

# BULGARIAN ECONOMY

## Monthly Report

7-8/2017

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, productivity and incomes
- » Inflation
- » External Sector
- » Financial sector
- » Fiscal Developments
- » Tabl.: Key Economic Indicators

## Highlights

**GDP growth accelerated to 4.2% yoy in Q2 2017** driven by both domestic demand and net export. Private consumption growth decelerated to 4.9% yoy in line with developments of real disposable income of households. Gross fixed capital formation went up by 2.9% yoy due to both private and public investment activity. On the supply side, gross value added growth calmed down to 4.0% yoy due to lower growth in services.

**Short-term business statistics** reported mixed performance in June and July. Industrial production and sales, as well as the construction output index lost speed in June, but then reaccelerated in July. The **business climate indicator** followed similar path in July and August, respectively.

**Employment** went up by 0.9% yoy in Q2; its pace of increase decelerated over the previous quarter on the account of a decrease in agricultural employment. The **unemployment (LFS)** decreased to 6.3% of the labour force, while the **participation rate (15-64)** went up by 2.4 pps compared to Q2 2016. **Registered unemployment** declined further to 6.7% as of end-August.

**Real productivity growth** accelerated to 3.2% yoy in the period. **Compensation per employee** also gained momentum, up by 9.9% yoy, which led to an increase in **nominal unit labour costs**, up by 6.5% yoy.

The **annual inflation rate (HICP)** decelerated to 0.7% in August as the positive contribution from higher food and energy prices continued to narrow. The increase in administered prices accelerated to 2% yoy and accounted for 0.32 pps of the yoy increase in the total index. Core inflation stood at 0.2% yoy.

The **current account balance** remained positive in the first half of 2017 at 1.3% of projected GDP in spite of the deteriorating trade deficit. The **financial account balance** came in positive at 0.7% of projected GDP in H1 2017 as the decline in total foreign liabilities surpassed the decline in assets. Inward **foreign investment** totalled 0.8% of projected GDP.

For seven months in a row, **the balance on the consolidated fiscal program** was positive, reaching BGN 2 bn (2% of projected GDP) at end-July. The positive fiscal outcome resulted from higher revenues over expenditures on both the national budget and the EU funds account. ■



## GROSS DOMESTIC PRODUCT

**GDP growth** accelerated to 4.2%<sup>1</sup> yoy in Q2 2017 (fig. 1) with positive contribution from both domestic demand (3.6 pps) and net export (0.6 pps). Export growth accelerated to 6.3% in Q2 from 5.8% in Q1, while import lost speed, up by 5.7% yoy compared to 10.1% in Q1. The lower growth of import, which led to the positive contribution of net export, was due to the weaker domestic demand compared to Q1. The growth of private consumption decelerated to 4.9% in line with developments of real disposable income of households. Despite its higher nominal increase mostly on the account of compensation of employees, the real growth of disposable income decelerated due to the higher deflator. Government consumption increased by 1.1%. Gross fixed capital formation went up by 2.9% due to both private and public investment activity.

On the supply side, **gross value added (GVA)** increased by 4% yoy in Q2 (fig. 3) compared to 4.8% yoy in Q1. The deceleration was due to lower growth in services namely *public administration, defence; education; health* (up by 2.9%) and *trade; transportation; accommodation* (up by 2.1%). *Real estate activities* continue to be one of the most dynamic sectors with growth of 7.7%. The growth in manufacturing accelerated to 4.3%. The value added in the construction sector increased by 7% and according to the construction production index this was mostly due to building construction.



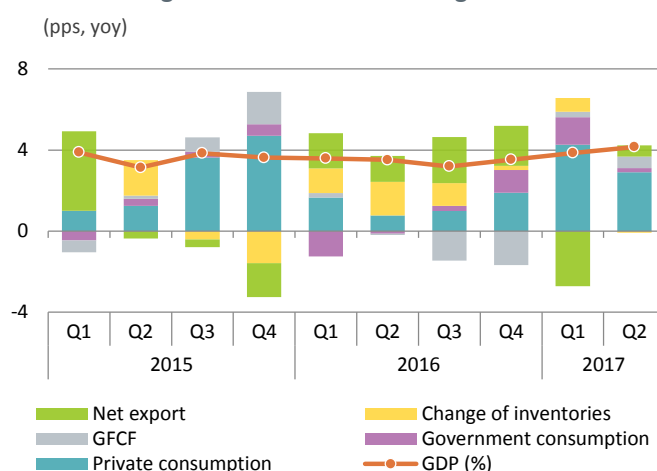
## SHORT-TERM BUSINESS STATISTICS

The growth of **industrial turnover**<sup>2</sup> slowed down to 8.8% yoy in June but then accelerated again to 11.4% yoy in July supported by the upward trend in both foreign and domestic industrial sales (fig. 4). Foreign turnover increased by 17% yoy in June and 17.6% yoy in July

<sup>1</sup> Quarterly GDP growth rates are derived from chain-linked (2010) level series, not seasonally adjusted data.

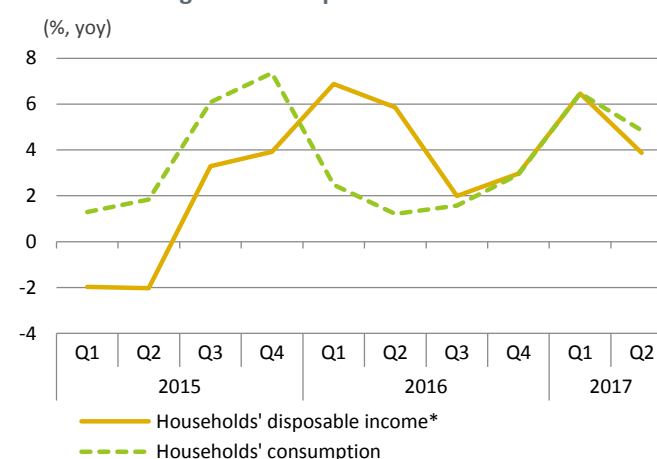
<sup>2</sup> According to NSI methodology, the industrial turnover index reflects changes in both volumes of sales and prices, while for the industrial production index compilation, the value of enterprises' production is deflated by the producer price index in order to isolate the price fluctuations.

Fig. 1: Contributions to GDP growth



Source: NSI

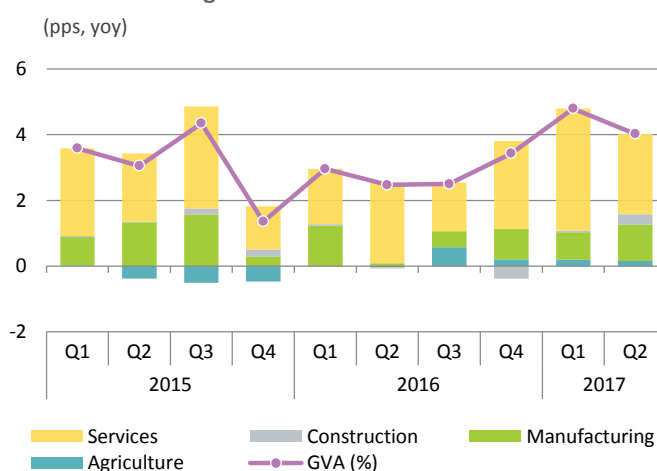
Fig. 2: Consumption and income



\* 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

with *manufacture of basic metals and fabricated metal products, except machinery and equipment* being the major contributor for the reported growth. After the strong performance of domestic turnover in May, the growth weakened to 2.2% yoy in June as the unfavourable development spread to most of the sectors. However, the increase of domestic sales accelerated to 6.6% yoy in July due to the positive dynamics of *manufacture of food products, manufacture of fabricated metal products, except machinery and equipment* and *electricity, gas, steam and air conditioning supply*.

The growth of **industrial production** decelerated to 3.3% yoy in June (11.1% yoy in May) despite the positive development of *manufacture of food products* and *manufacture of metal products* which are among the sectors with the largest shares in industrial production. The index followed an upward trend in July, up 4.1% compared to the same period of the previous year. Major contribution for the reported growth had *manufacture of fabricated metal products, except machinery and equipment*.

**Construction production index** also reported lower growth, up by 7.8% yoy in June, due to weaker performance of both *building construction* and *civil engineering*. The growth accelerated again to 8.7% yoy in July as a result of the positive development of *building construction*, up 17%, while *civil engineering* reported a decrease of 0.4% (fig. 5).

**Retail trade** growth decelerated to 2.7% and 2.3% (yoy) in June and July, respectively. Retail sales of automotive fuels continued to report a decrease, down by 16.1% and 17.1% in June and July compared to the same period of the previous year. At the same time, sales of computers, peripheral units and software posted the largest increase in both months, up 16.5% and 19.5%, respectively.

In July the **business climate indicator** decreased by 1.4 points due to worsened assessments in all sectors except industry, however, in August the indicator returned to growth, up by 0.5 points (fig. 6 and 7). The expectations in services and retail trade improved. In construction, the assurance with contracts reached 7.4 months, however, the expectations for the construction activity were

Fig. 4: Industrial turnover by components

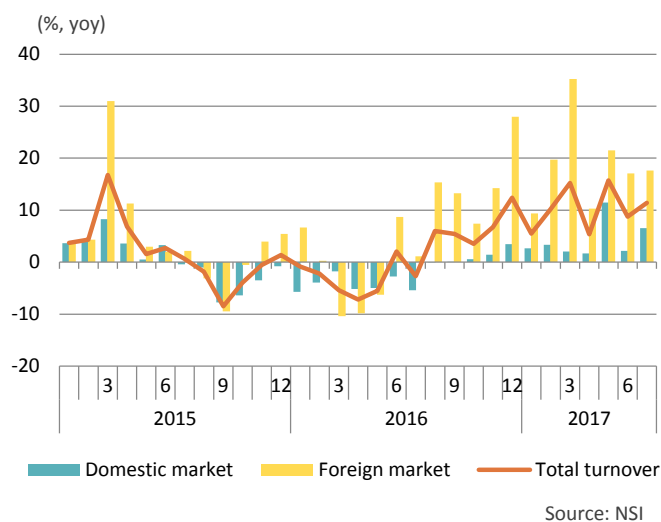


Fig. 5: Construction production index

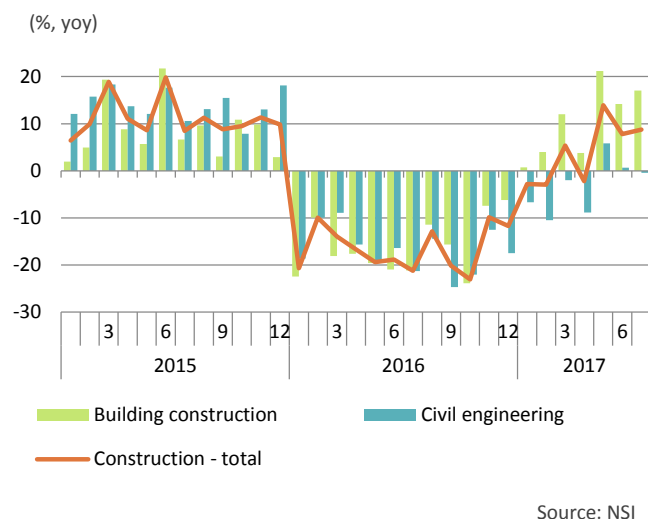
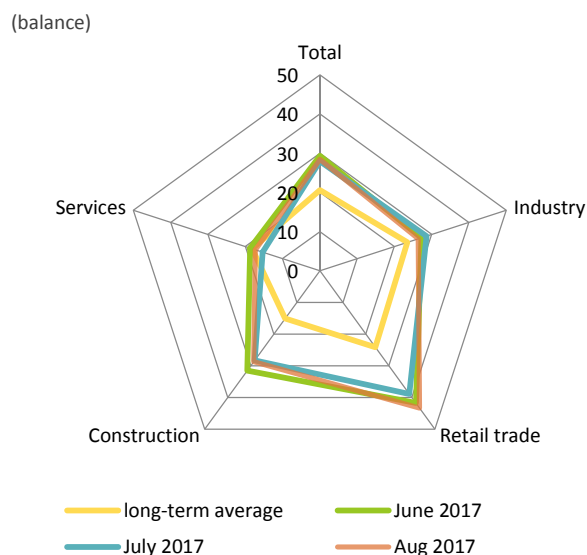


Fig. 6: Business climate by sectors



more reserved. The average capacity utilization in industry reached 74.7% in July, down by 0.8 pps compared to April. In August the expectations for the production activity in industry improved. There was a higher number of respondents in all sector who indicated the shortage of labour as factor limiting their activity.

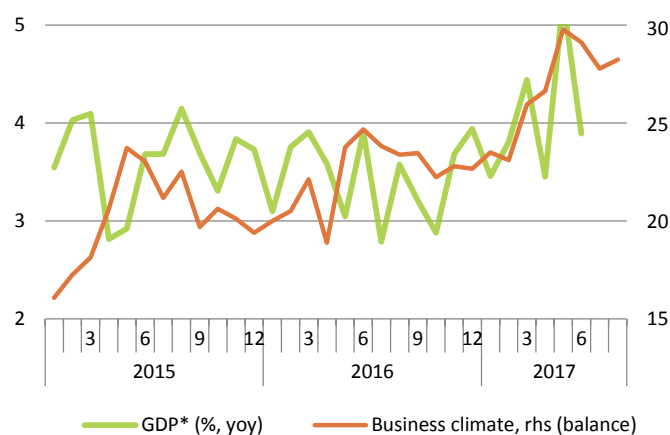
## LABOUR MARKET, PRODUCTIVITY AND INCOMES

In Q2 2017 **employment** (ESA 2010) grew by 0.9% yoy. The pace of increase slowed down compared to Q1 due to decrease in agricultural employment, while industry and services contributed positively (fig. 8). Industrial employment went up by 1.2% mostly on the back of manufacturing, where employed increased by 1.5%. Constriction also had positive impact, as the negative employment trend in the sector in the previous year discontinued in line with the real increase in GVA. The employment number in services went further up by 1.2% yoy supported by some high value added activities, such as *creation and distribution of information*. In contrast to Q1, employment in *trade, transport and accommodation and food services activities* increased by 0.9%. This came largely on the account of the self-employment dynamics, while demand for hired labour decreased, evidenced by the reported yoy decline in the number of employees.

Positive employment development in Q2 2017 reflected both the **unemployment** decrease and the activation of part of the inactive people to participate in the labour market. The unemployment number went down by 19.5% to 213.9 thousand, which corresponded to 6.3% of the labour force (LFS). The labour force **participation rate (15-64)** increased by 2.4 pps compared to Q2 2016 due to the lower number of discouraged people, down by 27.2% to 115.6 thousand in Q2 2017 (for the age group 15-64).

The **registered unemployment** declined further to 6.7% as of end-August. Both the inflow and outflow from unemployment tend to show weaker dynamics during the summer months, however, the outflow is usually higher than the inflow resulting in a decreasing total unemployment number. The latter reached 218.4 thou-

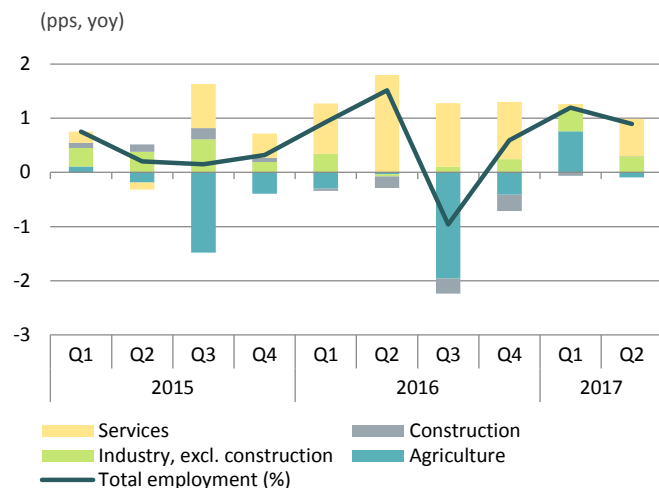
Fig. 7: Business climate and GDP



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

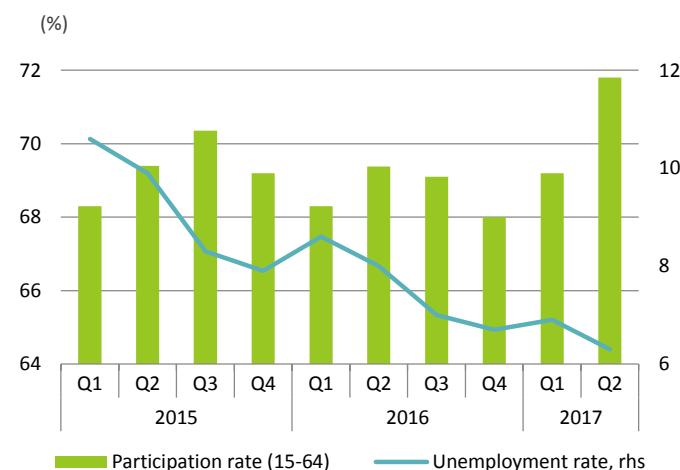
Source: NSI, MF

Fig. 8: Employment dynamics and contribution by sectors



Source: NSI

Fig. 9: Unemployment and participation rates



Source: NSI

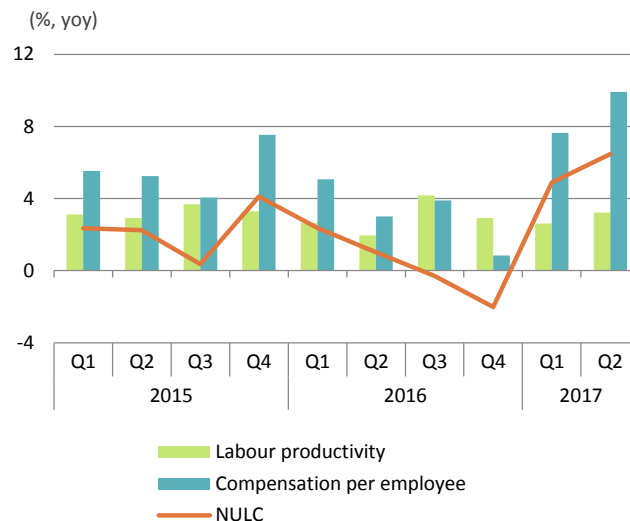
sand in August and was 1.1% lower than in July and 16.5% lower compared to August 2016.

Real **productivity** growth accelerated to 3.2% yoy in Q2 2017, being 2.6% yoy in the previous period and 2% yoy in the corresponding period of the previous year (fig. 10). Positive trends have been evidenced by all economic sectors with the highest contribution made by the industrial sector. Industrial labour productivity growth stepped up further to 3.4% yoy supported by positive employment dynamics in both manufacturing and construction. The strong GVA increase in agriculture led to a productivity increase in the sector as well (up by 3.3% yoy). Labour productivity growth in services<sup>3</sup> decelerated to 2.4% due to the stronger employment dynamics which is true for most of the economic activities there excl. *financial and insurance activities* (7.5% yoy). The latter grew faster on a year earlier but held back in reducing employment.

The upward trend in **compensation per employee** observed in Q1 2017 continued in Q2, up by 9.9% yoy. Both industry (10.1% yoy) and services (10%) reported strong increases as the recent developments reflected also a base effect from the service sector where the predominant part of economic activities made a decrease of the compensation per employee in the previous year.

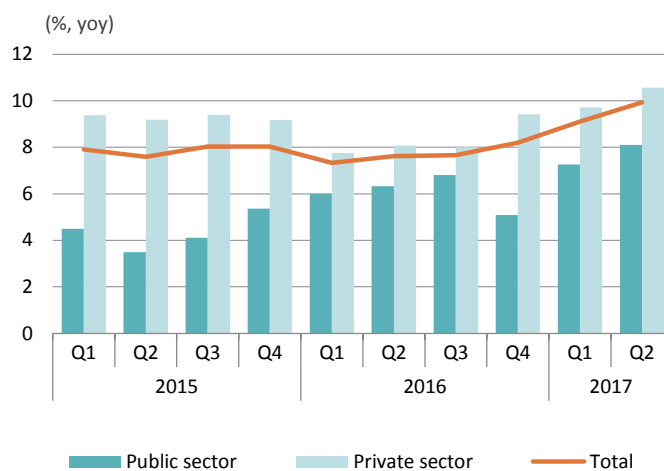
More detailed data on labour incomes<sup>4</sup> revealed that in Q2 2017 there was an increase in the number of jobs across the highly-skilled occupations and a decrease among the lowest-skilled levels, which pushed the **average wage** levels up (fig. 11). The Q2 upward trend in public sector wages (up by 8.1% yoy) continued to contribute to the total wage growth following the envisaged increase of the minimum wages by occupations in education. Despite the higher contribution made by the public sector since the beginning of the year, the average wages in private sector grew faster (10.6%). Thus, in line with the positive consumer price dynamics, the average wage overall in the economy stepped up further to 9.9% in Q2 2017 and maintained the HICP deflated real wage growth at a level of 8.4% yoy.

Fig. 10: Labour productivity, compensation per employee and NULC growth



Source: NSI, MF

Fig. 11: Nominal wage growth by economic sectors



Source: NSI, MF

<sup>3</sup> GVA in services is not corrected for the imputed rent

<sup>4</sup> According to the short-term statistics on employment and labour costs

From the point of view of competitiveness, the recent upward trend of compensation per employee above productivity growth mainly due to services contributed to a **nominal unit labour costs** increase, up by 6.5% yoy (fig. 10). However, within the export-oriented manufacturing activities, which are primarily exposed to external markets competition, indices of industrial production, turnover and wages followed a similar pace of increase, i.e. *manufacturing of basic metals, machinery and equipment, pharmaceuticals, electronic equipment*.

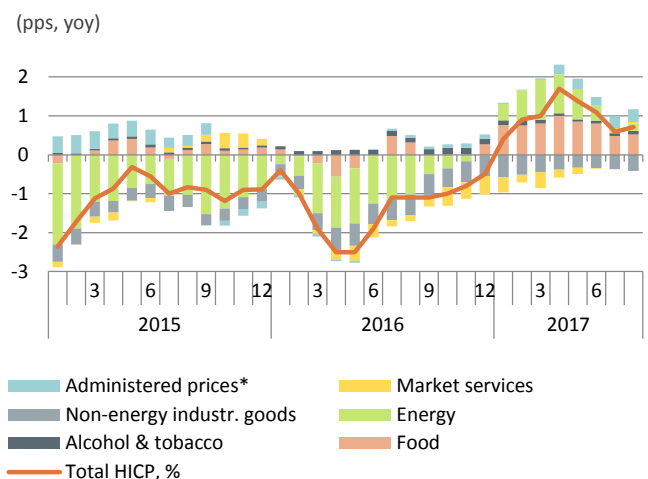


## INFLATION

The **HICP index** increased by 0.5 and 0.2% in July and August respectively. Prices of services had the largest positive contribution to the monthly change in the headline rate in both months. In July, prices of accommodation in resorts, package holidays and international airfares soared by 16.7%, 16.8% and 19.6% respectively. The increase in services prices decelerated to 0.6%<sup>5</sup> in August, on the account of the still continuing, albeit at a lower rate, increase in airfares. Prices of transport fuels also went up by 1.3% on average in August influenced by the current juncture on the international crude oil markets. Food prices remained almost unchanged during both months as the increase in prices of processed food products has been offset by the decrease in prices of fresh vegetables during the summer months. Prices of non-energy industrial goods went down by 0.6% during the two months in consideration. Both prices of consumer durables and non-durables reported a decrease with the latter having the largest contribution mostly due to lower prices of clothing and footwear.

Despite the reported monthly increases in the headline rate, the **annual inflation rate** decelerated to 0.7% in August (fig. 12). Higher prices of energy and food products on a year earlier still mostly account for the increase in the headline rate, but their positive contribution narrowed substantially in the recent months due to the slowdown in the international commodity price

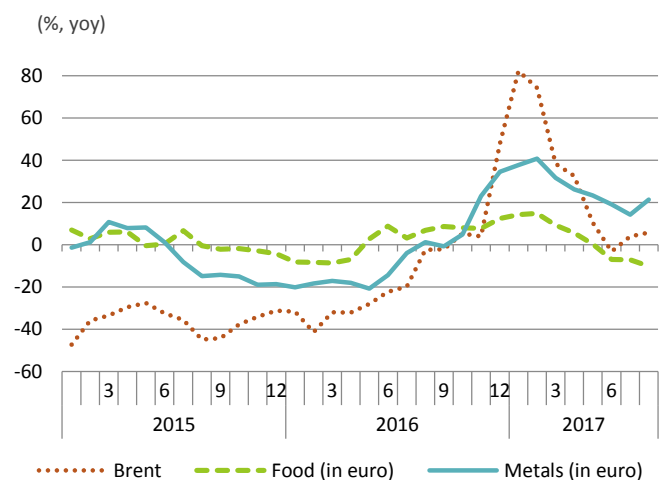
**Fig. 12: Contributions by main HICP components**



\* 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. 13: International prices of major commodities**



Source: World bank, MF

<sup>5</sup> Excluding administered price changes



increases (fig. 13). On the other hand, administered prices accelerated to 2% yoy in August and accounted for 0.32 pps of the yoy increase in the total index. There were several hikes since the beginning of the year mainly in prices of electricity, gas supply, central heating and water supply and sewerage. Core inflation<sup>6</sup> stood at 0.2% yoy.

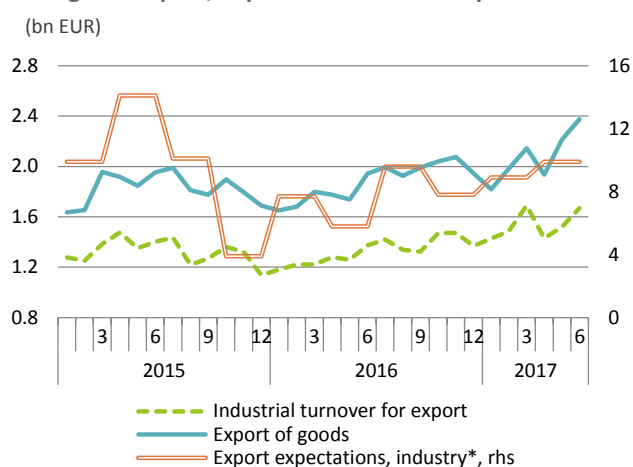


## EXTERNAL SECTOR

The **current account balance** remained positive in January-June 2017 in spite of the deteriorating *trade balance* and reached 1.3% of projected GDP (EUR 634.5 mln compared with EUR 844.8 mln in H1 2016). The nominal increase in export of goods (17.8% yoy) was outpaced by the higher import growth (19.4% yoy), which led to deterioration in the trade deficit of 1.8% of GDP in January-June 2016 to 2.4% in the same period of 2017. In the first five months there was a significant increase in the export to Germany, Belgium, Turkey and China. In absolute terms, the highest increase in imports of goods was from Russia, Romania, Turkey, Serbia and Canada. Export of services decreased by 5.3% yoy, mainly due to decline in export of manufacturing services on physical inputs owned by others and other services, while travel services grew by 12.3% yoy. Despite the growing import of transport and travel services, total import of services dropped by 5.8% which reflected the 39.6% yoy decline in other services. As a result, the *surplus of services* shrank to 2.2% of projected GDP from 2.4% of GDP a year earlier. Compared to the previous month, the services balance managed to improve by 0.9 pps. The *Primary income balance* improved on an annual basis, following higher income payments to Bulgarians working abroad and lower investment payments to non-residents. At the same time, the surplus on the *Secondary income* slightly decreased mainly due to lower EU transfers to General government.

The **financial account balance** came in positive at 0.7% of projected GDP in H1 2017 as the decline in total for-

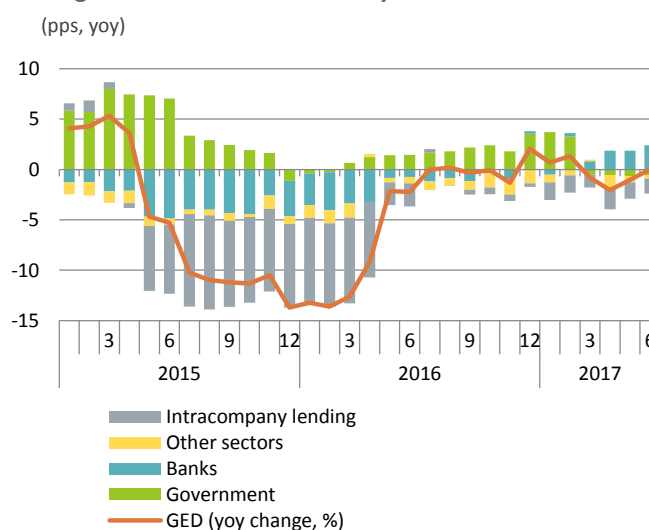
**Fig. 14: Export, export turnover and expectations**



\* Balance, Business survey

Source: NSI, BNB

**Fig. 15: Gross external debt by institutional sectors**



Source: BNB

<sup>6</sup> The total index excluding energy and unprocessed food, also referred to as underlying inflation.

eign liabilities surpassed the decline in assets. Inward **foreign investment** amounted to 0.8% of GDP. In June, the financial account balance came in negative at EUR 379.9 mln, while in May it was positive at EUR 167.8 mln. The big difference between the two months was due to the decline in assets in June.

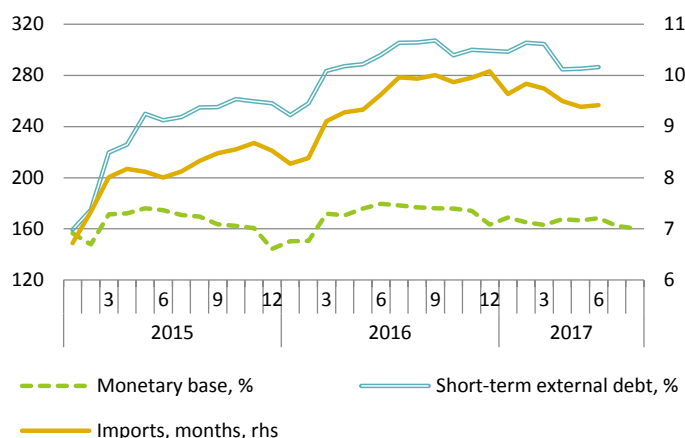
**Gross external debt** kept decreasing to 69.7% of projected GDP at the end of June 2017, being 73.1% twelve months earlier. There was an yoy improvement in the external indebtedness of all institutional sectors, except for Banking sector.

## FINANCIAL SECTOR

**International reserves** declined by 1% mom in July but rebounded in August, up by 3% to reach EUR 24.4 bn. Positive drivers in both months for the overall change were bank reserves and notes in circulation, while the Government deposit declined in July due to the EUR 990 mln payment on 5Y Eurobonds. The annual growth of the official reserves continued slowing down to 2.7% and 4.9% yoy in July and August, respectively, being 6.8% yoy at the end of June. The biggest positive contribution came from bank reserves and notes in circulation, up by 19.7% and 12% yoy, respectively (fig. 16).

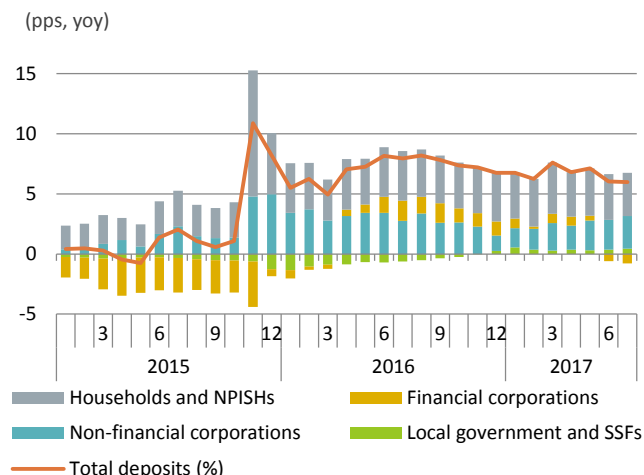
**Credit to the private sector** slowed down in June to 4.2% yoy, down from 4.7% yoy a month earlier. At end-July it gained back some momentum, up by 4.5% yoy. Credit to non-financial corporations contributed exclusively for the lower private credit growth after holding back to 2.1% and 2.8% yoy in June and July, respectively, compared to the 3.3% increase in May. Faster decrease of bad and restructured and short term standard loans drove the corporate credit dynamics throughout the two months. Consumer loans accelerated their annual growth from 4% yoy at the end of May to 4.6% and 4.9% yoy in June and July, respectively. Mortgages did the same and their growth reached 4.4% and 4.9%, respectively, up from 3.2% yoy at end-May. **Total bad and restructured credits'** decline continued and reached 10.7% yoy in July (10.3% and 11.6% in May and June, respectively). The share of bad and restructured credits in total credits to non-financial corporations and

Fig. 16: Coverage with FX Reserves



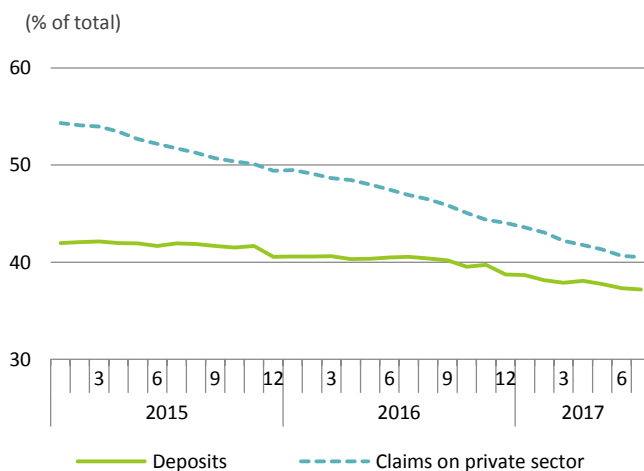
Source: BNB, MF

Fig. 17: Contributions to annual growth of total deposits by institutional sectors



Source: BNB

Fig. 18: Share of deposits and claims on private sector in FX



Source: BNB, MF



households was 14.5% in July vs. 15.2% at the end of May.

**Weighted average interest rate on credits** to non-financial corporations reached their low in July. After climbing 19 bps in June it went down by 27 bps in July to reach 3.57% (table 1). In terms of currency structure and maturity, the biggest decrease was in EUR and BGN denominated corporate loans in the segment over 5 years. The monthly volumes of new corporate loans came lower, down by 29% and 4.6% yoy in June and July, respectively. The average price of mortgages continued to decrease, down by 8 bps cumulative over the two months. The average rate on consumer loans went up by 21 bps for the same period.

**Weighted average interest rate on time deposits** remained unchanged in June compared to May but went down by 3 pps mom in in July. Deposits in local currency had their average rate of return declining by 9 bps in July over the two-month period. At the same time Euro denominated time deposits' rate remained the same, while the average return on deposits in USD went up by 21 bps cumulative in June and July. The total monthly volume of new time deposits reached BGN 1.35 bn in July, up by 7.5% yoy (table 3).

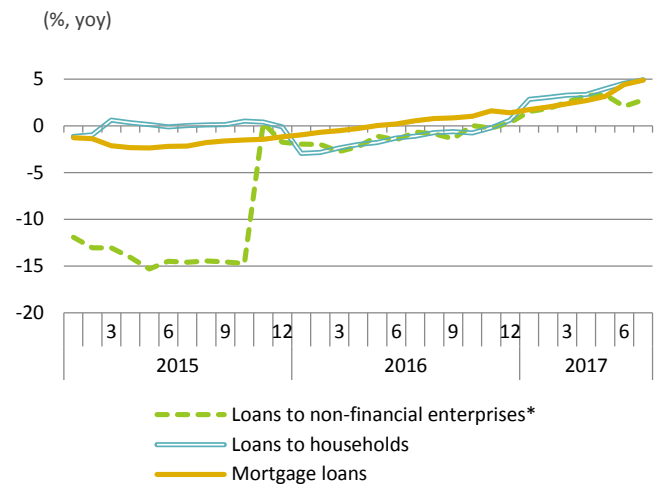


## FISCAL DEVELOPMENTS

For seven months in a row, **the balance on the consolidated fiscal program** was positive, reaching BGN 2 bn (2% of projected GDP) at end-July. The positive fiscal outcome resulted from higher revenues over expenditures on both the national budget and the EU funds account.

**Total revenues and grants** amounted to BGN 20.5 bn, down by 0.3% compared to July 2016. The minor decrease was a result of the considerable drop in grants, down by 59.8% yoy in cumulative terms, as well as of the 1-percent fall of non-tax revenues (fig. 20). By contrast total tax revenues increased by 8% yoy. Social and health insurance contributions, up by 14.3% yoy, had the biggest contribution to the tax receipts' upsurge. Indirect tax revenues also increased, up by 4.7% yoy.

Fig. 19: Credit growth



\* 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 1: Weighted average interest rate on new credits to households and non-financial companies, in %

	July 2016	June 2017	July 2017
Non-financial companies	4.82	3.83	3.57
Consumer credits	8.78	7.71	8.08
Mortgages	4.93	3.92	3.91

Source: BNB, MF

Table 2: Annual Percentage Rate of Charge on new loans to households

	July 2016	June 2017	July 2017
Consumer credits	10.84	9.54	10.26
Mortgages	5.42	4.34	4.33

\* 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

Table 3: Weighted average interest rate on new time deposits of households and non-financial companies, in %

	July 2016	June 2017	July 2017
BGN	0.79	0.41	0.32
EUR	0.60	0.33	0.32
USD	0.46	0.27	0.51

Source: BNB, MF

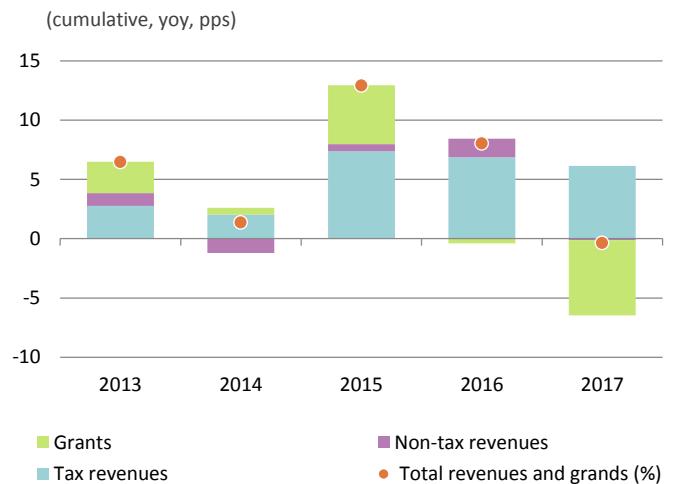
The former was a result of higher VAT receipts, up 7.5% yoy, while excise duties went down by 0.8%. Direct tax revenues increased by 8.7% yoy.

**Total government spending** posted a 7.2% yoy increase and amounted to BGN 18.5 bn. The latter came mainly on the account of higher personnel payments (up 24.5% yoy), social expenditures and scholarships (up 4% yoy) and subsidies (up 27.6% yoy). A significant drop of 14.5% was reported in current maintenance and capital spending (including the net increase of state reserve) also remained 5.3% lower than its previous year level (fig. 21).

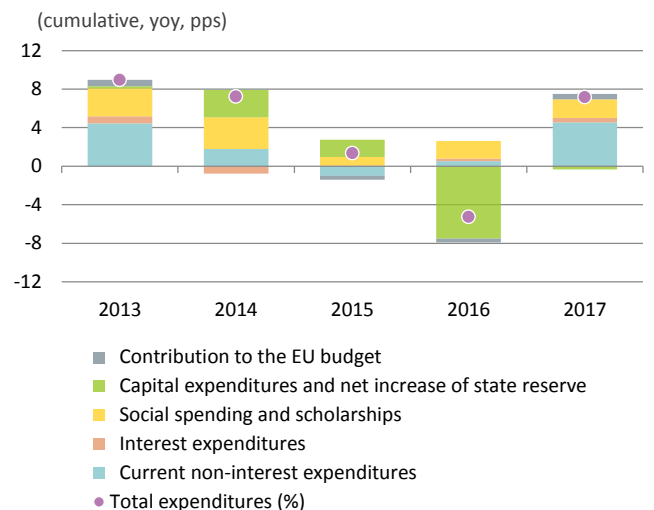
**The fiscal reserve** amounted to BGN 11.7 bn (12% of projected GDP) in July, of which BGN 10.8 bn in bank deposits and BGN 0.9 bn EU funds receivables on certified expenses. Compared to the same period of the previous year, the fiscal reserve decreased by 19.3%.

**General government debt**, incl. guaranteed debt, decreased to BGN 25.5 bn (26.2% of projected GDP) as at end-July, being 28.8% of GDP a year earlier. The latter was a result of the repaid principal on the EUR 950 mln Eurobonds that matured on 9 July 2017. Thus, the external debt-to-GDP ratio decreased from 20.7% to 17.5% in July. Domestic debt also shrank by 0.9 pps as a ratio-to-GDP compared to July 2016, while government guaranteed debt rose to 2.1% of GDP, being 0.6% of GDP a year earlier. ■

**Fig. 20: Contribution to the growth of total revenues and grants as at end-July**



**Fig. 21: Contribution to the growth of total expenditures as at end-July**





## KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data							
		2014	2015	2016	Q3'16	Q4'16	Q1'17	Q2'17	02'17	03'17	04'17	05'17	06'17	07'17	08'17	
<b>— GDP<sup>1</sup></b>																
Gross Domestic Product	% , yoy	1.3	3.6	3.4	3.2	3.5	3.9	4.2	-	-	-	-	-	-	-	
Consumption	% , yoy	2.2	3.8	1.8	1.6	3.8	6.8	4.1	-	-	-	-	-	-	-	
Gross fixed capital formation	% , yoy	3.4	2.7	-4.0	-6.9	-7.4	1.3	2.9	-	-	-	-	-	-	-	
Export	% , yoy	3.1	5.7	5.7	7.9	6.4	5.8	6.3	-	-	-	-	-	-	-	
Import	% , yoy	5.2	5.4	2.8	4.6	2.8	10.1	5.7	-	-	-	-	-	-	-	
Agriculture	% , yoy	4.8	-6.8	4.3	7.1	6.3	0.1	2.9	-	-	-	-	-	-	-	
Industry	% , yoy	0.3	4.2	2.0	1.6	2.5	2.9	4.6	-	-	-	-	-	-	-	
Services	% , yoy	1.7	3.3	3.1	2.3	3.8	5.5	3.7	-	-	-	-	-	-	-	
Adjustments	% , yoy	0.1	7.5	7.2	7.6	4.1	-1.9	5.0	-	-	-	-	-	-	-	
<b>— Short-term business statistics<sup>2</sup></b>																
Industrial production	% , yoy	1.8	2.9	2.7	2.9	4.1	3.9	4.8	3.2	6.5	0.6	11.1	3.3	4.1	-	
Industrial turnover	% , yoy	0.0	1.7	1.0	2.8	7.6	10.3	9.9	10.2	15.2	5.4	15.7	8.8	11.4	-	
Retail trade turnover	% , yoy	10.2	11.8	3.9	3.7	3.6	4.7	3.4	3.2	6.3	1.3	6.3	2.7	2.3	-	
Construction output	% , yoy	7.0	11.2	-16.7	-18.1	-15.3	0.1	6.4	-3.0	5.3	-2.2	13.9	7.8	8.7	-	
Total business climate	balance	15.9	20.3	22.5	23.7	22.7	24.3	28.7	23.2	26.1	26.8	30.0	29.3	27.9	28.4	
Industry	balance	18.2	22.9	23.5	24.6	23.1	26.5	27.7	25.5	27.6	27.2	28.5	27.3	28.6	26.4	
Retail trade	balance	24.0	27.6	33.6	36.5	34.6	32.1	39.4	30.9	33.3	35.4	41.0	41.7	38.8	43.3	
Construction	balance	7.3	15.2	17.9	19.8	17.8	19.0	29.1	16.5	24.5	26.4	29.3	31.5	28.3	28.6	
Services	balance	11.7	12.7	13.8	12.8	14.7	17.4	19.6	17.7	17.4	17.7	22.4	18.7	15.4	17.3	
<b>— Labour market</b>																
Participation rate (15+)	level	54.1	54.1	53.3	53.6	52.7	53.7	55.8	-	-	-	-	-	-	-	
Employment rate (15+)	level	48.0	49.1	49.3	49.9	49.2	50.0	52.2	-	-	-	-	-	-	-	
Employment (SNA)	% , yoy	0.4	0.4	0.5	-1.0	0.6	1.2	0.9	-	-	-	-	-	-	-	
Unemployment rate (LFS)	level	11.4	9.1	7.6	7.0	6.7	6.9	6.3	-	-	-	-	-	-	-	
Unemployment rate (EA)	level	11.2	10.1	8.7	8.0	7.9	8.1	7.2	8.2	8.0	7.6	7.1	6.8	6.7	6.7	
Nominal wage	% , yoy	6.0	6.8	9.5	7.7	8.2	9.1	9.9	9.2	9.9	10.2	9.9	9.7	-	-	
Real wage <sup>3</sup>	% , yoy	7.7	8.0	11.0	8.9	9.1	8.3	8.4	8.2	8.8	8.4	8.3	8.5	-	-	
Labour productivity (GDP per employed)	% , yoy	1.0	3.3	2.9	4.2	2.9	2.6	3.2	-	-	-	-	-	-	-	
Real ULC (GDP)	% , yoy	4.1	0.1	-0.9	-3.0	-3.1	4.2	2.4	-	-	-	-	-	-	-	
Nominal ULC (GDP)	% , yoy	4.6	2.3	0.2	-0.3	-2.0	4.9	6.5	-	-	-	-	-	-	-	
<b>— Prices</b>																
National consumer price index (CPI)	% , yoy	-1.4	-0.1	-0.8	-0.3	-0.3	1.7	2.3	1.7	1.9	2.6	2.3	1.9	1.3	1.4	
Harmonized index of consumer prices (HICP)	% , yoy	-1.6	-1.1	-1.3	-1.1	-0.8	0.2	1.5	0.9	1.0	1.7	1.4	1.1	0.6	0.7	
PPI, domestic market	% , yoy	-0.9	-1.6	-2.9	-3.0	-0.5	2.3	3.4	2.9	2.1	3.9	3.5	2.7	5.3	-	
PPI, non-domestic market	% , yoy	-1.8	-2.4	-3.5	-3.1	2.8	9.6	5.6	11.9	8.0	8.4	4.6	3.7	3.5	-	
<b>— Consolidated fiscal program (cumulative)</b>																
Revenues and grants	mIn BGN	29 409	32 200	33 953	25 652	33 956	8 838	17 483	5 732	8 837	12 017	14 716	17 482	20 478	-	
Total expenses	mIn BGN	32 482	34 685	32 481	22 290	32 491	7 781	15 737	4 900	7 779	10 426	13 033	15 735	18 506	-	
Contribution to EU budget	mIn BGN	955	946	859	612	859	214	488	154	214	286	364	488	560	-	
Cash deficit (-) / surplus (+)	mIn BGN	-3 073	-2 485	1 473	3 363	1 465	1 058	1 746	832	1 058	1 591	1 683	1 747	1 972	-	
	% of GDP	-3.7	-2.8	1.6	3.6	1.6	1.1	1.8	0.9	1.1	1.6	1.7	1.8	2.0	-	
Government debt (incl. guaranteed debt)	mIn BGN	22 753	23 300	27 424	26 417	27 424	26 886	27 212	26 739	26 886	26 911	27 028	27 212	25 492	-	
	% of GDP	27.2	26.3	29.6	28.5	29.6	27.7	28.0	27.5	27.7	27.7	27.8	28.0	26.2	-	
Fiscal reserve	mIn BGN	9 170	7 873	12 883	14 287	12 883	12 574	13 174	13 583	12 574	13 168	12 820	13 174	11 698	-	
	% , yoy	95.9	9.1	63.6	41.8	63.6	6.0	-6.8	53.3	6.0	6.9	-4.7	-6.8	-19.3	-	

		Annual data			Quarterly data				Monthly data						
		2014	2015	2016	Q3'16	Q4'16	Q1'17	Q2'17	02'17	03'17	04'17	05'17	06'17	07'17	08'17
<b>— Financial sector</b>															
BNB International reserves	mIn EUR	16 534	20 285	23 899	23 494	23 899	24 044	23 970	23 849	24 044	23 634	23 666	23 970	23 729	24 444
Monetary base coverage	%	165.1	144.3	163.4	176.2	163.4	163.0	168.4	165.1	163.0	167.5	166.6	168.4	162.4	160.3
Coverage of import with FX reserves	months	7.1	8.5	10.0	10.0	10.1	9.7	0.0	9.8	9.7	9.5	9.4	9.4	-	-
Coverage of short-term external debt	%	166.0	257.5	298.1	307.2	299.2	302.6	0.0	305.4	304.5	284.7	285.1	286.4	-	-
Money M1 (Narrow money)	%, yoy	15.1	15.6	13.5	14.6	13.5	17.7	0.0	14.7	17.7	16.4	16.9	15.2	14.6	-
Money M3 (Broad money)	%, yoy	1.1	8.8	7.6	8.7	7.6	8.5	0.0	7.3	8.5	7.6	8.0	7.0	6.9	-
Deposits	%, yoy	-0.5	8.2	6.7	7.8	6.7	7.6	0.0	6.2	7.6	6.8	7.1	6.0	6.0	-
Credit to private sector	%, yoy	-8.2	-1.2	1.5	-0.1	1.5	3.8	0.0	3.4	3.8	4.3	4.7	4.2	4.5	-
Credit to non-financial enterprises	%, yoy	-11.6	-1.7	0.3	-1.4	0.3	2.5	0.0	1.8	2.5	3.3	3.3	2.1	2.8	-
Credit to households	%, yoy	-1.6	-1.3	2.0	0.5	2.0	4.7	0.0	4.5	4.7	5.2	5.8	6.0	5.5	-
Interest rate on credits <sup>4</sup>	%	7.9	7.0	5.8	5.5	5.4	5.3	0.0	5.2	5.1	4.8	4.7	4.6	4.3	-
Interest rate on deposits <sup>5</sup>	%	2.6	1.3	0.8	0.7	0.6	0.5	0.0	0.4	0.5	0.3	0.4	0.4	0.3	-
Exchange rate BGN/USD	eop	1.61	1.79	1.86	1.75	1.86	1.83	1.71	1.85	1.83	1.79	1.74	1.71	1.67	1.65
	per. av.	1.47	1.76	1.77	1.75	1.81	1.84	1.74	1.84	1.83	1.82	1.77	1.74	1.70	1.66
<b>— Gross External Debt (GED)</b>															
Gross external debt	% of GDP	92.0	75.0	73.1	71.9	73.1	68.8	69.7	68.2	68.5	69.2	69.4	69.7	-	-
Short-term external debt	% of GED	25.3	23.1	23.1	22.4	23.1	23.2	24.2	23.0	23.2	24.2	24.1	24.2	-	-
Intercompany lending	% of GED	40.3	37.2	36.1	36.8	36.1	35.9	35.4	35.9	35.8	35.2	35.5	35.4	-	-
<b>— Balance of payments<sup>6</sup></b>															
Current account	mIn EUR	35	-61	1 989	1 509	-365	-28	662	270	-279	-55	237	481	-	-
<i>Current account (moving average)</i>	% of GDP	0.1	-0.1	4.2	3.1	4.2	3.5	3.6	4.5	3.7	3.7	4.2	3.8	-	-
Trade balance	mIn EUR	-2 777	-2 622	-1 845	-322	-687	-704	-464	-129	-383	-302	-137	-25	-	-
<i>Trade balance (moving average)</i>	% of GDP	-6.5	-5.8	-3.9	-4.6	-3.9	-4.4	-4.4	-4.3	-4.6	-5.0	-4.8	-4.6	-	-
Export, f.o.b.	mIn EUR	21 026	21 919	22 556	5 908	6 062	5 943	6 522	1 981	2 143	1 935	2 212	2 375	-	-
	%, yoy	-0.9	4.2	2.9	5.9	12.6	15.8	19.6	17.8	19.2	9.0	27.4	22.3	-	-
Import, f.o.b.	mIn EUR	23 803	18 678	24 400	6 230	6 749	6 648	6 986	2 110	2 526	2 236	2 350	2 400	-	-
	%, yoy	-1.4	-21.5	30.6	2.9	5.6	21.1	17.7	16.0	25.1	16.8	20.5	16.0	-	-
Capital account	mIn EUR	960	1 422	1 067	182	73	113	78	2	32	8	33	37	-	-
Financial account	mIn EUR	-2 090	-1 076	-764	192	-182	540	-217	-473	-50	-5	168	-380	-	-
Net Foreign Direct Investments	mIn EUR	-882	-2 388	-764	-162	331	-21	-251	-230	151	-3	-113	-135	-	-
Net Portfolio Investments	mIn EUR	1 871	44	2 198	539	632	-29	349	-216	40	183	57	108	-	-
Other Investments – net	mIn EUR	2 170	-4 510	1 523	-378	479	9	392	-94	-359	603	149	-360	-	-
Change in BNB reserve assets	mIn EUR	1 807	3 730	3 467	1 061	576	77	96	612	238	-379	94	381	-	-

## 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 92 634.7 mln and MF projections for 2017 – BGN 97 155.7 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 September 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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