on deposits** increased in May for all three major currencies. Local currency deposits saw a 28 bps increase of their nominal rate of return. The average rate on euro denominated deposits was up by 4 bps, while that on dollar deposits was more favorable by 36 bps compared to a month earlier. However, the total monthly amount of new deposits was 46.2%

lower compared to the corresponding month of the previous year.

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



Source: BNB, MF

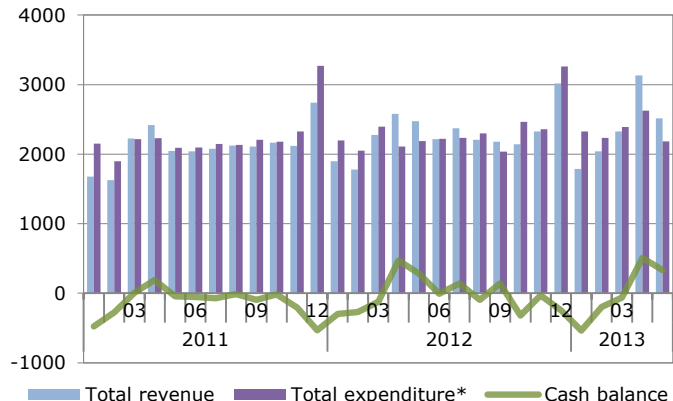
In the first five months, **consolidated budget balance** came in positive at BGN 45.5 mln (0.1% of GDP) on a cash basis. Budget outturn stood below its level in the corresponding period a year earlier, mainly as a result of higher expenditure and slower revenue growth. Meanwhile, the budget surplus increased by 16.6% yoy in May alone.

**Total tax and non-tax revenue** recorded a 4.6% yoy increase, accounting for 38.6% of the annual plan. Tax revenue expanded by 5.6% yoy, largely on the account of higher VAT receipts and custom duties, up 12.4% and 17.5% yoy, respectively. The annual drop in proceeds from excise duties, which started in January 2013 largely on account of lower fuel taxes receipts, narrowed further in May and stood at 2.3%. Non-tax revenue accumulated for the first five months accounted for 50.8% of the annual forecast, yet marginally down by 0.5% yoy. For second

month in a row **grants** came significantly higher, up 57.5% on a year earlier.

### Consolidated Budget

(monthly value, mln BGN)



\* Incl. contribution to EU budget

Source: MF

**Total expenditure**, including Bulgarian contribution to EU budget, increased by 7.4% yoy, accounting for 37.1% of the annual program. Their growth was mainly driven by the yoy increase of social spending, incl. scholarships, expenditure for wages, social and health insurance contributions and maintenance up 6.4%, 8.9%, 30.7% and 7.3% respectively.

**Fiscal reserve** stood at BGN 5.8 bn at end-May.

**General government debt**, including government guaranteed debt, accounted for 17% of GDP at the end of April. Domestic debt stood at 7.8% of GDP, external debt – at 9.2% of GDP and government guaranteed debt – at 1.1% of GDP.▼



— KEY ECONOMIC INDICATORS

		2009	2010	2011	2012	Q2'12	Q3'12	Q4'12	Q1'13	XII'12	I'13	II'13	III'13	IV'13	V'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	0.4						
Consumption	% , yoy	-7.3	0.5	1.5	1.8	2.6	1.7	0.4	-0.4						
Gross fixed capital formation	% , yoy	-17.6	-18.3	-6.5	0.8	0.8	-0.7	3.1	5.0						
Export	% , yoy	-11.2	14.7	12.3	-0.4	3.2	-0.6	-1.5	10.8						
Import	% , yoy	-21.0	2.4	8.8	3.7	9.6	2.6	-0.4	5.6						
Agriculture	% , yoy	-9.5	-6.2	-1.1	3.5	6.1	3.9	3.0	3.6						
Industry	% , yoy	-5.7	-6.3	5.8	0.8	1.5	-0.8	0.4	-0.3						
Services	% , yoy	-1.3	4.4	0.7	-0.2	0.6	-0.5	-0.2	0.1						
Adjustments	% , yoy	-16.5	-0.5	0.2	3.8	4.1	2.5	1.3	-1.0						
<b>— SHORT-TERM BUSINESS STATISTICS</b>															
Industrial production	% , yoy	-18.3	2.0	5.8	-0.4	-0.3	0.4	0.6	1.4	2.5	8.3	1.4	-4.2	1.5	
Industrial turnover	% , yoy	-20.2	14.1	17.2	2.3	3.2	2.6	2.1	2.1	3.2	10.9	0.7	-4.5	4.7	
Retail trade turnover	% , yoy	-7.7	-8.4	0.6	-2.3	-0.7	-0.4	-5.1	-3.8	-5.9	-5.3	-4.9	-1.5	3.8	
Construction output	% , yoy	-14.5	-14.9	-12.8	-0.8	0.1	0.4	-1.9	-1.4	-16.9	-2.2	7.0	-7.5	6.5	
Total business climate	balance	10.2	9.6	14.2	14.3	16.9	15.9	13.0	13.8	13.8	10.6	16.3	14.5	13.9	12.8
Industry	balance	12.3	13.4	22.4	21.3	22.8	21.7	19.4	20.4	20.3	18.4	22.0	20.8	16.6	12.2
Retail trade	balance	13.5	10.1	17.3	16.4	18.1	17.8	19.3	17.0	23.1	10.9	22.6	17.3	17.6	21.0
Construction	balance	8.5	5.1	2.8	0.3	4.2	3.0	-1.8	1.3	-1.2	-1.2	2.9	2.2	6.6	4.7
Services	balance	5.1	5.6	5.9	12.2	16.4	15.4	8.8	9.9	6.1	6.4	11.7	11.5	12.1	14.0
<b>— LABOUR MARKET</b>															
Participation rate (15+)	level	53.0	52.0	52.5	53.1	52.7	54.2	53.6	52.8						
Employment rate (15+)	level	49.4	46.7	46.6	46.6	46.2	47.9	47.0	45.6						
Employment (LFS)	% , yoy	-2.6	-4.7	-3.4	-4.3	-4.8	-3.9	-4.9	0.1						
Unemployment rate (LFS)	level	6.8	10.2	11.3	12.3	12.3	11.5	12.4	13.8						

		2009	2010	2011	2012	Q2'12	Q3'12	Q4'12	Q1'13	XII'12	I'13	II'13	III'13	IV'13	V'13
Unemployment rate (Employment agency)	level	7.6	9.5	10.1	11.1	11.1	10.7	11.3	11.9	11.4	11.9	12.0	11.8	11.6	11.0
Nominal wage	%, yoy	11.8	6.4	5.8	13.3	10.3	10.6	10.3	4.3	9.7	5.0	4.4	3.6		
Real wage <sup>2</sup>	%, yoy	9.1	3.3	2.4	10.7	8.3	7.4	7.3	2.1	6.7	2.3	2.1	2.0		
Labor productivity (GDP per employed)	%, yoy	-3.0	5.3	6.2	5.4	6.2	4.9	5.5	0.7						
Real ULC (GDP)	%, yoy	8.1	2.7	-3.7	-2.0	-2.3	-1.4	-5.8	7.5						
<b>— PRICES</b>															
National index of consumer prices (CPI)	%, yoy	2.8	2.4	4.2	3.0	1.6	4.0	4.2	3.6	4.2	4.4	3.6	2.7	2.0	2.0
Harmonized index of consumer prices (HICP)	%, yoy	2.5	3.0	3.4	2.4	1.8	3.0	2.8	2.2	2.8	2.6	2.2	1.6	0.9	1.0
Domestic producer prices	%, yoy	-4.2	7.1	8.6	5.4	4.3	6.2	6.1	1.8	5.1	2.6	2.6	0.6	-1.4	-0.7
<b>— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)</b>															
Revenue and grants	mIn BGN	25 041	23 933	25 378	27 470	13 224	19 986	27 470	6 158	27 470	1 788	3 827	6 155	9 289	11 802
Total expenses	mIn BGN	25 667	26 755	26 867	27 828	13 162	19 733	27 827	6 955	27 820	2 324	4 559	6 950	9 575	11 757
Contribution to EU budget	mIn BGN	746	670	779	809	467	629	809	328	809	90	258	328	396	465
Cash deficit (-) / surplus (+)	mIn BGN	-626	-2 823	-1 488	-358	62	253	-358	-799	-350	-536	-732	-796	-286	46
	% of GDP	-0.9	-4.0	-2.0	-0.5	0.1	0.3	-0.5	-1.0	-0.5	-0.7	-0.9	-1.0	-0.4	0.1
Government and government guaranteed debt	mIn BGN	10 641	11 778	12 826	14 683	12 943	14 736	14 683	14 408	14 683	13 081	13 991	14 408	14 387	14 458
	% of GDP	15.6	16.7	17.0	18.9	16.7	19.0	18.9	18.0	18.9	16.4	17.5	18.0	18.0	18.1
Fiscal reserve	mIn BGN	7 673	6 012	4 999	6 081	5 062	7 172	6 081	4 216	6 081	4 144	3 871	4 216	5 405	5 825
	%, yoy	-8.5	-21.6	-16.9	21.6	-1.8	41.4	21.6	-6.9	21.6	2.9	1.8	-6.9	9.8	15.4
<b>— FINANCIAL SECTOR</b>															
BNB International reserves	mIn EUR	12 919	12 977	13 349	15 552	13 866	15 507	15 552	14 493	15 552	14 190	13 915	14 493	14 859	14 842
Monetary base coverage	%	195.2	179.8	175.1	174.9	177.7	192.3	174.9	170.3	174.9	166.6	166.0	170.3	175.3	178.1
Coverage of import with FX reserves	months	8.0	7.3	6.2	6.8	6.1	6.7	6.7	6.3	6.7	6.1	6.0	6.2	6.4	
Coverage of short-term external debt	%	100.2	115.3	133.8	146.7	138.9	159.1	149.1	141.4	149.1	137.8	135.8	140.8	148.0	
Money M1 (Narrow money)	%, yoy	-8.8	0.8	14.4	9.5	13.4	12.6	9.5	10.7	9.5	5.3	7.6	10.7	10.1	13.3
Money M3 (Broad money)	%, yoy	4.2	6.2	12.2	8.5	10.2	8.8	8.5	8.9	8.5	7.1	7.9	8.9	7.4	7.5
Deposits	%, yoy	7.6	6.6	13.2	8.4	10.2	8.7	8.4	9.3	8.4	7.2	8.2	9.3	7.3	7.5
Credit to private sector	%, yoy	3.8	1.1	3.3	3.0	4.1	3.5	3.0	2.3	3.0	3.5	3.1	2.3	2.2	1.4
Credit to non-financial enterprises	%, yoy	2.3	2.4	5.7	5.0	6.8	6.1	5.0	4.4	5.0	5.8	5.3	4.4	4.3	3.1

		2009	2010	2011	2012	Q2'12	Q3'12	Q4'12	Q1'13	XII'12	I'13	II'13	III'13	IV'13	V'13
Credit to households	% yoy	5.8	-0.8	-0.4	-1.0	-1.1	-1.5	-1.0	-1.3	-1.0	-0.8	-1.0	-1.3	-1.2	-1.3
Interest rate on short-term loans	%	10.5	8.5	7.2	7.6	7.2	7.5	7.3	7.6	6.7	7.4	7.3	8.1	9.5	7.8
Interest rate on time deposits	%	7.0	5.4	4.8	4.3	4.2	4.2	4.1	4.1	4.1	4.4	4.1	3.7	3.5	3.8
Exchange rate BGN/USD	eop	1.36	1.47	1.51	1.48	1.55	1.51	1.48	1.53	1.48	1.44	1.49	1.53	1.50	1.50
	per. av.	1.41	1.48	1.41	1.52	1.53	1.56	1.51	1.48	1.49	1.47	1.46	1.51	1.50	1.51
<b>— GROSS EXTERNAL DEBT (GED)</b>															
Gross external debt	% of GDP	108.3	102.7	94.1	94.8	93.3	94.6	94.8	91.4	94.8	90.9	91.0	91.7	90.9	
Short term external debt	% of GED	32.1	30.2	27.8	27.7	27.0	26.0	27.7	27.4	27.7	27.7	27.6	27.5	26.8	
Intercompany lending	% of GED	38.5	40.4	42.7	41.6	43.6	43.5	41.6	41.8	41.6	42.0	42.3	42.1	42.1	
<b>— BALANCE OF PAYMENTS</b>															
Current account	mIn EUR	-3 116	-533	39	-528	-383	914	-498	-421	-354	-62	-412	117	519	
<i>Current account (moving average)</i>	% of GDP	-8.9	-1.5	0.1	-1.3	-2.2	-2.2	-1.3	-1.0	-1.3	-0.8	-1.0	-0.8	1.2	
Trade balance	mIn EUR	-4 174	-2 764	-2 156	-3 622	-1 281	-552	-848	-478	-334	-49	-335	-112	-153	
<i>Trade balance (moving average)</i>	% of GDP	-11.9	-7.7	-5.6	-9.1	-9.0	-9.4	-9.1	-7.9	-9.1	-8.3	-8.4	-7.8	-7.0	
Export, f.o.b.	mIn EUR	11 699	15 561	20 264	20 793	5 256	5 552	5 365	5 217	1 536	1 777	1 657	1 782	1 970	
	% yoy	-23.1	33.0	30.2	2.6	6.2	3.0	3.9	12.9	-3.2	23.7	13.3	3.6	21.6	
Import, f.o.b.	mIn EUR	15 873	18 325	22 420	24 415	-6 537	-6 105	-6 212	-5 695	-1 869	-1 826	-1 993	-1 894	-2 123	
	% yoy	-33.3	15.4	22.3	8.9	17.3	6.2	2.6	2.4	-2.1	6.5	12.8	-8.9	1.1	
Capital account	mIn EUR	477	291	497	537	44	164	317	-9	220	0	3	-13	-49	
Financial account	mIn EUR	1 163	-673	-968	2 231	1 256	805	141	-1 014	296	-1 313	22	327	106	
Net Foreign Direct Investments	mIn EUR	2 505	977	1 199	1 302	410	480	-229	247	-250	-109	343	123	39	
Net Portfolio Investments	mIn EUR	-619	-635	-357	-931	-57	736	-1 239	-540	-71	-335	-267	25	-20	
Other Investments – net	mIn EUR	-704	-990	-1 744	1 894	909	-404	1 624	-712	623	-869	-52	186	122	
Change in BNB reserve assets <sup>3</sup>	mIn EUR	650	384	-159	-2 161	-639	-1 483	-215	1 045	-556	1 312	258	-525	-530	

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

## — GOVERNMENT DEBT REVIEW

**Yield on the 7Y EUR-denominated GS stood at 2.82%**

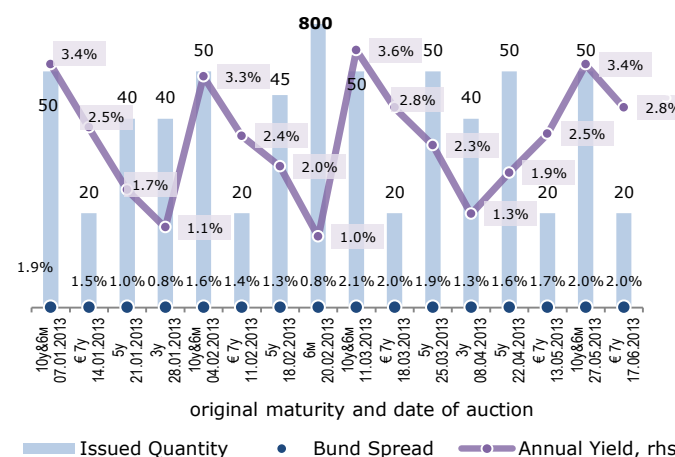
The 7Y EUR-denominated government securities (GS) maturing January 16, 2020 have been reopened for the fifth time this year on June 17. The yield stood at 2.82%. The GS offered for sale amounted to EUR 20 mln, while the coverage coefficient reached 1.7. Banks acquired 82.9% of the volume offered, pension funds - 13.6%, insurance companies and other investors - 1.75% each. After this reopening the issue totaled EUR 100 mln.

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

Government debt amounted to EUR 6 937.2 mln at the end of May. Domestic debt stood at EUR 3 189.3 mln, while external debt totaled EUR 3 747.9 mln. Debt increased by EUR 47 mln in nominal terms over the previous month largely on the account of higher domestic debt as a result of new domestic GS financing during the month. At the end of May the government debt-to-GDP ratio stood at 17%.

### 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

Table: Government Debt, mln EUR

Structure	31.12.2010	31.12.2011	31.12.2012	31.01.2013	28.02.2013	31.03.2013	30.04.2013	31.05.2013
Domestic government debt	2 011.5	2 458.3	2 546.7	2 591.1	3 026.7	3 098.9	3 144.0	3 189.3
External government debt	3 373.5	3 487.6	4 444.5	3 605.1	3 632.6	3 785.9	3 746.2	3 747.9
Government Debt, total	5 385.0	5 945.9	6 991.2	6 196.1	6 659.3	6 884.8	6 890.2	6 937.2
Government Debt /% GDP	14.9	15.5	17.7	15.0	16.2	16.8	16.9	17.0

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

The share of debt in BGN increased slightly to 33.8%, while debt denominated in EUR, USD and other currencies stayed almost unchanged at 51.8%, 13% and 1.5%, respectively.

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

At the end of May, the share of debt with fixed interest increased over April and reached 86%, while debt with floating interest noted narrowed to 14%.

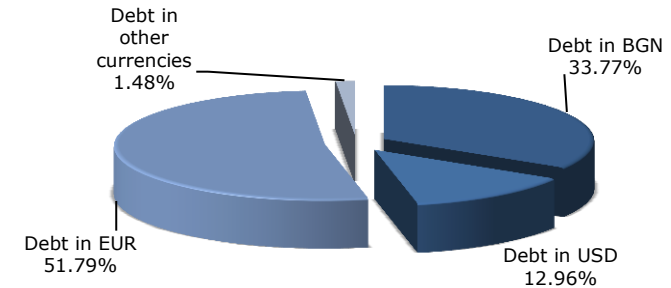
**Government debt portfolio structure is another key indicator for the successful debt management policy**

As of April, domestic government debt stood at 46%, followed by euro-denominated bonds issued in international capital markets – 13.7%, European Union – 12.7%, World Bank – 12.6%, global bonds – 12%, the Paris Club - 1% and other creditors – 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 Currency Structure**

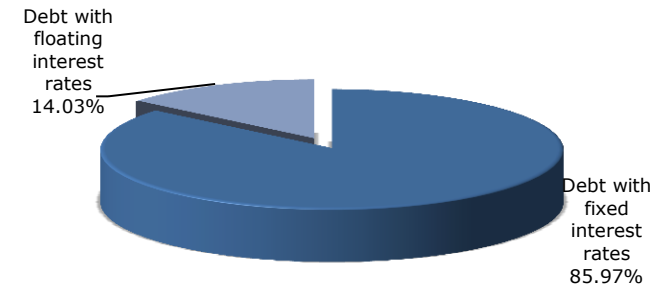
(as of 31 May)



Source: MF

**Government Debt Currency Structure**

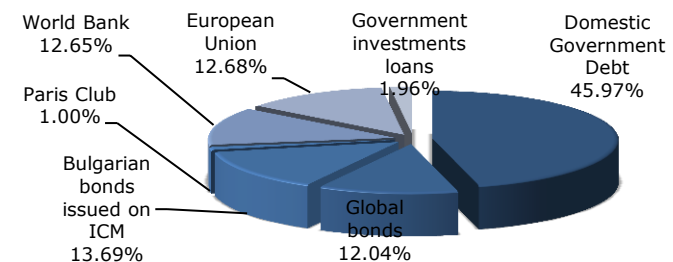
(as of 31 May)



Source: MF

**Government Debt Currency Structure**

(as of 31 May)



Source: MF