

2012

# RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, DECEMBER 2012

- ▶ 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 October. Industrial turnover and construction production index both moved to positive territory, the slump in industrial production narrowed, only retail sales plunged. Business climate indicator also expanded in December due to the significant improvement in the current business situation reported in retail sector, as well as more favourable expectations in construction industry.
- The **registered unemployment** rose to 11.3% as of November, due to low primary labour market demand. Annual HICP inflation slowed further to 2.7% yoy, down by 0.2% over the previous month. Domestic inflationary pressures continued easing as food and energy commodity prices kept receding on world markets.
- **Current account** turned to negative balance in October, as merchandise trade deficit expanded during the month. Meanwhile, surplus on Services almost doubled compared to corresponding month in 2011, due to a significant decrease in the import of other business services. **Financial account** balance was negative by EUR 22.5 mln largely due to negative FDI.
- **Consolidated budget deficit** accounted for BGN 105.3 mln (0.1% of GDP) on a cash basis at the end of November. The annual improvement of the fiscal outturn reached 1.3 pps of GDP, down BGN 943.9 mln in nominal terms. According to the preliminary estimates, the 2012 deficit target will be overachieved with a deficit on cash basis close to 0.45% of GDP.
- At the traditional annual meeting with the primary dealers at the Ministry of Finance, the Deputy Minister of Finance Karina Karaivanova awarded the **most active participants on the GS market in 2012**. She pointed out that during the past year government debt market continued to be the largest segment of the Bulgarian financial market. ▼

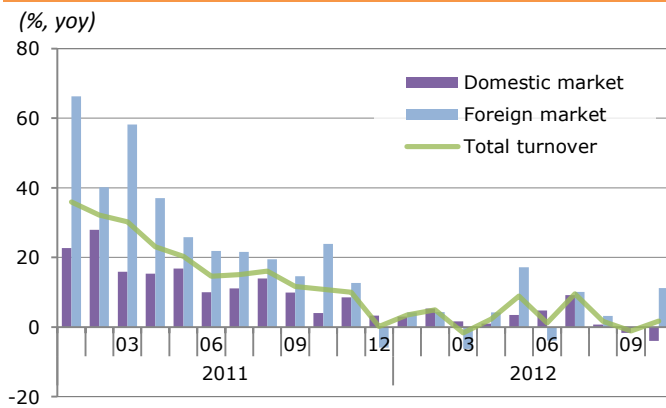
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*The current report, as well as previous issues, is available at the [Ministry of finance website](#). For any questions or comments, please contact the Economic and Financial Policy Directorate at 102, Rakovski Str., 1040 Sofia, Bulgaria, or at [secretary.evp@minfin.bg](mailto:secretary.evp@minfin.bg).*

## — RECENT ECONOMIC DEVELOPMENTS

In October **industrial turnover** increased by 1.7% yoy. The observed growth was entirely due to the positive development in foreign market sales which increased by 11.2% on a year earlier. Manufacturing largely accounted for the good performance with the major contribution coming from manufacture of transport equipment and manufacture of locomotives and wagons in particular. On the other hand, the drop in domestic turnover deepened and reached 4% yoy. Both manufacturing and electricity, gas, steam and air conditioning supply contributed negatively for the overall dynamics.

### Industrial turnover



Source: NSI

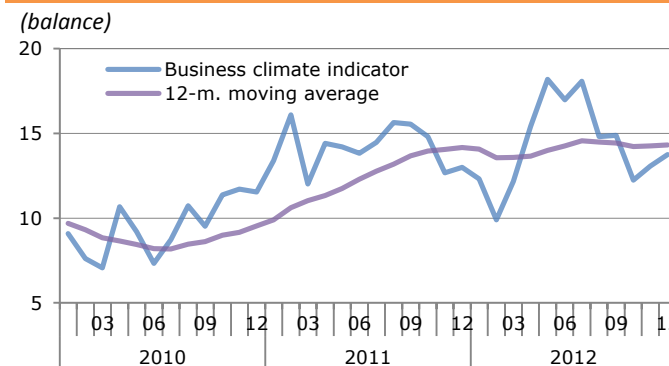
**Industrial production** decreased by 1.5% compared to a year earlier. According to the production purpose, the slump in energy goods has been a major drag on growth. On the other hand, manufacturing registered a 1.1% increase on the account of pos-

itive dynamics in manufacture of electrical equipment and manufacture of transport equipment.

**Retail sales** dropped 4.4% yoy. Except for retail sales of automotive fuel which increased by 3%, all other retail sales components registered a decline. Retail sales of textiles, clothing, footwear and leather goods posted the largest drop of 16%, followed by retail sales of audio and video equipment, down 12.4%, and retail sales in non-specialized stores, down 9.5%.

In October **construction production index** increased by 8.6% yoy. Both civil engineering and building construction contributed positively for the registered growth, up by 16.8% and 2.5%, respectively.

### Business climate



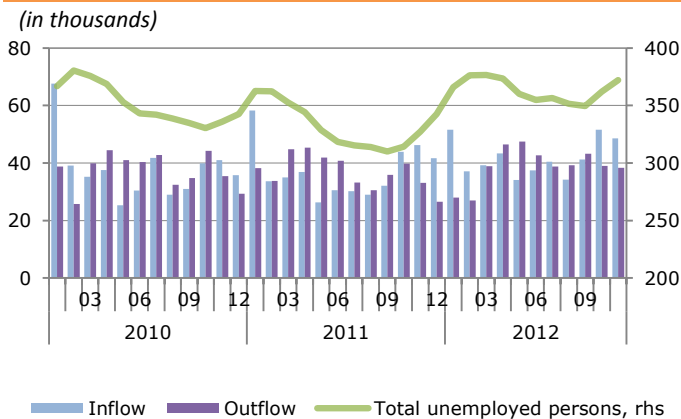
Source: NSI

The **business climate indicator** increased in the last month of 2012. Retail sector largely accounted for these developments, as there was an increase in sales as well as a significant improve-

ment in the current business situation. Business conjuncture in construction was also more favourable due to the optimistic expectations of the entrepreneurs. On the other hand, insufficient demand was reported in services and manufacturing. The low assurance with orders from abroad continued being a major problem in manufacturing. Expectations for the coming months in both sectors are reserved.

**Registered unemployment** increased to 11.3% in end-November. Some 10.2 K new unemployed added to the overall unemployment number of 372.1 K. Unemployment inflow remained high at 48.6 K, albeit decreasing over the previous month, and stayed higher than the outflow (38.3 K). The latter decreased further on a month earlier due to low primary labour market demand. At the same time, the implemented active labour market programs and measures, financed with the ESF and budget resources provided employment to new 6.3 K persons, up 4.4% compared to October.

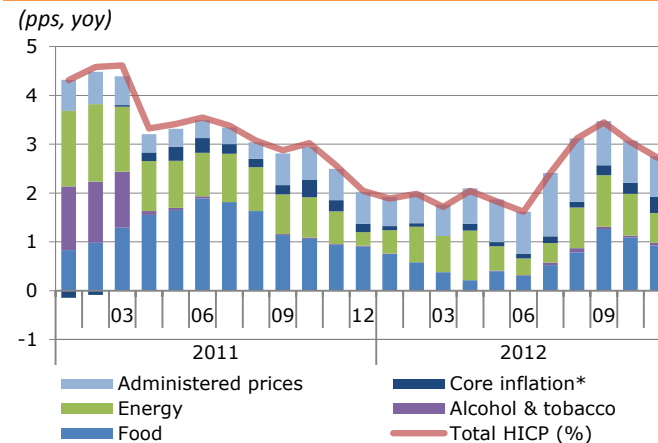
**Inflow, outflow and unemployed persons**



Source: EA

**Annual HICP** continued slowing down to 2.7% yoy as of November, after consumer prices decreased for a second month in a row, down by 0.2% from the previous month. Automotive fuel prices once again had the largest contribution for the registered monthly decline, as they drop 2.9% mom, subtracting 0.24 pps from the headline rate. Other major developments in main HICP components were largely seasonal and offset each other. Supporting this, food prices went down by a marginal 0.1% mom, resulting from lower prices of fresh fruits and vegetables. On the other hand, non-energy industrial goods registered a 0.2% mom increase in their prices, largely on account of more expensive apparel and footwear during the month.

**HICP and contributions by main components**



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

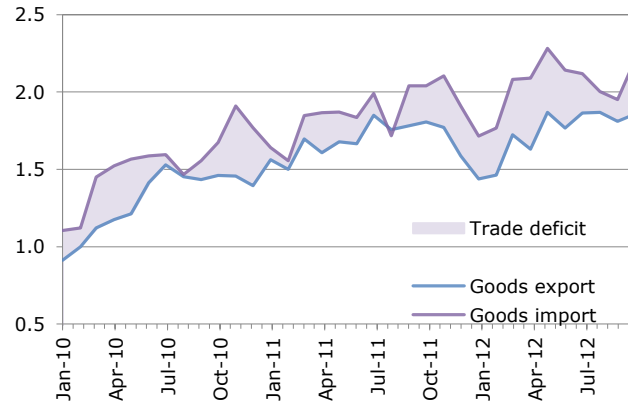
Source: NSI, MF

After being on a surplus for seven months in a row, **the overall BoP** came in negative by EUR 336.3 mln in October. The **current account balance** also stood at a deficit of EUR 113.8 mln and thus the deficit accumulated since the beginning of 2012

amounted to EUR 31.5 mln (0.1% of GDP compared to a 1.9% of GDP surplus for the same period a year earlier). *Merchandise trade deficit* reached EUR 344.1 mln in October alone, up 47% yoy. The exports increased by 2.8% on a year earlier. Imports expanded at a two-digit pace in most of the months of 2012, boosted by recovering domestic demand, nevertheless, in October imports growth rate slowed to 7.9% yoy.

### Merchandise trade dynamics

(bn EUR)



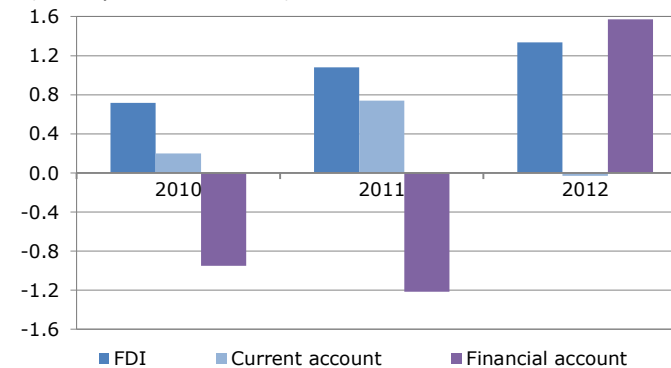
Source: BNB

The surplus on services almost doubled compared to October 2011 and the accumulated balance since the beginning of 2012 reached 8.2% yoy (6.1% of GDP). The improvement was mainly due to a 61% yoy decrease in the import of other business services in October. Direct investments payments continued to shrink which resulted in a slightly positive *Income balance* and reduced the accumulated Jan-Oct deficit to EUR 991.6 mln versus EUR 1 432.3 mln deficit for the same period of the previous year.

*Net current and capital transfers* were negative by EUR 11.8 mln compared to a positive balance of EUR 93.5 mln a year earlier. This was mainly due to net capital outflow of EUR 82.1 mln which resulted from an outgoing EU funds transfer. In addition, current transfers to EU funds rose more than two times in October and amounted to EUR 65 mln.

### FDI, Current and Financial Account

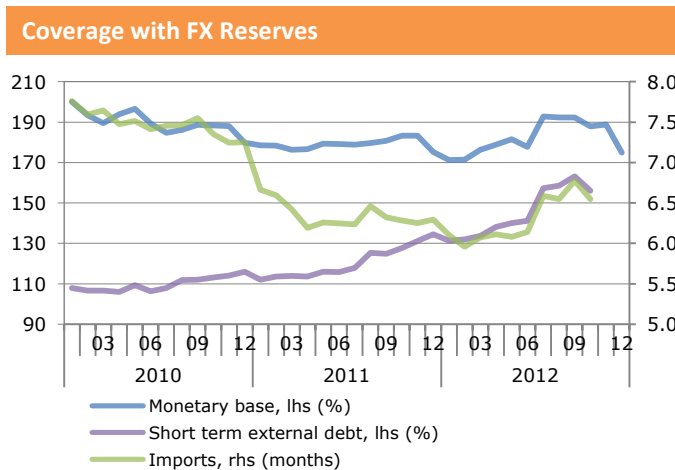
(January-October, bn euro)



Source: BNB

**Financial account balance** was negative by EUR 22.5 mln. The outflows resulted from negative FDI due to repayment of loans from the non-banking private sector to parent companies abroad. In Jan-Oct net FDI amounted to EUR 1 209.4 mln (3% of GDP) compared to EUR 938.4 mln for the same period for 2011. Net portfolio investments were also negative, with bonds held by residents increasing by EUR 73.9 mln. The balance on *Other investments* was positive. On one hand, residents continued reducing their foreign exchange deposits abroad, while banks increased their liabilities to non-residents in foreign and national currency. The accumulated Financial account balance in Jan-Oct reached EUR 1 571.9 mln or 4% of GDP.

**Gross external debt** stood at 92.3% of GDP at end-October, up 1.4% yoy. After picking-up in early-July as a result of the Euro-bond issue, the level of gross debt was higher in yoy terms, though decreasing on a monthly basis. Private sector external debt slightly narrowed by 0.5% compared to the end-September, as local subsidiaries continued repaying loans granted by their parent companies, so that intercompany loans decreased by 1.25% mom. The banking sector reduced its indebtedness the most, their debt going down by 8% yoy.

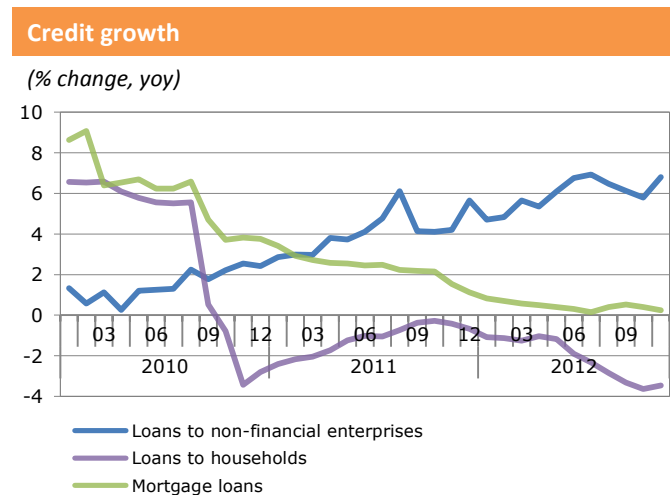


Source: BNB, MF

**International reserves** grew by 3% mom in December to EUR 15.6 bn at the end of 2012. The monthly increase prompted an acceleration in their annual growth rate which reached 16.5% coming from 14.4% yoy at end-November. Bank reserves and notes in circulation which went up by 15.9% and 7.7% mom respectively largely accounted for these developments. At the same time the annual expansion of reserves came on the back of a 33.3% yoy increase in Government deposit with the BNB and a 27% yoy increase of bank reserves. Monetary base coverage

dropped to 174.9% in December (188.9% at the end of November) due to the sharp monetary base increase. At the end of October the sum of international reserves covered 6.5 months of imports or 156.1% of the short term external debt.

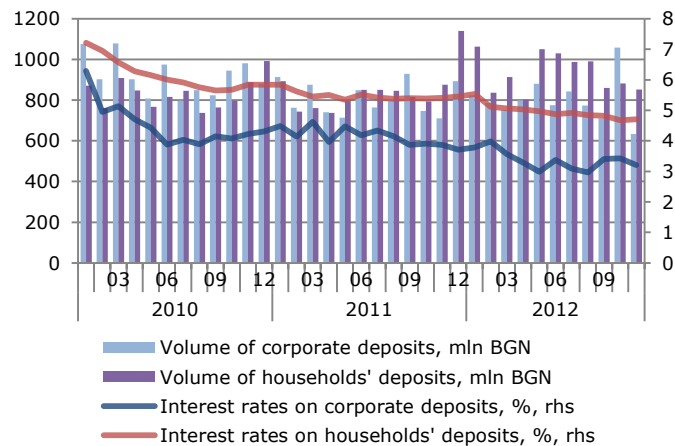
**Money supply** grew by 10.1% yoy in November compared to 8.6% a month earlier. The faster annual increase of M3 was prompted by an accelerated growth of the liquid monetary aggregate M1 at 13.6% yoy vs. 11.1% yoy at the end of the previous month. Deposits with agreed maturity also helped as their rate of increase speeded up to 6.2% yoy from 5.4% yoy in October. Broad money expanded by 0.8% mom in November alone led by a 1.4% increase of M1 and 3% mom growth of deposits redeemable at notice. Total deposits were up by 0.9% mom (BGN 454.7 mln) in November alone which brought up their growth rate to 10.1% yoy from 8.5% yoy at the end of October.



Source: BNB, MF

**Credit to the private sector** expanded by 3.9% in November as compared to 3.3% yoy at the end of October. Corporate credits remained the only positive contributor to the overall credit growth as they increased by 6.8% yoy coming from 5.8% yoy a month ago. Consumer credits kept their rate of decline at 1.7% yoy from the previous month, while mortgages slowed down to 0.2% yoy (0.4% at the end of October). The annual growth rate of bad and restructured loans remained in the single digit territory at 9.5% (9.4% a month earlier) and their share in total credits for non-financial enterprises and households increased marginally, up 2 bps to 18.53% at the end of November.

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



Source: BNB, MF

Weighted average **interest rate** on corporate credits went up by 24 bps in November, while the volume of credits lent during the month came 11.4% lower compared to their volume in October. Interest rates on consumer credits and mortgages were down by 9 and 37 bps respectively. This was accompanied by a 5.2%

drop in consumer credits monthly volume. On the other hand mortgages lent in November increased by 4.4% over the previous month. Weighted average interest rates on BGN and USD denominated time deposits increased by 9 and 41 bps mom respectively, while the rate on EUR deposits remained unchanged. The volume of new time deposits in November reached BGN 2.8 bn, down by 19.1% compared to October.

**Consolidated budget deficit** accounted for BGN 105.3 mln (0.1% of GDP) on a cash basis at the end of November. The annual improvement of the fiscal outturn reached 1.3 pps of GDP, down BGN 943.9 mln in nominal terms. According to the preliminary estimates, the 2012 deficit target will be overachieved with a deficit on cash basis close to 0.45% of GDP.

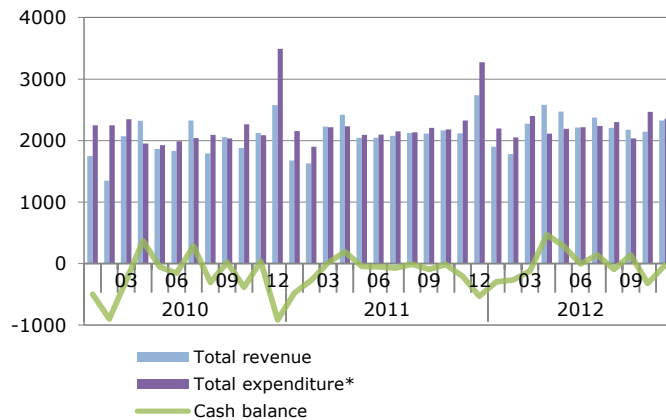
**Total revenue and grants** amounted to BGN 24 453.7 mln which represents 85.1% of the annual estimate, thus consolidated budget revenue rose by 8% yoy. Tax revenue grew by 4.3% yoy due mainly to indirect taxes, whose receipts increased by 6.2% compared to previous year. Revenue from VAT and excise duties expanded by 6.9% and 5.5% yoy respectively, while custom duties went down by 9.8%. Direct tax receipts were 2.9% higher than in January-November 2011. Proceeds from social and health insurance contributions also increased, up 1.7%. Non-tax revenue as well as revenue from grants continued to grow significantly, up by 10.4% and 72.9% yoy respectively.

**Total expenditure, including Bulgarian contribution to the EU budget**, amounted to 82.3% of the 2012 annual forecast, up 3.7% yoy. The increase was driven mainly by social spending and capital expenditures, that grew by 5.1% and 21.1% yoy respectively. Outlays on subsidies and maintenance went down by

20.5% and 1.7% respectively compared to their 2011 nominal level.

### Consolidated Budget

(monthly value, mln BGN)



\* Incl. contribution to EU budget

Source: MF

**Fiscal reserve** stood at 6.8 bn (8.7% of GDP), up 27.1% compared to November 2011 mainly due to the 5Y Eurobond emission in July 2012.

**General government debt**, including government guaranteed debt, accounted for 19.1% of GDP at end-November, of which 6.4% domestic debt, 11.3% external debt and 1.4% of GDP government guaranteed debt.

After the debt repayment in mid-January 2013, government debt, excl. government guaranteed debt, is expected to fall below 15% of GDP. ▼



— KEY ECONOMIC INDICATORS

		2008	2009	2010	2011	Q4'11	Q1'12	Q2'12	Q3'12	VI'12	VII'12	VIII'12	IX'12	X'12	XI'12
<b>— GDP</b>															
Gross Domestic Product <sup>1</sup>	% , yoy	6.2	-5.5	0.4	1.7	0.9	0.5	0.5	0.5						
Consumption	% , yoy	2.6	-7.3	0.5	-0.3	-1.8	1.5	3.2	3.0						
Gross fixed capital formation	% , yoy	21.9	-17.6	-18.3	-9.7	-10.5	-5.4	-2.1	1.0						
Export	% , yoy	3.0	-11.2	14.7	12.8	11.9	-0.1	3.9	3.3						
Import	% , yoy	4.2	-21.0	2.4	8.5	5.2	0.0	8.6	4.0						
Agriculture	% , yoy	32.4	-9.5	-6.2	-1.1	4.9	12.7	9.6	7.0						
Industry	% , yoy	6.0	-5.7	-6.3	6.6	2.9	1.2	1.1	0.4						
Services	% , yoy	4.1	-1.3	4.4	-0.1	1.4	-0.1	1.4	1.1						
Adjustments	% , yoy	5.7	-16.5	-0.5	0.8	0.9	8.1	5.1	2.2						
<b>— SHORT TERM BUSINESS STATISTICS</b>															
Industrial production	% , yoy	0.7	-18.3	2.0	5.8	1.3	-2.6	-0.1	0.5	0.3	0.8	3.3	-4.2	-1.5	
Industrial turnover	% , yoy	13.7	-20.2	14.1	17.2	6.8	2.0	4.1	3.6	1.2	9.5	1.7	-1.1	1.7	
Retail trade turnover	% , yoy	8.9	-7.7	-8.4	-1.9	-4.3	-3.1	-0.6	-0.5	0.6	1.3	1.0	-3.7	-4.4	
Construction output	% , yoy	12.2	-14.3	-14.5	-12.9	-9.2	-1.7	0.3	0.5	-4.6	3.9	1.5	-3.9	8.6	
Total business climate	balance	38.0	10.2	9.6	14.2	13.5	11.5	16.9	15.9	17.0	18.1	14.8	14.9	12.2	13.1
Industrial confidence	balance	39.9	12.3	13.4	22.4	21.0	21.3	22.8	21.7	21.6	23.5	20.7	20.8	17.2	20.7
Retail trade confidence	balance	41.3	13.5	10.1	17.3	25.5	10.5	18.1	17.8	16.4	17.8	16.1	19.7	17.9	16.7
Construction confidence	balance	40.3	8.5	5.1	2.8	-1.9	-4.1	4.2	3.0	4.6	6.2	-0.7	3.4	0.5	-4.8
Services confidence	balance	28.7	5.1	5.6	5.9	1.8	8.2	16.4	15.4	20.8	19.3	17.3	9.7	8.4	12.0
<b>— LABOUR MARKET</b>															
Participation rate (15+)	level	53.8	53.0	52.0	51.3	51.5	51.8	52.7	54.2						
Employment rate (15+)	level	50.8	49.4	46.7	45.6	45.7	45.1	46.2	47.9						
Employment (LFS)	% , yoy	3.3	-3.2	-6.2	-3.4	-2.3	-1.8	-1.1	-0.7						
Unemployment rate (LFS)	level	5.6	6.8	10.2	11.2	11.4	12.9	12.3	11.5						
Unemployment rate (Employment agency)	level	6.3	7.6	9.5	10.1	10.0	11.4	11.1	10.7	10.8	10.8	10.7	10.6	11.0	11.3

		2008	2009	2010	2011	Q4'11	Q1'12	Q2'12	Q3'12	VI'12	VII'12	VIII'12	IX'12	X'12	XI'12
Nominal wage	%, yoy	26.5	11.8	6.4	9.1	8.7	8.9	8.4	8.8	9.4	8.5	8.9	9.1		
Real wage <sup>2</sup>	%, yoy	13.0	9.1	3.3	5.6	5.9	6.9	6.4	5.7	7.7	6.0	5.6	5.5		
Labor productivity (GDP per employed)	%, yoy	3.5	-3.0	5.3	6.2	2.6	2.6	3.8	2.4						
Real ULC (GDP)	%, yoy	3.7	8.1	2.7	-3.7	8.1	4.6	0.4	0.8						
<b>— PRICES</b>															
National index of consumer prices (CPI)	%, yoy	12.3	2.8	2.4	4.2	3.1	2.0	1.6	4.0	1.6	3.1	3.9	4.9	4.4	3.9
Harmonized index of consumer prices (HICP)	%, yoy	12.0	2.5	3.0	3.4	2.5	1.9	1.8	3.0	1.6	2.4	3.1	3.5	3.0	2.7
Domestic producer prices	%, yoy	13.3	-4.3	7.2	8.6	5.5	4.8	4.2	6.0	3.3	4.5	7.1	6.6	6.9	6.4
<b>— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)</b>															
Revenue and grants	mIn BGN	27 313	25041	23933	25378	25 378	5 956	13 224	19 986	13 224	15 598	17 806	19 984	22 127	24 454
Total expenses	mIn BGN	25 323	25667	26755	26866	26 867	6 647	13 162	19 733	13 162	15 398	17 699	19 736	22 202	24 559
Contribution to EU budget	mIn BGN	720	746	670	779	779	307	467	629	467	504	562	629	683	724
Cash deficit (-) / surplus (+)	mIn BGN	1 990	-626	-2823	-1488	-1 488	-691	62	253	62	200	108	248	-74	-105
	% of GDP	2.9	-0.9	-4.0	-2.0	-2.0	-0.9	0.1	0.3	0.1	0.3	0.1	0.3	-0.1	-0.1
Government and government guaranteed debt	mIn BGN	10 710	10641	11778	12826	12 826	13 053	12 942	14 732	12 943	14 960	14 693	14 735	14 752	14 809
	% of GDP	15.5	15.6	16.7	17.0	17.0	16.6	16.5	19.0	16.7	19.3	18.9	19.0	19.0	19.1
Fiscal reserve	mIn BGN	8 382	7673	6012	4999	4 999	4 531	5 062	7 172	5 062	7 081	6 914	7 172	6 640	6 756
	%, yoy	12.5	-8.5	-21.6	-16.9	-16.9	-3.6	-1.8	41.4	-1.8	45.1	38.5	41.4	24.3	27.1
<b>— FINANCIAL SECTOR</b>															
BNB International reserves	mIn EUR	12 713	12919	12977	13349	13 349	13 192	13 866	15 507	13 866	14 963	15 049	15 507	15 094	15 096
Monetary base coverage	%	175.3	195.2	179.8	175.1	175.1	176.3	177.7	192.3	177.7	192.9	192.3	192.3	187.9	188.9
Coverage of import with FX reserves	months	5.4	8.0	7.3	6.3	6.3	6.1	6.1	6.8	6.1	6.6	6.5	6.8	6.5	
Coverage of short-term external debt	%	96.5	100.2	115.3	133.8	133.8	133.6	141.2	163.2	141.2	156.2	157.5	161.7	156.1	
Money M1 (Narrow money)	%, yoy	-4.1	-8.8	0.8	14.4	14.4	17.2	13.4	12.6	13.4	15.5	10.7	12.6	11.1	13.6
Money M3 (Broad money)	%, yoy	8.8	4.2	6.2	12.2	12.2	10.7	10.2	8.8	10.2	10.0	8.8	8.8	8.6	10.1
Deposits	%, yoy	8.8	7.6	6.6	13.2	13.2	11.0	10.2	8.7	10.2	10.0	8.6	8.7	8.5	10.1
Credit to private sector	%, yoy	32.9	3.8	1.1	3.3	3.3	3.1	4.1	3.5	4.1	4.2	3.9	3.5	3.3	3.9
Credit to non-financial enterprises	%, yoy	33.1	2.3	2.4	5.7	5.7	5.7	6.8	6.1	6.8	6.9	6.5	6.1	5.8	6.8
Credit to households	%, yoy	31.4	5.8	-0.8	-0.4	-0.4	-1.0	-1.1	-1.5	-1.1	-1.3	-1.4	-1.5	-1.7	-1.7

		2008	2009	2010	2011	Q4'11	Q1'12	Q2'12	Q3'12	VI'12	VII'12	VIII'12	IX'12	X'12	XI'12
Interest rate on short-term loans	%	10.9	10.5	8.5	7.4	7.7	8.3	7.2	7.5	6.7	7.5	7.3	7.8	7.4	7.7
Interest rate on time deposits	%	5.6	7.0	5.4	4.8	4.8	4.6	4.2	4.2	4.3	4.1	4.1	4.3	4.1	4.2
Exchange rate BGN/USD	eop	1.39	1.36	1.47	1.51	1.51	1.46	1.55	1.51	1.55	1.59	1.55	1.51	1.51	1.51
	per. av.	1.34	1.41	1.48	1.41	1.45	1.49	1.53	1.56	1.56	1.59	1.58	1.52	1.51	1.52
<b>— GROSS EXTERNAL DEBT (GED)</b>															
Gross external debt	% of GDP	104.9	108.3	102.7	93.1	93.1	90.5	90.8	91.9	91.7	92.9	92.7	92.8	92.3	
Short term external debt	% of GED	35.4	32.1	30.2	27.7	27.7	27.5	27.2	26.0	27.0	26.0	25.9	26.0	26.4	
Intercompany lending	% of GED	36.4	38.5	40.4	42.5	42.5	43.0	42.9	42.9	43.2	42.6	43.1	43.1	42.8	
<b>— BALANCE OF PAYMENTS</b>															
Current account	mIn EUR	-8 182	-3116	-533	104	-792	-553	-295	1 054	104	296	398	270	-114	
<i>Current account (moving average)</i>	% of GDP	-23.1	-8.9	-1.5	0.3	0.3	-0.7	-1.7	-1.5	-1.7	-1.9	-2.4	-1.8	-1.7	
Trade balance	mIn EUR	-8 598	-4174	-2764	-2156	-890	-939	-1 249	-528	-383	-256	-137	-154	-344	
<i>Trade balance (moving average)</i>	% of GDP	-24.3	-11.9	-7.7	-5.6	-5.6	-7.3	-8.9	-9.3	-8.7	-9.0	-9.4	-9.2	-9.4	
Export, f.o.b.	mIn EUR	15 204	11699	15561	20264	5 164	4 625	5 264	5 544	1 767	1 866	1 869	1 816	1 857	
	%, yoy	12.5	-23.1	33.0	30.2	19.7	-2.8	6.3	2.9	6.1	0.8	6.4	1.9	2.8	
Import, f.o.b.	mIn EUR	23 802	15873	18325	22420	-6 055	-5 565	-6 514	-6 072	-2 150	-2 122	-2 006	-1 970	-2 201	
	%, yoy	-214.7	-33.3	15.4	22.3	13.1	10.3	16.8	5.7	17.1	6.6	16.9	-3.4	7.9	
Capital account	mIn EUR	277	477	291	497	306	21	44	171	9	121	-4	33	-82	
Financial account	mIn EUR	11 463	1163	-673	-788	867	-45	689	553	592	561	29	121	-22	
Net Foreign Direct Investments	mIn EUR	6 206	2505	977	1577	1 004	470	244	145	-219	1 009	-207	-66	-70	
Net Portfolio Investments	mIn EUR	-731	-619	-635	-354	72	-371	-57	705	-219	1 009	-207	-66	-70	
Other Investments – net	mIn EUR	6 032	-704	-990	-1946	-190	-138	507	-290	630	-523	-78	187	113	
Change in BNB reserve assets <sup>3</sup>	mIn EUR	-674	650	384	-159	-261	176	-639	-1 483	-344	-985	-105	-392	336	

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

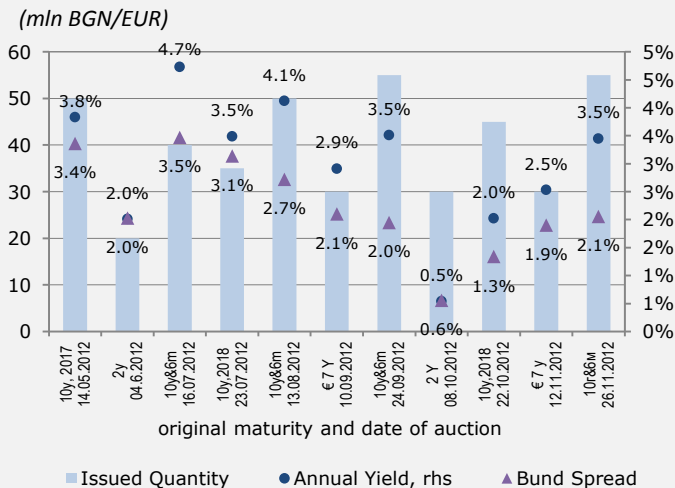
— RECENT ECONOMIC DEVELOPMENTS

**Ministry of finance published the issuance policy and the primary dealers for 2013**

The Ministry of finance published on its web page the [2013 Issuance policy as well as the list of primary dealers for government securities](#). At the traditional annual meeting with the primary dealers at the Ministry of Finance,

the Deputy Minister of Finance Karina Karaivanova awarded the most active participants on the GS market in 2012. She pointed out that during the past year government debt market continued to be the largest segment of the Bulgarian financial market.

**Latest Government Securities Auction Results**



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

For a third consecutive year SG Express Bank acquired the biggest share of GS on its own behalf and on behalf of its clients reaching 16.27% of the total annual domestic issuance. United Bulgarian Bank acquired the biggest amount of GS on its own behalf (8.5% of the amount issued).

The nominal value of government debt at the end of November amounted to EUR 7 035.1 mln, including domestic debt of EUR 2 547.5 mln and external debt of EUR 4 487.5 mln. In nominal terms, the debt posted an increase approximately with EUR 40.7 mln in comparison with the level recorded at the end of the previous month. This is mainly due to the increase in domestic debt as a result of new domestic financing with GS during the month. At the end of November government debt-to-GDP ratio stood at 17.7%.

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

**Table: Government Debt Amount, mIn EUR**

Structure	31.12. 2010	31.12. 2011	30.08. 2012	31.09. 2012	31.10. 2012	30.11. 2012
Domestic government debt	2 011.5	2 458.3	2395.1	2 451.9	2489.8	2547.5
External government debt	3 373.5	3 487.6	4552.3	4524.3	4504.6	4487.6
Government Debt, total	5 385.0	5 945.9	6947.4	6976.2	6994.4	7035.05
Government Debt /GDP, %	14.9*	15.5	17.5	17.6	17.6	17.7

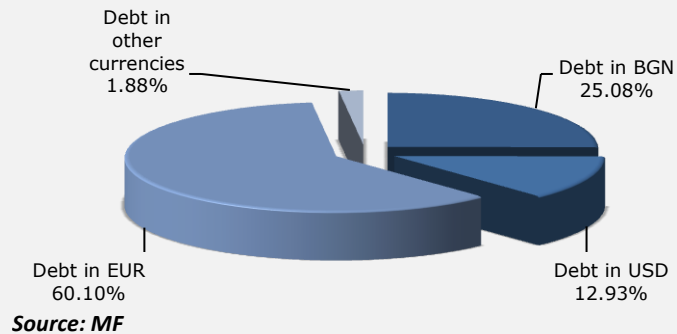
\* Due to a technical error, government debt-to-GDP ratio as of 2010 has been changed to 4.9% instead of 14.9% in some previous issues of the bulletin.

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

The share of BGN-denominated debt continued increasing in November up to 25.1%. The debt in EUR, USD and other currencies decreased and stood at 60.1%, 12.9% and 1.9% respectively

### Government Debt Currency Structure

(as of 30 November)

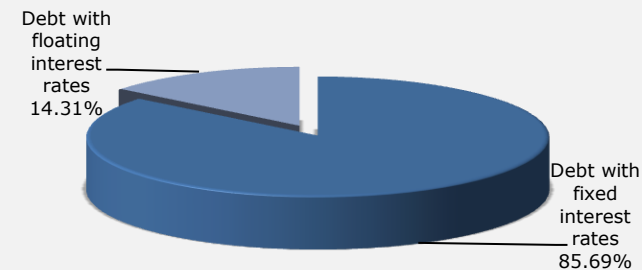


**Government debt interest rate structure provides predictability of resources required for its servicing**

At the end of November, the share of debt with fixed interest recorded an increase over the previous month and reached 85.7%, while debt with floating interest noted a decrease of up to 14.3%.

### Government Debt Interest Rate Structure

(as of 30 November)

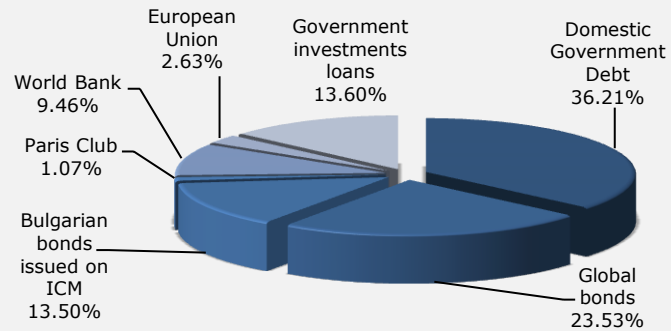


Liabilities related to global bonds and EUR-denominated bonds issued in international capital markets had the largest share in debt structure by types of instruments and creditors – standing at 37%, followed by do-mestic government debt – 36.2%, government investment loans – 13.6%, commitments to the World Bank – 9.5%, the EU – 2.6% and the Paris Club - 1.1%.

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

### Government Debt Structure by Creditor

(as of 30 November)



Source: MF

Comprehensive information on Bulgarian Government Debt, including monthly bulletins and annual reviews, could be found at the website of Bulgarian Ministry of Finance.

<http://www.minfin.bg/en/statistics/?cat=2&from=0&fyear=0&to=0&tyear=0&dq=&pokaz=0>