

2013

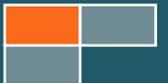
RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, APRIL 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

- According to flash estimates, **GDP growth** in Bulgaria decelerated to 0.4% s.a. for Q1 2013. The still high unemployment rate and uncertainty regarding future dynamics of household incomes led to decline in final consumption, down 1.6% yoy. However, it was compensated by strong export growth of 8.9%. The growth in gross fixed capital formation also accelerated to 4.8%.
- After some positive developments in January, **short-term business statistics** showed rather weak performance in February and moved to negative territory in March. Industrial production and turnover declined over a year earlier, construction output and business climate indicator also plunged. Only the slump in retail sales has been narrowing for two consecutive months, while the **consumer confidence improved** by 2.3 pps in April compared to its January level.
- **Unemployment rate** gradually decreased to 11.6% as of end-April but remained 0.2 pps higher in yoy terms, while the increase of **labour incomes**, in both nominal and real terms, decelerated in Q1 2013 compared to a year earlier.
- Annual **HICP inflation** decelerated further to 1.6% yoy as of March. The continuing disinflation process may be largely attributed to the drop in administered prices of electricity, as well as to lower fuels prices.
- The negative balance on the **current account** expanded in February, as merchandise trade deficit widened during the

month. The annual increase in imports and exports to third countries slowed down significantly, while the exports growth to EU Member States slightly strengthened. **Financial account** stood negative at EUR 1.5 bn for the first two months of the year.

- According to monthly data on a cash basis, **consolidated budget deficit** stood at 1% of GDP (BGN 795.6 mln) at the end of March, up by a marginal 0.1 pps compared to a year earlier. Despite the continuing spending optimization, EU grants posted a 11.5% fall, thus total revenue grew at a lower rate than total expenditure. ▼

This issue of Recent Economic Developments Review is based on materials and statistical data received up to May 10, 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.

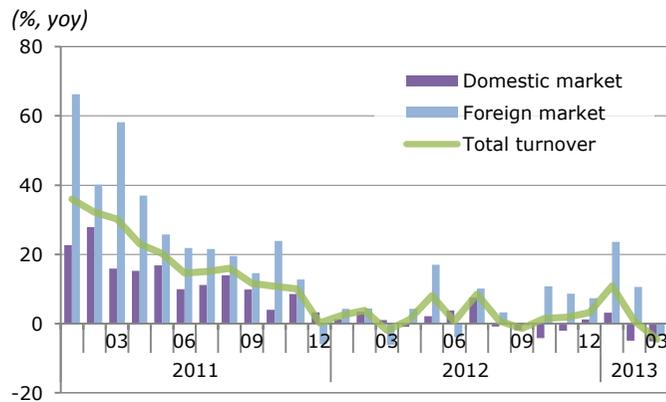
The current report, as well as previous issues, is available at the [Ministry of finance website](#). For any questions or comments, please contact the Economic and Financial Policy Directorate at 102, Rakovski Str., 1040 Sofia, Bulgaria, or at secretary.evp@minfin.bg.

— RECENT ECONOMIC DEVELOPMENTS

After the strong performance in January, **industrial turnover** growth slowed down to 0.7% yoy in February and turned to negative territory in March, down 4.6% yoy. Both foreign and domestic market sales contributed for the observed dynamics. *Foreign turnover* increased at a slower pace in February, up 10.6% yoy, and dropped 3.5% in March. According to the production purpose, consumer non-durables contributed negatively during the considered two-month period, while the March decline was largely triggered by the slump in energy products.

Domestic turnover decreased by 5% yoy in February, its slump remaining almost unchanged at 5.1% in March. Energy products had the major contribution to the registered decline, especially electricity, gas, steam and air conditioning supply, which has the largest share in domestic sales. Manufacture of food products, which was among growth drivers in January, also performed rather weak.

Industrial turnover



Source: NSI

In March **industrial production** turned to negative territory for the first time since October 2012, down by 4.8% on a year earlier. The high uncertainty regarding European economy developments, on one hand, and low domestic demand, on the other, resulted in a weak industrial activity as all items according to the production purpose registered a decline.

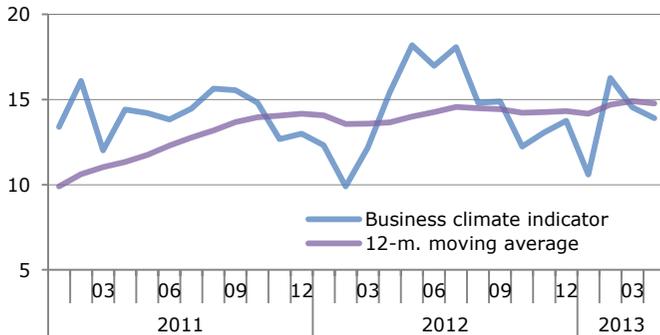
The drop in **retail sales** narrowed to 4.9% yoy in February and further to 1.5% in March. Retail sales of automotive fuel were the first to recover, while in March other retail sales in non-specialized stores as well as retail sales of textiles, clothing, footwear and leather goods also started to increase.

Construction production index was characterized by diverse development since the beginning of the year as it increased by 7% yoy in February and turned again to negative territory in March, down by 7.2%. Both building construction and civil engineering contributed for the registered decline, down by 3.7% and 11.9% respectively.

The overall **business climate indicator** fell by 0.6 pps in April compared to March. The latter was entirely due to reserved expectations in industry resulting from the reported decline in orders and insufficient domestic demand. The business juncture in services and retail trade was assessed as less favorable compared to a month earlier but the expectations in these sectors were more optimistic. Respondents in construction also expected improvement of the business situation in the coming months. There was a certain recovery in this sector with growth in new orders and reduction in the number of entrepreneurs reporting financial problems.

Business climate

(balance)



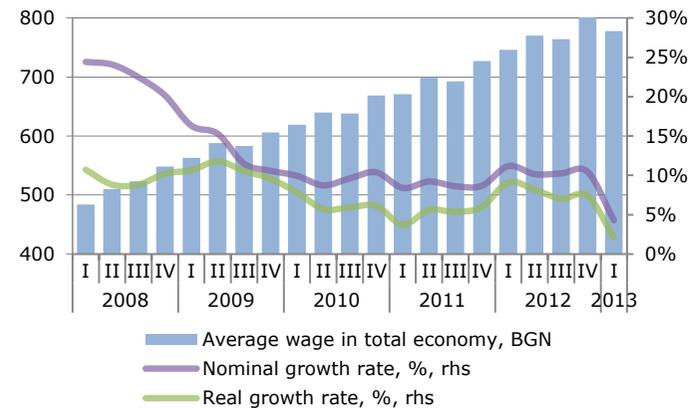
Source: NSI

Consumer confidence indicator increased by 2.3 pps in April compared to its January level. Respondents reported worsening of the economic situation in the country over the last 12 months, whereas they expect a certain improvement in the 12-month period ahead. The assessment of households' future financial situation was also more optimistic. According to survey results, the perceived consumer price increase decelerated and inflation expectations remained well anchored. The unemployment rate in the country has been expected to remain largely unchanged over the next 12 months.

Unemployment rate gradually decreased over the last two months to 11.6% as of the end of April but remained 0.2 pps higher on a year earlier. Jobless number contraction was due primarily to the increased outflow of unemployed. The higher number of persons who started working in March (20.9 K) and April (32.5 K) was supported by the gradual recovery in seasonal activities, resulting in higher primary sector labour demand in agriculture, accommodation and catering services, manufacturing, trade, transport, etc. Additionally, the number of persons

who found jobs enlarged in April on the account of the supplementary 3 K new unemployed included in subsidized employment programs with the budget funds assigned with the social package of urgent measures of the caretaker government.

Average wage developments

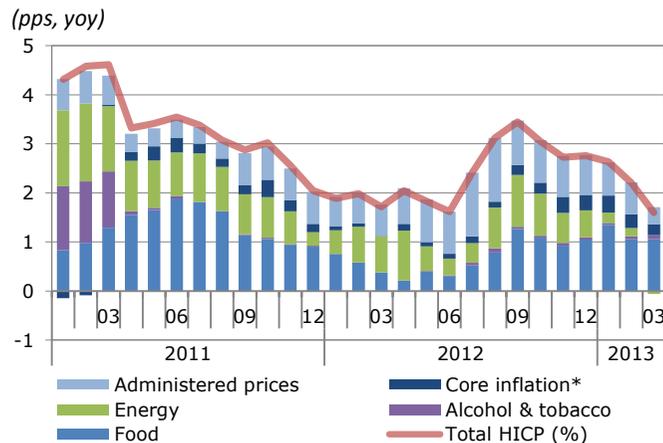


Source: NSI

The increase of **labour incomes**, in both nominal and real terms, decelerated in Q1 2013 compared to a year earlier. As a result, the nominal wage decreased by 3.1% qoq. In the period under consideration the country's average wage stepped up nominal by 4.3% and went to BGN 778, while the HICP deflated real wage growth reached 2.1% yoy. Recent wage dynamics was mainly influenced by developments in the private sector wages, which exhibited significantly slower growth rate (3.9% yoy). On the other hand, public sector wages grew faster in comparison with 2012, up by 5.8%. A downward trend in income dynamics has been evidenced by almost all economic activities. The observed Q1 2013 wage development was also influenced by downward revisions in 2011 annual data, which in turn pushed up 2012 wage growth. According to preliminary data, the 2012

average wage increased by 13.3% and 10.7% in nominal and real terms respectively. Wage growth in the public sector reached 4.6% and 2.2% yoy in nominal and real terms, while the private sector wages exhibited higher growth rate, up by 16.6 and 13.9% respectively.

HICP and contributions by main components



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

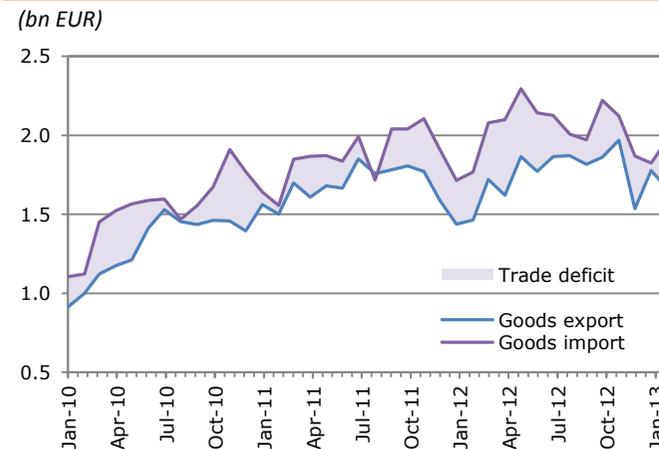
Source: NSI, MF

Annual **HICP inflation** decelerated further to 1.6% yoy as of March after a 0.4% average mom drop in consumer prices. Both regulated and market prices declined over the previous month, though the downward correction in *administered prices of electricity*, down 6.1% on average, had the largest negative contribution (-0.27 pps) to the monthly headline rate. Prices of *automotive fuels* fell too, subtracting thus another 0.1 pps from the overall index. The latter, however, was almost entirely due to the drop in prices of liquid petroleum gas (LPG), down by 7.2% mom. Prices of *market services* also stepped down during the month, as prices of accommodation in holiday villages and domestic package holidays dropped at the end of the high winter

tourist season, down by 6.2% and 6.8% respectively. Prices of *consumer durables* continued registering negative growth rates, down 0.4% mom, while *food prices* were the only to go up over the previous month, up by 0.3% mom on average, largely on the account of higher prices of fresh vegetables.

The continuing disinflation process, considered on the corresponding month of the previous year, may be largely attributed to the narrowing contribution of administered prices which almost halved after the drop in electricity prices, as well as to lower fuels prices.

Merchandise trade dynamics



Source: BNB

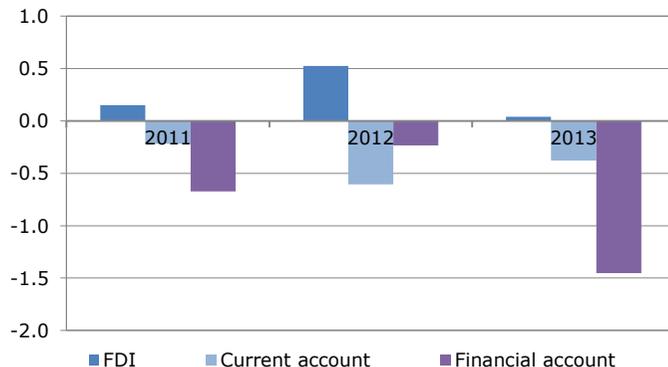
Current account came in negative at EUR 356.7 mln in February and changed only marginally in yoy terms. *Merchandise trade deficit* widened to EUR 321.3 mln compared to EUR 303.7 mln for the same month of the previous year. Exports growth rate decelerated to 13.3% yoy, nevertheless, it remained higher than imports rate of change, even if the latter doubled and stood at 12.8%. The annual increase in imports and exports to third

countries slowed down significantly, while the increase in exports to EU Member States slightly strengthened. After two consecutive months of negative annual growth rate, imports from EU countries grew by 16.5%.

Services surplus increased by 29.9% yoy and reached EUR 44.9 mln in February mainly as a result of the better performance of other business and computer services. Net current transfers were negative by EUR 57 mln compared to a positive balance of EUR 44.6 mln a year earlier. Lower transfers to the government sector came along with higher outflows of private transfers resulting in negative *current transfers* balance. *Income deficit* shrank substantially to EUR 23.3 mln from EUR 128.4 mln a year earlier. This was mostly due to lower interest rate payments related to intercompany lending to nonresidents (EUR 27.3 mln compared to EUR 122.6 mln for the same month of the previous year).

FDI, Current and Financial Account

(January-February, bn EUR)



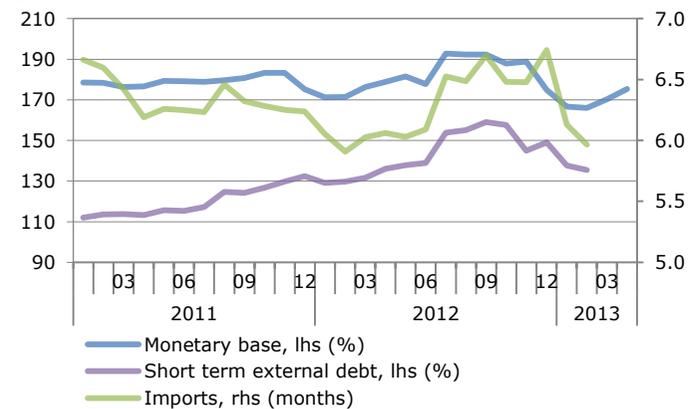
Source: BNB

Financial account balance was negative by EUR 287.2 mln reflecting mainly the upsurge of portfolio investment of residents

abroad. The accumulated financial account deficit in January-February stood at EUR 1.5 bn or 3.6% of GDP.

Gross external debt totaled EUR 37.1 bn (90.7% of GDP) at the end of February. The indebtedness continued declining over the previous month, though it remained above its level in the same month a year ago. This resulted from the surge in government external debt following the refinancing operations in July 2012 and increased bank debt due to a one-off action by a single bank in November last year. External indebtedness of the non-banking private sector and intercompany borrowing followed a decreasing path, both declining by almost 1% yoy.

Coverage with FX Reserves

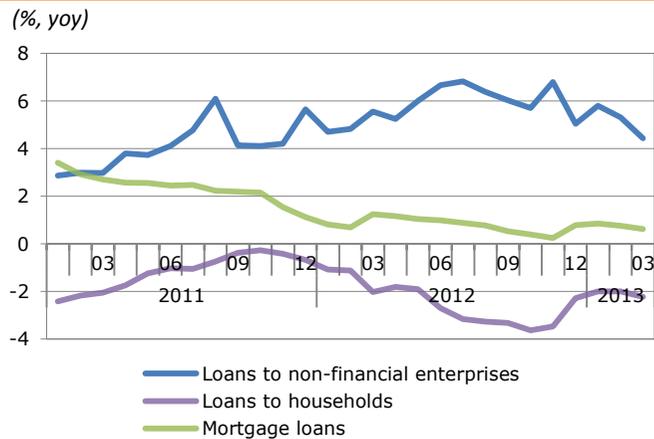


Source: BNB, MF

International reserves reached EUR 14.9 bn as of end-April, up 11% yoy. Seasonally strong budget tax incomes led to a 30.3% mom increase of the Government deposit in the BNB and were the main driver behind the 2.5% mom growth of reserves. Another notable contribution came from the 4.6% mom increase of notes in circulation. On the negative side, the drop in gold prices in April helped for a 6.9% mom drop of the Bank Depart-

ment deposit, while at the same time bank reserves shrank by 6% compared to a month ago. Monetary base coverage improved slightly to 175.3% since the end of March when it was 170.3%. As of end-February the international reserves could cover 6 months of imports of goods and services or 135.5% of the short term external debt.

Credit growth



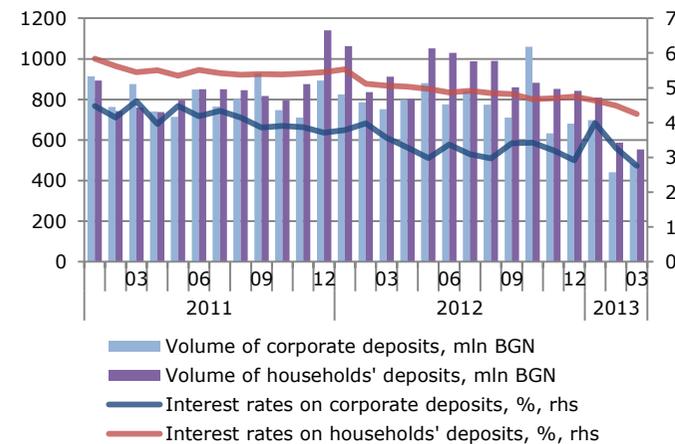
Source: BNB, MF

Money supply growth picked up again and reached 8.9% at the end of March, being 7.9% a month earlier. Biggest contribution for the M3 expansion came from deposits, redeemable at notice, up 49.7% yoy, and overnight deposits, up 12.7% yoy. On the other hand, the annual growth of deposits with agreed maturity, which are usually the main driver of broad money dynamics, slowed down to just 0.7%. The reason behind this “restructuring” of money supply is the relocation of deposits to non-taxable saving instruments. Broad money recorded a 1.1% increase in March alone, again led by a 5.3% mom growth of deposits redeemable at notice and a 2.6% mom increase of the overnight

deposits. Total deposits continued their steady expansion, increasing by 9.3% yoy (8.1% at the end of February). In March alone they grew by 1.3% or BGN 725.5 mln.

The annual growth of **credit to the private sector** slowed down to 2.3% yoy at the end of March, which could be mainly attributed to the 1.1% yoy decrease of bad and restructured credits. Corporate credits growth slowed to 4.4% yoy from 5.3% at the end of February. At the same time consumer loans decreased slightly faster compared to the previous month (2.2% vs. 2%) and mortgages grew by 0.6% yoy coming from 0.8% in February. The negative change in bad and restructured credits did not lead to a significant cut in their share in total credits for firms and households, which came down by 10 bps to 17.9%.

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



Source: BNB, MF

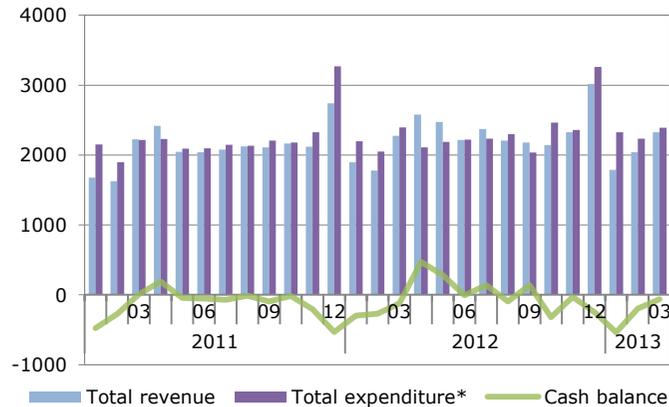
Weighted average interest rates on consumer loans and mortgages both followed their direction of change from a month earlier and dropped in March by 27 and 4 bps respectively. Compared to the same month of the previous year, the monthly vol-

ume of consumer credits was by 0.4% lower, while the amount of the new mortgages was higher by 14.2%. The average price of corporate loans after a mixed performance in the last few months went up by 1.6 pps in March. Non-financial enterprises received by 44.9% more bank financing than what was granted to them 12 months earlier. **Weighted average interest rate on deposits** declined for all three major currencies used – by 40 bps for the BGN denominated deposits and by 12 and 92 bps for EUR and USD deposits respectively. The volume of new deposits in March amounted to BGN 2.6 bn – 24% less than what banks were able to attract in the same month of 2012.

General government balance on a cash basis stood negative at BGN 795.6 mln (1% of GDP) at the end of March. Budget deficit widened by 0.1% of GDP compared to the corresponding period of 2012, up by BGN 108.5 mln in nominal terms.

Consolidated Budget

(monthly value, mln BGN)



* Incl. contribution to EU budget

Source: MF

In the first quarter of the year, **total revenue and grants** accounted for 20.1% of the 2013 annual plan, up by 3.3% in nominal terms compared to March 2012. Tax proceeds reached 21.9% of the annual forecast, recording also a 3.3% yoy growth. Indirect taxes, up 7.6% yoy, had the largest positive contribution to revenue dynamics. VAT and custom duties increased as well, up by 15.1% and 14.6% respectively, while excise receipts were down 5.6% yoy. Non tax revenue also grew, up 6.6%, whereas the grants, coming almost entirely from EU funds, dropped with 11.5% compared to their previous year nominal level.

Total expenditure, including Bulgarian contribution to EU budget, amounted to BGN 6 950.2 mln, up 4.6% in nominal terms on a year earlier. Spending optimization continued, as subsidies and capital expenditures in the first 3 months declined by 15.7% and 6% yoy respectively, for the benefit of all other expenditure items, with social spending (including scholarships) having the largest contribution, up with 4% compared to March 2012.

Fiscal reserve totaled BGN 4.2 bn (5.3% of GDP) at end-March.

General government debt, including government guaranteed debt, accounted for 18% of GDP at the end of March. Government external debt came to 9.3% of GDP, domestic debt stood at 7.6%, while guaranteed debt amounted to 1.2% of GDP. ▼

— KEY ECONOMIC INDICATORS

		2009	2010	2011	2012	Q1'12	Q2'12	Q3'12	Q4'12	X'12	XI'12	XII'12	I'13	II'13	III'13
— GDP															
Gross Domestic Product ¹	% , 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						
— SHORT-TERM BUSINESS STATISTICS															
Industrial production	% , yoy	-18.3	2.0	5.8	-0.4	-2.2	-0.3	0.4	0.6	-0.6	0.0	2.5	8.3	1.4	-4.8
Industrial turnover	% , yoy	-20.2	14.1	17.2	2.3	1.2	3.2	2.6	2.1	1.4	1.8	3.2	10.9	0.7	-4.6
Retail trade turnover	% , yoy	-7.7	-8.4	0.6	-2.3	-3.1	-0.7	-0.4	-5.1	-4.5	-4.9	-5.9	-5.3	-4.9	-1.5
Construction output	% , yoy	-14.5	-14.9	-12.8	-0.8	-1.8	0.1	0.4	-1.9	8.8	1.0	-16.9	-2.2	7.0	-7.2
Total business climate	balance	10.2	9.6	14.2	14.3	11.5	16.9	15.9	13.0	12.2	13.1	13.8	10.6	16.3	14.5
Industry	balance	12.3	13.4	22.4	21.3	21.3	22.8	21.7	19.4	17.2	20.7	20.3	18.4	22.0	20.8
Retail trade	balance	13.5	10.1	17.3	16.4	10.5	18.1	17.8	19.3	17.9	16.7	23.1	10.9	22.6	17.3
Construction	balance	8.5	5.1	2.8	0.3	-4.1	4.2	3.0	-1.8	0.5	-4.8	-1.2	-1.2	2.9	2.2
Services	balance	5.1	5.6	5.9	12.2	8.2	16.4	15.4	8.8	8.4	12.0	6.1	6.4	11.7	11.5
— LABOUR MARKET															
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	X'12	XI'12	XII'12	I'13	II'13	III'13
Unemployment rate (Employment agency)	level	7.6	9.5	10.1	11.1	11.4	11.1	10.7	11.3	11.0	11.3	11.4	11.9	12.0	11.8
Nominal wage	%, yoy	11.8	6.4	5.8	13.3	11.2	10.2	10.2	10.5	11.9	9.4	10.1	5.0	4.4	3.6
Real wage ²	%, yoy	9.1	3.3	2.4	10.7	9.1	8.2	7.0	7.4	8.6	6.5	7.1	2.3	2.1	2.0
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						
— PRICES															
National index of consumer prices (CPI)	%, yoy	2.8	2.4	4.2	3.0	2.0	1.6	4.0	4.2	4.4	3.9	4.2	4.4	3.6	2.7
Harmonized index of consumer prices (HICP)	%, yoy	2.5	3.0	3.4	2.4	1.9	1.8	3.0	2.8	3.0	2.7	2.8	2.6	2.2	1.6
Domestic producer prices	%, yoy	-4.2	7.1	8.6	5.4	5.0	4.3	6.2	6.1	6.9	6.5	5.0	2.5	2.5	0.5
— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)															
Revenue and grants	mIn BGN	25 041	23 933	25 378	27 470	5 956	13 224	19 986	27 470	22 127	24 454	27 470	1 788	3 827	6 155
Total expenses	mIn BGN	25 667	26 755	26 867	27 828	6 647	13 162	19 733	27 828	22 202	24 559	27 820	2 324	4 559	6 950
Contribution to EU budget	mIn BGN	746	670	779	809	307	467	629	809	683	724	809	90	258	328
Cash deficit (-) / surplus (+)	mIn BGN	-626	-2 823	-1 488	-358	-691	62	253	-358	-74	-105	-350	-536	-732	-796
	% of GDP	-0.9	-4.0	-2.0	-0.5	-0.9	0.1	0.3	-0.5	-0.1	-0.1	-0.5	-0.7	-0.9	-1.0
Government and government guaranteed debt	mIn BGN	10 641	11 778	12 826	14 683	13 053	12 943	14 736	14 683	14 753	14 810	14 683	13 081	13 988	14 407
	% of GDP	15.6	16.7	17.0	18.9	16.8	16.7	19.0	18.9	19.0	19.1	18.9	16.4	17.5	18.0
Fiscal reserve	mIn BGN	7 673	6 012	4 999	6 081	4 531	5 062	7 172	6 081	6 640	6 756	6 081	4 144	3 871	4 216
	%, yoy	-8.5	-21.6	-16.9	21.6	-3.6	-1.8	41.4	21.6	24.3	27.1	21.6	2.9	1.8	-6.9
— FINANCIAL SECTOR															
BNB International reserves	mIn EUR	12 919	12 977	13 349	15 552	13 192	13 866	15 507	15 552	15 094	15 096	15 552	14 190	13 915	14 493
Monetary base coverage	%	195.2	179.8	175.1	174.9	176.3	177.7	192.3	174.9	187.9	188.9	174.9	166.6	166.0	170.3
Coverage of import with FX reserves	months	8.0	7.3	6.2	6.8	6.0	6.1	6.7	6.8	6.5	6.5	6.7	6.1	6.0	
Coverage of short-term external debt	%	100.2	115.3	133.8	146.7	133.6	140.9	161.7	146.7	157.6	144.9	149.1	137.6	135.5	
Money M1 (Narrow money)	%, yoy	-8.8	0.8	14.4	9.5	17.2	13.4	12.6	9.5	11.1	13.6	9.5	5.3	7.6	10.7
Money M3 (Broad money)	%, yoy	4.2	6.2	12.2	8.5	10.7	10.2	8.8	8.5	8.6	10.1	8.5	7.1	7.9	8.9
Deposits	%, yoy	7.6	6.6	13.2	8.4	11.0	10.2	8.7	8.4	8.5	10.1	8.4	7.2	8.2	9.3
Credit to private sector	%, yoy	3.8	1.1	3.3	3.0	3.1	4.1	3.5	3.0	3.3	3.9	3.0	3.5	3.1	2.3
Credit to non-financial enterprises	%, yoy	2.3	2.4	5.7	5.0	5.7	6.8	6.1	5.0	5.7	6.8	5.0	5.8	5.3	4.4

		2009	2010	2011	2012	Q1'12	Q2'12	Q3'12	Q4'12	X'12	XI'12	XII'12	I'13	II'13	III'13
Credit to households	%, yoy	5.8	-0.8	-0.4	-1.0	-1.0	-1.1	-1.5	-1.0	-1.7	-1.7	-1.0	-0.8	-1.0	-1.3
Interest rate on short-term loans	%	10.5	8.5	7.2	7.6	8.3	7.2	7.5	7.3	7.4	7.7	6.7	7.4	7.3	8.1
Interest rate on time deposits	%	7.0	5.4	4.8	4.3	4.6	4.2	4.2	4.1	4.1	4.2	4.1	4.4	4.1	3.7
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	1.48	1.44	1.49	1.53
	per. av.	1.41	1.48	1.41	1.52	1.49	1.53	1.56	1.51	1.51	1.52	1.49	1.47	1.46	1.51
— GROSS EXTERNAL DEBT (GED)															
Gross external debt	% of GDP	108.3	102.7	94.1	94.8	92.3	93.3	94.6	94.8	93.8	95.5	94.8	90.8	90.7	
Short term external debt	% of GED	32.1	30.2	27.8	27.7	27.4	27.0	26.0	25.8	25.8	27.5	27.7	25.2	25.1	
Intercompany lending	% of GED	38.5	40.4	42.7	41.6	43.5	43.6	43.5	43.7	43.7	42.3	41.6	38.3	38.3	
— BALANCE OF PAYMENTS															
Current account	mIn EUR	-3 116	-533	39	-528	-562	-383	914	-498	-178	34	-354	-20	-357	
<i>Current account (moving average)</i>	% of GDP	-8.9	-1.5	0.1	-1.3	-1.1	-2.2	-2.2	-1.3	-2.3	-1.5	-1.3	-0.7	-0.7	
Trade balance	mIn EUR	-4 174	-2 764	-2 156	-3 622	-942	-1 281	-552	-848	-361	-153	-334	-46	-321	
<i>Trade balance (moving average)</i>	% of GDP	-11.9	-7.7	-5.6	-9.1	-7.3	-9.0	-9.4	-9.1	-9.6	-9.1	-9.1	-8.3	-8.3	
Export, f.o.b.	mIn EUR	11 699	15 561	20 264	20 793	4 620	5 256	5 552	5 365	1 860	1 969	1 536	1 778	1 656	
	%, yoy	-23.1	33.0	30.2	2.6	-2.9	6.2	3.0	3.9	3.0	11.2	-3.2	23.8	13.2	
Import, f.o.b.	mIn EUR	15 873	18 325	22 420	24 415	-5 561	-6 537	-6 105	-6 212	-2 221	-2 122	-1 869	-1 824	-1 977	
	%, yoy	-33.3	15.4	22.3	8.9	10.2	17.3	6.2	2.6	8.9	0.8	-2.1	6.4	11.9	
Capital account	mIn EUR	477	291	497	537	11	44	164	317	-80	177	220	0	4	
Financial account	mIn EUR	1 163	-673	-968	2 231	29	1 256	805	141	32	-187	296	-1 164	-287	
Net Foreign Direct Investments	mIn EUR	2 505	977	1 199	1 302	641	410	480	-229	186	-165	-250	29	5	
Net Portfolio Investments	mIn EUR	-619	-635	-357	-931	-370	-57	736	-1 239	-60	-1 108	-71	-337	-272	
Other Investments – net	mIn EUR	-704	-990	-1 744	1 894	-235	909	-404	1 624	-85	1 087	623	-856	-18	
Change in BNB reserve assets ³	mIn EUR	650	384	-159	-2 161	176	-639	-1 483	-215	336	5	-556	1 312	258	

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

— GOVERNMENT DEBT REVIEW

MF reopened the 3Y GS issue

The 3-year BGN denominated government securities (GS) maturing 30 January 2016 has been reopened for the second time this year. At the auction held on April 8, the amount offered for sale of BGN 40 mln was subscribed 3.59 times, while the yield on this issue reached 1.32%. Both the active participation of banks and leading institutional investors and the serious presence of contractual funds which acquired a substantial share of the issue offered at the auction accounted for the increased interest for GS offered for sale on the primary market. The distribution by investor type was as follows: banks - 50%, guarantee funds - 32.1%, contractual funds - 14.2% and pension funds - 3.7%.

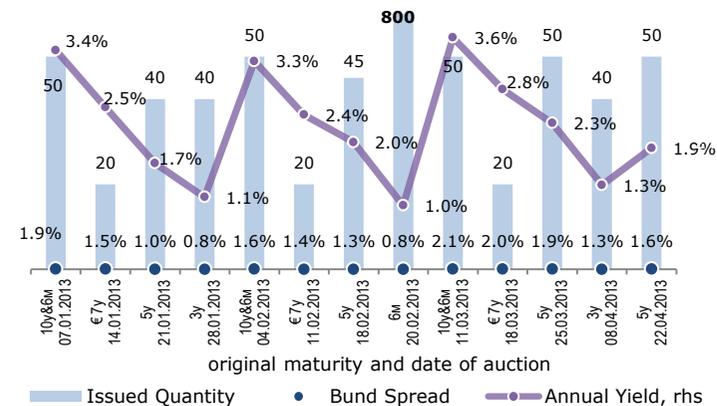
The yield in the medium-term segment of the debt

MF held an auction for the sale of 5Y GS denominated in BGN and maturing in January 2018. The auction was assessed successful, as the two key indicators, i.e. dropping yield and strong investor interest, pointed out the strong investor confidence. At the fourth reopening of this bond since the start of the current issue year, yield reached 1.90%. The total quantity approved stood at BGN 50 mln with a bid-to-cover ratio of 3.24. There has been an extremely high interest from a large range of investors, i.e. banks, pension funds, insurance companies, trusts and guarantee funds. Banks acquired the largest share of GS at 53.3%, followed by pension funds with around 31.7% of the amount offered for sale, insurance companies - 10% and trusts and guarantee funds - 5%. After

this auction the total volume of the issue in circulation reached BGN 185 mln, which will increase its liquidity on the secondary market.

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

Source: MF

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

The nominal value of government debt amounted to EUR 6 884.8 mln at the end of March, as domestic debt came in at EUR 3 098.9 mln and external debt - at EUR 3 785.9 mln. Debt posted a EUR 225.5 mln increase in nominal terms over the previous month, largely driven by the upsurge in domestic debt resulting from the new domestic

financing with GS during the month. Government debt-to-GDP ratio stepped marginally up to 16.8% as of end-March.

Table: Government Debt, mln EUR						
Structure	31.12.2010	31.12.2011	31.12.2012	31.01.2013	28.02.2013	31.03.2013
Domestic government debt	2 011.5	2 458.3	2 546.7	2 591.1	3 026.7	3 098.9
External government debt	3 373.5	3 487.6	4 444.5	3 605.1	3 632.6	3 785.9
Government Debt, total	5 385.0	5 945.9	6 991.2	6 196.1	6 659.3	6 884.8
Government Debt /% GDP	14.9	15.5	17.7	15.0	16.2	16.8

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

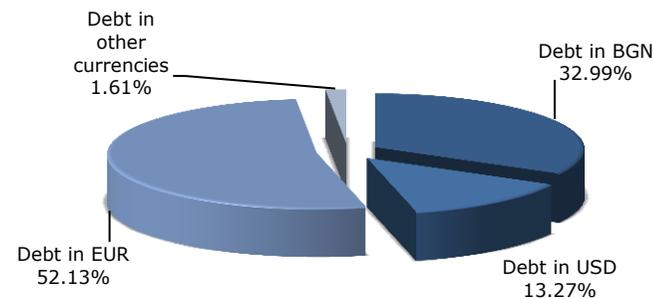
The share of debt denominated in EUR went up to 52.1% in March, while debt in BGN, USD and other currencies narrowed to 33%, 13.3% and 1.6% respectively.

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

At the end of March, the share of debt with fixed interest recorded an increase over the previous month and reached 85.6%, while debt with floating interest narrowed to 14.4%.

Government Debt Currency Structure

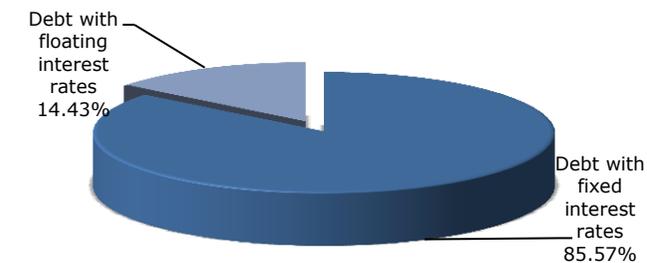
(as of 31 March)



Source: MF

Government Debt Interest Rate Structure

(as of 31 March)



Source: MF

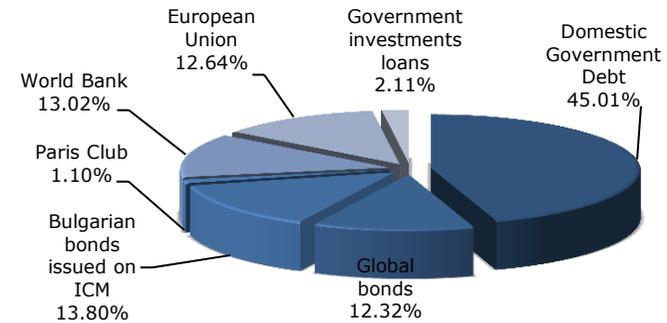
Government debt portfolio structure is another key indicator for the successful debt management policy

As of March, the share of domestic government debt stood at 45%, followed by euro-denominated bonds issued in international capital markets – 13.8%, commitments to the World Bank – 13%, to the European Union – 12.6%, global bonds – 12.3%, commitments to the Paris Club – 1.1%, and other creditors – 2.1%. ▲

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 31 March)



Source: MF