

BULGARIAN ECONOMY

Monthly Report

1/2018

Ministry of Finance of the Republic of Bulgaria • Economic and Financial Policy Directorate

ISSN 2367-5020

Main topics:

- » Short-term Business Statistics
- » Labour Market and Incomes
- » Inflation
- » External Sector
- » Financial sector
- » Fiscal Developments
- » Tabl. Key Economic Indicators

Highlights

According to NSI flash estimates, **GDP** increased by 3.6% yoy s.a. in Q4 2017. Final consumption, up by 4.7%, and gross fixed capital formation, up by 3.2%, were the main growth drivers. Export increased by 2% but was surpassed by import, up by 9.4%.

The performance of **short-term business statistics** indicators continued to be somewhat mixed. Retail trade increased by 4% yoy in December, while industrial turnover growth decelerated and industrial and construction output posted decreases. Meanwhile, the **overall business climate** improved by 2.6 points in January due to better assessments in all sectors. The **consumer confidence** also increased by 2.4 points due to improved expectations both for the financial situation of households and the general economic situation in the country.

The **unemployment rate** went down to 5.6% in Q4 2017, as both short-term and long-term unemployed decreased, proving not only the cyclical but also the structural improvement in the labour market. The **la-**

bour force (15-64) went up by 3.9% yoy in Q4 on the back of decrease of discouraged people and activation of other previously inactive groups.

The **average wage** growth accelerated to 10.6% yoy in nominal terms in the last quarter of the year. The HICP deflated real wage growth reached 8.8% yoy.

According to preliminary data, **consumer prices** posted a 0.2% increase in January over the previous month. The **annual inflation rate** decelerated further to 1.3% yoy in January owing to the narrowing contribution of food products.

After six consecutive months of surpluses, the **current account** balance turned negative in November 2017 at EUR 155.2 mln (0.3% of projected GDP). Trade balances in goods and in services worsened over the previous month as well as over the same month of 2016.

Growth of **credit to the private sector** accelerated to 4.8% yoy in December. **Weighted average interest rate on credits** to non-financial corporations climbed for a second consecutive month, up by 20 bps in December, while the **weighted average interest rate on time deposits** stood close to its level in the previous month.

The surplus on the consolidated fiscal program at the end of 2017 accounted for BGN 0.8 bn (0.8% of projected GDP) according to preliminary monthly data on a cash basis. The positive fiscal outcome resulted from higher revenues over expenditure both on the national budget and on the EU funds account on the amount respectively of 0.3% of GDP and 0.5% of GDP. **Total government debt**, incl. guaranteed debt, decreased significantly on a year earlier to BGN 25.5 bn (25.6% of projected GDP), being 29.1% of GDP in December 2016.



SHORT-TERM BUSINESS STATISTICS

The growth of **industrial turnover** decelerated to 2.4% yoy in December due to weaker performance of both foreign and domestic industrial sales (fig. 1). Despite the upward trend in *manufacture of basic metals* which has the largest share in foreign markets sales, the later reported an increase of 3.9% yoy, down from 13.9% yoy growth a month earlier. The slowdown was driven by lower contribution of *energy products* and a decline in *investment products* and *consumer non-durables*. The growth of domestic turnover also slowed down to 1.3% (8.7% yoy in November) due to the unfavourable development of *energy* and *investment products* and *intermediate goods*. At the same time, *consumer non-durables* followed an upward trend with *manufacture of food products* being the major contributor for the reported increase in domestic sales.

Meanwhile, **industrial production** decreased by 1% yoy in December for the first time since July 2016. The slump in *manufacture of fabricated metal products, except machinery and equipment* was the major drag on industrial activity.

Construction production index also decreased by 8.9% yoy in December (fig. 2). Both *building construction* and *civil engineering* contributed to the reported decline, down by 5.3% and 13.1%, respectively.

Retail trade increased by 4% yoy in December. *Retail sales in non-specialised stores* posted the largest increase, up by 11.9%, followed by *retail sales of food, beverages and tobacco*, up by 8.7%. At the same time, *retail trade of automotive fuels* continued to decline, down by 12.3% yoy.

In January 2018, the **overall business climate indicator** increased by 2.6 points due to improved assessments in all sectors (fig. 3 and 4). The expectations in services both for the business situation of the enterprises and for the demand in the next months were favourable. Expectations for the construction activity also improved and those for the industrial production were optimistic. The average capacity utilization

Fig.1: Industrial turnover by components

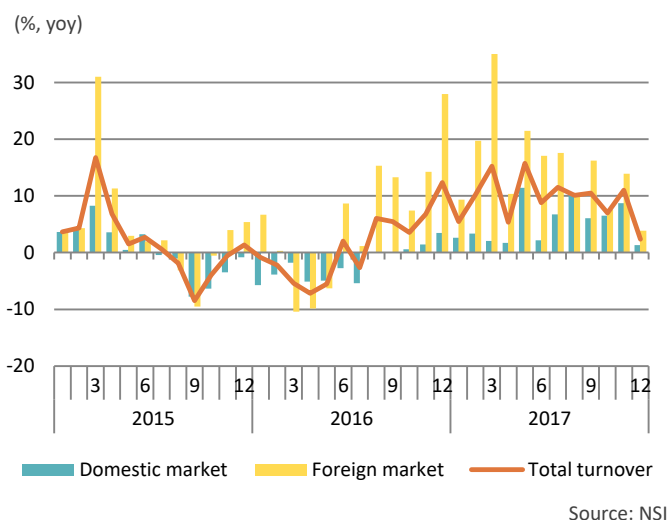


Fig. 2: Construction production index

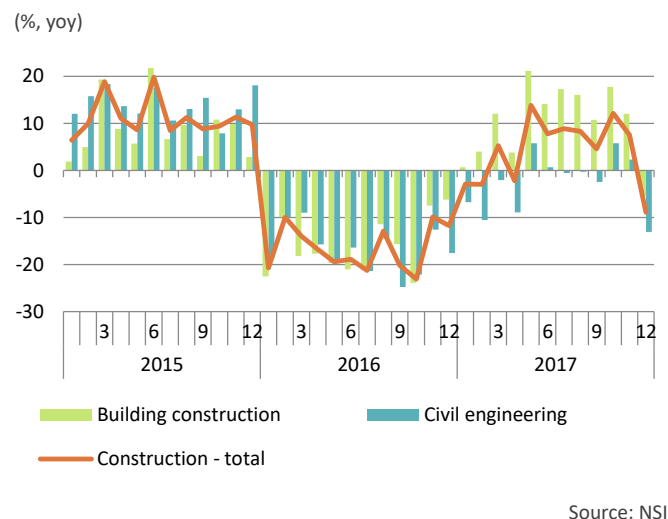
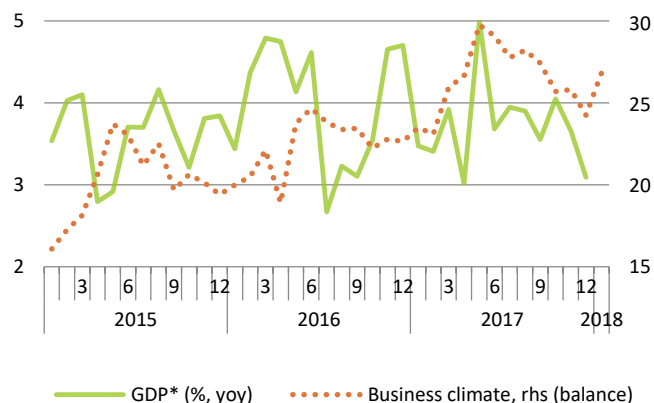


Fig. 3: Business climate and GDP



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

Source: NSI, MF

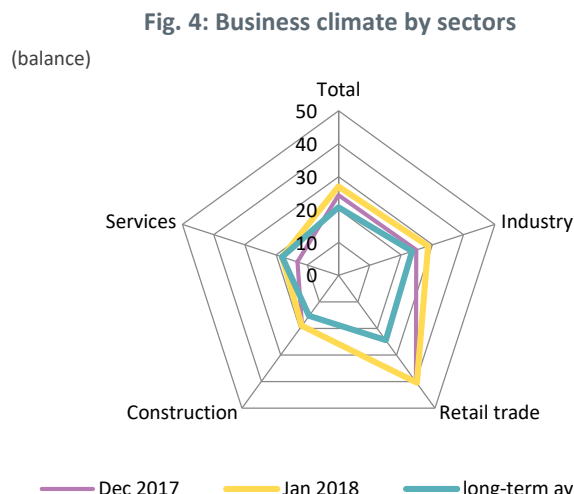
reached 76.8% which is a record high. At the same time, the share of respondents in industry who declare problems with labour shortage increased to 32.3%. According to the respondents in retail trade there has been an increase in sales in the last three months but their expectations for next months were more reserved.

The **consumer confidence indicator** also increased by 2.4 points in January due to improved expectations both for the financial situation of households and the general economic situation in the country (fig. 5). Respondents expect increase in the prices over the next 12 months.

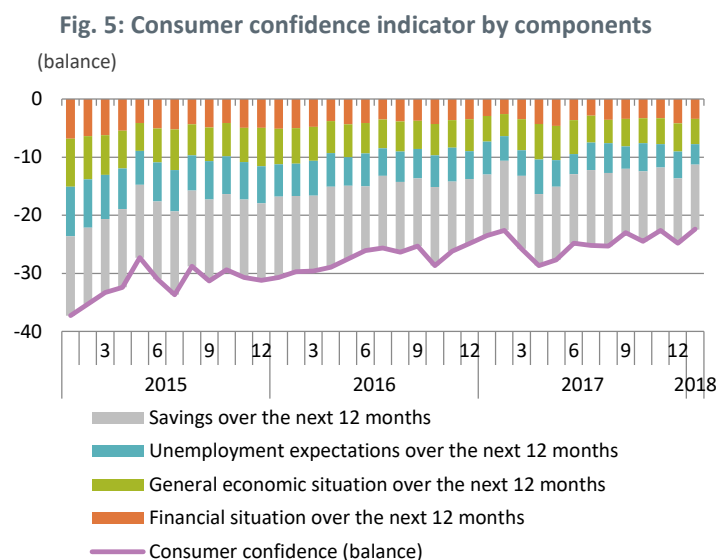
LABOUR MARKET

The labour force participation continued to increase in Q4'17 together with a further decrease in the unemployment rate. According to the LFS data, **the participation rate** (15-64) in the last quarter posted a seasonal decrease over the previous quarter to 71.6%, but the high levels achieved during the year supported the continuing upward trend in yoy terms. In line with the higher labour demand in the country, the labour force (15-64) increase of almost 4% yoy (123.3 thousand people) in Q4 provided about 83% of the employment growth¹. In the context of the decreasing population, the labour force increase came on the account of a decrease in the pool of inactive persons. In Q4, the number of discouraged, of whom 97.7% were at working-age, reached its historic low at 101.7 thousand for the whole period of conducting the LFS. However, its decrease of about 62 thousand persons on a year earlier could explain only half of the reported labour force increase. The latter evidenced the activation of other previously inactive groups, as well.

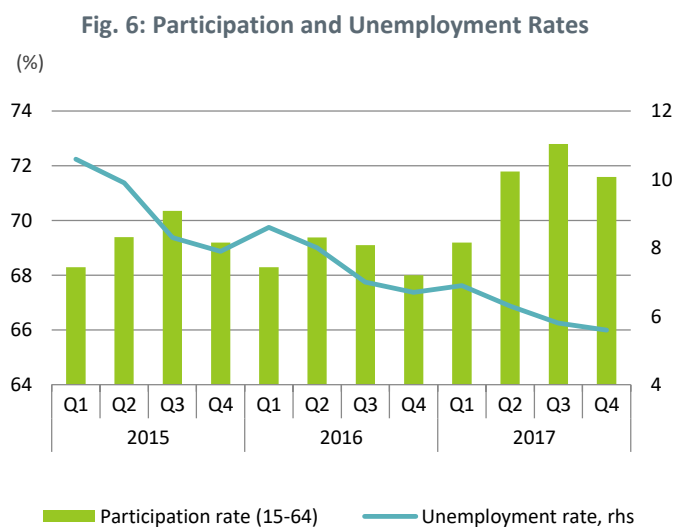
In Q4 the **unemployment rate** went down to 5.6% almost approaching its lowest levels as of mid-2008 or just before the start of the economic crisis. This corresponded to a number of unemployed of 189.3 thou-



Source: NSI



Source: Eurostat



Source: NSI

¹ According to the LFS, the number of employed in Q4 2017 went up by 5.1% yoy in the age group 15-64 and by 5.6% in the age group 15 and over.

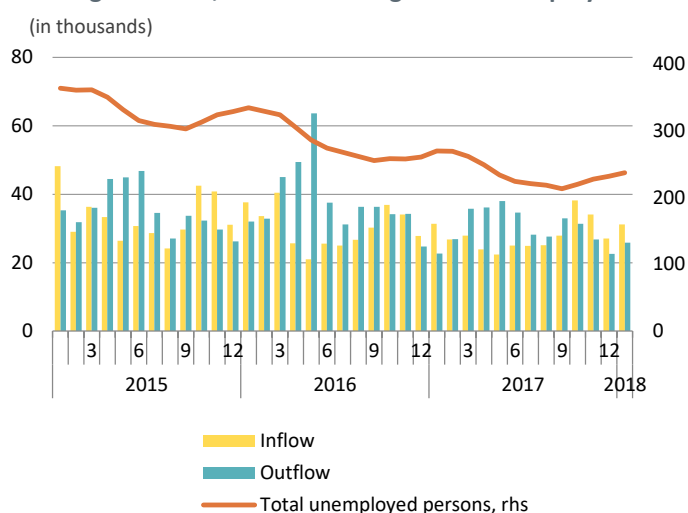
sand, as both short-term and long-term unemployed made a decrease, to 84.1 and 105.2 thousand, respectively. That came to prove not only the cyclical but also the structural improvement in the labour market (fig. 6).

In January 2018, the **registered unemployment** made a seasonal increase compared to the end of 2017 but declined by 1 pp over a year earlier (fig. 7). Regardless of the traditionally weak labour market dynamics in the beginning of the year, the number of people who started working rose to 17.1 thousand, from 12.7 thousand in December 2017. The positive dynamics was driven by both people who found jobs in the primary labour market and those who participated in the active labour market programmes and measures. The unemployment inflow also increased but its number stayed slightly below that in January 2017. The downward trend of the unemployment rate in the beginning of 2018 yoy and the improved expectations of consumers about unemployment during the next 12 months would support these favourable dynamics to continue in the near term.

In Q4 2017 the country's **average wage** growth accelerated to 10.6% yoy in nominal terms, from 8.2% yoy in Q4 2016, while it remained relatively close to its Q3 2017 level (10.2% yoy). Along with the upward trend in consumer prices since the beginning of the year, the HICP deflated real wage growth reached 8.8% yoy in Q4 2017. The latter slightly slowed down by 0.4 pps over the previous quarter, thus supporting the purchasing power of incomes.

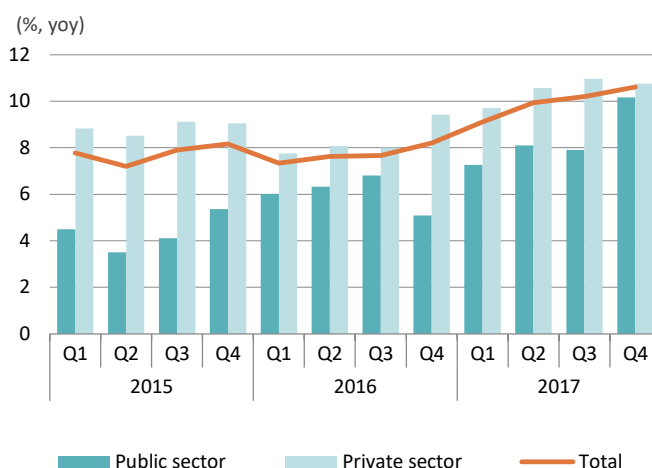
Private sector was the main driver behind the upward wage dynamics in the whole economy (up by 10.8% yoy), however public sector wages also speeded up to 10.2% yoy. The latter was due to education, where the average wage growth amounted to 18.5% yoy, up from 12.0% yoy in Q3 and 1.9% yoy in the same period of the previous year. In the private sector, most of the activities where demand of the labour was the highest reported the strongest wage increases such as industry excluding construction, administrative and subsidiary activities (14.4%) and professional activities and research (11.6%). In contrast, the substantial increase

Fig. 7: Inflow, outflow and registered unemployed



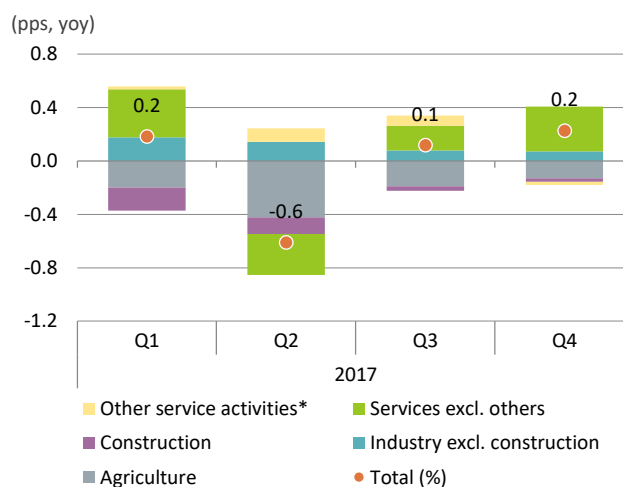
Source: EA

Fig. 8: Nominal wage growth by sectors



Source: NSI, MF

Fig. 9: Contributions to employees' dynamics by economic activities



* Other service activities: Public administration and defense; compulsory social security; Education; Human health and social work activities; Arts, entertainment and recreation

Source: NSI

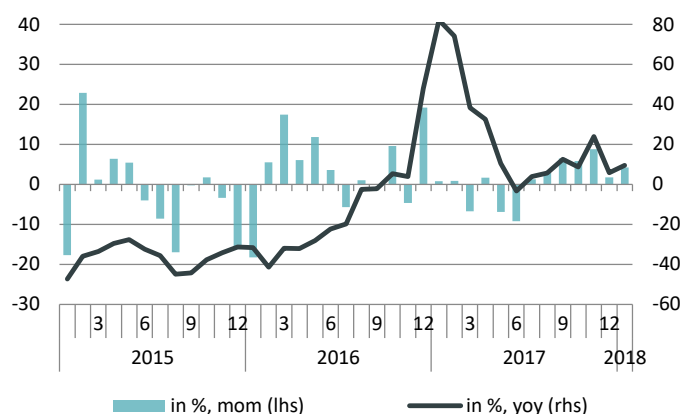
in the number of employees in information and communications, hotels and restaurants and transport did not influence significantly the overall wage growth. Despite the observed acceleration on a year earlier, wage dynamics (up to 8.9% yoy, 7.8% and 10.5% respectively) in these three activities lagged behind or remained close to the national average, thus their contribution was relatively lower (fig. 9).

INFLATION DYNAMICS

According to preliminary data, **consumer prices** posted a 0.2% increase in January over the previous month. Food prices, up by 0.6% mom, had the largest contribution to the monthly increase in the total HICP, followed by market services, up by 0.4%² mom on average. Prices of fresh fruits and vegetables went up by 2.2% and 5.3%, respectively, and largely accounted for the change in food prices. On the other hand, rates for accommodation services rose by 2.7% mom with the start of the high winter season, while prices for package holidays went up by 2.9% mom. Meanwhile, international airfares decreased by 8.3% during the month. Prices for transport fuels also rose in January, up by 0.4%. International crude oil prices in dollar terms continued on the increase (fig. 10) supported by growing global demand and an extension of production cuts among key oil producers, but this was partially offset by the reported 3% monthly depreciation of the USD against the euro. Prices of cigarettes also increased by 0.4% during the month with the new excise duties entering into force as of the beginning of 2018. Administered prices raised by a marginal 0.1% mom³, with hikes for sewerage collection, up by 3.4%, central gas supply, up by 2.4%, and water supply, up 1.6%. Only prices for consumer goods posted a decrease during the month largely on the account of lower prices for clothing and footwear, down by 3.1% (-0.11 pps).

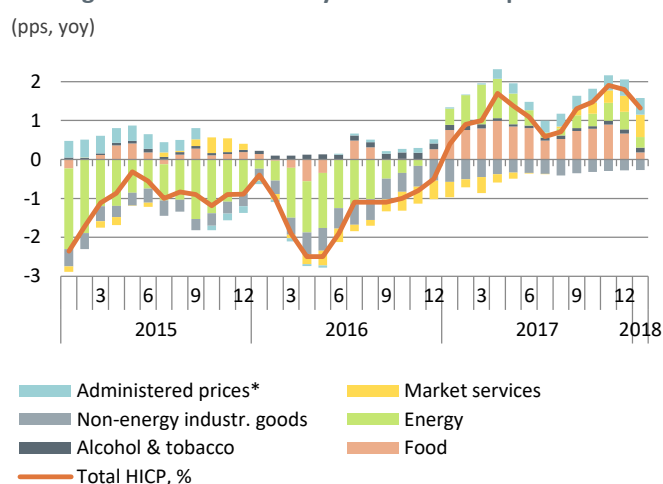
The **annual inflation rate** decelerated further to 1.3% yoy in January (fig. 11) owing to the narrowing contri-

Fig. 10: International prices of Brent in euro



Source: World bank, MF

Fig. 11: 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

² Excluding administered prices' changes.

³ The index of administered prices is calculated as a weighted average of all elementary aggregate groups.

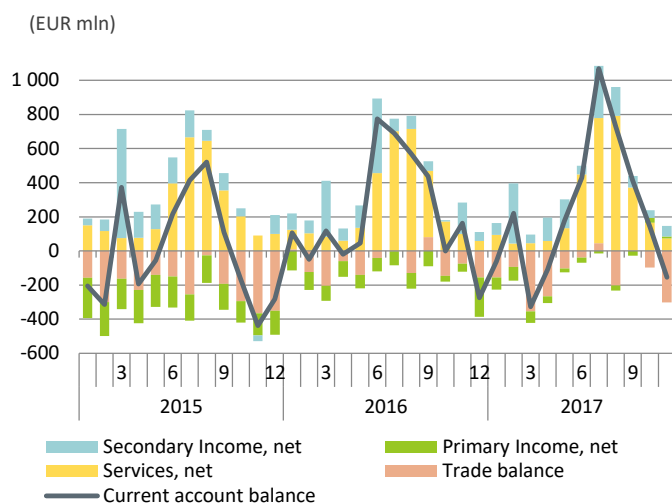
bution of food products for the change in the headline rate. Prices for vegetables plunged 14.8% compared to the same month a year earlier and largely accounted for the latter (-0.39 pps). Meanwhile, the increase in services prices accelerated, thus core inflation⁴ gained momentum at 1.2% yoy in January.

EXTERNAL SECTOR

After six consecutive months of surpluses, the **current account balance** turned negative in November at EUR 155.2 mln (0.3% of projected GDP). *Trade balances* in goods and in services worsened over both the previous month and the same month of the previous year. Goods deficit increased, as import surpassed export by EUR 301.6 mln. *Services surplus* stood at EUR 72.6 mln, formed by positive balances on travel, ICT, consultancy and trade related services. Repayment of investment income to foreigners kept declining on a monthly and an annual basis in November and led to a *primary income surplus* for a second consecutive month. It is also the second month since November 2010 that a positive balance is recorded on primary income. The accumulated current account surplus since the beginning of 2017 reached EUR 2.5 bn (5% of projected GDP) (fig. 12). There were no significant changes in the assets and liabilities sides of the financial sub-accounts in the month. The balance for the nine-month period stood at EUR 3.4 bn, formed mainly by the increase in assets held abroad in October.

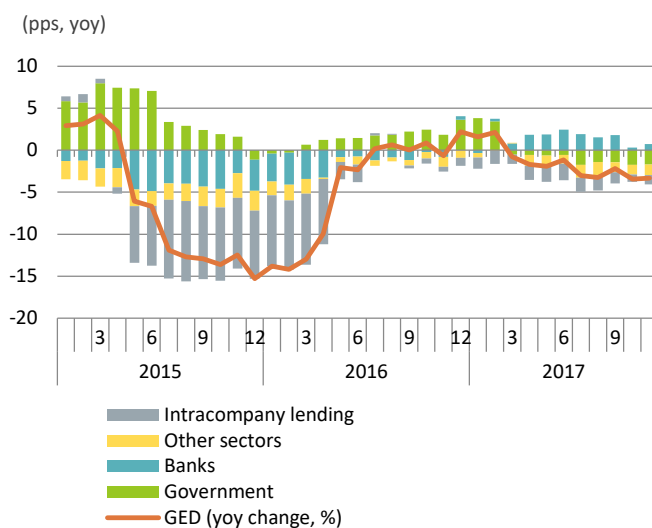
Gross external debt edged down to 63.6% of projected GDP as at the end of November (fig. 13). Indebtedness of all institutional sectors, except for banks, both over the previous month and the same month of 2016. The small increase in banks' debt was due to slightly higher short-term liabilities. **Net external debt** came negative at 3.6% of projected GDP, indicating higher assets than liabilities.

Fig. 12: Current account components



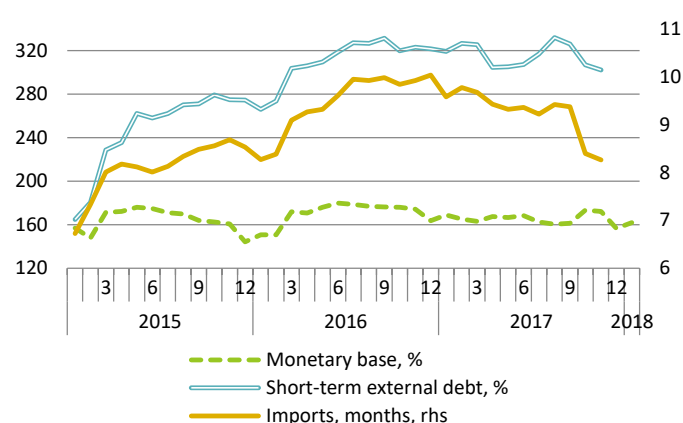
Source: BNB

Fig. 13: Contributions to GED growth



Source: BNB

Fig. 14: Coverage with FX Reserves



Source: BNB, MF

⁴ The total index excluding energy and unprocessed food.

FINANCIAL SECTOR

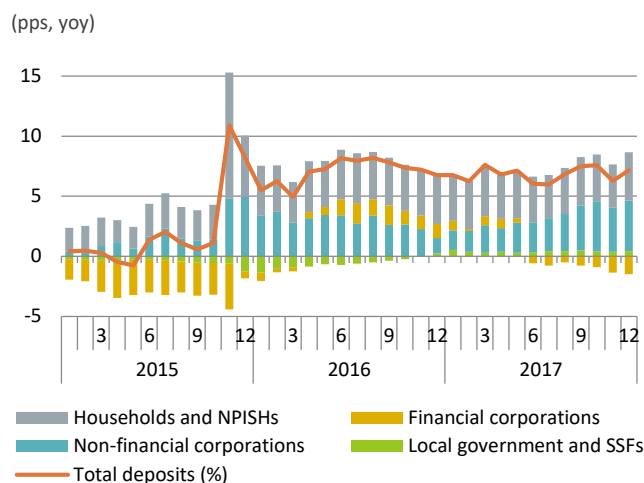
International reserves shrank by 5.9% mom in January to reach EUR 22.3 bn (fig. 14). Bank reserves were the main reason for the reported decline after falling by 15% compared to end-December. Currency in circulation contributed negatively as well, down by 3.9% mom, due to seasonally lower demand for liquidity in the beginning of the year. The monthly drop led to a faster international reserves decrease on annual basis which reached 3.7% as at end-January. Government deposit and bank reserves were the main drivers (down by 15.4% and 9.8% yoy respectively), offsetting the 10.4% annual growth of currency in circulation.

Credit to the private sector accelerated to 4.8% yoy growth in December vs. annual growth of 4.2% at-end November (fig. 17). Corporate loans accelerated slightly, as well. At the end of the 2017 they increased by 1.7% yoy vs. 1.3% yoy a month earlier. The growth of loans to households slowed down to 6% yoy at end-December (vs. 6.4% at end-November). This was due to consumer and other loans which grew by 5.8% yoy and 15% yoy, respectively vs. 6.7% yoy and 24% yoy a month earlier. Meanwhile, mortgages kept expanding, up by 7.4% yoy vs. 6.8% yoy in November. Bad and restructured credits continued to decelerate in December, down by 15.3% yoy. At the same time, their share in total credits to non-financial corporations and households narrowed to 13% at the end of 2017 vs. 15.9% a year earlier.

Weighted average interest rate on credits to non-financial corporations increased for a second consecutive month, up by 20 bps in December (table 1). The increase was supported by higher rates on corporate credits in all currency denominations, incl. in USD. The monthly volume of new corporate loans was 24.6% higher compared to a month earlier. The average price of consumer loans increased as well, up by 69 bps, while mortgages continued their downward trend and declined further by 13 bps compared to November.

Weighted average interest rate on time deposits in December 2017 stood close to its level in the previous

Fig. 15: Contributions to annual growth of total deposits by institutional sectors



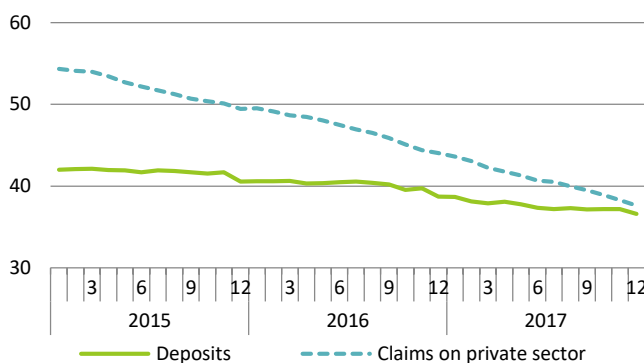
Source: BNB

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

	December 2016	November 2017	December 2017
Non-financial companies	4.05	3.38	3.58
Consumer credits	9.03	8.09	8.78
Mortgages	4.33	3.82	3.69

Source: BNB, MF

Fig. 16: Share of deposits and claims on private sector in FX (% of total)



Source: BNB, MF

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

	December 2016	November 2017	December 2017
Consumer credits	11.34	10.45	11.54
Mortgages	4.80	4.22	4.04

* 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

month. The return on BGN and EUR was marginally up by less than 1 bp, while that on USD stood almost unchanged. By type of holder, the price of new corporate time deposits continued to decline, down by 6 bps compared to November, while that of households was higher by 3 bps. The total monthly volume of new time deposits in December reached BGN 1.07 bn, down by 17.8% compared to a year earlier (table 3).

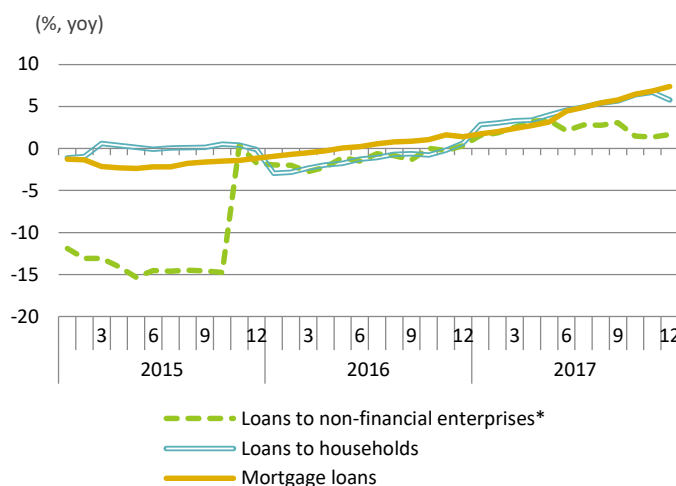
FISCAL DEVELOPMENTS

The surplus on the consolidated fiscal program at the end of 2017 accounted for 0.8 bn (0.8% of GDP) according to preliminary monthly data on a cash basis. The positive fiscal outcome resulted from higher revenues over expenditure both on the national budget and on the EU funds account on the amount of 0.3% and 0.5% of GDP, respectively.

Total revenues and grants amounted to BGN 35.3 bn, up by 4% compared to December 2016. The drop in grants that started in April 2016 persisted in the entire 2017 as well (down 47.6% yoy in cumulative terms compared to December 2016). Nevertheless, the rise of tax and non-tax revenues was robust enough to offset the negative contribution of EU funds. Total tax revenues increased by 10% yoy, mainly as a result of higher social and health insurance contributions and indirect tax revenues, up by 14.3% and 7.2% yoy respectively. The former was a result of higher VAT receipts and excises, up by 9% and 3.7% yoy, respectively. Direct tax revenues also increased considerably – up by 12.1% compared to December 2016 (fig. 18).

Total government spending posted a 6.1% yoy increase and amounted to BGN 34.5 bn. The growth came mainly on the account of higher personnel payments (up 26.1% yoy), social expenditures and scholarships (up 4.6% yoy) and subsidies (up 20.4% yoy). A drop of 13.8% was reported by current maintenance. Capital spending (including the net increase of state reserve) also remained lower (2.7%) than its previous year level (fig. 19).

Fig. 17: 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".

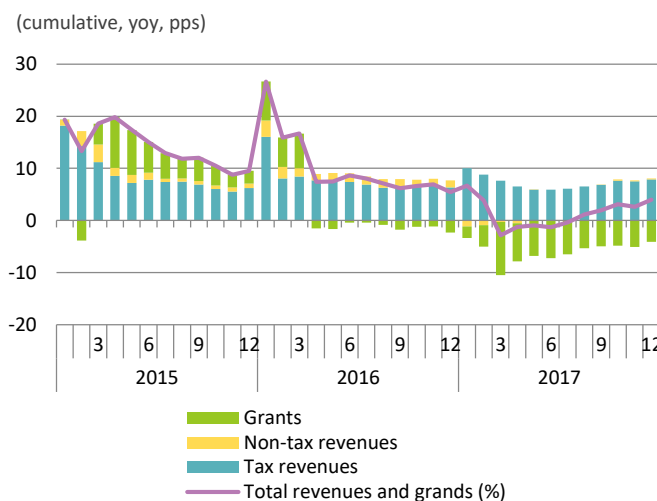
Source: BNB, MF

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

	December 2016	November 2017	December 2017
BGN	0.51	0.22	0.23
EUR	0.47	0.20	0.21
USD	0.43	0.36	0.36

Source: BNB, MF

Fig. 18: Contribution to the growth of total revenues and grants

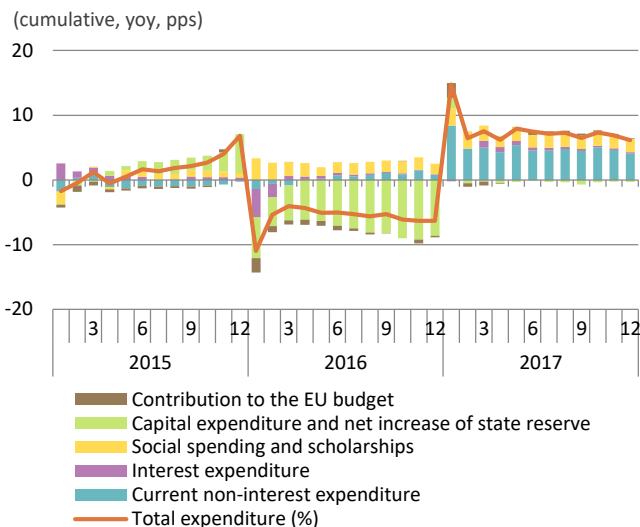


Source: MF

The fiscal reserve amounted to BGN 10.3 bn (10.3% of projected GDP) in December, of which BGN 9.8 bn in bank deposits and BGN 0.5 bn EU funds receivables on certified expenses. The fiscal reserve decreased by 20.1% yoy.

Total government debt, incl. guaranteed debt, decreased significantly since December 2016 to BGN 25.5 bn (25.6% of projected GDP), being 29.1% of GDP a year earlier. Domestic and external debt stood at 6.7% and 16.9% of GDP, respectively, down from 7.1% and 20.2% of GDP in the previous year. Government guaranteed debt-to-GDP ratio was 2% at end-December, being 1.8% a year earlier.

Fig. 19: Contribution to the growth of total expenditures



Source: MF



KEY ECONOMIC INDICATORS

		Annual data			Quarterly data				Monthly data						
		2015	2016	2017	Q1'17	Q2'17	Q3'17	Q4'17	07'17	08'17	09'17	10'17	11'17	12'17	01'18
— GDP¹															
Gross Domestic Product	% , yoy	3.6	3.9	-	3.6	3.9	3.8	-	-	-	-	-	-	-	-
Consumption	% , yoy	3.8	3.3	-	4.2	4.7	4.2	-	-	-	-	-	-	-	-
Gross fixed capital formation	% , yoy	2.7	-6.6	-	2.4	4.0	4.2	-	-	-	-	-	-	-	-
Export	% , yoy	5.7	8.1	-	6.1	3.6	4.6	-	-	-	-	-	-	-	-
Import	% , yoy	5.4	4.5	-	9.1	6.2	5.4	-	-	-	-	-	-	-	-
Agriculture	% , yoy	-6.8	5.3	-	-0.1	0.0	-1.5	-	-	-	-	-	-	-	-
Industry	% , yoy	4.2	4.0	-	3.7	4.1	3.5	-	-	-	-	-	-	-	-
Services	% , yoy	3.3	3.1	-	5.4	4.3	3.6	-	-	-	-	-	-	-	-
Adjustments	% , yoy	7.5	7.2	-	-4.0	2.7	9.0	-	-	-	-	-	-	-	-
— Short-term business statistics²															
Industrial production	% , yoy	2.9	2.7	3.5	3.9	4.8	3.5	1.8	4.6	4.1	1.9	4.4	2.1	-1.0	-
Industrial turnover	% , yoy	1.7	1.0	9.3	10.3	9.9	10.7	6.7	11.5	10.1	10.5	7.0	11.0	2.4	-
Retail trade turnover	% , yoy	11.8	3.9	3.6	4.7	3.4	2.5	4.0	2.3	3.2	2.0	3.8	4.1	4.0	-
Construction output	% , yoy	11.2	-16.7	4.5	0.1	6.4	7.3	3.9	8.9	8.3	4.6	12.2	7.6	-8.9	-
Total business climate	balance	20.3	22.5	26.6	24.3	28.7	28.0	25.4	27.9	28.4	27.6	25.8	26.0	24.4	27.0
Industry	balance	22.9	23.5	26.9	26.5	27.7	27.8	25.7	28.6	26.4	28.3	25.5	26.7	24.8	28.6
Retail trade	balance	27.6	33.6	37.9	32.1	39.4	40.6	39.5	38.8	43.3	39.8	38.7	39.7	40.1	40.5
Construction	balance	15.2	17.9	24.6	19.0	29.1	27.9	22.2	28.3	28.6	26.8	25.2	22.5	19.0	19.1
Services	balance	12.7	13.8	16.7	17.4	19.6	15.8	13.8	15.4	17.3	14.8	14.2	14.1	13.2	18.1
— Labour market															
Participation rate (15+)	level	54.1	53.3	-	53.7	55.8	56.5	55.5	-	-	-	-	-	-	-
Employment rate (15+)	level	49.1	49.3	-	50.0	52.2	53.2	52.3	-	-	-	-	-	-	-
Employment (SNA)	% , yoy	0.4	0.5	-	1.2	0.9	2.7	-	-	-	-	-	-	-	-
Unemployment rate (LFS)	level	9.1	7.6	-	6.9	6.3	5.8	5.6	-	-	-	-	-	-	-
Unemployment rate (EA)	level	10.1	8.7	7.2	8.1	7.2	6.6	6.9	6.7	6.7	6.5	6.7	6.9	7.1	7.2
Nominal wage	% , yoy	6.8	8.0	-	9.1	9.9	10.2	10.6	9.7	9.2	11.5	10.4	10.7	11.0	-
Real wage ³	% , yoy	8.0	9.5	-	8.3	8.4	9.2	8.8	9.1	8.4	10.1	8.8	8.6	9.0	-
Labour productivity (GDP per employed)	% , yoy	3.3	3.4	-	2.4	2.9	1.1	-	-	-	-	-	-	-	-
Real ULC (GDP)	% , yoy	0.1	0.1	-	3.1	1.6	5.8	-	-	-	-	-	-	-	-
Nominal ULC (GDP)	% , yoy	2.3	2.3	-	2.6	4.1	7.5	-	-	-	-	-	-	-	-
— Prices															
National consumer price index (CPI)	% , yoy	-0.1	-0.8	2.1	1.7	2.3	1.6	2.7	1.3	1.4	2.1	2.5	3.0	2.8	1.8
Harmonized index of consumer prices (HICP)	% , yoy	-1.1	-1.3	1.2	0.8	1.4	0.9	1.7	0.6	0.7	1.3	1.5	1.9	1.8	1.3
PPI, domestic market	% , yoy	-1.6	-2.9	4.2	2.3	3.4	5.7	5.5	5.3	5.9	6.0	5.5	5.8	5.1	-
PPI, non-domestic market	% , yoy	-2.4	-3.5	6.0	9.6	5.6	4.8	4.6	3.5	5.5	5.3	5.8	5.6	2.3	-
— Consolidated fiscal program (cumulative)															
Revenues and grants	mIn BGN	32 200	33 953	-	8 838	17 483	26 152	-	20 478	23 285	26 151	29 167	31 903	35 315	-
Total expenses	mIn BGN	34 685	32 481	-	7 781	15 737	23 732	-	18 506	21 133	23 731	26 673	29 518	34 470	-
Contribution to EU budget	mIn BGN	946	859	-	214	488	677	-	560	607	677	746	816	888	-
Cash deficit (-) / surplus (+)	mIn BGN	-2 485	1 473	-	1 058	1 746	2 420	-	1 972	2 151	2 421	2 493	2 386	845	-
	% of GDP	-2.8	1.6	-	1.1	1.8	2.4	-	2.0	2.2	2.4	2.5	2.4	0.8	-
Government debt (incl. guaranteed debt)	mIn BGN	23 300	27 424	25 531	26 886	27 212	25 479	25 531	25 492	25 457	25 479	25 539	25 518	25 531	-
	% of GDP	26.3	29.1	25.6	27.0	27.3	25.6	25.6	25.6	25.6	25.6	25.6	25.6	25.6	-
Fiscal reserve	mIn BGN	7 873	12 883	10 289	12 574	13 174	11 867	10 289	11 698	11 632	11 867	12 013	11 916	10 289	-
	% , yoy	9.1	63.6	-20.1	6.0	-6.8	-16.9	-20.1	-19.3	-19.8	-16.9	-15.9	-16.8	-20.1	-

		Annual data			Quarterly data				Monthly data						
		2015	2016	2017	Q1'17	Q2'17	Q3'17	Q4'17	07'17	08'17	09'17	10'17	11'17	12'17	01'18
— Financial sector															
BNB International reserves	mIn EUR	20 285	23 899	23 662	24 044	23 970	24 551	23 662	23 729	24 444	24 551	22 230	22 198	23 662	22 264
Monetary base coverage	%	144.3	163.4	156.4	163.0	168.4	161.2	156.4	162.4	160.3	161.2	173.2	172.0	156.4	161.8
Coverage of import with FX reserves	months	8.5	10.0	-	9.7	9.4	9.4	-	9.2	9.4	9.4	8.4	8.3	-	-
Coverage of short-term external debt	%	257.5	298.1	-	302.6	307.1	326.0	-	316.8	331.7	326.0	306.9	302.2	-	-
Money M1 (Narrow money)	%, yoy	15.6	13.5	16.9	17.7	15.2	16.3	16.9	14.6	16.2	16.3	16.2	15.0	16.9	-
Money M3 (Broad money)	%, yoy	8.8	7.6	7.7	8.5	7.0	8.2	7.7	6.9	7.7	8.2	8.2	7.0	7.7	-
Deposits	%, yoy	8.2	6.7	7.2	7.6	6.0	7.5	7.2	6.0	6.8	7.5	7.6	6.3	7.2	-
Credit to private sector	%, yoy	-1.2	1.5	4.8	3.8	4.2	4.9	4.8	4.5	4.6	4.9	4.2	4.2	4.8	-
Credit to non-financial enterprises	%, yoy	-1.7	0.3	1.7	2.5	2.1	3.1	1.7	2.8	2.8	3.1	1.5	1.3	1.7	-
Credit to households	%, yoy	-1.3	2.0	6.0	4.7	6.0	5.9	6.0	5.5	5.7	5.9	6.3	6.4	6.0	-
Interest rate on credits ⁴	%	7.0	5.8	4.3	5.3	4.7	4.4	4.2	4.3	4.4	4.4	3.9	4.3	4.3	-
Interest rate on deposits ⁵	%	1.3	0.8	0.2	0.5	0.4	0.4	0.2	0.2	0.2	0.3	0.3	0.2	0.2	-
Exchange rate BGN/USD	eop	1.79	1.86	1.63	1.83	1.71	1.66	1.63	1.67	1.65	1.66	1.68	1.65	1.63	1.57
	per. av.	1.76	1.77	1.74	1.84	1.74	1.64	1.66	1.70	1.66	1.64	1.66	1.67	1.65	1.60
— Gross External Debt (GED)															
Gross external debt	% of GDP	75.0	73.1	-	65.8	66.1	64.4	-	64.7	64.3	64.4	63.7	63.6	-	-
Short-term external debt	% of GED	23.1	23.1	-	22.0	23.2	23.0	-	22.7	22.5	23.0	22.3	22.7	-	-
Intercompany lending	% of GED	37.2	36.1	-	36.5	35.8	36.8	-	36.6	36.9	36.8	37.3	37.3	-	-
— Balance of payments⁶															
Current account	mIn EUR	-61	1 989	-	-168	497	2 209	-	1 068	729	411	140	-155	-	-
<i>Current account (moving average)</i>	% of GDP	-0.1	4.2	-	4.6	3.9	4.9	-	4.5	4.8	4.8	5.0	4.4	-	-
Trade balance	mIn EUR	-2 622	-1 845	-	-602	-409	-154	-	46	-202	2	-97	-302	-	-
<i>Trade balance (moving average)</i>	% of GDP	-5.8	-3.9	-	-2.6	-2.9	-3.1	-	-2.7	-2.9	-3.0	-2.9	-3.4	-	-
Export, f.o.b.	mIn EUR	21 919	22 556	-	5 945	6 424	6 632	-	2 275	2 134	2 223	2 448	2 349	-	-
	%, yoy	4.2	2.9	-	16.3	14.4	9.0	-	11.0	7.7	8.4	15.7	9.4	-	-
Import, f.o.b.	mIn EUR	18 678	24 400	-	6 547	6 832	6 785	-	2 229	2 336	2 221	2 545	2 650	-	-
	%, yoy	-21.5	30.6	-	20.6	16.6	10.7	-	8.7	10.7	12.7	12.6	19.3	-	-
Capital account	mIn EUR	1 422	1 067	-	113	79	144	-	80	47	17	40	52	-	-
Financial account	mIn EUR	-1 076	-764	-	-546	237	1 356	-	1 020	101	235	2 421	-83	-	-
Net Foreign Direct Investments	mIn EUR	-2 388	-764	-	-231	-216	-76	-	2	-154	76	-73	-23	-	-
Net Portfolio Investments	mIn EUR	44	2 198	-	-29	348	-193	-	-369	12	163	507	16	-	-
Other Investments – net	mIn EUR	-4 510	1 523	-	78	301	255	-	205	-59	109	1 437	8	-	-
Change in BNB reserve assets	mIn EUR	3 730	3 467	-	77	96	597	-	-209	681	126	-2 339	-3	-	-

Notes:

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

1. Growth rates derived from chain-linked (2010) level series, not seasonally adjusted data;
2. Not seasonally adjusted data;
3. HICP deflated;
4. Weighted average interest rate on new credits to households, NPISHs and non-financial companies by type, currency and maturity;
5. Weighted average interest rate on new time deposits of households, NPISHs and non-financial companies by type, currency and maturity;
6. Analytical presentation (BPM6).

This issue of the Monthly Report on Bulgarian Economy is based on materials and statistical data received up to February 16, 2018. 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.

ISSN 2367-5020

© Ministry of Finance, 2018
Economic and Financial Policy Directorate

102, Rakovski Str., 1000 Sofia, Bulgaria
<http://www.minfin.bg/en/page/542>
e-mail: secretary.evp@minfin.bg