

BULGARIAN ECONOMY

Monthly Report

11/2017

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 and Incomes
- » Inflation
- » External Sector
- » Financial sector
- » Fiscal Developments
- » Tabl. Key Economic Indicators

Highlights

GDP growth in Q3 2017 reached 3.8% yoy (n.s.a. data) driven by domestic demand and gross fixed capital formation, while net export had a negative contribution. On the supply side, **GVA** increased by 3% yoy in Q3 compared to 4.1% yoy in Q2, the deceleration was due to lower growth in construction and services.

Short-term business statistics again reported somewhat mixed performance in October. Foreign industrial sales showed weaker performance, while the growth of **industrial production**, **construction production index** and **retail trade** accelerated during the month. The assessment of the present business situation of enterprises in all sectors worsened in November, but expectations remained favourable. The **consumer confidence indicator** returned to growth after some decrease in October.

In Q3 2017, **employment** increased by 2.7% yoy, reporting its highest growth since 2014, largely on the account of agriculture. **Registered unemployment rate** went up by 0.2 pps mom to 6.9%.

The overall real **labour productivity** growth decelerated to 1.1% yoy in Q3 2017 driven by the strong decrease in agriculture, down by 13.6% yoy in real terms. The **compensation per employee** increased by 8.7% yoy in nominal terms, thus the **nominal unit labour cost** went up by 7.5% yoy.

Consumer prices (HICP) increased by 0.3% mom in November, largely on the account of higher fuel and processed food prices. The **annual inflation rate** accelerated to 1.9%.

The **current account balance** came in positive for a fifth consecutive month in September. For the first nine months it reached almost EUR 2.6 bn (5.1% of projected GDP). The **trade balance** reported a slight deficit during the month, and the better performance was due to the 8.3% mom growth of export and the 2.7% mom decline in import.

The growth of **credit to the private sector** slowed to 4.2% yoy in October. **Weighted average interest rate on credits** to non-financial corporations registered a new historical low, while **weighted average interest rate on time deposits** registered a decrease at the end-of October, down by 3 bps.

For the first ten months of the year, **the surplus on the consolidated fiscal program** increased to BGN 2.5 bn (2.5% of projected GDP). The positive fiscal outcome resulted from higher revenues over expenditure on the national budget, while EU funds account was on a minor deficit. ■



GROSS DOMESTIC PRODUCT

GDP growth in Q3 2017 reached 3.8% yoy (fig. 1) which is close to the Q2 reading (3.9%). The contribution of domestic demand was 4.2 pps and that of net export – 0.3 pps. The negative contribution of net export narrowed compared to the first half of the year due to acceleration of the export growth and slightly lower growth of import. The relatively weaker import growth was due to lower growth of domestic demand in Q3. Private consumption increased by 4.6% compared to 5.7% in Q2, which was already reflected in the short-term indicators. The turnover in retail trade increased at lower pace in Q3. At the same time, the growth of public consumption strengthened and reached 2.5%. The gross fixed capital formation went up by 4.2% with the largest contribution from investments in machinery and equipment, which is in line with the observed increase in the capacity utilization in industry.

On the supply side, **GVA** increased by 3% yoy in Q3 compared to 4.1% yoy in Q2 (fig. 3). The deceleration was due to lower growth in construction and services, mainly *trade; transportation; accommodation*. At the same time, the growth in manufacturing accelerated to 3.5%. The main sectors with biggest contribution to the GVA growth in Q3 were real *estate activities* (0.8 pps), *public administration, defense; education; health* (0.6 pps) and *financial and insurance activities* (0.5 pps).

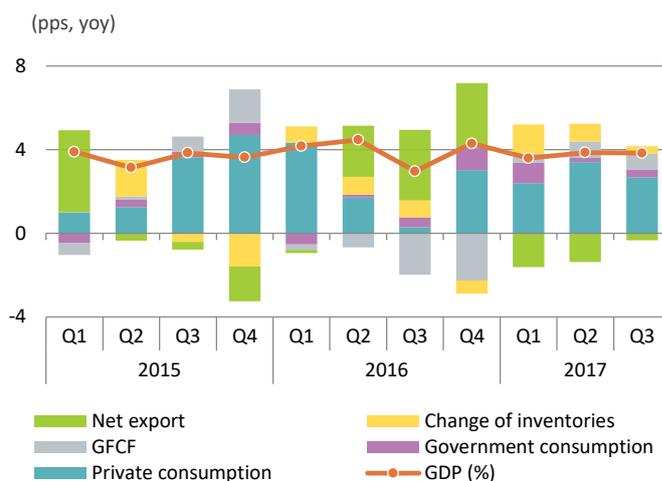


SHORT-TERM BUSINESS STATISTICS

The growth of **industrial turnover** decelerated to 7.1% yoy in October (10.5% yoy in September) as a result of the weaker performance of foreign industrial sales (fig. 4). The latter increased by 7.7% yoy, with major contribution for the reported growth coming from *manufacture of basic metals*. At the same time, the growth of domestic turnover accelerated to 6.6% yoy due to better performance in manufacturing industries.

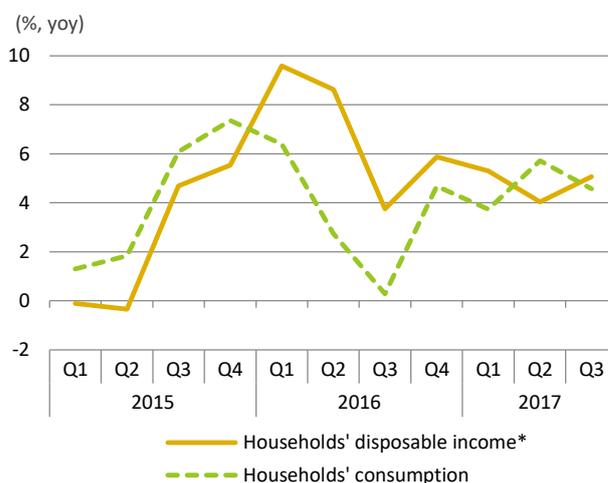
The growth of **industrial production** accelerated to

Fig. 1: Contributions to GDP growth



Source: NSI

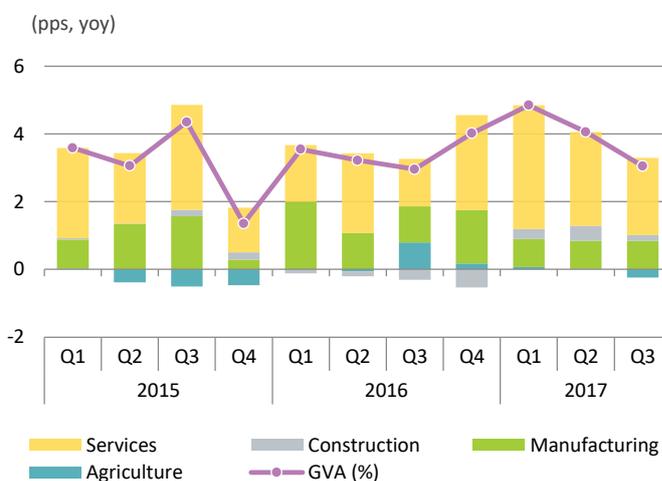
Fig. 2: Consumption and income



* 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

4.3% yoy in October (1.9% yoy in September). The growth was mainly due to increase in the *manufacture of fabricated metal products, except machinery and equipment* and *manufacture of machinery and equipment*.

The increase in **construction production index** accelerated to 12.2% yoy in October, up from 4.6% in September (fig. 5). Both *building construction* and *civil engineering* contributed for the reported upward trend. The growth of *building construction* accelerated to 17.6% yoy (10.8% yoy in September), while the production in *civil engineering* increased for the first time since June, up 6% yoy.

Retail trade increased by 3.8% yoy in October. *Retail sales in non-specialised stores* posted the largest increase of 14.1%, followed by *retail sales of medical goods and cosmetic*, up by 11.3%. The decline in retail sales of automotive fuels slowed down to 10%.

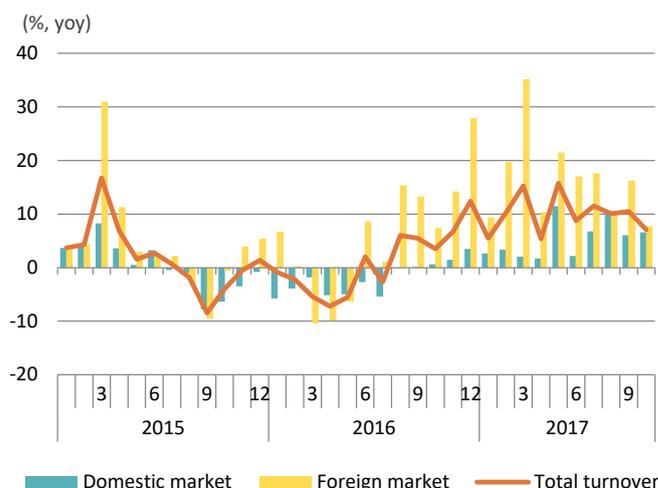
In November the **overall business climate indicator** remained close to its level in October. Assessments of the present business situation of enterprises worsened in all sectors but the expectations were favourable (fig. 6 and 7). Respondents in industry were optimistic about the future production tendency. The demand in services also increased. The expectations for sales in retail trade were more reserved compared to a month earlier and the same held true for the expected construction activity.

In November, the **consumer confidence indicator** improved after some decrease in October (fig. 8). It was due to the increase in the number of consumers who assess the economic situation in the country as favourable for savings.

LABOUR MARKET AND INCOMES

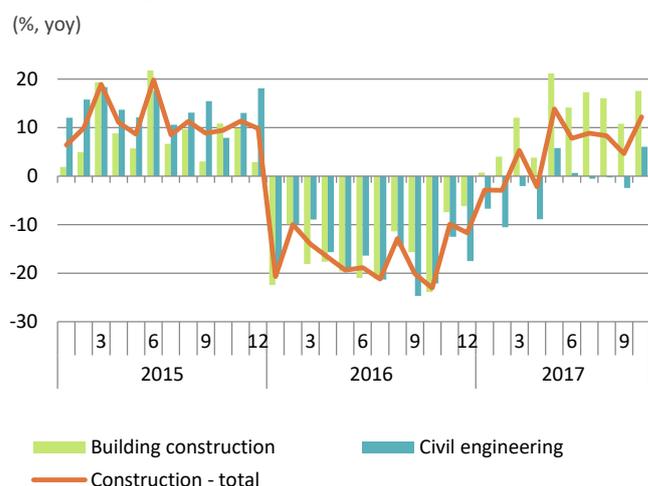
In Q3 2017, **employment** (ESA 2010) increased by 2.7% yoy, its highest growth rate since 2014, when it started to recover slowly from the economic crisis (fig. 9). The biggest contribution to these dynamics had agriculture, where the number of employed went up by 14%, explaining about 96% of the overall employment increase on a year earlier. The agricultural

Fig. 4: Industrial turnover by components



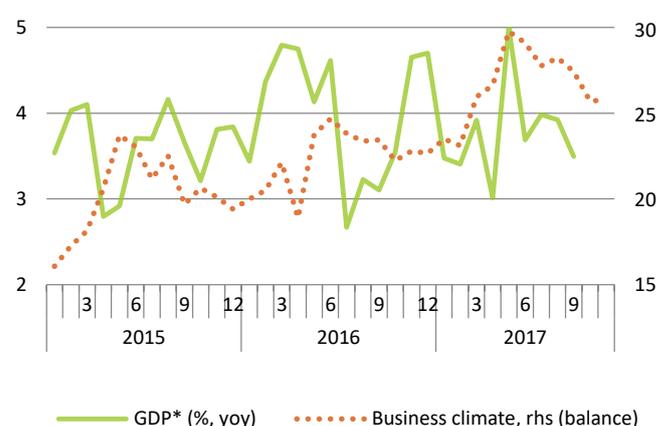
Source: NSI

Fig. 5: Construction production index



Source: NSI

Fig. 6: Business climate and GDP



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

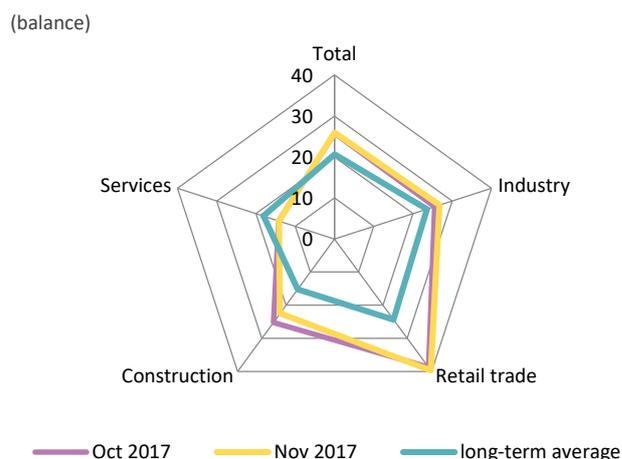
Source: NSI, MF

employment development occurred along with real GVA decrease and made an influence not only on the sector's efficiency but also on the total economy's labour productivity which slowed down significantly compared to the previous quarter. Industry and services made smaller positive contributions to the employment dynamics in Q3, as both sectors evidenced weakened demand of labour compared to April-June period a year earlier. The economic activity in manufacturing remained comparable to that reported since the beginning of the year and even slightly improved compared to the previous three months but the labour demand slowed down as the number of employees went 0.5% up, being 0.7% in the previous quarter. Anyway, the lower manufacturing employment growth in Q3 was driven mainly by the decrease in self-employed, after their strong increase in the April-June period. The seasonal employment in construction supported the employed number to remain close to the level from the corresponding period of the previous year, in the context of a slowdown in the pace of increase in the newly created income. The employment number in services was also sustained at its last year Q3 level, as all the sector's activities contributed to the subdued dynamics in comparison with Q2. The latter corresponded with the slower pace of economic activity in the *trade, transport and accommodation and food services*, and in *professional, scientific, technical, administrative and support service activities*, in particular.

In November, the **registered unemployment rate** went 0.2 pps. up mom to 6.9% (fig. 10). The unemployment inflow decreased by 10.8% to 34.1 thousand due to the weaker intensity of workers' dismissals from the seasonal activities. The outflow of unemployment also went down mom to 26.8 thousand largely on the account of the lower number of persons who found jobs – 17 thousand in November. The latter could be explained by the seasonally weak demand of labour on the primary labour market as well as by the feeble performance of the active labour market programmes and measures. Regardless of the latest developments, the overall registered unemployed number in November of 227.5 thousand remained 11.8% lower compared to November 2016.

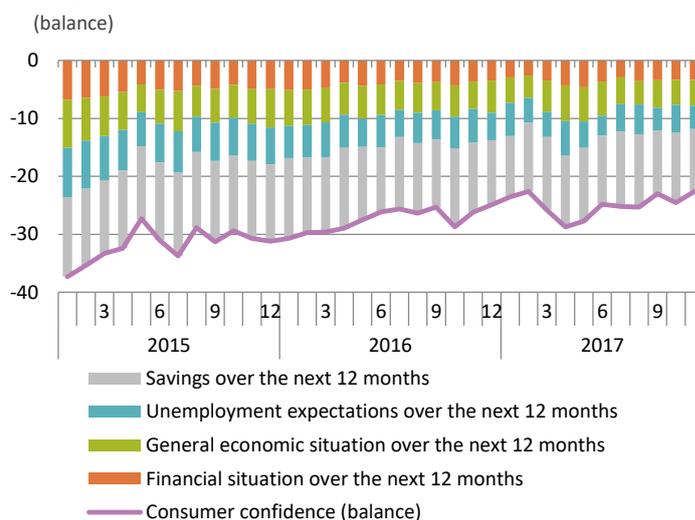
The overall real **labour productivity** growth deceler-

Fig. 7: Business climate by sectors



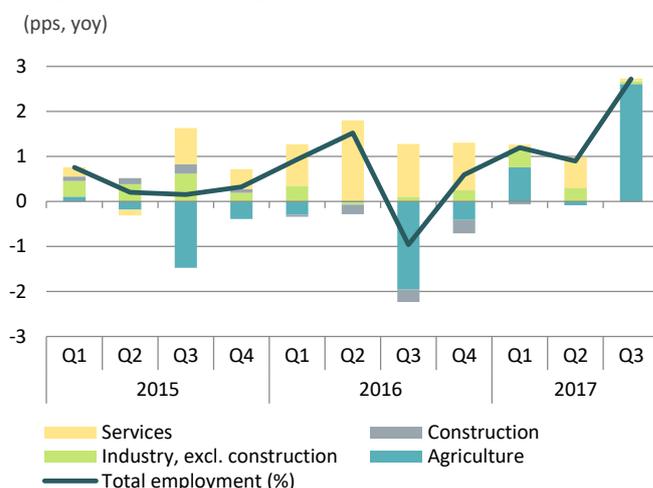
Source: NSI

Fig. 8: Consumer confidence indicator by components



Source: Eurostat

Fig. 9: Employment growth and contribution by sectors



Source: NSI

ated to 1.1% yoy in Q3 from 2.9% yoy in Q2 2017 (fig. 11). Recent dynamics were driven by the strong decrease in agriculture, down by 13.6% yoy in real terms. On the positive side, productivity developments in both services and industry improved, up by 3.5% and 3.2% yoy, respectively.

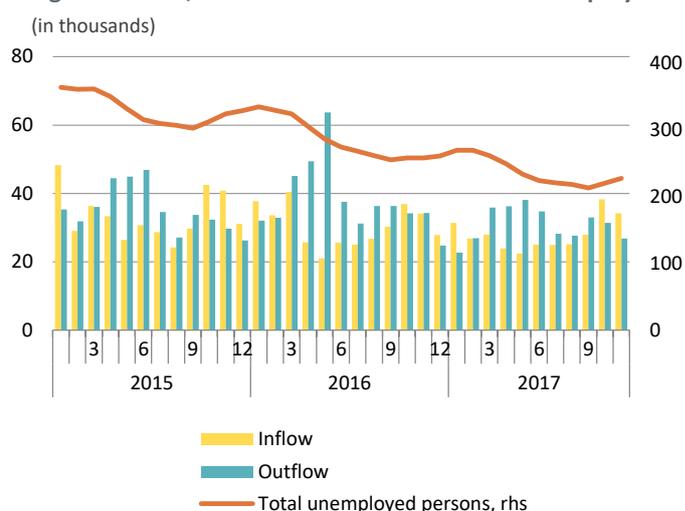
Meanwhile, labour incomes have been following an upward trend since the beginning of the year (fig. 12). The nominal growth rate of **compensation per employee** came at 8.7% yoy in Q3 2017 due to industry (17.3% yoy), particularly construction, followed by agriculture (10.4% yoy). On the other hand, compensation per employee in services grew at a lower rate (5.4% yoy), however its pace of increase slightly accelerated as compared to the previous quarter. The latter reflected the reported developments in *public administration, education and health care activities* (11.3% yoy) and *professional, research, administrative and supportive activities* (9.2% yoy). Significantly lower rates have been reported by *trade, transportation and accommodation and food service activities* (1.7% yoy) and *financial and insurance activities* (0.8% yoy), while compensation per employee in *informational activities and real estate* continued decreasing for a third quarter in a row.

Considering wage and productivity developments, the overall **nominal unit labour cost (NULC)** went up by 7.5% yoy in Q3 2017, up from 4.1% yoy in Q2 2017. NULC in industry speeded up to 13.5% yoy, following the substantial increase in compensation per employee in the sector. The latter was partially offset by the moderate growth of 1.1% made by services.

INFLATION

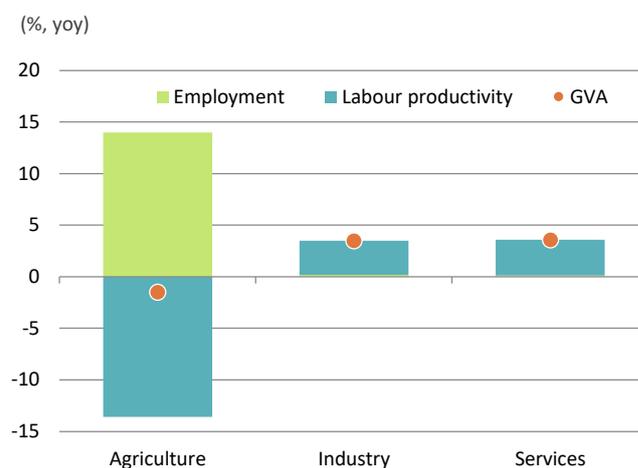
Consumer prices increased by 0.3% mom in November, as measured by the HICP. Prices of transport fuels rose by 2.3% over October, in line with developments of international Brent prices (fig. 13) and together with processed food prices, up by 0.7% mom, contributed the most (+0.23 pps) for the monthly increase in the headline rate. Prices of dairy products and milk butter continued on the rise, up by 2% and 3.3% mom respectively, while prices of eggs

Fig. 10: Inflow, outflow and total number of unemployed



Source: EA

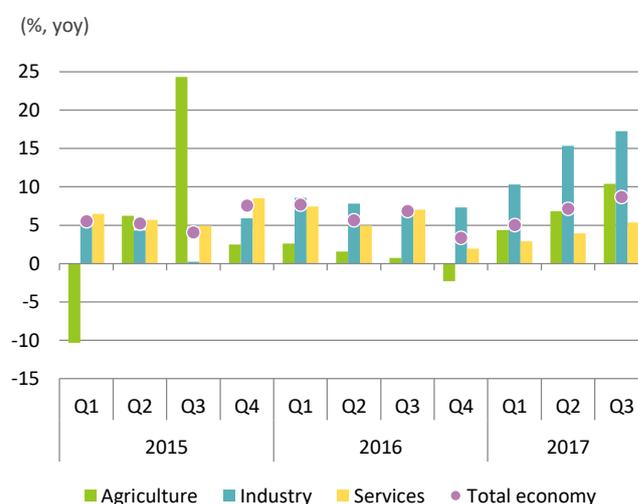
Fig. 11: Real GVA, employment and productivity growth by economic sectors*, Q3 2017, %



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

Source: NSI

Fig. 12: Compensation per employee dynamics by economic sectors



Source: NSI

sore by 20.9% in the month alone. Higher prices for central heating, up 2.3%, also entered into force with the start of the new heating season. Only services prices reported a minor decrease, down by 0.1% during the month¹. It was mainly on the account of still declining international airfares, down by 2.9% mom, and lower prices for accommodation, down by 0.9% mom.

The **annual inflation rate** accelerated to 1.9% largely due to the higher contribution from food and energy prices (fig. 14). The increase in food prices amounted to 4.5% yoy in November and accounted the most for the rise of headline rate. Among the major components, milk and dairy products had the largest contribution (table 1), which was mainly related to higher raw milk price paid to farmers and rising global demand. These are also the reasons for the rise in butter prices by almost 38% compared to November 2016. Core inflation² gained speed at 1% yoy in November.

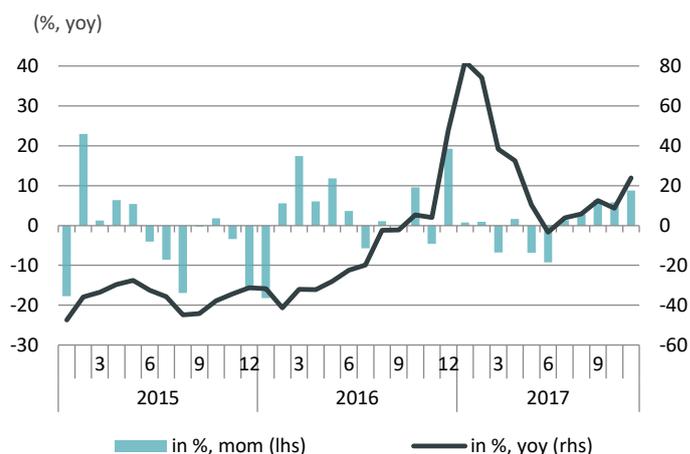
Table 1: Annual rate of change and contributions by main food price groupings to the annual inflation rate in November'17

Groupings	% change	Contrib. (pps)
Food and non-alcoholic beverages	4.5	0.97
Processed food	4.1	0.55
Milk, cheese and eggs	10.1	0.30
Bread and cereals	2.6	0.08
Oils and fats	8.2	0.06
Coffee, tea and cocoa	5.7	0.05
Mineral waters, soft drinks, fruit and vegetable juices	1.5	0.03
Sugar, jam, honey, chocolate and confectionery	-1.9	-0.04
Food products n.e.c.	3.3	0.07
Unprocessed food	4.4	0.35
Meat	5.4	0.21
Vegetables	4.3	0.10
Fruits	5.0	0.06
Fish	-1.6	-0.01

¹ Excluding administered prices' changes.

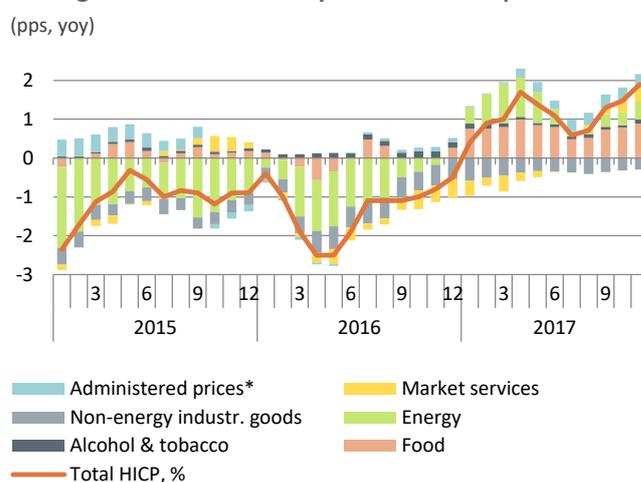
² The total index excluding energy and unprocessed food.

Fig. 13: International prices of Brent in euro



Source: World bank, MF

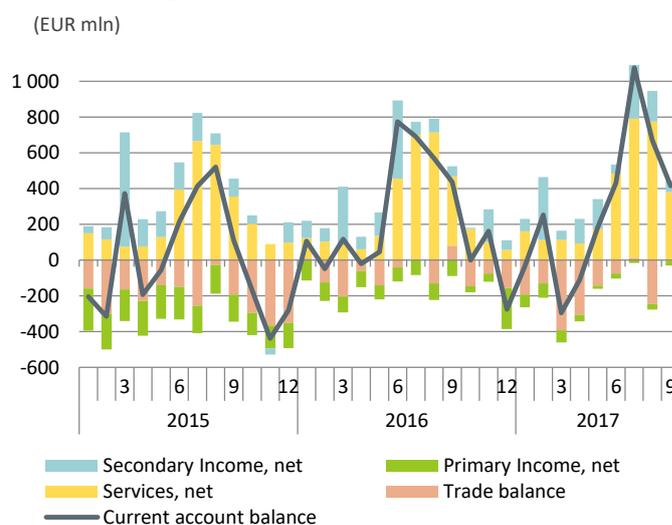
Fig. 14: Contributions by main HICP components



* The index of administered prices is calculated as a weighted average of all elementary aggregate groups (goods and services) the prices of which are set or influenced to a significant extent by the government.

Source: Eurostat, MF

Fig. 15 Current account components



Source: BNB



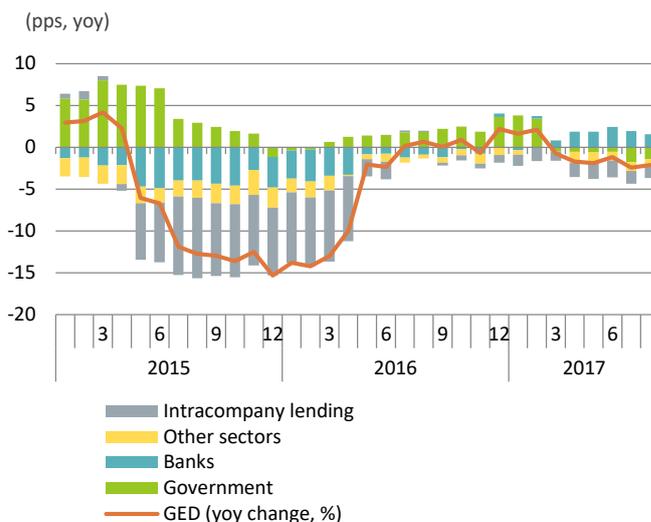
EXTERNAL SECTOR

In September, the **current account balance** came in positive for a fifth consecutive month (fig. 15). For the first nine months of the year, it reached almost EUR 2.6 bn (5.1% of projected GDP). The *trade balance* stayed at a minimum deficit during the month, as the better performance, compared to the previous month, was due to the growth of export by 8.3% mom and the decline in import by 2.7% mom. The export growth was driven by the higher trade with EU countries, while the decline in import was triggered by lower import from third countries. However, the total trade deficit since the beginning of the year has increased to 2.9% of projected GDP compared with 1.3% of GDP for the same period of 2016. In September, the surplus of *services* shrank by 51% compared to the previous month, with export of transport services down by 29.5% mom and travel services down by 46.3% mom. The decrease in import of services was lower as import of transport services decreased by 23.5% mom and travel services decreased by 9.9% mom. The accumulated surplus on services reached 6% of GDP in the first nine months. The *primary income* deficit in January-September narrowed by 1 pp to 0.7% of GDP compared with the same period of the previous year. *Secondary income* balance remained almost unchanged on an annual basis.

Over the first nine months, there was a significant decline in both assets and liabilities on the **financial account**. The decline in liabilities outpaced the decline in assets, which led to a surplus of 1.4% of projected GDP compared with 0.9% of GDP for January-September 2016. At the same time, FDI inflows declined to 1.6% of projected GDP compared with 2.7% of GDP in 2016.

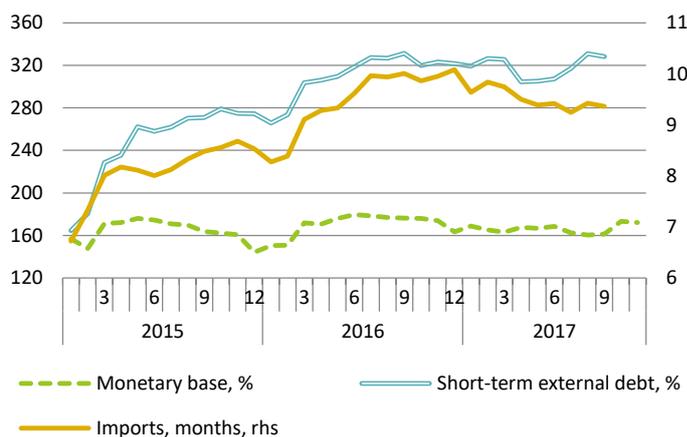
Bulgaria's **gross external debt** narrowed to 64.6% of GDP as at end-September compared with 69.7% of GDP twelve months ago (fig. 16). The substantial decrease in external indebtedness on an annual basis is a result of a decline in long-term Government external debt by 7.5% yoy, while gross external debt of the banking sector increased by 16.3% yoy. The **short-term debt** rose by 5.5% on annual basis mainly due to the growth of non-residents deposits.

Fig. 16: Contributions to GED growth



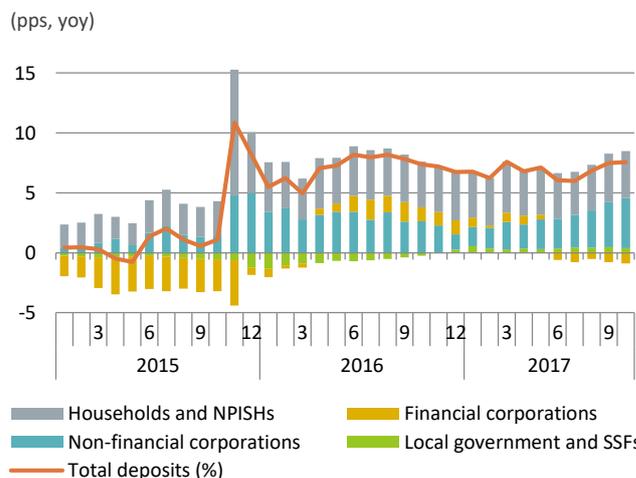
Source: BNB

Fig. 17: Coverage with FX Reserves



Source: BNB, MF

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



Source: BNB



FINANCIAL SECTOR

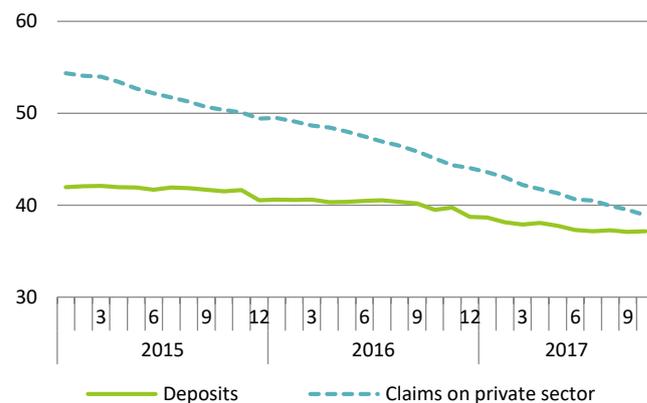
International reserves slightly decreased in November, down by 0.1% mom and amounted to EUR 22.2 bn. This was due to the 1.3% mom decrease in the Government deposit, 1% mom shrinkage of Banking Department deposit and 0.9% mom decrease in liabilities to other depositors. Banks' reserves moved in the opposite direction, up by 1.3% mom vs. a drop of 30.7% in October. The negative annual growth of the reserves deepened to 5.4% yoy vs. a drop of 4.3% yoy as of end-October. Positive contribution to the annual growth came from notes in circulation and liabilities to other depositors, up by 10.7% and 24.1% yoy, respectively, while the annual growth of the banks' reserves was negative, down by 19.9% yoy (fig. 17).

The growth of **credit to the private sector** slowed to 4.2% yoy in October, down from 4.9% yoy in September (fig. 20). This was due to corporate loans dynamics which grew by 1.5% yoy vs. a 3.1% yoy a month ago. At the same time, loans to households accelerated to 6.3% with positive contributions coming from all main components. Mortgages and consumer loans speeded up to 6.4% yoy, while other credits grew by 30% vs. 35.7% a month earlier. The decline in bad and restructured credits continued to accelerate in October, down by 13.5% yoy, while their share in total credits to non-financial corporations and households was 13.9% vs. 16.6% in October 2016.

Weighted average interest rate on credits to non-financial corporations registered a new historical low, down by 74 bps in October. In terms of currency structure, the biggest decrease was in those denominated in USD (table 2). The monthly volume of new corporate loans came higher, up by 29% mom compared to the previous month. The average price of mortgages and consumer loans continued to decrease as well, down by 2 bps and 3 bps, respectively compared to September.

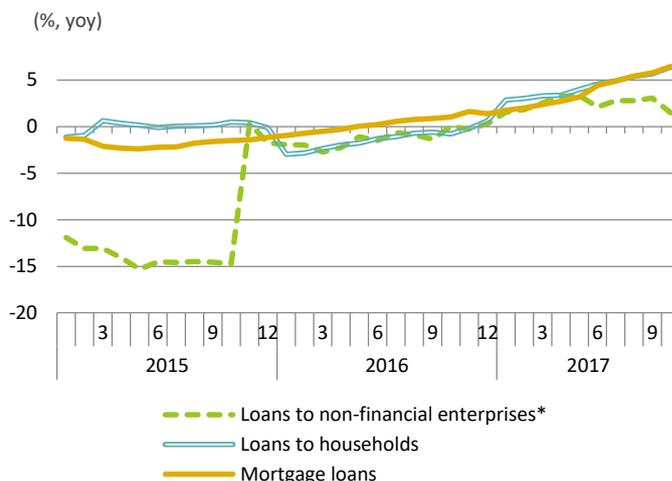
Weighted average interest rate on time deposits registered a decrease at the end-of October, down by 3 bps with biggest negative change in those denominated in EUR, down by 5 bps. By type of holder, the contribution came from time corporate deposits

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



Source: BNB, MF

Fig. 20: Credit growth
(%, yoy)



* The double-digit decline, which persisted until October 2015 was due to the statistical effect of the exclusion of Corporate Commercial bank (CCB) as a reporting agent from the monetary statistics data of the sector "Other monetary financial institutions".

Source: BNB, MF

Table 2: Weighted average interest rate on new credits to households and non-financial companies, in %

	October 2016	September 2017	October 2017
Non-financial companies	5.55	3.66	2.92
Consumer credits	8.90	8.02	7.99
Mortgages	4.69	3.91	3.89

Source: BNB, MF

Table 3: Annual Percentage Rate of Charge on new loans to households

	October 2016	September 2017	October 2017
Consumer credits	11.14	10.25	10.30
Mortgages	5.10	4.32	4.32

* 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

whose weighted average price came down more prominent, down by 14 bps. The average rate on households' time deposits went up by 2 bps. Time deposits' price in local currency decreased, down by 4 bps, while those denominated in USD increased by 10 bps. The total monthly volume of new time deposits reached BGN 1.43 bn, which was more by 26.6% compared to October 2016 (table 4).

FISCAL DEVELOPMENTS

For the first ten months of the year, **the surplus on the consolidated fiscal program** increased further to BGN 2.5 bn (2.5% of projected GDP). The positive fiscal outcome resulted from higher revenues over expenditure on the national budget, while EU funds account was on a minor deficit.

Total revenues and grants amounted to BGN 29.2 bn, up by 3.1% compared to October 2016. The drop in grants that started in April 2016 persisted in October 2017 as well (down 54.8% yoy in cumulative terms), but the overall positive development of tax revenues offset the negative contribution of EU funds. Total tax revenues increased by 9.7% yoy, mainly as a result of higher social and health insurance contributions and indirect tax revenues, up by 14.4% and 7.2% yoy respectively. The former was a result of higher VAT receipts and excises, up by 8.9% and 4% yoy, respectively. Direct tax revenues increased by 10.6% compared to October 2016 (fig. 21).

Total government spending posted a 7.3% yoy increase and amounted to BGN 26.7 bn. The growth came mainly on the account of higher personnel payments (up 25.3% yoy), social expenditures and scholarships (up 4.4% yoy) and subsidies (up 28.2% yoy). A drop of 11.9% was reported by current maintenance. Capital spending (including the net increase of state reserve) also remained lower (4.9%) than its previous year level (fig. 22).

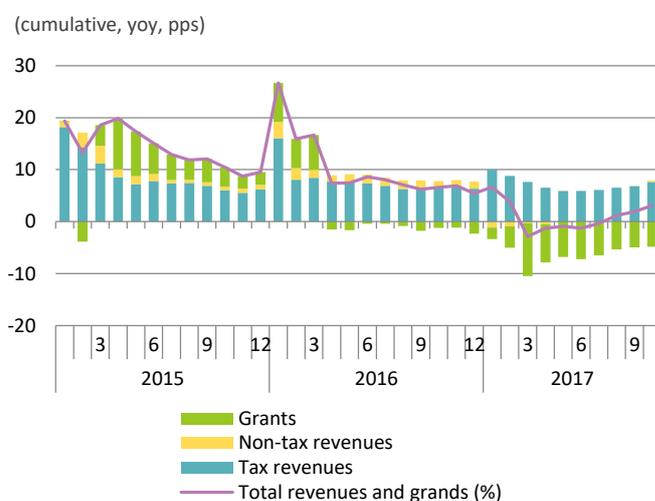
The fiscal reserve amounted to BGN 12 bn (12.1% of projected GDP) in October, of which BGN 11.4 bn in bank deposits and BGN 0.6 bn EU funds receivables on certified expenses. The fiscal reserve decreased by 15.9% yoy.

Table 4: Weighted average interest rate on new time deposits of households and non-financial companies, in %

	October 2016	September 2017	October 2017
BGN	0.61	0.38	0.34
EUR	0.49	0.40	0.35
USD	0.42	0.35	0.45

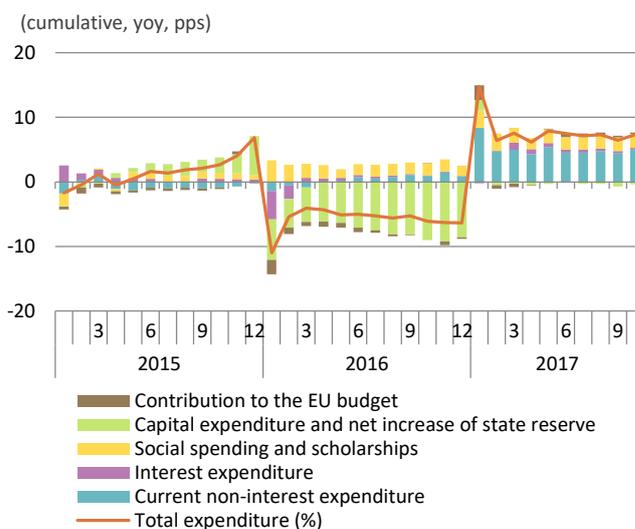
Source: BNB, MF

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



Source: MF

Fig. 22: Contribution to the growth of total expenditures



Source: MF

General government debt, incl. guaranteed debt, remained almost unchanged from its level in the previous month at BGN 25.5 bn (25.6% of projected GDP), being 28.5% of GDP a year earlier. Domestic and external debt stood at 6.6% and 17% of GDP respectively, down from 7.3% and 20.7% of GDP in the previous year. Government guaranteed debt-to-GDP ratio was 2% at end-October, being 0.6% a year earlier. ■



KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q4'16	Q1'17	Q2'17	Q3'17	05'17	06'17	07'17	08'17	09'17	10'17	11'17
— GDP¹															
Gross Domestic Product	% , yoy	1.3	3.6	3.9	4.3	3.6	3.9	3.8	-	-	-	-	-	-	-
Consumption	% , yoy	2.2	3.8	3.3	5.1	4.2	4.7	4.2	-	-	-	-	-	-	-
Gross fixed capital formation	% , yoy	3.4	2.7	-6.6	-10.0	2.4	4.0	4.2	-	-	-	-	-	-	-
Export	% , yoy	3.1	5.7	8.1	10.6	6.1	3.6	4.6	-	-	-	-	-	-	-
Import	% , yoy	5.2	5.4	4.5	4.9	9.1	6.2	5.4	-	-	-	-	-	-	-
Agriculture	% , yoy	4.8	-6.8	5.3	5.4	-0.1	0.0	-1.5	-	-	-	-	-	-	-
Industry	% , yoy	0.3	4.2	4.0	4.6	3.7	4.1	3.5	-	-	-	-	-	-	-
Services	% , yoy	1.7	3.3	3.1	3.9	5.4	4.3	3.6	-	-	-	-	-	-	-
Adjustments	% , yoy	0.1	7.5	7.2	6.0	-4.0	2.7	9.0	-	-	-	-	-	-	-
— Short-term business statistics²															
Industrial production	% , yoy	1.8	2.9	2.7	4.1	3.9	4.8	3.5	11.1	3.3	4.6	4.1	1.9	4.3	-
Industrial turnover	% , yoy	0.0	1.7	1.0	7.6	10.3	9.9	10.7	15.7	8.8	11.5	10.1	10.5	7.1	-
Retail trade turnover	% , yoy	10.2	11.8	3.9	3.6	4.7	3.4	2.5	6.3	2.7	2.3	3.2	2.0	3.8	-
Construction output	% , yoy	7.0	11.2	-16.7	-15.3	0.1	6.4	7.3	13.9	7.8	8.9	8.3	4.6	12.2	-
Total business climate	balance	15.9	20.3	22.5	22.7	24.3	28.7	28.0	30.0	29.3	27.9	28.4	27.6	25.8	26.0
Industry	balance	18.2	22.9	23.5	23.1	26.5	27.7	27.8	28.5	27.3	28.6	26.4	28.3	25.5	26.7
Retail trade	balance	24.0	27.6	33.6	34.6	32.1	39.4	40.6	41.0	41.7	38.8	43.3	39.8	38.7	39.7
Construction	balance	7.3	15.2	17.9	17.8	19.0	29.1	27.9	29.3	31.5	28.3	28.6	26.8	25.2	22.5
Services	balance	11.7	12.7	13.8	14.7	17.4	19.6	15.8	22.4	18.7	15.4	17.3	14.8	14.2	14.1
— Labour market															
Participation rate (15+)	level	54.1	54.1	53.3	52.7	53.7	55.8	56.5	-	-	-	-	-	-	-
Employment rate (15+)	level	48.0	49.1	49.3	49.2	50.0	52.2	53.2	-	-	-	-	-	-	-
Employment (SNA)	% , yoy	0.4	0.4	0.5	0.6	1.2	0.9	2.7	-	-	-	-	-	-	-
Unemployment rate (LFS)	level	11.4	9.1	7.6	6.7	6.9	6.3	5.8	-	-	-	-	-	-	-
Unemployment rate (EA)	level	11.2	10.1	8.7	7.9	8.1	7.2	6.6	7.1	6.8	6.7	6.7	6.5	6.7	6.9
Nominal wage	% , yoy	6.0	6.8	9.5	8.2	9.1	9.9	10.1	9.9	9.7	9.7	9.2	11.5	-	-
Real wage ³	% , yoy	7.7	8.0	11.0	9.1	8.3	8.4	9.2	8.3	8.5	9.1	8.4	10.1	-	-
Labour productivity (GDP per employed)	% , yoy	1.0	3.3	3.4	3.7	2.4	2.9	1.1	-	-	-	-	-	-	-
Real ULC (GDP)	% , yoy	4.1	0.1	0.1	-2.9	3.1	1.6	5.8	-	-	-	-	-	-	-
Nominal ULC (GDP)	% , yoy	4.6	2.3	2.3	-0.3	2.6	4.1	7.5	-	-	-	-	-	-	-
— Prices															
National consumer price index (CPI)	% , yoy	-1.4	-0.1	-0.8	-0.3	1.7	2.3	1.6	2.3	1.9	1.3	1.4	2.1	2.5	3.0
Harmonized index of consumer prices (HICP)	% , yoy	-1.6	-1.1	-1.3	-0.8	0.2	1.5	0.5	1.4	1.1	0.6	0.7	1.3	1.5	1.9
PPI, domestic market	% , yoy	-0.9	-1.6	-2.9	-0.5	2.3	3.4	5.7	3.5	2.7	5.3	5.9	6.0	5.5	-
PPI, non-domestic market	% , yoy	-1.8	-2.4	-3.5	2.8	9.6	5.6	4.8	4.6	3.7	3.5	5.5	5.3	5.8	-
— Consolidated fiscal program (cumulative)															
Revenues and grants	mIn BGN	29 409	32 200	33 953	33 956	8 838	17 483	26 152	14 716	17 482	20 478	23 285	26 151	29 167	-
Total expenses	mIn BGN	32 482	34 685	32 481	32 491	7 781	15 737	23 732	13 033	15 735	18 506	21 133	23 731	26 673	-
Contribution to EU budget	mIn BGN	955	946	859	859	214	488	677	364	488	560	607	677	746	-
Cash deficit (-) / surplus (+)	mIn BGN	-3 073	-2 485	1 473	1 465	1 058	1 746	2 420	1 683	1 747	1 972	2 151	2 421	2 493	-
	% of GDP	-3.7	-2.8	1.6	1.6	1.1	1.8	2.4	1.7	1.8	2.0	2.2	2.4	2.5	-
Government debt (incl. guaranteed debt)	mIn BGN	22 753	23 300	27 424	27 424	26 886	27 212	25 479	27 028	27 212	25 492	25 457	25 479	25 539	-
	% of GDP	27.2	26.3	29.1	29.6	27.0	27.3	25.6	27.1	27.3	25.6	25.6	25.6	25.6	-
Fiscal reserve	mIn BGN	9 170	7 873	12 883	12 883	12 574	13 174	11 867	12 820	13 174	11 698	11 632	11 867	12 013	-
	% , yoy	95.9	9.1	63.6	63.6	6.0	-6.8	-16.9	-4.7	-6.8	-19.3	-19.8	-16.9	-15.9	-

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q4'16	Q1'17	Q2'17	Q3'17	05'17	06'17	07'17	08'17	09'17	10'17	11'17
— Financial sector															
BNB International reserves	mIn EUR	16 534	20 285	23 899	23 899	24 044	23 970	24 551	23 666	23 970	23 729	24 444	24 551	22 230	22 198
Monetary base coverage	%	165.1	144.3	163.4	163.4	163.0	168.4	161.2	166.6	168.4	162.4	160.3	161.2	173.2	172.0
Coverage of import with FX reserves	months	7.1	8.5	10.0	10.1	9.7	9.4	0.0	9.4	9.4	9.2	9.4	9.4	-	-
Coverage of short-term external debt	%	166.0	257.5	298.1	299.2	302.6	307.1	0.0	305.0	307.1	317.0	330.8	328.0	-	-
Money M1 (Narrow money)	%, yoy	15.1	15.6	13.5	13.5	17.7	15.2	16.3	16.9	15.2	14.6	16.2	16.3	16.2	-
Money M3 (Broad money)	%, yoy	1.1	8.8	7.6	7.6	8.5	7.0	8.2	8.0	7.0	6.9	7.7	8.2	8.2	-
Deposits	%, yoy	-0.5	8.2	6.7	6.7	7.6	6.0	7.5	7.1	6.0	6.0	6.8	7.5	7.6	-
Credit to private sector	%, yoy	-8.2	-1.2	1.5	1.5	3.8	4.2	4.9	4.7	4.2	4.5	4.6	4.9	4.2	-
Credit to non-financial enterprises	%, yoy	-11.6	-1.7	0.3	0.3	2.5	2.1	3.1	3.3	2.1	2.8	2.8	3.1	1.5	-
Credit to households	%, yoy	-1.6	-1.3	2.0	2.0	4.7	6.0	5.9	5.8	6.0	5.5	5.7	5.9	6.3	-
Interest rate on credits ⁴	%	7.9	7.0	5.8	5.4	5.3	4.6	4.2	4.7	4.6	4.3	4.4	4.4	3.9	-
Interest rate on deposits ⁵	%	2.6	1.3	0.8	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.4	-
Exchange rate BGN/USD	eop	1.61	1.79	1.86	1.86	1.83	1.71	1.66	1.74	1.71	1.67	1.65	1.66	1.68	1.65
	per. av.	1.47	1.76	1.77	1.81	1.84	1.74	1.64	1.77	1.74	1.70	1.66	1.64	1.66	1.67
— Gross External Debt (GED)															
Gross external debt	% of GDP	92.0	75.0	73.1	70.7	65.8	66.1	64.6	66.1	66.1	64.7	64.6	64.6	-	-
Short-term external debt	% of GED	25.3	23.1	23.1	21.8	22.0	23.2	22.8	23.0	23.2	22.7	22.5	22.8	-	-
Intercompany lending	% of GED	40.3	37.2	36.1	36.3	36.5	35.8	36.6	36.0	35.8	36.5	36.8	36.6	-	-
— Balance of payments⁶															
Current account	mIn EUR	35	-61	1 989	-112	-74	502	2 162	182	432	1 076	671	415	-	-
<i>Current account (moving average)</i>	% of GDP	0.1	-0.1	4.2	5.3	4.5	4.0	4.9	4.9	4.2	5.0	5.2	5.1	-	-
Trade balance	mIn EUR	-2 777	-2 622	-1 845	-376	-714	-522	-234	-142	-74	13	-245	-3	-	-
<i>Trade balance (moving average)</i>	% of GDP	-6.5	-5.8	-3.9	-2.0	-2.7	-3.3	-3.6	-3.4	-3.4	-3.4	-3.7	-3.8	-	-
Export, f.o.b.	mIn EUR	21 026	21 919	22 556	6 294	5 948	6 427	6 718	2 216	2 277	2 272	2 134	2 311	-	-
	%, yoy	-0.9	4.2	2.9	16.9	16.4	14.4	10.5	23.9	13.9	10.9	7.7	12.7	-	-
Import, f.o.b.	mIn EUR	23 803	18 678	24 400	6 670	6 662	6 949	6 952	2 357	2 351	2 259	2 379	2 314	-	-
	%, yoy	-1.4	-21.5	30.6	4.3	22.7	18.6	13.4	22.3	15.3	10.2	12.7	17.5	-	-
Capital account	mIn EUR	960	1 422	1 067	75	113	79	134	33	38	76	41	17	-	-
Financial account	mIn EUR	-2 090	-1 076	-764	423	-542	-23	1 254	183	-344	997	15	242	-	-
Net Foreign Direct Investments	mIn EUR	-882	-2 388	-764	502	-192	-162	-215	-72	-155	-30	-207	23	-	-
Net Portfolio Investments	mIn EUR	1 871	44	2 198	632	-29	348	-187	56	109	-369	15	166	-	-
Other Investments – net	mIn EUR	2 170	-4 510	1 523	1 078	46	-11	238	52	-466	216	-33	56	-	-
Change in BNB reserve assets	mIn EUR	1 807	3 730	3 467	576	77	96	597	94	381	-209	681	126	-	-

Notes:

Ratios to GDP are calculated using GDP data as follows: for 2014 - BGN 83 634.3 mln, for 2015 - BGN 88 571.3 mln, for 2016 – BGN 94 129.9 mln and MF projections for 2017 - BGN 99 623.9 mln;

1. Growth rates derived from chain-linked (2010) level series, not seasonally adjusted data;

2. Not seasonally adjusted data;

3. HICP deflated;

4. Weighted average interest rate on new credits to households, NPISHs and non-financial companies by type, currency and maturity;

5. Weighted average interest rate on new time deposits of households, NPISHs and non-financial companies by type, currency and maturity;

6. Analytical presentation (BPM6).

This issue of the Monthly Report on Bulgarian Economy is based on materials and statistical data received up to December 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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