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All data in the edition are the last available data, published as of January, 2018

The quoted data set in this report are the last available data, published in the official source's web sites. The sources are Ministry of Finance, Bulgarian National Bank, National Statistic Institute, National Employment Agency, Bulgarian Industrial Association. The electronic system used for collecting the data from the official sources is CEIC Data Manager.

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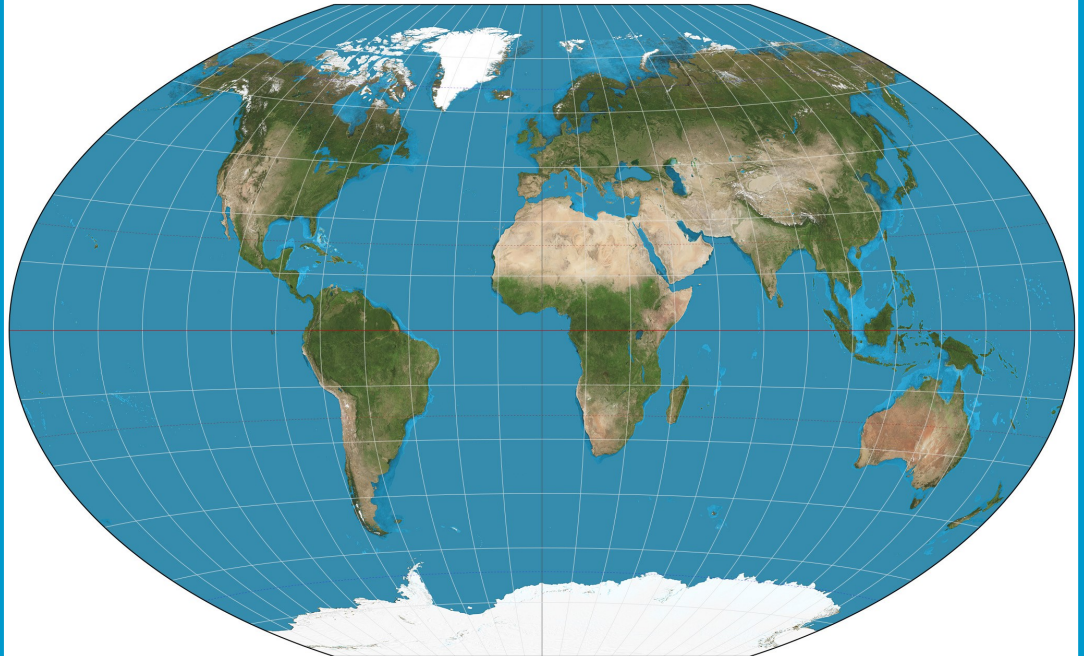
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Source: https://en.wikipedia.org/wiki/World_map

HIGHLIGHTS AND FORECASTS

MONTHLY ECONOMIC REPORT



January 2018

Sofia

- *The annual growth rate of euro area GDP is expected to remain unchanged at 2.6% in 2018. The inflation rate is expected to reach 1.4% in 2018*
- *In 2018, UK GDP growth is expected to continue to slow down in 2018 to 1.4% and inflation to reach 2%*
- *The annual growth rate in the US is expected to be 2.4% by the end of 2017 and 2.7% in 2018. Americans also expect inflation to be 2.8% next year, higher than 2.7% in December 2017*
- *For the fiscal year 2018, Japan's economy is expected to grow by 1.4%. The main CPI for 2018 is expected to grow by 1.4%*
- *In 2018, China's GDP is expected to grow by 6.5%*
- *At December 14, 2017 meeting the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.40% respectively. The Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases*
- *The Central Bank of England voted unanimously to keep the bank interest rate 0.5% on December 14th, as expected, after a 25% increase in the previous meeting*
- *The Federal Reserve expects tax legislation to boost growth, though the magnitude of the consequences remains unclear. Last month, the Federal Reserve raised the target range for the federal funds rate by a quarter to 1.25-1.5%, as expected*
- *The Japanese central bank maintained its main short-term interest rate of -0.1% at its January 2018 meeting, as expected*
- *China's National Bank raised interest rates for open market operations by 5 basis points. on December 14, 2017, after the decision of the Federal Reserve to tighten monetary policy*
- *Crude Oil increased 0.28 USD/BBL or 0.43% to USD 64.82 on January 24 from USD 64.47 in the previous trading session. Brent decreased 0.01 USD/BBL or 0.01% to USD 69.96*
- *Steel increased 28 Yuan/MT or 0.72% to 3,928 on January 24 from 3,900 in the previous trading session*
- *Wheat increased 3 USd/BU or 0.71% to 425.03 on January 24 from 421.50 in the previous trading session. According to Sofia Commodity Exchange data as of January 19, 2018 the price of wheat is BGN 310 per tonne, for maize BGN 300 per tonne and for oil sunflower BGN 580 per ton*

- *In January – November 2017 the current and capital account was positive amounting to EUR 2,949.7 million and presented 5.8% of GDP*
- *In January-November 2017 Bulgaria's FDI declined by 2.4% y/y to EUR 883.7 million and presented 1.7% of GDP*
- *In December 2017, the BNB's international reserves amounted to EUR 23.7 billion, increasing by 6.6% on a monthly basis, with a decline of 1% on an annual basis*
- *In December 2017, the total business climate indicator decreased by 1.6 pps to 24.4% compared to November. More unfavourable business climate is registered in industry, construction and service sector, while in retail trade preserves approximately its level from the previous month*
- *In November 2017 Bulgaria's Industrial production index increased by 0.3% m/m and by 1.7% y/y, respectively*
- *In November 2017 Bulgaria's retail sales increased by 0.3% m/m and by 3.8% y/y, respectively*
- *In November 2017 Bulgaria's construction production increased by 1.4% m/m and by 7.9% y/y, respectively*
- *In December 2017 Bulgaria's CPI increased by 0.4% m/m and 2.8% y/y, respectively. The annual average inflation was 2.1%*
- *In November 2017 Total Producer Price Index in Industry increased by 0.6% m/m and by 5.7% y/y, respectively*
- *In November 2017 Producer Price Index on Domestic Market increased by 0.5% m/m and by 5.8% y/y, respectively*
- *In November 2017 Producer Price Index on Non-domestic Market increased by 0.8% m/m and by 5.7% y/y, respectively*
- *In November 2017, the number of arrivals in all accommodation establishments increased by 7.4% compared to the same month of 2016 and reached 371.6 thousand, as an increase was registered by 9.5% for Bulgarians and by 2.1% for foreigners*
- *In November 2017 the number of the trips of Bulgarian residents abroad was 417.6 thousand and recorded an increase of 11.8% m/m. The number of arrivals of visitors from abroad to Bulgaria was 556.1 thousand or by 6.1% more in comparison with November 2016*
- *In December 2017, registered unemployment in Bulgaria was 7.1% and decreased by 0.9 percentage points on an annual basis*
- *Consolidated Fiscal Programme (CFP) balance on a cash basis as of end-November 2017 is positive, amounting to BGN 2,385.8 million, or 2.4% of the projected GDP. According preliminary data the Consolidated Fiscal Programme (CFP) balance on a cash basis for 2017 is expected to be positive, amounting to BGN 798.6 million, or 0.8% of GDP*
- *At the end of November 2017 Bulgaria's Central government debt stood at EUR 12,654.4 million and presented 24.8% of projected GDP*
- *In November 2017 broad money (monetary aggregate M3) increased by 7% y/y to BGN 84.148 billion and presented 85.8% of GDP. Domestic credit – was BGN 53.503 billion and increased by 7.3% y/y*

- *In 2017, BSE-Sofia registered an increase of all stock indices. SOFIX ends at 677.45 points or 15.5% y/y growth. BGBX40 ends the year at 132.00 and reports an increase of 18.4% y/y. BGREIT ended at 116.10 points, rising 7.4% y/y. BGTR30 ends in 2017 at a level of 555.98 base points and reports an increase of 21.1% y/y*
- *In November 2017 the loans for customers in Bulgaria's banking system reported 2.4% y/y growth and presented 62.2% of GDP. Deposits from customers increased by 4.6% y/y and presented 83.1% of GDP*

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GLOBAL TRENDS

ADVANCED COUNTRIES' ECONOMIES

Euro zone

The annual growth rate of euro area GDP is expected to remain unchanged at 2.6% in 2018. The inflation rate is expected to reach 1.4% in 2018

In the third quarter of 2017, the euro area economy rose by 2.6%, above the preliminary estimate of 2.5%, and after an upward growth of 2.4% in the previous period. This is the strongest expansion since the first quarter of 2011, which is mainly driven by household consumption, fixed investment and exports. The annual growth rate of euro area GDP is expected to remain unchanged at 2.6% in 2018. The inflation rate is expected to reach 1.4% in 2018. Among the largest economies in the euro area, GDP growth has risen in Germany, France and Italy and was unchanged in Spain. Among the largest economies in the Eurozone is the highest annual growth in Germany (1.6%), followed by France (1.2%), Spain (1.2%), Italy (1%), Greece by 1% and Ireland of 0.5%. Euro area consumer price inflation in December 2017 rose 1.4% year on year. Prices rose at a slower pace in energy and unprocessed foods. Electricity prices grew by 2.9% y y, falling by 4.7% in November; and unprocessed food prices rose more moderately by 1.9%, compared with 2.4% in the previous month. Meanwhile, inflation is retained for services (by 1.2%), increases in processed foods (by 2.2% versus 2.1%) and non-energy industrial goods (by 0.5% of 0.4%). Annual base inflation, which excludes volatile energy, food, alcohol and tobacco prices and on which the ECB is making its political decisions, also remained at 0.9% in December, unchanged from the previous month. Eurozone unemployment fell to 8.7% in November 2017 from 8.8% in the previous month to market expectations. This is the lowest unemployment rate since January 2009. Compared to October, the number of unemployed in the euro area fell by 107,000 to 14,263 million. Compared to the previous year, it decreased by 1.561 million. Considering the European Union, the unemployment rate is 7.3%, down from 7.4% in the previous month and 8.3% a year ago. This is the lowest rate registered in the EU28 since October 2008. Among the EU Member States, the lowest unemployment rates in November were recorded in the Czech Republic (2.5%), Malta and Germany (and 3.6%). Highest unemployment rates were observed in Greece (20.5% in September 2017) and Spain (16.7%). Compared to the previous year, the largest declines were recorded in Greece (20.5% from 23.2%), Portugal (8.2% from 10.5%), Croatia (10.4% from 12.5%) and Cyprus (11% of 13.1%).

United Kingdom

In 2018, UK GDP growth is expected to continue to slow down in 2018 to 1.4% and inflation to reach 2%

GDP growth in the UK is expected to continue to slow down in 2018 to 1.4%, as public spending cuts and Brexit's uncertainty affect the economy. Still, unemployment is expected to remain close to its equilibrium pace of around 4.5% in the near future, although wage growth is likely to remain low, resulting in a decline in real wages. Inflation is projected to fall to 2% in the next year's Bank of England target, alleviating the pressure on household finances. Business investment and exports are likely to be supported by the change in global growth. Interest rates are expected to rise slowly. This page has economic forecasts for the UK including long-term prospects for the coming decades plus medium-term expectations for the next four quarters and short-term market forecasts for the next release affecting the UK economy. The British economy grew by 1.7% y/y in the third quarter 2017, exceeding the preliminary estimate of 1.5% and the upward correction of 1.9% in the previous period. However, this is the weakest annual growth rate since the first quarter of 2013, as household consumption and fixed investment grew at a slower pace. Expenditure on households rose by 1% and gross fixed capital formation increased by 2.4%, as business investment growth declined to 1.7% (from 2.5% in the second quarter). Government spending also increased by 0.3%, having increased by 0.6% in the previous period. Exports grew by 8.3%, after increasing by 5.5% in the second quarter, while imports rose by 1.3% after increasing by 3.8% in the previous period. As a result, the trade deficit shrank to 7.8 billion pounds, from 16.8 billion pounds in the third quarter of 2016. The CPI is 3.1% in November 2018. The CPP believes inflation is likely to be close to its highest value and will fall towards the 2% target in the medium term. The United Kingdom's unemployment rate

reached 42-year low of 4.3% in the three months to October 2017, which is unchanged from May to July and slightly above market expectations of 4.2%. The number of the unemployed continues to fall and the number of people on the job decreases for the second consecutive month.

USA

The annual growth rate in the US is expected to be 2.4% by the end of 2017 and 2.7% in 2018. Americans also expect inflation to be 2.8% next year, higher than 2.7% in December 2017

The US consumer confidence index dropped to 94.4 in January 2018 from 95.9 in December 2017. This was the lowest reporting for six months as consumers rated the current economic conditions more unfavorably amid uncertainty on the delayed impact of tax reforms. The current conditions index dropped to 109.2 from 113.8, while consumer expectations indexes rose to 84.8 from 84.3. Also, Americans expect inflation to be 2.8% next year, higher than 2.7% in December. Five-year expectations also rose to 2.5% from 2.4%. The survey shows steady stability in personal finance and purchase plans, while favorable purchasing power conditions for household durables have fallen to previous year levels in early January largely due to less attractive pricing. Tax reform is spontaneously mentioned by 34% of all respondents; 70% of those who mentioned the tax reform believe that the impact will be positive and 18% say it will be negative. The mismatch between the future assessment of the outlook and the broadly positive outlook for the tax reform is due to uncertainty about the delayed impact of tax reforms on consumers. Part of uncertainty is related to how much the number of people, especially high-income households living in high-tax countries is decreasing. Near and long term gas price rises rose in the beginning of January, but remained well below their peak. While long-term inflation expectations remained at its average of 2017 and short-term inflation expectations increased, consumers continued to remain very optimistic about low unemployment. Consumer prices in the US increased by 2.1% yoy in December 2017, down from 2.2% in November. Data are lower than market expectations of 2.2% in gasoline and fuel prices delays. The number of Americans applying for unemployment benefits declined by 41,000 to 220,000. In the second week of 2018 which is well below market expectations of 250,000 souls. This is the smallest number since February 24,973, when it was 218,000.

Japan

For the fiscal year 2018, Japan's economy is expected to grow by 1.4%. The main CPI for 2018 is expected to grow by 1.4%

The Japanese economy is likely to continue its moderate expansion. In the fiscal year of 2018, domestic demand is likely to follow an upward trend, with a favorable income-to-expense cycle remaining in both the corporate and the domestic sector, against the backdrop of strong housing conditions and grounds through past incentives of the government. Fixed business investment is likely to continue to grow due to vulnerable financial conditions, increased growth expectations and increased investment in the Olympics, as well as labor-saving investments to tackle labor shortages. Private consumption is expected to continue with a moderate upward trend as employment and income continue to improve. Public investment is expected to remain at a relatively high level, reflecting mainly the demand associated with the Olympic Games, although the positive effects of previous stimulus measures are likely to moderate moderately. Meanwhile, overseas economies are expected to continue to grow at a moderate pace. Exports are expected to continue their moderate growth trend at the end of this growth in overseas economies. Looking ahead, the annual rate of change in the consumer price index is likely to continue to rise and grow to 2%, mainly against the backdrop of improving the output gap and rising mid to long-term inflation expectations. Comparing the current forecasts with the previous forecasts, the growth rates of the CPI are more or less unchanged. The CPI annual rate of change of around 2% is likely to be around the fiscal year 2019. Japan's unemployment rate declined to 2.7% in November from 2017, from 2.8% in the previous five months to just below the market consensus of 2.8%. This is the lowest unemployment rate since November 1993. Meanwhile, the ratio of jobs to candidates has reached 1.56 from 1.55 in October and is consistent with estimates. Among people aged 15-24, the unemployment rate fell to 4.1% from 4.5% in October.

China

In 2018, China's GDP is expected to grow by 6.5%

China's economy grew 6.8% yoy in the last quarter of 2017, which is the same as in the previous three months and exceeds market expectations of 6.7%. Considering the full 2017, the economy grew by 6.9%, far above the official target of nearly 6.5% and 26% from 6.7% in 2016. The strong growth in industry and exports and the sustainable real estate market were the main drivers of enlargement. For 2018, the Chinese government seeks growth of about 6.5%, the same as in 2017, amid withdrawal efforts, debt retention, and financial risks. The total volume of trade grew by 14.2%. Import increased by 10.8% and imports by 18.7%. China's consumer prices rose 1.8% year-on-year in December 2017, after rising 1.7% in November and slightly below market consensus by 1.9%. Non-food expenditure continues to increase and food costs are significantly reduced.

Policy of the Central banks

ECB

At December 14, 2017 meeting the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.40% respectively. The Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases

Regarding non-standard monetary policy measures, the Governing Council confirms that from January 2018 it intends to continue to make net asset purchases under the asset purchase programme (APP), at a monthly pace of €30 billion, until the end of September 2018, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. If the outlook becomes less favorable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the Governing Council stands ready to increase the APP in terms of size and/or duration. The Eurosystem will reinvest the principal payments from maturing securities purchased under the APP for an extended period of time after the end of its net asset purchases, and in any case for as long as necessary. This will contribute both to favorable liquidity conditions and to an appropriate monetary policy stance.

Bank of England

The Central Bank of England voted unanimously to keep the bank interest rate 0.5% on December 14th, as expected, after a 25% increase in the previous meeting

The Monetary Policy Committee has also voted unanimously to hold stocks of government bond purchases in the UK at 435 billion pounds and stocks of corporate bonds with a non-commercial investment of 10 billion pounds. The development of the United Kingdom's withdrawal from the European Union - and in particular the response of households, businesses and asset prices to them - remains the most significant and a source of uncertainty about the economic outlook. The Committee noted the progress of the Article 50 talks between the UK and the European Union. In such exceptional circumstances, the CPP's powers clarify that it must balance any compromises between the rate at which it intends to bring inflation back to the target and the support that monetary policy provides for the jobs and economic activity. Under these circumstances, the Crossing Point considered it appropriate to tighten the monetary policy stance slightly to bring sustained inflation back to the target, while continuing to provide significant support for jobs and activity. The Committee will closely monitor the development of the economic outlook, including the impact of the interest rate increase last month, and is ready to respond to developments so as to ensure sustainable return on inflation to the 2% target.

USA Federal Reserve

The Federal Reserve expects tax legislation to boost growth, though the magnitude of the consequences remains unclear. Last month, the Federal Reserve raised the target range for the federal funds rate by a quarter to 1.25-1.5%, as expected

Most participants reaffirmed their support for continued gradual tightening, noting that this approach helps to balance growth and inflation risks. The Federal Reserve expects moderate growth in consumer spending in the near future, backed by continuing labor market strength, further improving household net worth and increasing consumer confidence. Business contacts in several regions report strong pre-holiday sales. Expectations for tax reform have already raised consumer spending to a certain extent to the extent that these expectations have spurred increases in asset ratings and net worth of households. A number of participants expressed uncertainty as to the scale of the impact of the tax reform on consumer spending. The proposed changes to business taxes will lead to a moderate boost in capital spending, although the magnitude of the effects is uncertain. The resulting increase in capital may contribute to supply-side positive effects, including an increase in potential output over the next few years. Under these circumstances, companies are cautious about rising capital costs in response to proposed tax changes. The increase in cash flow, which would be the result of corporate tax cuts, is more likely to be used for mergers and acquisitions or for debt reduction and redemption of shares. FOMC expects inflation to gradually return to the 2% long-term target. Measures of inflation expectations and market measures to offset inflation remain low, but other sustainable factors may prevent inflation, which would cause the Committee to promote inflation returns to 2% in the medium term. Hurricane-related disturbances and recovery affect economic activity, employment, and inflation in recent months, but have not changed substantially the prospects for the national economy. The gradual adjustment of the monetary policy stance is expected, with economic activity expanding moderately and labor market conditions remaining strong. Inflation is expected to remain below 2% in the near future on a 12-month basis. Short-term risks to the economic outlook are almost balanced, inflation developments will be carefully monitored.

Bank of Japan (BoJ)

The Japanese central bank maintained its main short-term interest rate of -0.1% at its January 2018 meeting, as expected

Politicians also kept their yield target of 10-year government bonds around 0% and offered a more optimistic view of inflation expectations. As for the amount of JGB to be purchased, the Bank will make an annual growth rate of about 80 trillion yen. BoJ also unanimously decided to buy ETFs and J-REITs in order to increase their unpaid figures at an annual rate from around 6.0 trillion yen and about 90 billion yen. As for CP and corporate bonds, Japan's central bank will keep outstanding amounts at 2.2 trillion yen and 3.2 trillion yen, respectively. Meanwhile, in a quarterly review of forecasts, the Central Bank kept its primary CPI forecast for fiscal 2017 at 0.8%. It is expected that mid-term and long-term inflation expectations will increase as firms are gradually shifting to wage and price increases. Inflation is expected to reach 2% in 2019. The Central Bank keeps the economic growth forecast at 1.4% in 2018.

People's Bank of China (PBC)

China's National Bank raised interest rates for open market operations by 5 basis points on December 14, 2017, after the decision of the Federal Reserve to tighten monetary policy

The 7-day reverse repo rate was increased to 2.5% and the 28-day redemption exchange rate increased to 2.8%. This was the third increase in repo deals this year after a March move followed by an increase in the Federal Reserve. At the same time, the People's Bank of China raised the interest rate for its one-year medium-term loan instrument (MMF) by 5 basis points to 3.25%. "The upward correction reflects demand and supply and is a normal market response to the Federal Reserve's rise in interest rates", the Central Bank of China announced.

International Commodity Prices

Petrol

Crude Oil increased 0.28 USD/BBL or 0.43% to USD 64.82 on January 24 from USD 64.47 in the previous trading session. Brent decreased 0.01 USD/BBL or 0.01% to USD 69.96

Oil prices continue to go upward, backed by both economic growth and the demand that even after 2018 there will be cooperation between the Organization of Petroleum Exporting Countries (OPEC) and countries outside the black gold price maintenance cartel. Futures on US light crude oil with delivery in March rose 0.57% to USD 63.87 per a barrel. With Brent, the increase is 0.42% to USD 69.32 per a barrel, this level is close to the three-year high of USD 70.37 per a barrel. Economic prospects and colder time than usual have led to an increase in demand for oil, affecting the decline in stocks. The market is expected to be balanced over most of the year, with stocks rising in the fourth quarter of 2018. The average price expectations are about USD 60 a barrel for US light crude oil and USD 65 a barrel for the variety Brent. In the long run, however, investors are preparing for big changes in oil demand due to the rise of electric vehicles. Expectations are that peak demand for black gold will be reached by 2030, and then by 2050 electric cars will gradually replace conventional cars.

Metals

Steel increased 28 Yuan/MT or 0.72% to 3,928 on January 24 from 3,900 in the previous trading session

Steel prices rose again this year after falling prices in late 2016 and early 2017. Since then, prices have remained stable due to uncertainty over the common steel market. China's steel demand was strong at the beginning of the fourth quarter, which supported higher steel prices. Redemption organizations will want to keep in mind that China's steel demand remains the strongest in the world, an increase of more than 10.9% from 2000 to 2016, according to World Steel Dynamics. The Chinese carry a record tonnage in 2017. Obligations and Chinese economic incentives have supported the demand for steel. World Steel, however, predicts lower demand for 2018. While the Chinese economic stimulus has helped to restore this internal steel market, stimulating further demand for steel has become even more challenging. For the stimulus incentive used to stimulate investment, less steel is consumed. The Chinese "image dumping" campaign, or the practice to maintain a lower price in course to activate the competition is a general issue of Trump's trade policy. The US Department of Commerce has for some time been considering whether to introduce high tariffs on imports of steel and aluminum from China. Such harsh trade measures by Washington will lead to a serious turmoil, but also new opportunities on the stock markets. On international markets steel price increased by 28 Yuan/MT or 0.72% to 3,928 on January 24 from 3,900 in the previous trading session. Lead decreased 24 USD/MT or 0.92% to 2,619. Nickel increased 257.50 USD/MT or 2.07% to 12,723.50. Tin increased 170 USD/MT or 0.83% to 20,710 on January 23 from 20,750 in the previous trading session. Copper increased 0.05 USD/LB or 1.46% to 3.15 on Jan 24 from 3.11 in the previous trading session.

Agricultural products

Wheat increased 3 USD/BU or 0.71% to 425.03 on January 24 from 421.50 in the previous trading session. According to Sofia Commodity Exchange data as of January 19, 2018 the price of wheat is BGN 310 per tone, for maize BGN 300 per tone and for oil sunflower BGN 580 per ton

In January 2018, most of the major grain contracts on world stock markets rose slightly. In Chicago, wheat rose by \$ 3.38 to \$ 159.61 per tone; in France, Ukraine and Russia, quotations were also unanimously upward with 1 euro, 2 dollars and 1 dollar to 159.00 euro / tone respectively, 194.00 and 198.00 USD / ton. For maize, the price change also went up - in the US plus 1 dollar to 163.00 USD / ton, in France there was no change (155.00 euro / ton), and in Argentina it was plus 6 dollars to 166.00 USD / ton. Rape is the only one that has continued downward with a minus € 3.50 in the European Union / EURONEXT / up to a price of € 341.25 / ton. Barley in France traded up with plus 3 euros to 160.00 euro / ton. In Rotterdam, unrefined sunflower oil also rose by USD 10 and now costs USD 790.00 per ton, and refined sugar in London barely moved up to USD 0.70 to USD 353.80 per ton. According to data of Sofia Commodity Exchange AD, the prices of the contracts offer slight fluctuations - the wheat from the place was worth 280.00-285.00 BGN / t, the supply is close - 300.00-310.00 BGN / t. Feed wheat is available at 300.00 leva per ton and demand is at 275.00 leva per ton, the new is DAP search in sacks at the price of 400.00 leva per ton. The maize is in a similar range - 275.00-280.00 BGN / t "buy" and 295.00-300.00 BGN / t "sell". For oilseed sunflower, the demand for organic certified remains at 800.00 BGN / ton, the proposals also remain at 1050.00 BGN / t. There is no change in the search for oilseed sunflowers from a place where buyers are 540.00-550.00, and vendors at 570.00-580.00 / ton. All prices are without VAT.

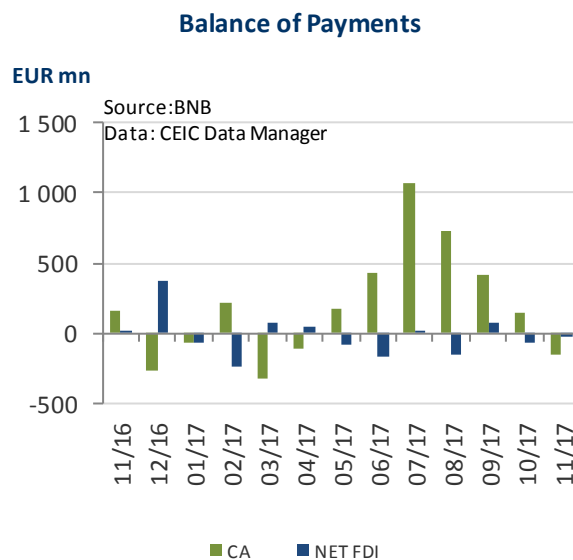
BULGARIA

EXTERNAL SECTOR

Balance of Payments

In January – November 2017 the current and capital account was positive amounting to EUR 2,949.7 million and presented 5.8% of GDP

According BNB data the current and capital account recorded a deficit of EUR 103.4 million in November 2017, compared with a surplus of EUR 197.2 million in November 2016. In January – November 2017 the current and capital account was positive amounting to EUR 2,949.7 million (5.8% of GDP), compared with a surplus of EUR 3,879.8 million (8.1% of GDP) in January – November 2016. The current account was negative amounting to EUR 155.2 million in November 2017, compared with a surplus of EUR 162.4 million in November 2016. In January – November 2017 the current account was positive and amounted to EUR 2,523.1 million (4.9% of GDP), compared with a surplus of EUR 2,835.9 million (5.9% of GDP) in January – November. The balance on goods recorded a deficit of EUR 301.6 million in November 2017, compared with a deficit of EUR 75.2 million in November 2016. In January – November 2017 the balance on goods was negative amounting to EUR 1,563.2 million (3.1% of GDP), compared with a deficit of EUR 829 million (1.7% of GDP) in January – November 2016. Exports of goods amounted to EUR 2,348.8 million in November 2017, growing by EUR 201.9 million (9.4%) from November 2016 (EUR 2,146.8 million). In January – November 2017 exports of goods totaled EUR 23,797.2 million (46.7% of GDP), increasing by EUR 2,725 million (12.9% y/y) from EUR 21,072.2 million, 43.8% of GDP. In January – November 2016 exports grew by 4.2% y/y. Imports of goods amounted to EUR 2,650.3 million in November 2017, growing by EUR 428.3 million (19.3%) from November 2016 (EUR 2,222.1 million). In January – November 2017 imports of goods totaled EUR 25,360.4 million (49.7% of GDP), growing by EUR 3,459.2 million (15.8%) from January – November 2016 (EUR 21,901.3 million, 45.5% of GDP). In January – November 2016 imports dropped by 2.7% y/y. Services recorded a positive balance of EUR 72.6 million in November 2017, compared with a surplus of EUR 99.8 million in November 2016. In January – November 2017 services recorded a surplus of EUR 2,959.1 million (5.8% of GDP) compared with a positive balance of EUR 3,033.8 million (6.3% of GDP) in the same period of 2016. The net primary Income (which reflects the receipt and payment of income related to the use of resources (labour, capital, land), taxes of production and imports and subsidies) recorded a surplus of EUR 11.9 million in November 2017, compared with a deficit of EUR 46 million in November 2016. In January – November 2017 the balance on primary income was negative and equated to EUR 348.2 million (0.7% of GDP), against a deficit of EUR 900.5 million (1.9% of GDP) in January – November 2016. The net secondary income (which reflects the redistribution of income) recorded a surplus of EUR 61.9 million, compared with a positive balance of EUR 183.9 million in November 2016. In January – November 2017 the net secondary income was positive amounting to EUR 1,475.5 million (2.9% of GDP), compared with a positive balance of EUR 1,531.7 million (3.2% of GDP) in the same period of 2016. The capital account recorded a surplus of EUR 51.8 million, compared with a positive balance of EUR 34.8 million in November 2016. In January – November 2017 the capital account recorded a surplus of EUR 426.5 million (0.8% of GDP), compared with a positive balance of EUR 1,043.9 million (2.2% of GDP) in January – November 2016. The financial account recorded a net outflow of EUR 85.8 million, compared with an inflow of EUR 590.4 million in November 2016. In January – November 2017 the financial account recorded a net inflow of EUR 1,814.8 million (3.6% of GDP) compared with an inflow of EUR 4,158.6 million (8.6% of GDP) in January – November 2016. The net direct investment compiled in accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual was negative amounting to EUR 22.9 million, compared with a positive balance of EUR 7.6 million in November 2016. In January – November 2017 direct investment recorded a negative balance of EUR 619.1 million (1.2% of GDP), compared with a negative balance of EUR 708.5 million (1.5% of GDP) million

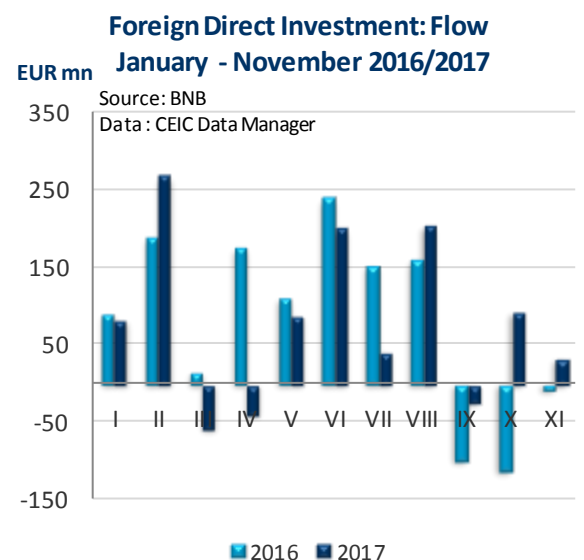


in January – November 2016. Direct investment – assets increased by EUR 16 million compared with an increase of EUR 27.2 million in November 2016. In January – November 2017 direct investment – assets grew by EUR 357.7 million (0.7% of GDP), compared with an increase of EUR 503.2 million (1% of GDP) in the same period of 2016. Direct investment – liabilities grew by EUR 38.8 million in November 2017, compared with an increase of EUR 19.6 million in November 2016. In January – November 2017 direct investment – liabilities rose by EUR 976.7 million (1.9% of GDP), compared with an increase of EUR 1,211.7 million (2.5% of GDP) in the same period of 2016. The balance on portfolio investment was positive amounting to EUR 345.2 million, compared with a positive balance of EUR 246.3 million in November 2016. In January – November 2017 the balance was positive and equated to EUR 2,337.4 million (4.6% of GDP), compared with a negative balance of EUR 897.8 million (1.9% of GDP) million in January – November 2016. Portfolio investment – assets increased by EUR 180.5 million, compared with an increase of EUR 198 million in November 2016. In January – November 2017 they rose by EUR 1,492.9 million (2.9% of GDP) compared with an increase of EUR 504.7 million (1% of GDP) in January – November 2016. Portfolio investment – liabilities dropped by EUR 164.7 million compared with a decline of EUR 48.3 million in November 2016. In January – November 2017 portfolio investment – liabilities decreased by EUR 844.5 million (1.7% of GDP), compared with an increase of EUR 1,402.4 million (2.9% of GDP) in January – November 2016. The balance on other investment was negative amounting to EUR 394.9 million, compared with a positive balance of EUR 12 million in November 2016. In January – November 2017 the balance was positive and equated to EUR 1,680.3 million (3.3% of GDP), compared with a positive balance of EUR 2,767.3 million (5.7% of GDP) in January – November 2016. Other investment – assets dropped by EUR 193.7 million, compared with a decline of EUR 51.8 million in November 2016. In January – November 2017 they grew by EUR 1,879.8 million (3.7% of GDP) compared with an increase of EUR 2,001.6 million (4.2% of GDP) in January – November 2016. Other investment – liabilities grew by EUR 201.2 million compared with a decline of EUR 63.8 million in November 2016. In January – November 2017 they rose by EUR 199.6 million (0.4% of GDP) compared with a decrease of EUR 765.7 million (1.6% of GDP) in January – November 2016. The BNB reserve assets decreased by EUR 3.2 million compared with an increase of EUR 302.4 million in November 2016. In January – November 2017 they dropped by EUR 1,571.6 million (3.1% of GDP), compared with an increase of EUR 3,016.2 million (6.3% of GDP) in the same period of 2016. The net errors and omissions were positive amounting to EUR 17.6 million compared with a positive value of EUR 393.2 million in November 2016. According to preliminary data, the item was negative in January – November 2017 and totaled EUR 1,134.9 million (2.2% of GDP), against a positive value of EUR 278.8 million (0.6% of GDP) in the same period of 2016.

Foreign direct investments

In January-November 2017 Bulgaria's FDI declined by 2.4% y/y to EUR 883.7 million and presented 1.7% of GDP

According to BNB preliminary data, foreign direct investment in Bulgaria presented according to the directional principle totaled EUR 883.7 million (1.7% of GDP) in January – November 2017, dropping by EUR 21.5 million (2.4%) from January – November 2016 (EUR 905.2 million, 1.9% of GDP). Foreign direct investment in Bulgaria increased by EUR 32.2 million in November 2017, compared with a decline of EUR 7.6 million in November 2016. Equity (acquisition/disposal of shares and equities in cash and contributions in kind by non-residents in/from the capital and reserves of Bulgarian enterprises, and receipts/payments from/for real estate deals in the country) amounted to EUR 153.9 million in January – November 2017, dropping by EUR 389.2 million from EUR 543.1 million in January – November 2016. Real estate investments of non-residents totaled EUR 10.8 million, compared with EUR 63.1 million attracted in January – November 2016. The largest inflow of real estate investment was from Russia (EUR 5.7 million, 53.1% of the total amount for January – November 2017), Germany (EUR 1.2 million, 11.3% of the total amount), and Ukraine (EUR 1.1 million, 10.5% of the total amount). Reinvestments of earnings (the share of non-residents in the undistributed earnings/ loss of the enterprise based on preliminary profit and loss data) totaled EUR 28 million

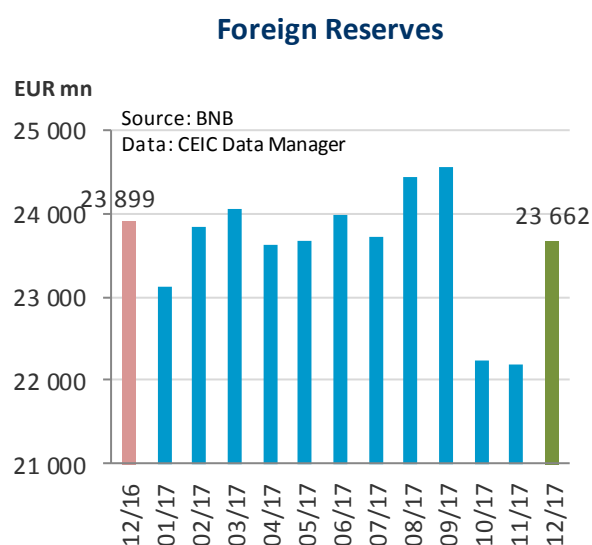


for January – November 2017, compared with EUR 420.2 million in January – November 2016. The net debt instruments (the change in the net liabilities between affiliated enterprises on financial loans, suppliers' credits and debt securities) amounted to EUR 701.9 million in January – November 2017, compared with a negative value of EUR 58.1 million in January – November 2016. The largest net direct investment inflows in Bulgaria for January – November 2017 were from the Netherlands (EUR 735.7 million), from Switzerland (EUR 126.7 million), and Germany (EUR 68.2 million). According to preliminary data, direct investment abroad grew by EUR 264.6 million, compared with an increase of EUR 196.7 million in January – November 2016. Direct investment abroad rose by EUR 9.4 million in November 2017.

Foreign reserves

In December 2017, the BNB's international reserves amounted to EUR 23.7 billion, increasing by 6.6% on a monthly basis, with a decline of 1% on an annual basis

According to BNB data, in December 2017, the BNB's international reserves amounted to BGN 46.3 billion (EUR 23.78 billion) and grew by 6.6% on a monthly basis, with a decline of 1% on an annual basis. The increase in international reserves is due to the increase of the liabilities to banks by BGN 3.5 billion for a period of one month. Additionally, an increase at amount of BGN 0.8 billion was also reported in money in circulation. In the assets of the Issue Department's balance sheet, cash and currency deposits increased by 28.2% on a monthly basis or by BGN 4.6 billion. Bulgaria's international liquidity position, calculated as a ratio of international reserves to short-term external debt, is high and amounted to 306.8% in October 2017, compared to 326% in September 2017 and 321.6% in December 2016. According to forecasts, the December 2017 indicator is expected to exceed 326%.



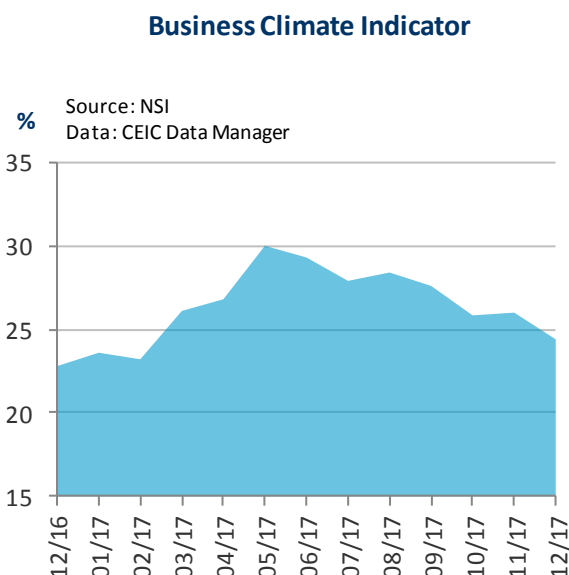
REAL SECTOR

Business climate

In December 2017, the total business climate indicator decreased by 1.6 pps to 24.4% compared to November. More unfavourable business climate is registered in industry, construction and service sector, while in retail trade preserves approximately its level from the previous month

Industry. The composite indicator 'business climate in industry' decreases by 1.9 percentage points to 24.8%, which is due to the more reserved industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 months. The inquiry also reports a decrease of the production assurance with orders from abroad, which is accompanied by reduced expectations about the activity of the enterprises over the next 3 months. The uncertain economic environment and the shortage of labour remain the main obstacles for the business development in the sector as in December the second marks a new long-term maximum (31.4%) since 2003. As regards the selling prices in industry, the prevailing managers' expectations are them to remain unchanged over the next 3 months.

Construction. In December, the composite indicator 'business climate in construction' drops by 3.5 percentage points to 19% as result of the more



unfavourable construction entrepreneurs' assessments and expectations about the business situation of the enterprises. According to them the new orders inflow over the last month decrease, as their forecasts about the activity over the next 3 months are pessimistic. The main factors, limiting the enterprises continue to be the uncertain economic environment, competition in the branch and shortage of labour, as the inquiry reports a decrease of the negative influence of the first two factors. Concerning the selling prices in construction, the majority of the managers expect preservation of their level over the next 3 months.

Retail trade. The composite indicator 'business climate in retail trade' preserves approximately its November level at 40.1%. The retailers' assessments about the present business situation of the enterprises and their forecasts about the development of their business over the next 6 months remain favourable. However, their expectations about the volume of sales and order placed with suppliers over the next 3 months are worsened. The main problem for the activity in the sector is again connected with competition in the branch. In the second and third place are insufficient demand and uncertain economic environment, although in the last month a decrease of their unfavourable impact is observed. As regards the selling prices, the retailers' expectations are for certain increase over the next 3 months.

Service sector. In December, the composite indicator 'business climate in service sector' decreases by 0.9 percentage points to 13.2% mainly due to the shifting of the managers' expectation about the business situation of the enterprises over the next 6 months from 'better' towards preserving 'the same'. As regards the present and expected demand for services, their opinions are more reserved. The most serious difficulties for the business development continue to be connected with competition in the branch and uncertain economic environment. The majority of the managers foresee the selling prices in the sector to remain unchanged over the next 3 months.

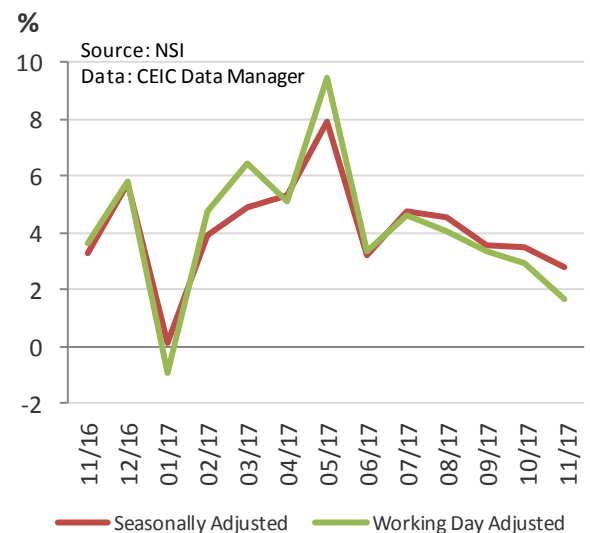
Industrial production index

In November 2017 Bulgaria's Industrial production index increased by 0.3% m/m and by 1.7% y/y, respectively

According to the NSI preliminary data the Industrial Production Index, seasonally adjusted, increased by 0.3% in November 2017 as compared to October 2017. In November 2017 working day adjusted Industrial Production Index rose by 1.7% in comparison with the same month of 2016. In November 2017 as compared to October 2017, the seasonally adjusted Industrial Production Index rose in the electricity, gas, steam and air conditioning supply by 1.3% and in the manufacturing by 0.5%, while in the mining and quarrying industry production decreased by 3.3%. The most significant production increases in the manufacturing were registered in the manufacture of other transport equipment by 18.2%, in the manufacture of basic pharmaceutical products and pharmaceutical preparations and in the repair and installation of machinery and equipment by 14.6%, in the manufacture of textiles and in the manufacture of wearing apparel by 5.2%. There were decreases in the manufacture of beverages by 7.5%, in the manufacture of fabricated metal products, except machinery and equipment by 5.7%, in the manufacture of tobacco products by 4.1%, in the manufacture of motor vehicles, trailers and semi-trailers by 2.3%. On annual basis in November 2017 Industrial Production Index calculated from working day adjusted data rose in the manufacturing by 4.6%, while the production fell in the mining and quarrying industry by 7.4% and in the electricity, gas, steam and air conditioning supply by 4.6%.

In the manufacturing, the more considerable increases compared to the same month of the previous year were registered in the manufacture of other transport equipment by 43.2%, in the manufacture of computer, electronic and optical products by 15.6%, in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 14.1%, in the manufacture of chemicals and chemical products by 13.2%. Decreases were seen in the manufacture of tobacco products by 20.8%, in the manufacture of beverages by 11.9%, in the manufacture of furniture by 10.4%, in the printing and reproduction of recorded media by 7.7%.

Industrial production index, % change, YoY

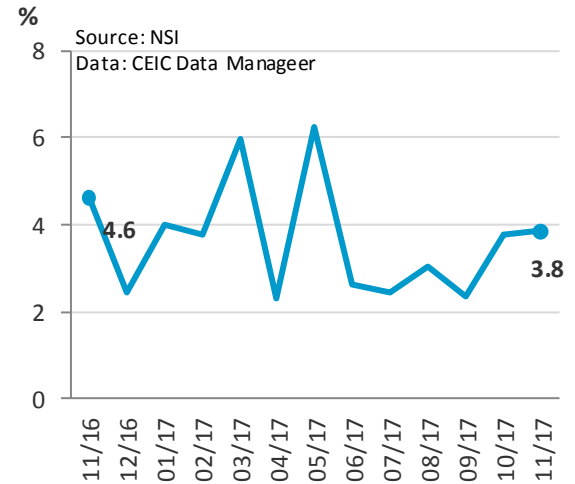


Retail trade

In November 2017 Bulgaria's retail sales increased by 0.3% m/m and by 3.8% y/y, respectively

According to the preliminary seasonally adjusted data in November 2017 the turnover in "Retail trade, except of motor vehicles and motorcycles" at constant prices increased by 0.3% compared to the previous month. In November 2017, the working day adjusted turnover in Retail trade, except of motor vehicles and motorcycles marked rise from 3.8% in comparison with the same month of the previous year. In November 2017 compared to the previous month increased of turnover was observed in the Retail sale of textiles, clothing, footwear and leather goods by 3.7%, in the Retail sale via mail order houses or via Internet by 2.4%, in the Retail sale in non-specialised stores by 1.8% and in the Retail sale of audio and video equipment; hardware, paints and glass; electrical household appliances by 1.7%, in the Retail sale of food, beverages and tobacco by 1.4%. Decrease was noted only in the Retail sale of automotive fuel – 2.8%. In November 2017 compared to the same month of 2016, the turnover increased in the Retail sale in non-specialised stores by 17.0%, in the Retail sale of audio and video equipment; hardware, paints and glass; electrical household appliances by 11.2% and in the Retail sale of food, beverages and tobacco by 8.8%. Decline was registered only in the Retail sale of automotive fuel - 13.9%.

Retail trade index, % change (YoY)

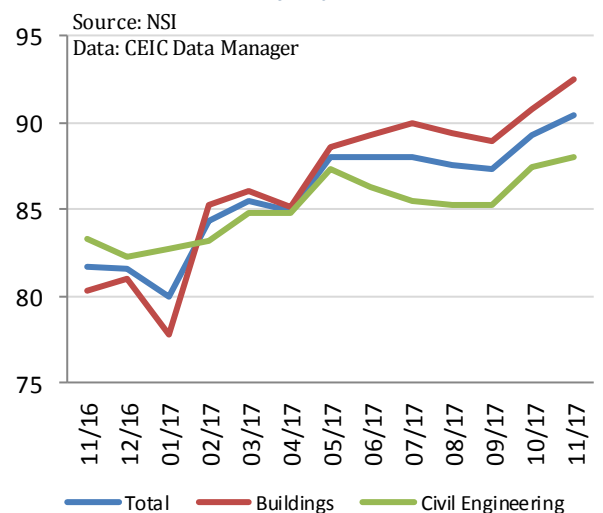


Construction

In November 2017 Bulgaria's construction production increased by 1.4% m/m and by 7.9% y/y, respectively

According to the preliminary NSI data, in November 2017 the index of production in section 'Construction' calculated on the base of seasonally adjusted data was 1.4% above the level of the previous month. In November 2017 working day adjusted data showed an increase by 7.9% in the construction production, compared to the same month of 2016. In November 2017 the construction production, calculated from the seasonally adjusted data, was above the level of the previous month. Index of production of building construction rose by 1.9% and the production of civil engineering - by 0.6%.

Construction Production index, seasonally adjusted data



Tourism

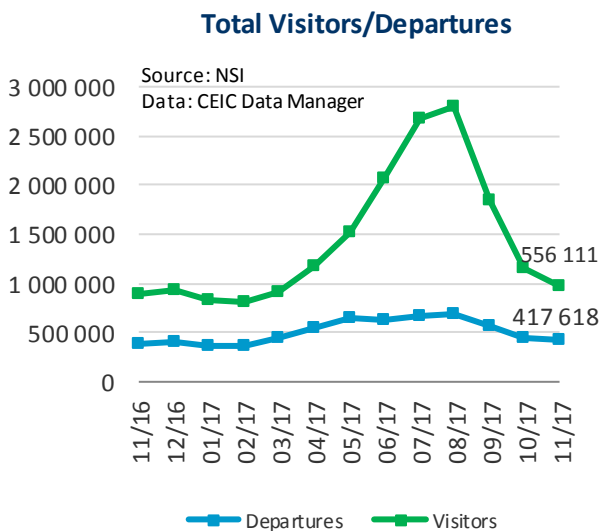
In November 2017, the number of arrivals in all accommodation establishments increased by 7.4% compared to the same month of 2016 and reached 371.6 thousand, as an increase was registered by 9.5% for Bulgarians and by 2.1% for foreigners

In November 2017, 1 787 accommodation establishments - hotels, motels, camping sites, mountain chalets and other establishments for short-term accommodation with more than 10 bed-places were functioned in Bulgaria. The total number of the rooms in them was 52.3 thousand and the bed-places were 106.3 thousand. In comparison with November 2016, the total number of accommodation establishments (functioned during the period) decreased by 1.3%, and the bed-places in them - by 0.6%. The total number of the nights spent in all accommodation establishments registered in November 2017 was 711.3 thousand, or by 10.5% more in comparison with the same month of the previous year, as the greatest increase (by 17.8%) was observed in 4 and 5 stars accommodation establishments. In November 2017, 68.2% of all nights spent by foreign citizens and 37.4% of all nights spent by Bulgarians were realized in 4 and 5 stars hotels. In 3 stars accommodation establishments were

spent 20.9% of all nights by foreigners and 29.1% of all nights by Bulgarian residents, while in the rest of accommodation establishments (with 1 and 2 stars) they were 10.9% and 33.5% respectively. In November 2017, the number of arrivals in all accommodation establishments increased by 7.4% compared to the same month of 2016 and reached 371.6 thousand, as an increase was registered by 9.5% for Bulgarians and by 2.1% for foreigners. Bulgarians spent the nights in accommodation establishments in November 2017 were 270.8 thousand and spent 1.8 nights on the average. The arrivals of foreigners were 100.8 thousand, as 68.8% of them spent nights in hotels with 4 and 5 stars. On the average 2.1 nights were spent by foreigners. In November 2017, the total occupancy of the bed-places in accommodation establishments was 22.9%, as compared to November 2016 increased by 2.1 percentage points. The highest was occupancy of the bed-places in 4 and 5 stars accommodation establishments - 30.3%, followed by 3 stars accommodation establishments - 21.9%, and with 1 and 2 stars - 16.6%. Revenue from overnight stays in November 2017 reached BGN 37.5 million, or 12.5% more than in November 2016. An increase in revenues was registered by both Bulgarian citizens - by 14.7% and by foreign citizens - by 9.8%.

In November 2017 the number of the trips of Bulgarian residents abroad was 417.6 thousand and recorded an increase of 11.8% m/m. The number of arrivals of visitors from abroad to Bulgaria was 556.1 thousand or by 6.1% more in comparison with November 2016

According to NSI data in November 2017, the number of the trips of Bulgarian residents abroad was 417.6 thousand or by 11.8% above the registered in November 2016. In comparison with the same month of the previous year, an increase was observed in the total number of the trips of Bulgarians to: the United Kingdom - by 22.2%, Germany - by 21.6%, Turkey - by 16.0%, Serbia - by 13.5%, Austria - by 10.7%, Italy - by 6.2%, Spain - by 4.9%, the Former Yugoslav Republic of Macedonia - by 3.3%, and etc. At the same time decreased the number of the trips of Bulgarians to: France - by 5.7%, Romania - by 4.3%, Greece - by 0.3%, and etc. In comparison with November 2016, an increase was registered in the trips with all observed purposes: with professional purpose - by 16.3%, with other purposes - by 10.4%, and with holiday and recreation purpose - by 9.8%. The trips with other purposes (as a guest, education and visit the cultural and sport events) in November 2017 composed the greatest share of the total number of trips of Bulgarian residents abroad - 46.2%, followed by the trips with professional purpose - 27.8%, and with holiday and recreation purpose - 26.0%. In November 2017 most trips of Bulgarian citizens were made to: Turkey - 109.1 thousand, Greece - 74.6 thousand, Romania - 41.3 thousand, Serbia - 31.9 thousand, Germany - 21.2 thousand, the Former Yugoslav Republic of Macedonia - 21.1 thousand, Italy - 15.3 thousand, Austria - 14.0 thousand, the United Kingdom - 13.6 thousand, and Spain - 10.4 thousand. In November 2017, the number of arrivals of visitors from abroad to Bulgaria was 556.1 thousand or by 6.1% more in comparison with November 2016. An increase was registered in the trips by all observed purposes: with professional purpose - by 11.5%, with holiday and recreation purpose - by 9.8%, and with other purposes (including as guest and passing transit) - by 1.3%. Transit passes through the country were 28.2% (156.6 thousand) of all visits of foreigners to Bulgaria. The share of visits of EU citizens was 56.0% of the total number of foreigners' visits to Bulgaria in November 2017 or by 5.0% more in comparison with the same month of the previous year. An increase was registered in the visits of citizens from Poland - by 11.6%, Greece - by 6.5%, Romania - by 6.3%, the United Kingdom - by 5.5%, Spain - by 0.8%, and etc. At the same time decreased the visits from France - by 7.2%, Austria - by 4.8%, Italy - by 2.7%, Germany - by 2.3%, and etc. The visits of foreigners in the group Other European countries' increased by 8.3%, as the highest growth was observed in the visits of citizens of Serbia - by 14.3%. In November 2017, the predominant share of the visits with other purposes was 45.5%, followed by trips with holiday and recreation purpose - 32.8%, and with professional purpose - 21.7%. In November 2017 the most visits to Bulgaria were from: Romania - 128.4 thousand, Greece - 96.9 thousand, Turkey - 89.5 thousand, the Former Yugoslav Republic of Macedonia - 41.8 thousand, Serbia - 40.9 thousand, Germany - 17.0 thousand, Ukraine - 14.6 thousand, the United Kingdom - 10.0 thousand, Italy - 8.7 thousand, and France - 6.9 thousand.

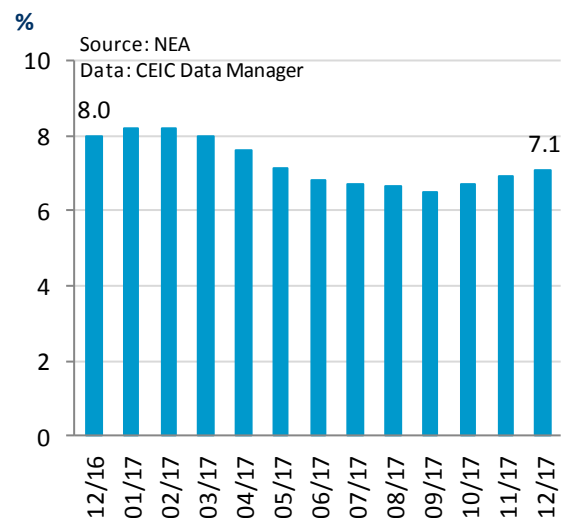


Unemployment

In December 2017, registered unemployment in Bulgaria was 7.1% and decreased by 0.9 percentage points on an annual basis

According to data of the Employment Agency in December 2017, the registered unemployment rate in Bulgaria is 7.1%, compared to the same month of the previous year its level decreased by 0.9 pps. Compared to November 2017, there was a slight increase in unemployment by 0.2 pps. The average monthly unemployment rate in Bulgaria in 2017 was 7.2%, this being the lowest level for the past 9 years. For comparison in 2016, the average monthly unemployment rate was 8.7%, which means that only within the last 12 months the unemployment rate has dropped by 1.5%. At the end of 2017, 232,066 unemployed were registered at the labor offices. On an annual basis, their number has fallen by nearly 29,000 or by 11.1%. Newly registered unemployed in December 2017 were 26,348 persons, of whom 583 were inactive, i. e. were neither employed nor students, nor were they looking for a job. The number of activators from mediators and their partners since the beginning of the year reaches 12,146. Monthly data show that 12,681 people were admitted to work in December. Significant is the share of the real economy - 90.7% of total work. At the same time, 7674 jobs were claimed on the primary market. More than two-thirds of them were claimed by the private sector (75.1%), with the largest number of job vacancies on the primary market at the Labor Offices being reported by the following economic activities: Manufacturing (2513); trade (1196); hotel and restaurant services (646); administrative and support activities (515); government (512); education (395); transport, storage and mail (306) and others. According to the Employment Agency, in December 2017, the most sought-after jobs in the job offices in the Labor Offices are in the personal services sector (bartenders, waiters, chefs, etc.); skilled workers in food production, clothing, wood products and related products; vendors; operators of stationary machinery and equipment; workers in mining and manufacturing, construction and transport; waste collectors and related workers; lecturers and others.

Registered Unemployment Rate

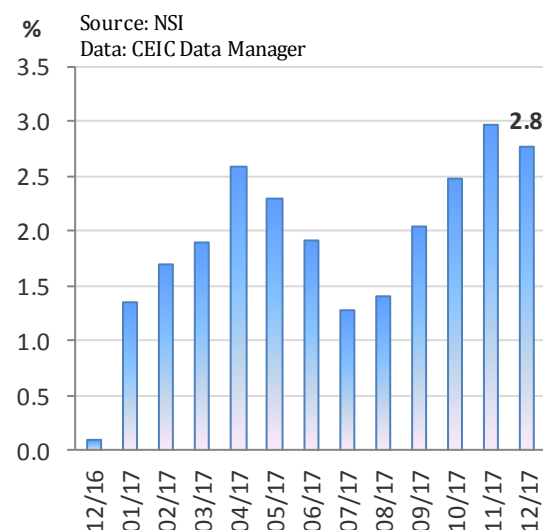


Inflation

In December 2017 Bulgaria's CPI increased by 0.4% m/m and 2.8% y/y, respectively. The annual average inflation was 2.1%

According NSI data the consumer price index in December 2017 compared to November 2017 was 100.4%, i.e. the monthly inflation was 0.4%. The annual inflation in December 2017 compared to December 2016 was 2.8%. The annual average inflation, measured by CPI, in the last 12 months (January - December 2017) compared to the previous 12 months (January - December 2016) was 2.1%. The harmonized index of consumer prices in December 2017 compared to November 2017 was 100.7%, i.e. the monthly inflation was 0.7%. The annual inflation in December 2017 compared to December 2016 was 1.8%. The annual average inflation, measured by HICP, in the last 12 months (January - December 2017) compared to the previous 12 months (January - December 2016) was 1.2%.

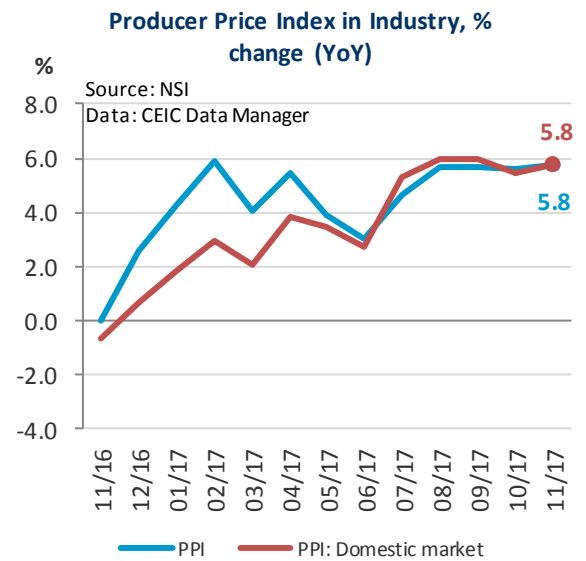
Inflation, YoY



Producer Price Index in Industry

In November 2017 Total Producer Price Index in Industry increased by 0.6% m/m and by 5.7% y/y, respectively

Total Producer Price Index in Industry in November 2017 increased by 0.6% compared to the previous month. Higher prices were registered in manufacturing by 0.9%, in the mining and quarrying industry prices declined by 1.5% and in the electricity, gas, steam and air conditioning supply the prices remained unchanged. In the manufacturing decrease were reported in other manufacturing and in the repair and installation of machinery and equipment by 0.8% as well as in the manufacturing of other non-metallic mineral products by 0.4%. 3, more significant increase in prices was seen in the manufacture of tobacco products by 1.9% and in the manufacture of leather and related products by 0.8%. Total Producer Price Index in November 2017 increased by 5.7% compared to the same month of 2016. The prices rose in the electricity, gas, steam and air conditioning supply by 9.9%, in the manufacturing by 4.5% and in the mining and quarrying industry by 3.8%. In the manufacturing more significant increase in prices were seen in the manufacture of basic metals by 11.3%, in the manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials by 7.3%, and in the manufacture of paper and paper products by 5.1%, while the producer prices fell in the manufacture of computer, electronic and optical products and in the manufacture of other transport equipment by 2.3%.



In November 2017 Producer Price Index on Domestic Market increased by 0.5% m/m and by 5.8% y/y, respectively

Producer Price Index on Domestic Market in November 2017 increased by 0.5% compared to the previous month. The domestic prices rose in the manufacturing by 0.7%, in the mining and quarrying industry by 0.6% and in the electricity, gas, steam and air conditioning supply by 0.1%. In the manufacturing², compared to the previous month the prices went up in the manufacture of tobacco products by 2.7% and in the manufacture of chemicals and chemical products by 1.5%, while the domestic prices fell in the manufacture of basic metals by 1.1% and in the repair and installation of machinery and equipment by 0.9%. Producer Price Index on Domestic Market in November 2017 increased by 5.8% compared to the same month of 2016. The domestic prices rose in the electricity, gas, steam and air conditioning supply by 10.1%, in the manufacturing by 9.1% and in the mining and quarrying industry by 3.1%. In the manufacturing compared to November 2016 the prices went up in the manufacture of basic metals by 7.3%, in the manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials by 6.4% and in the manufacture of electrical equipment by 4.8%. A decrease in the prices was reported in the manufacture of computer, electronic and optical products by 0.6% and in the manufacture of other non-metallic mineral products by 0.3%.

In November 2017 Producer Price Index on Non-domestic Market increased by 0.8% m/m and by 5.7% y/y, respectively

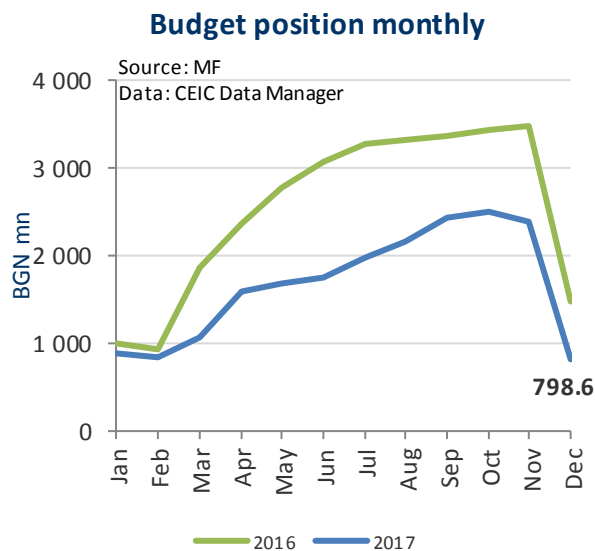
Producer Price Index on Non-domestic Market in November 2017 increased by 0.8% compared to the previous month. In the manufacturing the non-domestic prices rose by 1.1%. More significant price increases were reported in the manufacture of paper and paper products by 1.8%, in the manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials by 1.3% and in the manufacture of leather and related products by 0.9%, while the prices went down in other manufacturing by 1.2%. Producer Price Index on Non-domestic Market in November 2017 increased by 5.7% compared to the same month of 2016. In the manufacturing, the prices rose by 6.1%. The non-domestic prices rose in the manufacture of paper and paper products by 13.8% and in the manufacturing of basic metals by 12.3%. The prices fell in the manufacture of other transport equipment by 3.3%, in the manufacturing of computer, electronic and optical products by 3.2% and in the manufacturing of chemical and chemical products by 2.3%.

FISCAL SECTOR

Budget balance

Consolidated Fiscal Programme (CFP) balance on a cash basis as of end-November 2017 is positive, amounting to BGN 2,385.8 million, or 2.4% of the projected GDP. According preliminary data the Consolidated Fiscal Programme (CFP) balance on a cash basis for 2017 is expected to be positive, amounting to BGN 798.6 million, or 0.8% of GDP

According MF data the Consolidated Fiscal Programme (CFP) balance on a cash basis as of end-November 2017 is positive, amounting to BGN 2,385.8 million, or 2.4% of the projected GDP, and is formed by a national budget surplus of BGN 2,582.1 million and by a EU funds deficit of BGN 196.3 million. The national budget balance reports an improvement in structural terms as compared to the same period of 2016 mainly due to the growth of tax revenues, including from social security and health insurance contributions, while the balance of EU fund accounts has deteriorated this year due to a baseline effect in 2016 related to the EU grants reimbursed to Bulgaria at the beginning of 2016 for expenditures incurred at the end of 2015 when was the peak of project payments under the previous 2007 – 2013 programming period. The CFP revenues and grants in November 2017 stand at BGN 31,903.4 million, or 90.0% of the annual estimates. Compared to the same period of the previous year, tax and non-tax revenues have risen by BGN 2,394.3 million, or by 8.5%, with grant proceeds being lower. Tax proceeds, including revenues from social security contributions, total BGN 26,778.1 million, which accounts for 95.5% of the revenues planned for the year. Compared to the data as of November 2016, tax proceeds have risen in nominal terms by 9.6%, or by BGN 2,338.0 million. Direct tax revenues amount to BGN 4,818.3 million, or 94.6% of the estimates planned for the year, growing by BGN 482.0 million (11.1%). Indirect tax revenues amount to BGN 13,407.5 million, which accounts for 95.6% of the annual estimates. Compared to the data as of November 2016, proceeds in this group have grown by BGN 849.2 million, or by 6.8%. VAT proceeds amount to BGN 8,591.0 million, or 97.8% of those planned. Compared to the previous year, VAT revenues have risen by BGN 656.6 million, or by 8.3%. The amount of non-refunded VAT as of end-November 2017 is BGN 62.2 million. Excise duty revenues amount to BGN 4,609.6 million, or 91.5% of the annual estimates. Customs duty proceeds amount to BGN 173.8 million, or 104.7% of the estimates for the year. Proceeds from other taxes, including property taxes and other taxes under the Corporate Income Tax Law, amount to BGN 969.3 million, or 97.8% of the annual estimates. Revenues from social security and health insurance contributions are BGN 7,583.0 million, which accounts for 95.6% of the estimates for the year. Compared to the same period of the previous year, the revenues from social security contributions have risen by BGN 956.1 million, or by 14.4%, in nominal terms. Non-tax revenues amount to BGN 3,880.3 million, or 81.6% of the annual estimates. Grant revenues amount to BGN 1,245.0 million, or 47.1% of those planned for the year. CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for November 2017, amount to BGN 29,517.5 million, which accounts for 80.3% of the annual estimates. For comparison, CFP expenditures for the same period of 2016 amount to BGN 27,618.9 million. The higher expenditures, as compared to end-November 2016, are mainly due to the greater amount of social security and health insurance payments, the baseline effect of pension expenditures since their increases as from July 2016 and July 2017, the two-step increase of the minimum pension in 2017 (as from July and October), as well as the higher subsidy expenditures and the higher staff costs, including due to the increase in social security contribution expenditures linked to the higher contribution to the Pensions to Persons Pursuant to Article 69 Fund of the Social Insurance Code by 20 pps as against 2016. Non-interest expenditures amount to BGN 27,942.1 million, which accounts for 80.9% of the annual estimates. Non-interest current expenditure as of November 2017 amount to BGN 25,928.6 million, or 91.5% of the estimates for the year, capital expenditures (including net increment of state reserve) amount to BGN 2,013.5 million, or 32.5% of the 2017 State Budget of the Republic Bulgaria Law estimates. Interest payments amount to BGN 759.0 million, or 91.8% of those planned for 2017. The part of Bulgaria's contribution to the EU budget, as paid from the central budget as of end-November 2017, amounts to BGN 816.4 million, which complies with the existing legislation in the area of EU own resources, i.e. Council Decision 2014/335/EU on the system of own re-



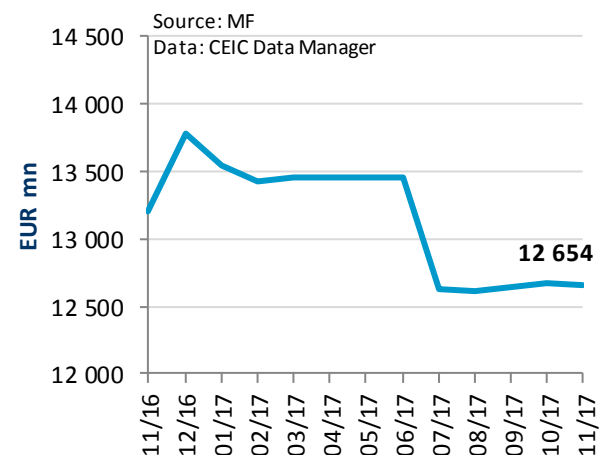
sources of the European Union, Council Regulation (EU, Euratom) No 608/2014 of 26 May 2014 laying down implementing measures for the system of own resources of the European Union and Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements, as amended by Council Regulation (EU, Euratom) 2016/804 of 17 May 2016. The fiscal reserve as of 30 November 2017 is BGN 11.9 billion, including BGN 11.3 billion of fiscal reserve deposits in the BNB and in banks and BGN 0.6 billion of receivables under the EU Funds for certified expenditure, advance payments, etc. The preliminary data and estimates expect for the Consolidated Fiscal Programme (CFP) balance on a cash basis for 2017 to be positive, amounting to BGN 798.6 million, or 0.8% of the projected GDP. The national budget balance reports an improvement in structural terms as compared to the same period of 2016 mainly due to the growth of tax revenues, including from social security and health insurance contributions, while the balance of EU fund accounts has deteriorated this year due to a baseline effect in 2016. It is related to the EU grants reimbursed to Bulgaria at the beginning of 2016 for expenditures incurred at the end of 2015 when was the peak of project payments under the previous 2007 – 2013 programming period.

Central Government debt

At the end of November 2017 Bulgaria's Central government debt stood at EUR 12,654.4 million and presented 24.8% of projected GDP

Central government debt stood at EUR 12,654.4 million as at end-November 2017. An issue of bonds with a maturity of 4 years and a volume of BGN 30.0 million was reopened on the domestic market this month. Domestic debt amounted to EUR 3,426.8 million and external debt – to EUR 9,227.6 million. At the end of the reporting period the central government debt-to-gross domestic product (GDP) ratio was 24.8%, with the share of domestic debt being 6.7% and of external debt – 18.1% of GDP. In the central government debt structure, domestic debt at the end of the period amounted to 27.4%, and external debt – to 72.6%. The weighted average interest rate on debt for the period January – November 2017 is 2.70%, decreasing by 23 basis points compared to the same period of 2016 (2.93%). Central government guaranteed debt amounted to EUR 376.7 million as of 30 November 2017. Domestic debt amounted to EUR 35.4 million and external debt – to EUR - 341.4 million. Domestic guarantees stood at EUR 34.9 million, while the central government guaranteed debt-to-GDP ratio amounted to 0.7%. According

Central Government Debt



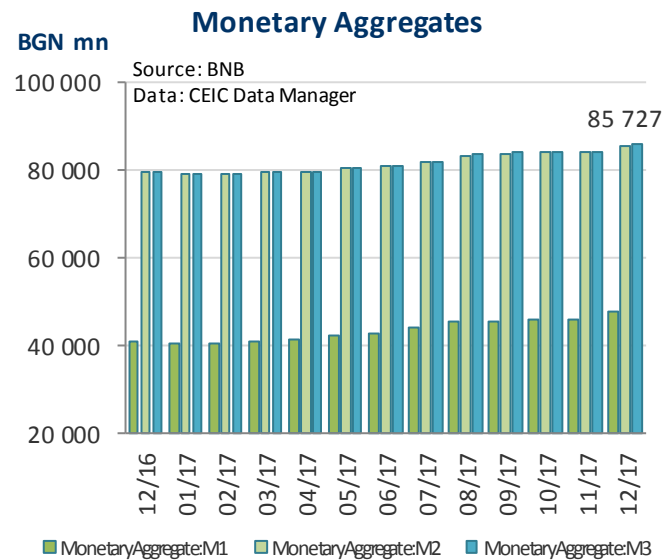
to the official register of government and government guaranteed debt, kept by the Ministry of Finance on the grounds of Article 38(1) of the Government Debt Law, at end-November 2017 government debt reached EUR 12,020.7 million, or 23.6% of GDP. Domestic debt amounted to EUR 3,391.0 million and external debt – to EUR 8,629.8 million. Government guaranteed debt amounted to EUR 1,025.0 million in November 2017. Domestic guarantees amounted to EUR 35.4 million, with the government guaranteed debt-to-GDP ratio being 2.0%.

MONETARY SECTOR

In November 2017 broad money (monetary aggregate M3) increased by 7% y/y to BGN 84.148 billion and presented 85.8% of GDP. Domestic credit – was BGN 53.503 billion and increased by 7.3% y/y

In November 2017 broad money (monetary aggregate M3) increased annually by 7% compared to 8.2% y/y growth in October 2017. At the end of November 2017 M3 was BGN 84.148 billion (85.8% of GDP) compared to BGN 84.213 billion (85.8% of GDP) in October 2017. Its most liquid component – monetary aggregate M1 – increased by 15% y/y in November 2017 (16.2% y/y growth in October 2017). At the end of November 2017, deposits⁵ of the non-government sector⁶ were BGN 70.946 billion (72.3% of GDP), increasing annually by 5.3% (6.7% annual growth in October 2017). Deposits of Non-financial corporations

were BGN 21.631 billion (22% of GDP) at the end of November 2017. Compared to the same month of 2016 they increased by 12.2% (14% annual growth in October 2017). Deposits of financial corporations decreased by 28.3% annually in November 2017 (19.4% annual decline in October 2017) and at the end of the month they reached BGN 2.583 billion (2.6% of GDP). Deposits of Households and NPISHs were BGN 46.732 billion (47.6% of GDP) at the end of November 2017. They increased by 5.1% compared to the same month of 2016 (5.7% annual growth in October 2017). Net domestic assets were BGN 52.469 billion at the end of November 2017. They increased by 9.3% compared to the same month of 2016 (8.6% annual growth in October 2017). At the end of the month their basic component – domestic credit – was BGN 53.503 billion and increased by 7.3% compared to November 2016 (6.8% annual growth in October 2017). In November 2017 claims on the non-government sector⁷ increased by 4.1% y/y (4.3% y/y increase in October 2017) reaching BGN 54.401 billion. At the end of November 2017, claims on loans to the non-government sector amounted to BGN 53.252 billion (54.3% of GDP) compared to BGN 52.986 billion (54% of GDP) at the end of October 2017. They increased annually by 4.2% in November 2017 (4.2% annual growth in October 2017). The change of loans to the non-government sector was influenced by net sales of loans by Other monetary financial institutions (Other MFIs) - their volume for the last twelve months was BGN 78.2 million. On an annual basis, loans sold⁸ by Other MFIs were BGN 136.5 million (of which BGN 7.8 million in November 2017), while the amount of repurchased loans was BGN 58.3 million (of which BGN 3.3 million in November 2017). In November 2017, loans to Non-financial corporations increased by 1.3% annually (1.5% annual growth in October 2017) and at the end of the month amounted to BGN 31.409 billion (32% of GDP). Loans to Households and NPISHs were BGN 19.787 billion (20.2% of GDP) at the end of November 2017. They increased by 6.4% compared to the same month of 2016 (6.3% annual growth in October 2017). At the end of November 2017 loans for house purchases were BGN 9.410 billion and increased by 6.8% annually (6.4% annual growth in October 2017). Consumer loans amounted to BGN 7.834 billion and compared to November 2016 they increased by 6.7% (6.4% annual growth in October 2017). On an annual basis other loans⁹ increased by 24.1% (30% annual growth in October 2017) and reached BGN 1.227 billion. Loans granted to financial corporations were BGN 2.056 billion at the end of November 2017 (2.1% of GDP). Compared to November 2016, they increased by 37.1% (34.1% annual growth in October 2017).



CAPITAL MARKET

In 2017, BSE-Sofia registered an increase of all stock indices. SOFIX ends at 677.45 points or 15.5% y/y growth. BGBX40 ends the year at 132.00 and reports an increase of 18.4% y/y. BGREIT ended at 116.10 points, rising 7.4% y/y. BGTR30 ends in 2017 at a level of 555.98 base points and reports an increase of 21.1% y/y

According to the data of the Bulgarian Stock Exchange - Sofia, the number of transactions on a regulated market for 2017 increased by 36% to 79,629 compared to the previous year. The turnover of BSE-Sofia was almost 70% y/y to BGN 705,850,935. SOFIX ends 2017 at 677.45 points, which represents an increase of 15.5% y/y. BGBX40 ends the year at 132.00 and reports an increase of 18.4% on an annual basis. BGREIT ended at 116.10 points, rising 7.4% y/y. BGTR30 ended in 2017 at a level of 555.98 points and posted an increase of 21.1% on an annual basis. The highest level of the year the blue chip index of the Bulgarian stock exchange was reached on August 16 - 730.9 points. At that time, the annual

Date	SOFIX	BGBX40	BGREIT	BGTR30
12.2016	586.4	111.3	108.1	459.2
01.2017	602.3	117.0	107.3	470.4
02.2017	611.1	120.6	107.8	486.1
03.2017	634.0	124.9	108.6	503.8
04.2017	657.3	130.3	108.4	519.9
05.2017	661.2	130.6	111.1	516.7
06.2017	703.5	134.2	113.8	535.5
07.2017	715.2	135.5	115.0	548.7
08.2017	705.4	134.9	115.3	556.1
09.2017	688.1	134.3	114.9	559.3
10.2017	671.4	131.2	115.9	547.1
11.2017	665.0	130.5	114.0	547.9
12.2017	677.5	132.0	116.1	556.0

Source: Bulgarian Stock Exchange-Sofia

increase was estimated at 57.6%, but in the following months there was a cooling of trade. It is in those days in the middle of the summer - on 14, 15 and 16 August, Sopharma JSC reached a record price for the last years of BGN 4.99, but there was a drop under massive sales pressure by the shareholder Romfarm Compani Ltd. When it became clear that Rompharm Company was selling, a number of speculators were panicked and had stock sales of Sopharma AD and less than BGN 4 per share at the end of October 2017. Subsequently, in the beginning of December, market participants tried to buy the entire bundle of Romfarm of about 23 million shares in Sopharma AD at a price of 4.27 leva but failed. Sopharma itself bought about 4.09 million own shares. Thus, despite the efforts, Romfarm Company still owns about 10 million shares in Sopharma AD and this weighs on SOFIX because, as many players have said, until the big package at Sopharma is redeemed, the whole market can not go up. After August 16, 2017, the Expat SOFIX ETF, weighs SOFIX - at that date its shares were 24.64 million, and by the end of the year it was 25.4 million, ie an increase of about 760 thousand shares, or BGN 1 million. The expectations are to change this in 2018 because the fund's shares will be launched on the Frankfurt Stock Exchange on January 10, 2018. The index of the 40 most liquid companies of BSE-Sofia (BGBX40) reported an increase of 18.63% in the year. Leader more appreciation among liquid companies is Eurohold Bulgaria plus 129% to BGN1.474 per share. Korado-Bulgaria is up by 96%, Third Aktiv Properties – by 88% to BGN 5.7, the fourth Doverie United Holding – grew up by 84% to BGN 2.1. Top 5 closes the Bulgarian stock exchange operator Stock Exchange - Sofia AD with an increase of 77% to BGN 5,061 At the bottom of the list are Sparky Eltos AD with a drop of 39.46% to BGN 0.27, Billboard AD with a decrease of 31.64% to BGN 0.43, Industrial Capital Holding AD minus 25.42% to BGN 3,319, Bulgartabac Holding AD decreased by 15.37% to BGN 33 and Trace Group Hold AD decreased by 14.63% to BGN 4.55.

BANKING SECTOR

In November 2017 the loans for customers in Bulgaria's banking system reported 2.4% y/y growth and presented 62.2% of GDP. Deposits from customers increased by 4.6% y/y and presented 83.1% of GDP

According to BNB data in November 2017, Bulgaria's banking system reported a profit of BGN 1.1 billion, or a decline of 15.2% y/y. For the eleven months of 2017 depreciation charges were made for BGN 640 million (compared to BGN 680 million a year earlier). Interest income reported to BGN 2.8 billion and interest expense amounted to BGN 340 million. Thus the net interest margin of the overall banking system reported a decrease of 8.3% y/y.

Indicator (BGN'000)	30.11. 2016	30.11. 2017	Y/Y (%)
Interest Income	3 039 656	2 788 481	-8.3
Interest Expenxe	461 311	339 996	-26.3
Net interest Income	2 578 345	2 448 485	-5.0
Impairment	680 180	640 245	-5.9
Fee and commission income	968 227	1 047 978	8.2
Fee and commission expenses	128 310	137 861	7.4
Net fee and commission income	839 917	910 117	8.4
Administration costs	1 432 471	1 457 406	1.7
Personal costs	684 429	724 760	5.9
Total operating income, net	3 742 790	3 503 507	-6.4
Net Profit	1 283 198	1 088 190	-15.2

Source:BNB, UBB's Calculations

In November 2017 total banking system assets increased by 0.4% m/m and by 4.8% y/y, respectively to BGN 95.9 billion. Their relative share in GDP presented 98.7%. The clients' gross credit portfolio of the banking system grew in November by 0.4% m/m and by 2.7% y/y, respectively and recorded to BGN 56.5 billion. Its relative share in GDP is 62.2%. Compared to the previous month, growth in lending to non-financial corporations was BGN 119 million, or 0.4%, for households - by BGN 88 million or by 0.4% and for other financial corporations - BGN 30 million. For the same period Government loans declined by BGN 6 million or by 1.0%. On an annual basis, loans to non-financial corporations decreased by 0.4% and government loans declined by 2.5%. For a period of one year loans to households increased by 7.2%. In November 2017 deposits from clients in the banking system kept their level compared to previous month and increased by 4.6% y/y, respectively to BGN 76.7 billion and their relative share in GDP was 83.1%. Household deposits grew up by 0.7% m/m and by 10.8% y/y, respectively to BGN 23.7 billion. Deposits of households increased by 0.3% m/m and by 4.4% on an annual basis to BGN 48.7 billion.

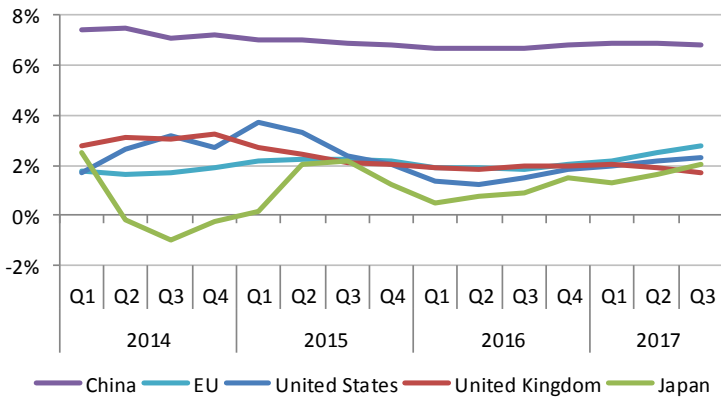
Bulgaria Intermediation Indicators	30.11.2016 BGN '000	31.12.2016 BGN '000	31.10.2017 BGN '000	30.11.2017 BGN '000	Change m/m (%)	Change y/y (%)	Change yend (%)	Share in GDP (%)
BANKING SYSTEM TOTAL ASSETS	91 450 744	92 094 979	95 432 133	95 850 484	0.4	4.8	4.1	98.7
Loans to central governments	630 096	686 170	620 759	614 592	-1.0	-2.5	-10.4	0.7
Loans to non-financial corporations	33 654 067	33 180 349	33 397 621	33 516 791	0.4	-0.4	1.0	38.1
Loans to financial corporations	2 039 188	2 025 583	2 322 819	2 352 930	1.3	15.4	16.2	2.3
Retail loans, incl.:	18 631 517	18 575 301	19 884 373	19 972 030	0.4	7.2	7.5	21.1
Mortgage loans	8 780 893	8 771 553	9 257 546	9 444 146	2.0	7.6	7.7	9.9
Consumer loans	8 743 016	8 677 385	9 214 569	9 264 095	0.5	6.0	6.8	9.9
Micro credits and other loans	1 107 608	1 126 363	1 412 258	1 263 789	-10.5	14.1	12.2	1.3
TOTAL LOANS	54 954 868	54 467 403	56 225 572	56 456 343	0.4	2.7	3.7	62.2
ATTRACTED SOURCES FROM CLIENTS, incl.:	73 366 040	74 129 417	76 761 661	76 747 619	0.0	4.6	3.5	83.1
Local government deposits	1 701 657	1 652 435	1 831 917	1 824 421	-0.4	7.2	10.4	1.9
Non-financial corporations deposits	21 405 324	21 375 024	23 540 772	23 709 705	0.7	10.8	10.9	24.2
Financial corporations deposits	3 916 935	3 905 721	3 181 686	2 842 120	-10.7	-27.4	-27.2	4.4
Households and NPISHs deposits	46 342 124	47 196 237	48 207 286	48 371 373	0.3	4.4	2.5	52.5
Equity	12 337 848	12 133 492	12 365 453	12 468 136	0.8	1.1	2.8	14.0
Net profit (annualised)	1 283 198	1 262 334	1 000 578	1 088 190	8.8	-15.2		
BANKING INDICATORS (%)								
ROE	11.3	10.4	9.7	9.5	3.7	2.5	3.7	
ROA	1.5	1.4	1.3	1.2	0.5	0.4	0.5	
Capital adequacy	n.a.	22.2	n.a.	n.a	n.a	n.a	n.a	
Liquidity	37.9	38.2	37.1	37.1	0.6	2.5	0.6	
NPL	n.a.	11.1	n.a.	n.a	n.a.			
GDP, BGN '000	88 282 000	88 282 000	97 156 000	97 156 000				
EUR/BGN	1.95583	1.95583	1.95583	1.95583				

Source: BNB, MF, UBB's Calculations

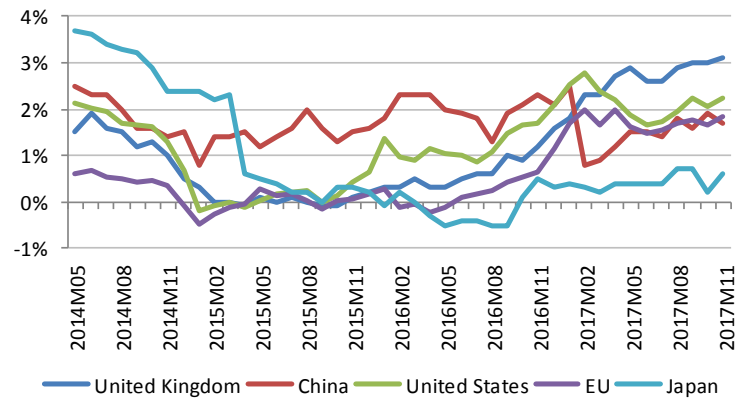
At the end of November 2017, equity in the balance sheet of the banking system amounted to BGN 12.5 billion. During the reported period it increased by BGN 103 million (0.8%) mainly due to the increase in profits. In November 2017, the liquidity position remained virtually unchanged, with the liquid assets ratio calculated under Ordinance No. 11 of the BNB amounting to 37.14%. Liquid assets reached BGN 30.7 billion or 0.4% more than the previous month.

Appendix

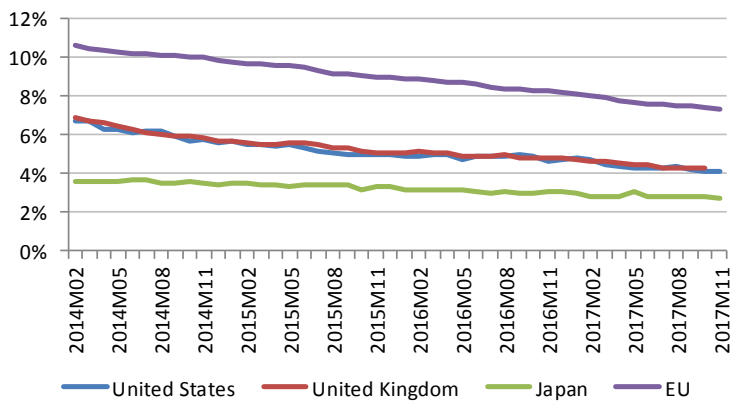
Advanced Economies: GDP growth rate compared to the same quarter of the previous year



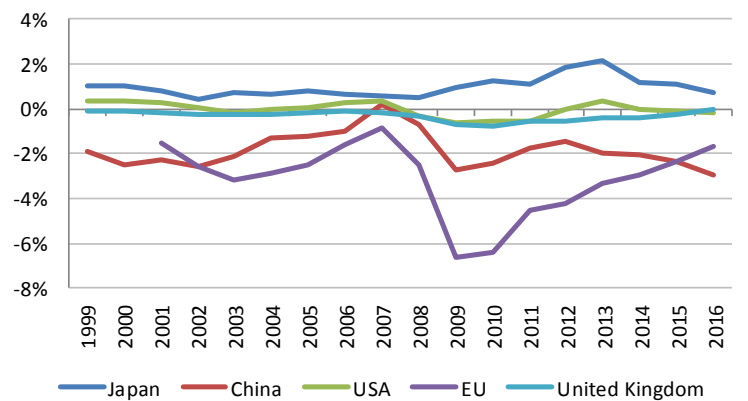
Advanced economies: Inflation by country, monthly (y/y)



Advanced economies: Unemployment rates (%) by country on monthly basis

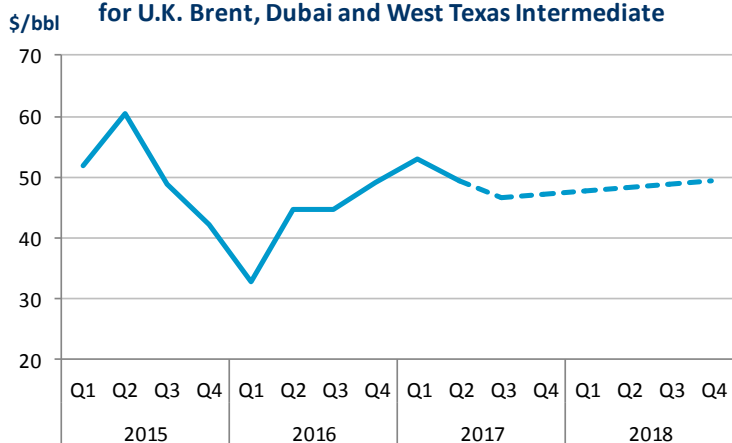


Advanced economies: Budget surplus/deficit to GDP (%)

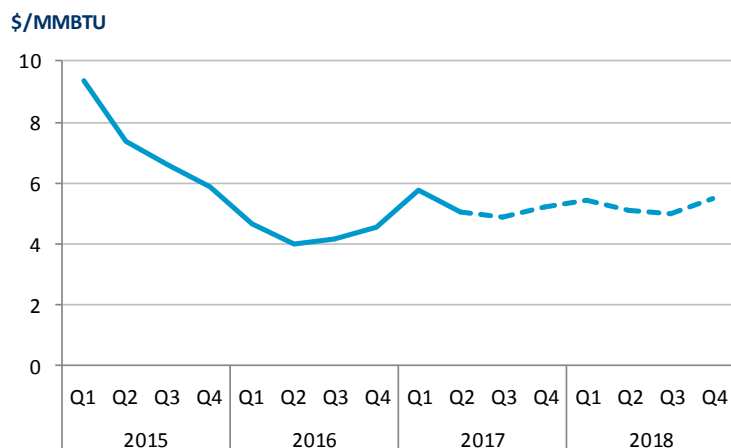


Overseas Prices of Oil Products

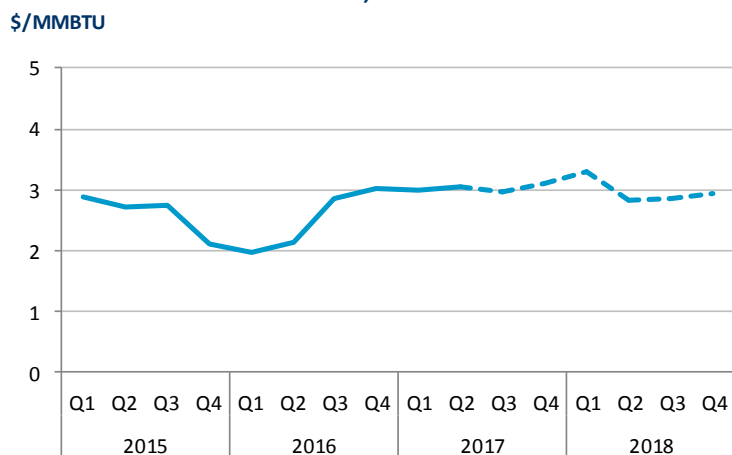
Spot Crude: Petroleum price - average of spot prices for U.K. Brent, Dubai and West Texas Intermediate



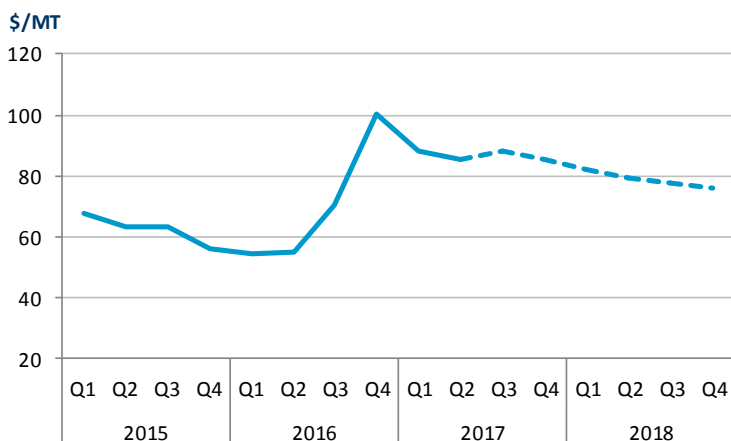
Natural Gas: Russian in Germany



Natural Gas: US, domestic market

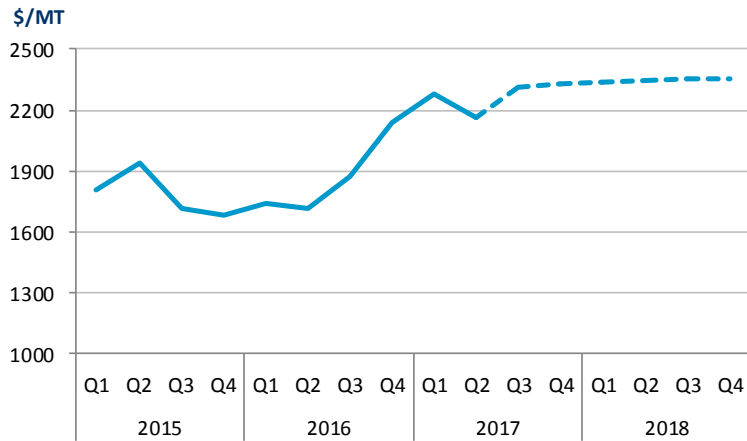


Coal: Australian, export markets

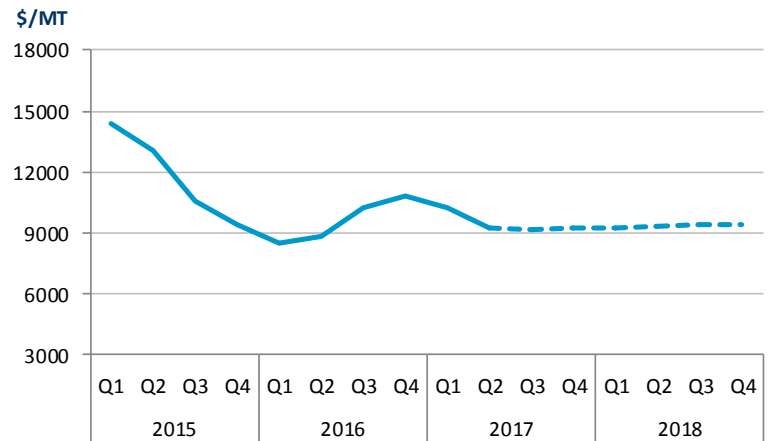


Overseas Prices of Metals

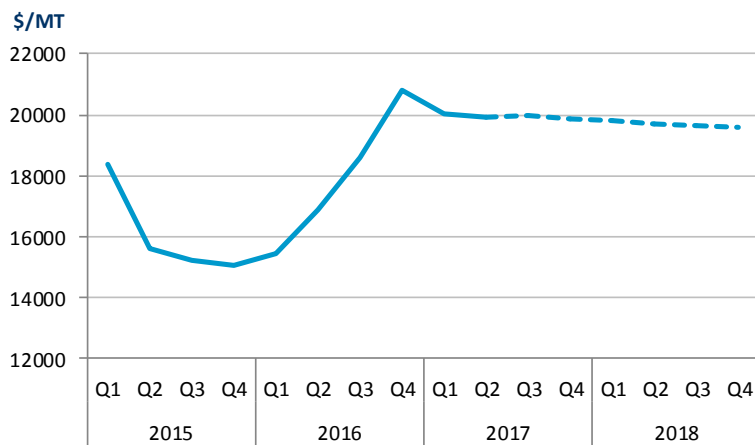
Lead



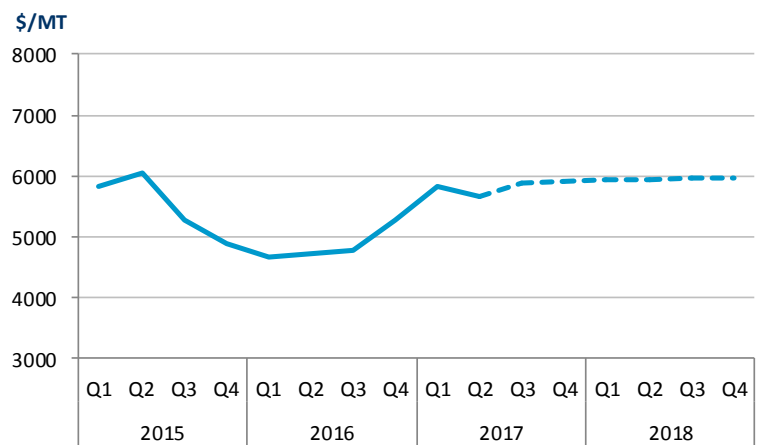
Nickel



Tin

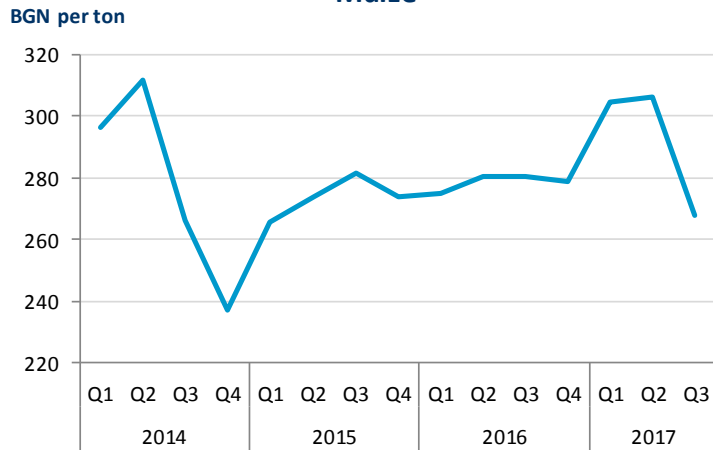


Copper

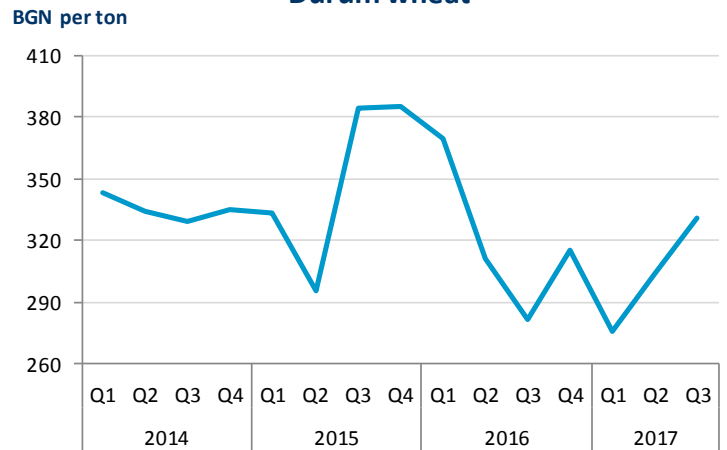


Bulgaria: Prices of Agriculture products

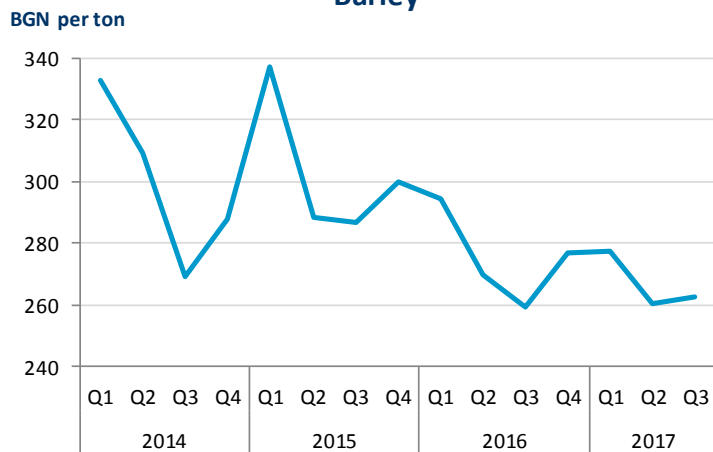
Maize



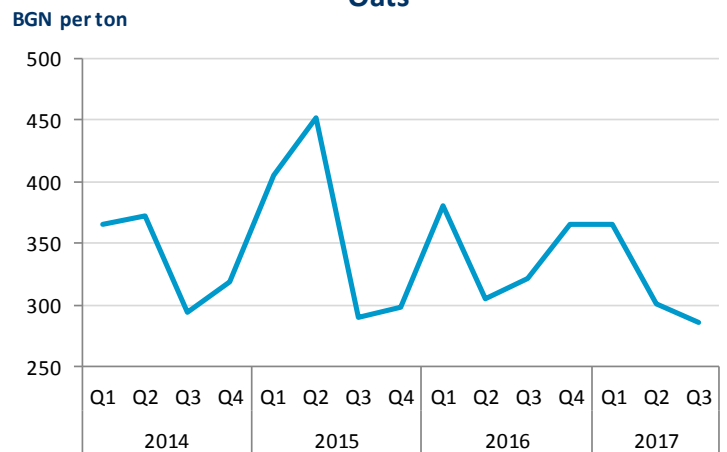
Durum wheat



Barley

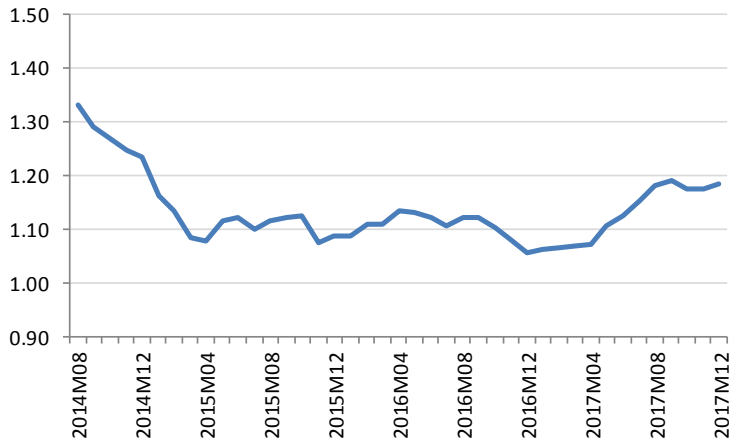


Oats

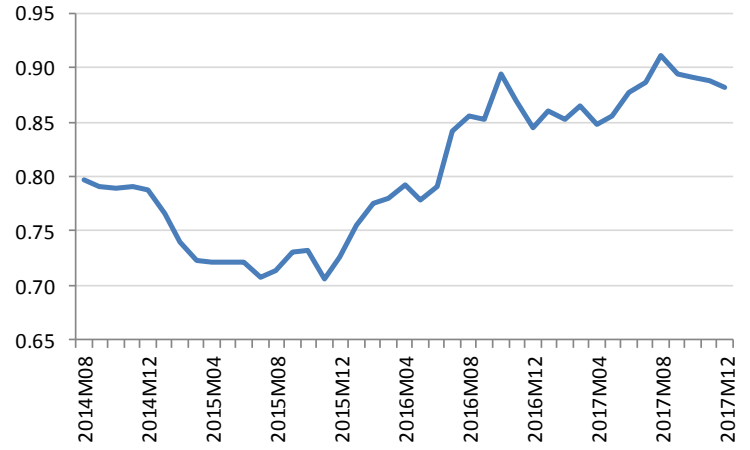


Overseas FX Rates

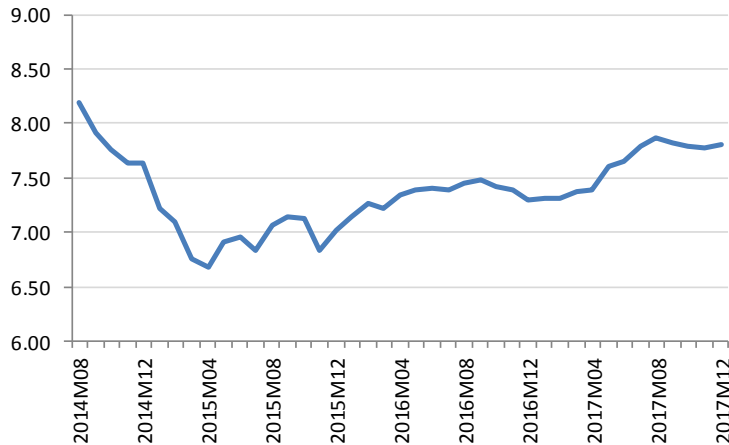
EUR/USD



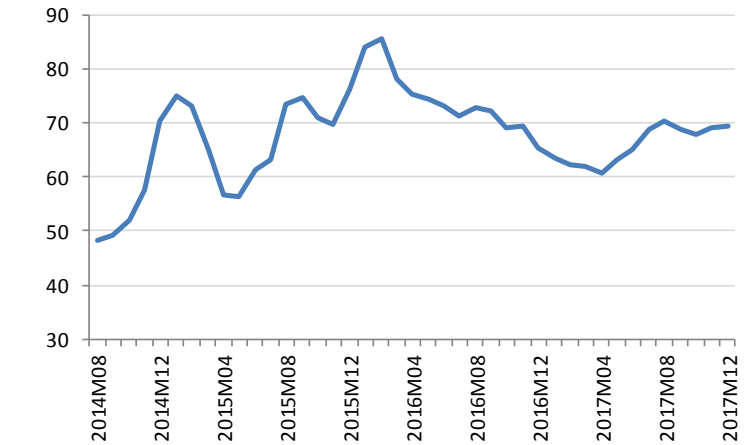
EUR/GBP



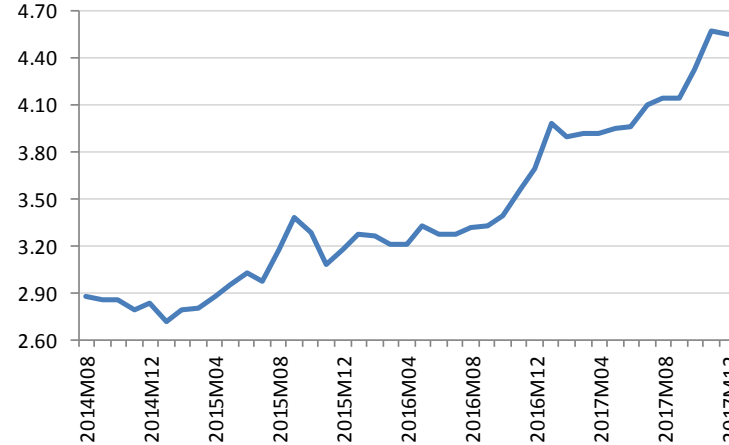
EUR/CHF



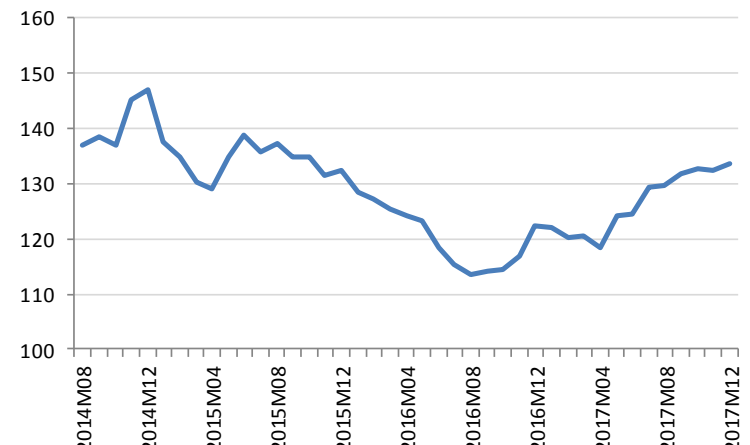
EUR/RUB



EUR/TRY

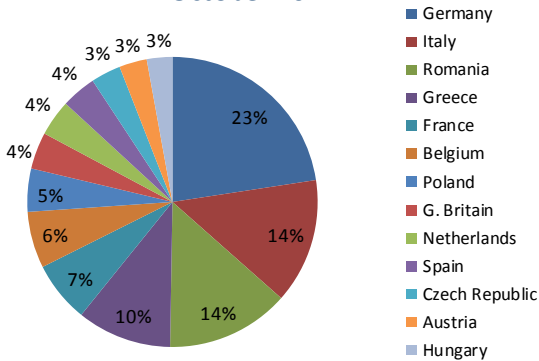


EUR/JPY

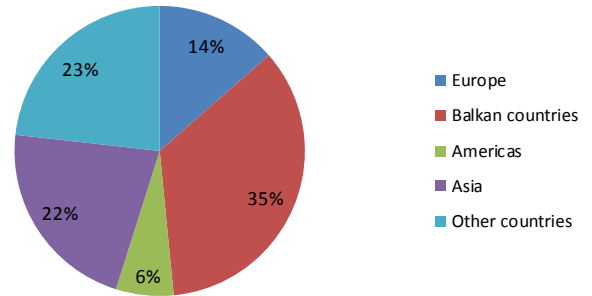


Bulgaria: External Sector Indicators

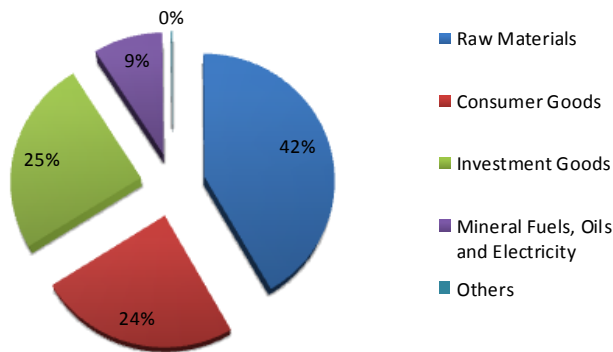
Exports: FOB by EU countries: January - October 2017



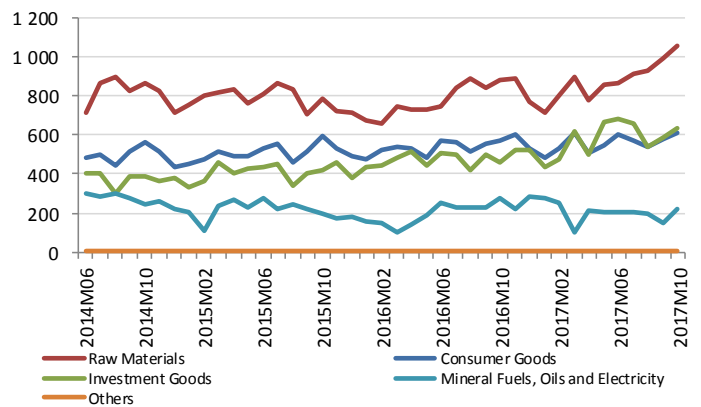
Exports: FOB by Non EU countries: January - October 2017



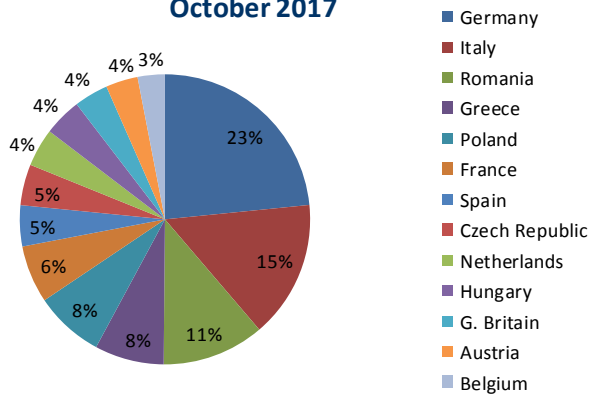
Exports: FOB: Commodity groups - percentage shares for October 2017



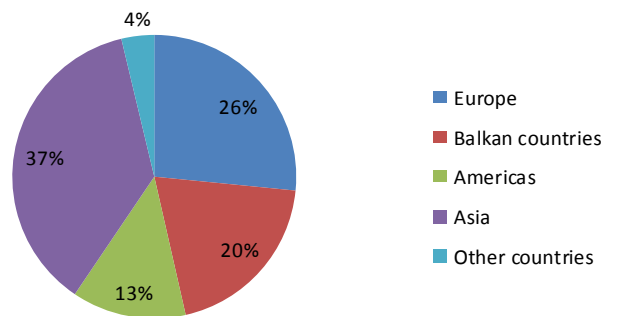
Exports by Commodity groups: 2014 - 2017



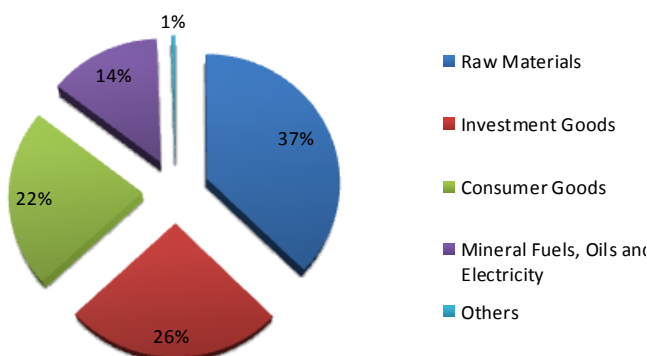
Imports: CIF by EU Countries: January - October 2017



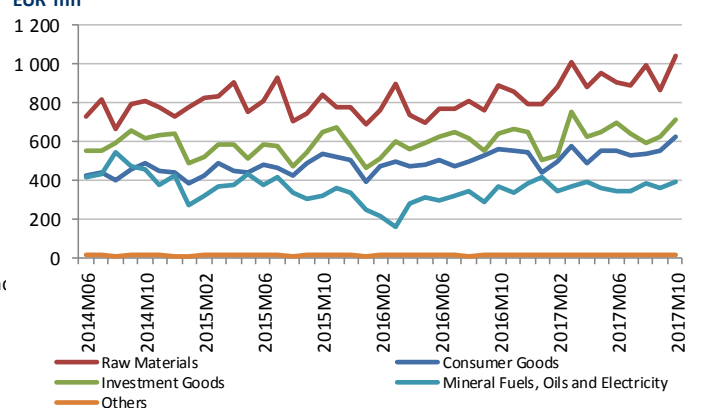
Imports: CIF by Non EU Countries: January - October 2017



Imports: CIF - Commodities groups - percentage share for October 2017

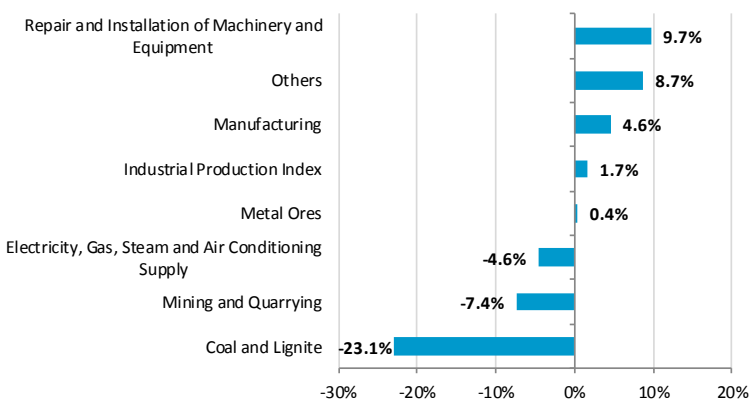


Imports by Commodity groups: 2014 - 2017

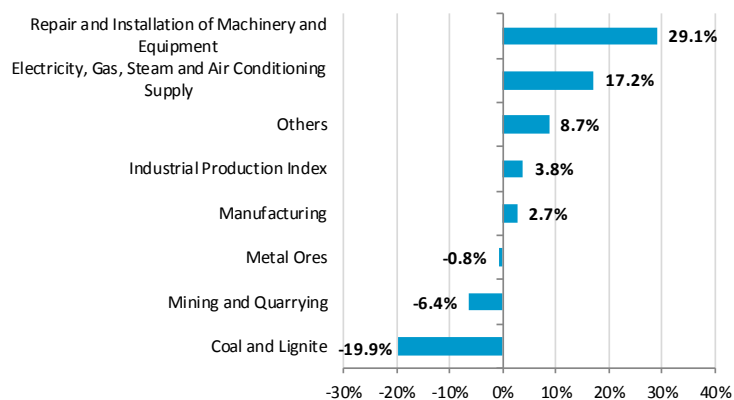


Bulgaria: Real Sector Indicators

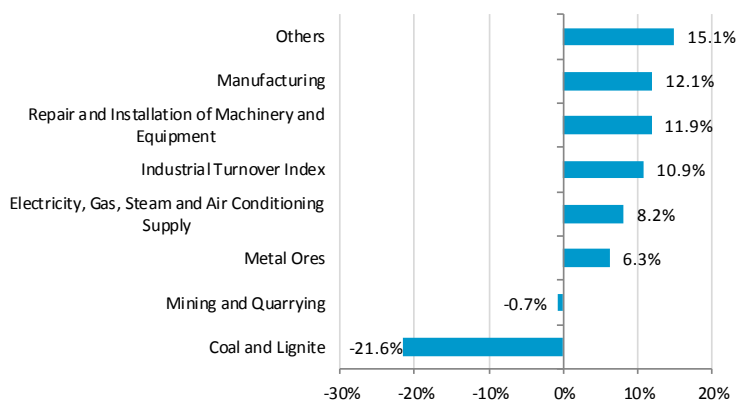
Industrial Production Indices: % change in November 2017 compared to November 2016



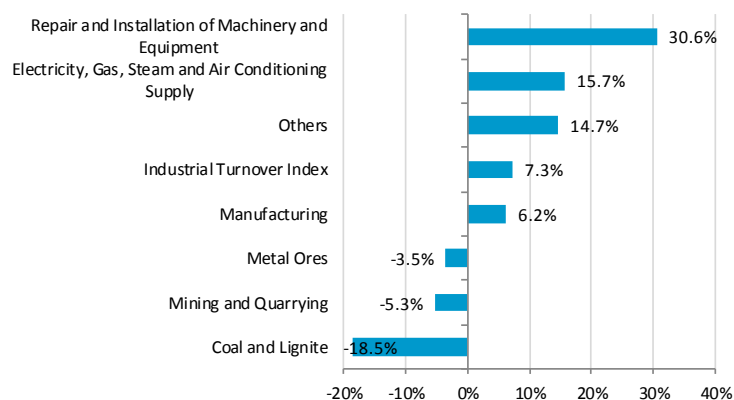
Industrial Production Indices: % change in November 2017 compared to October 2017



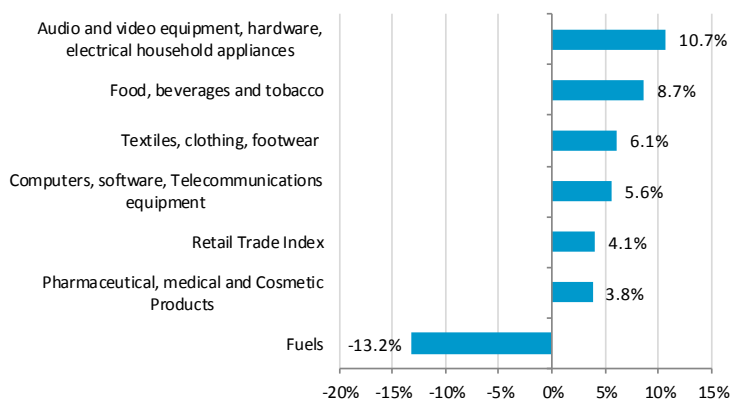
Industrial Turnover Index: % change in November 2017 compared to November 2016



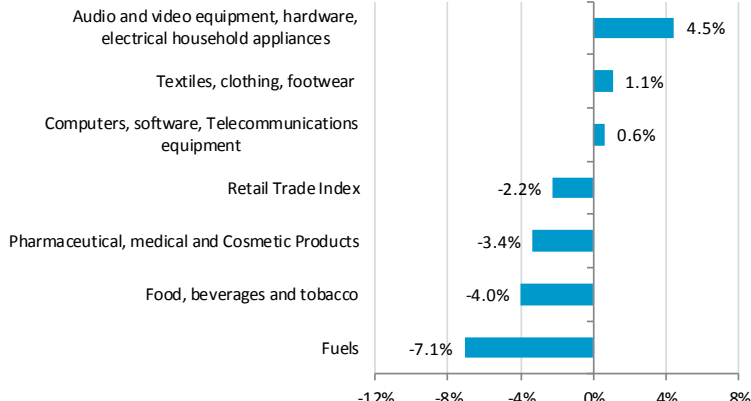
Industrial Turnover Index: % change in November 2017 compared to October 2017



Retail Trade Index: % change in November 2017 compared to November 2016

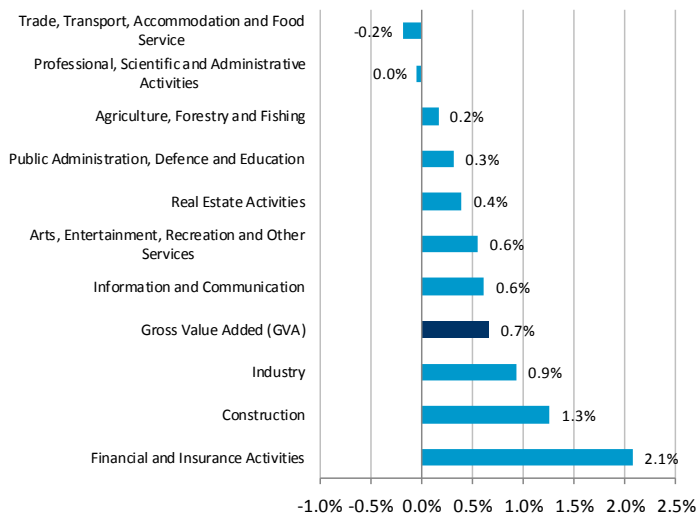


Retail Trade Index: % change in November 2017 compared to October 2017

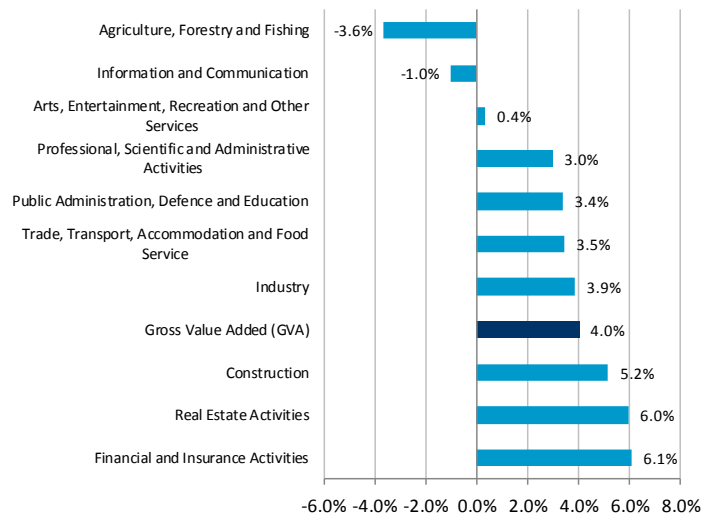


Bulgaria: Real Sector Indicators

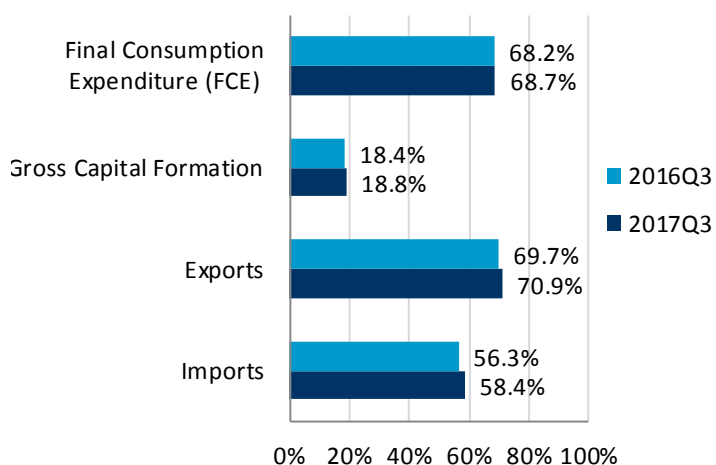
Gross Value Added by Economic Sectors: Percentage Change of Q3 2017 compared to Q2 2017



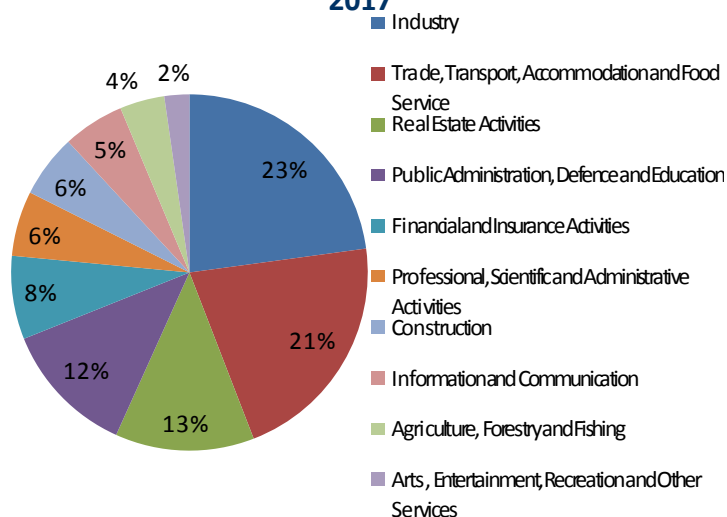
Gross Value Added by Economic Sectors: Percentage change of Q3 2017 compared to Q3 of 2016



Structure of GDP by the expenditure approach for Q3 in 2016 and 2017

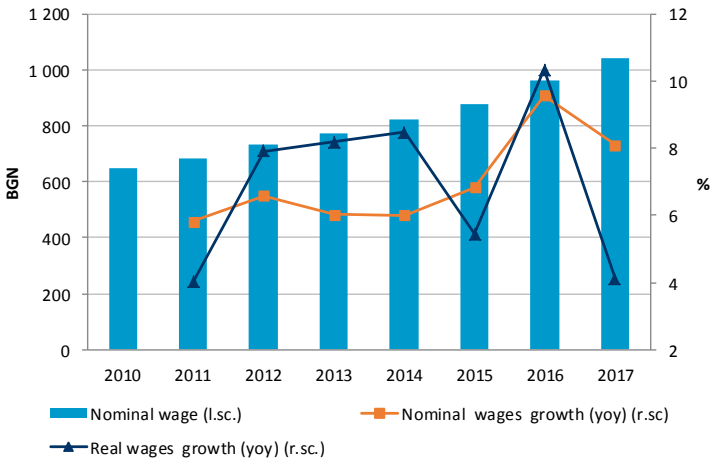


Bulgaria: Industries' relative share to GVA for Q3 2017

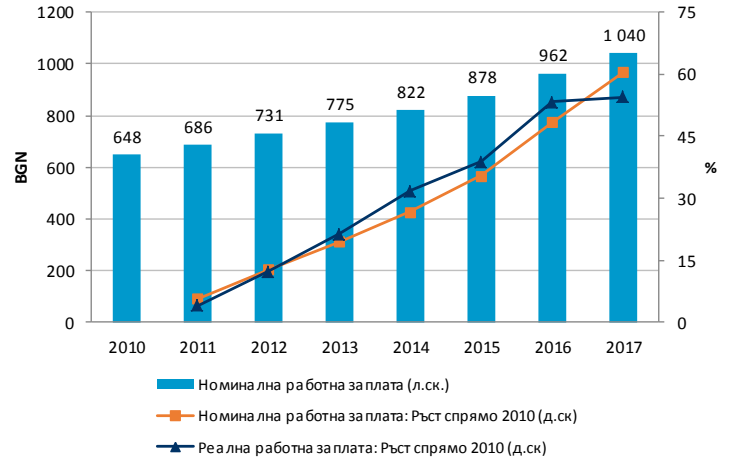


Bulgaria: Real Sector Indicators

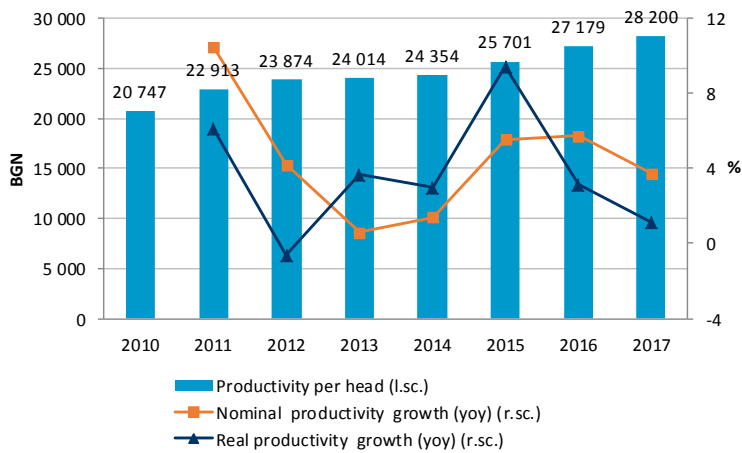
Nominal and Real Wage Dynamics: YoY (%)



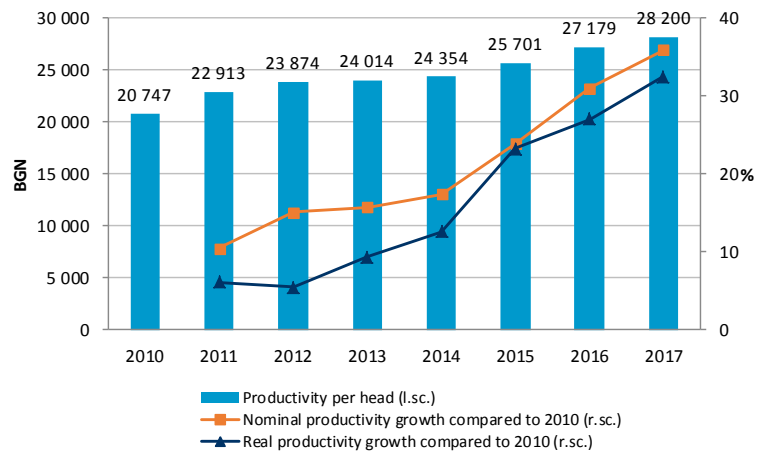
Nominal and Real Wage Dynamics compared to 2010 (%)



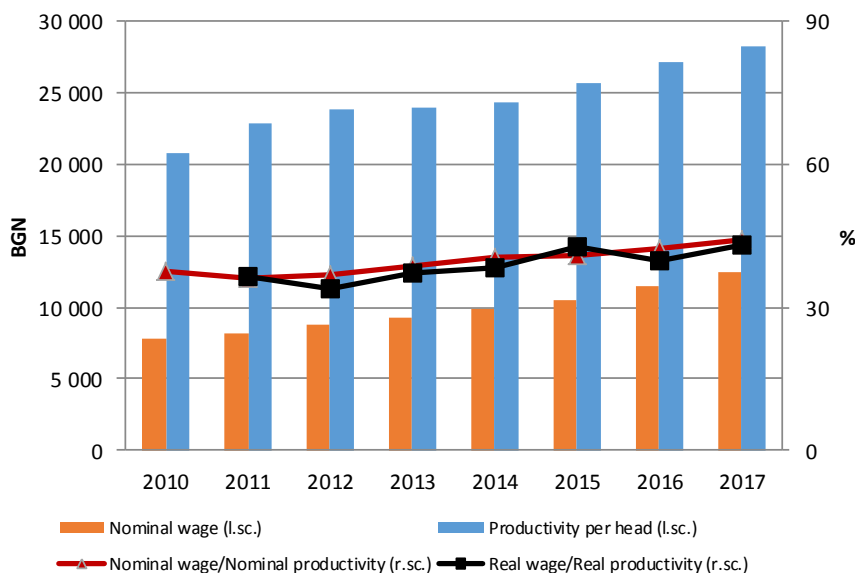
Nominal and Real Productivity per Head Dynamics, YoY (%)



Nominal and Real Productivity Dynamics compared to 2010 (%)

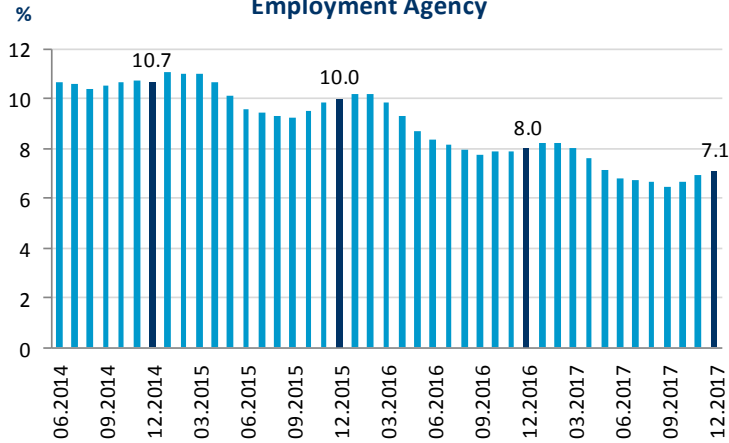


Average Wage to Productivity Ratio Dynamics, YoY (%)

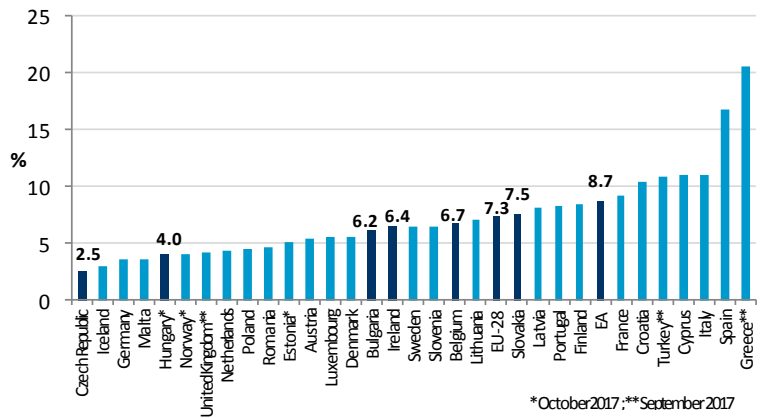


Bulgaria: Real Sector Indicators

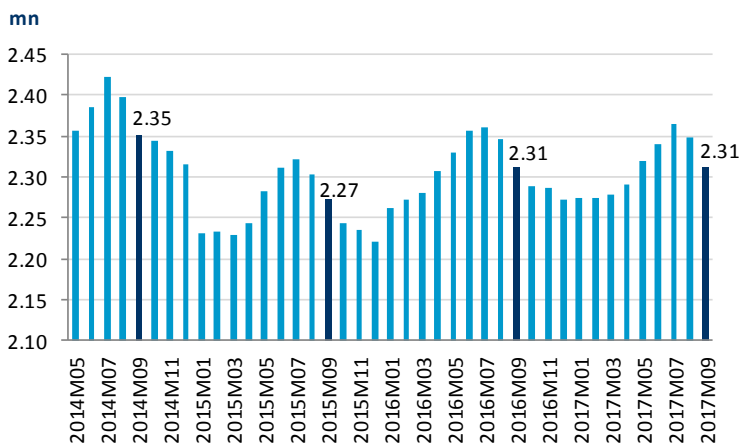
Registered Unemployment Rate: National Employment Agency



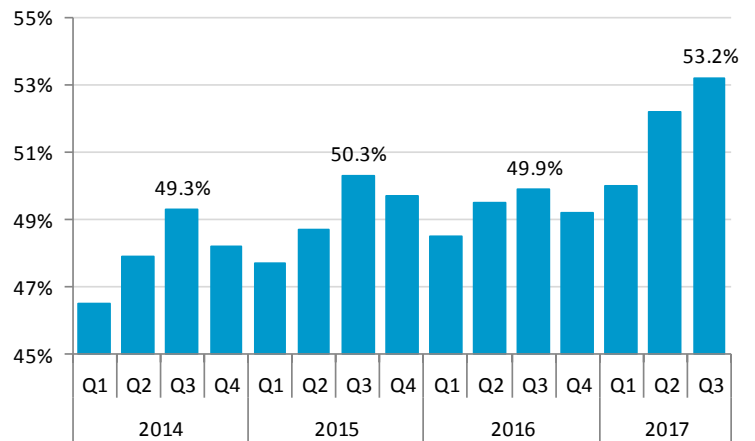
EU: Unemployment rate seasonally adjusted by country, November 2017



Bulgaria: Number of Employees

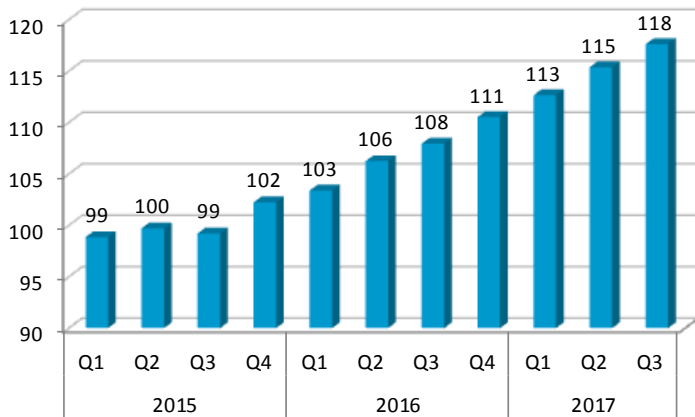


Bulgaria: Employment Rate

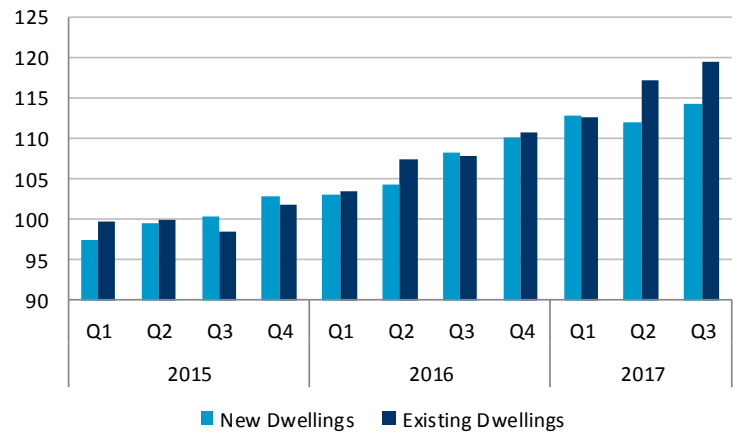


Bulgaria: Real Sector Indicators

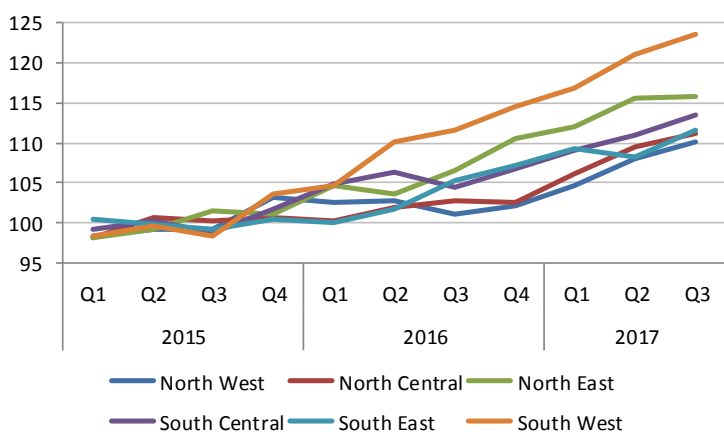
House Price Index (HPI)



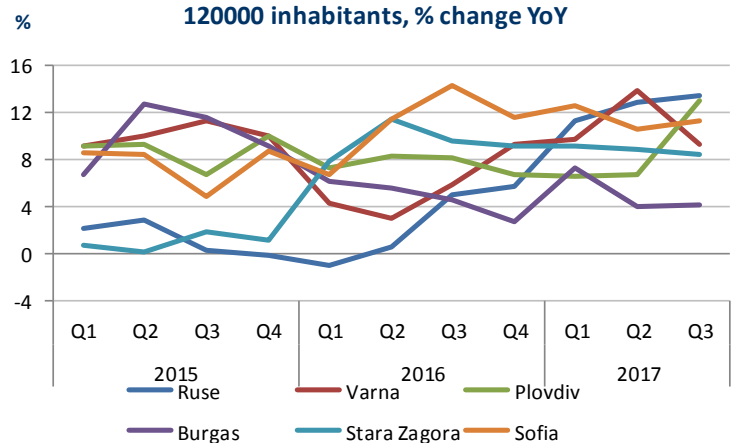
HPI: New and existing dwellings



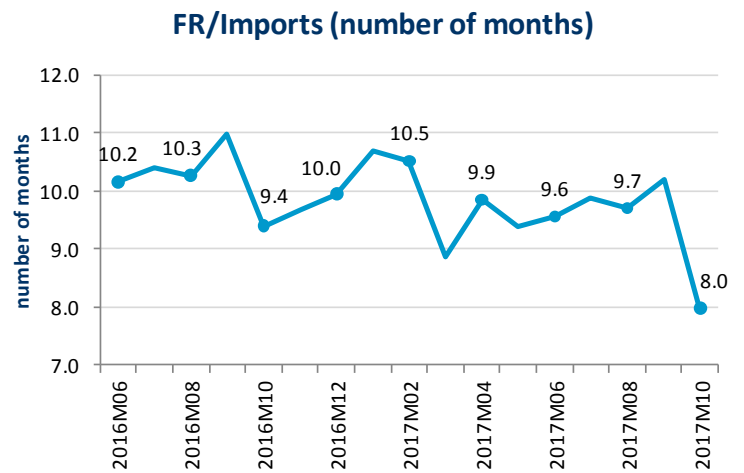
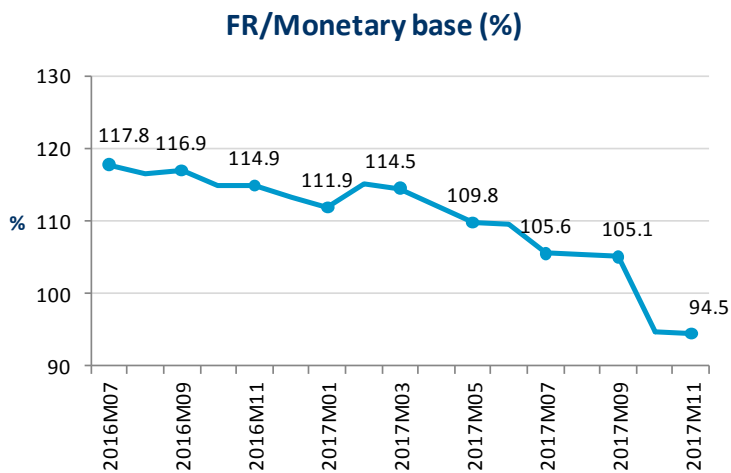
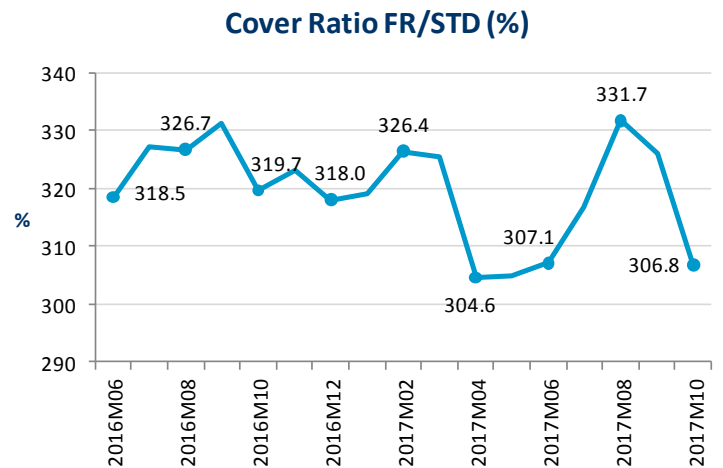
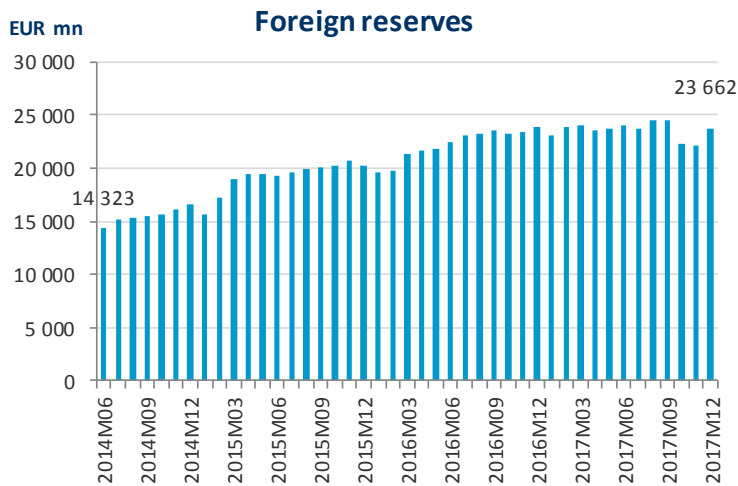
House Price index by regions



HPI for the 6 cities with population more than 120000 inhabitants, % change YoY

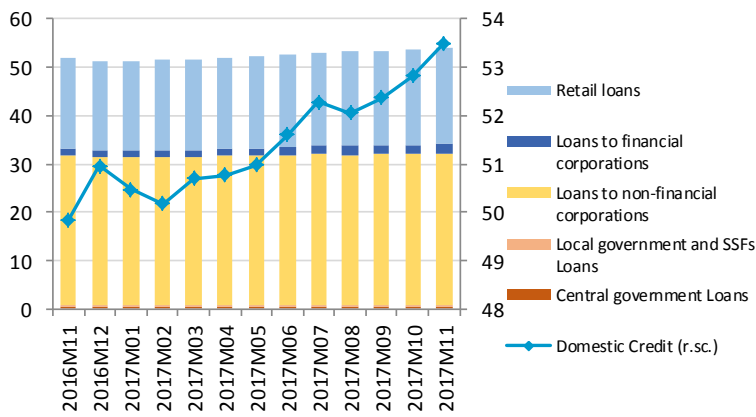


Bulgaria: Monetary Sector Indicators

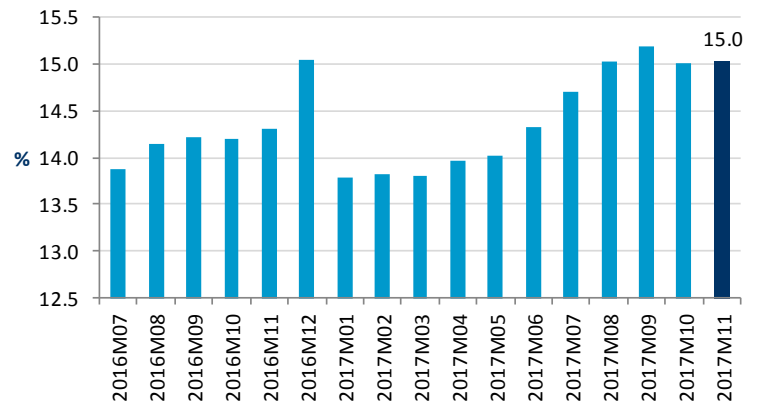


Bulgaria: Monetary Sector Indicators

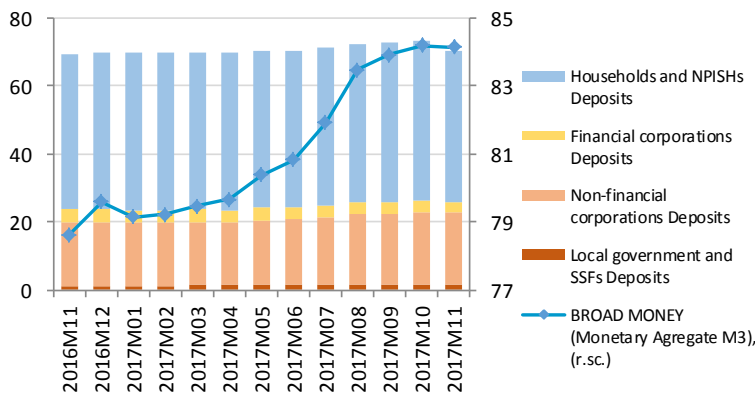
Loans and Domestic Credit (BGN bn)



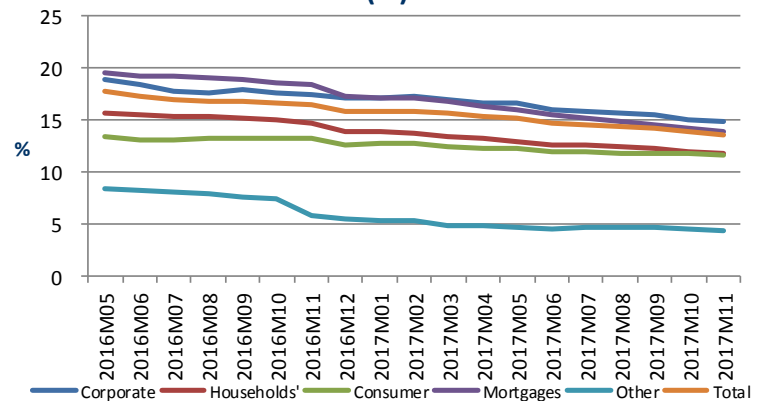
Money in circulation/GDP (%)



Deposits and Broad Money (M3), (BGN bn)

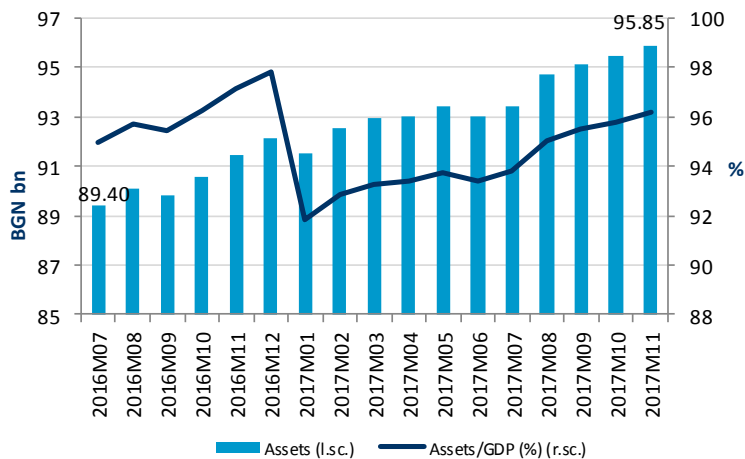


Banking sector: Bad and restructured loans (%)

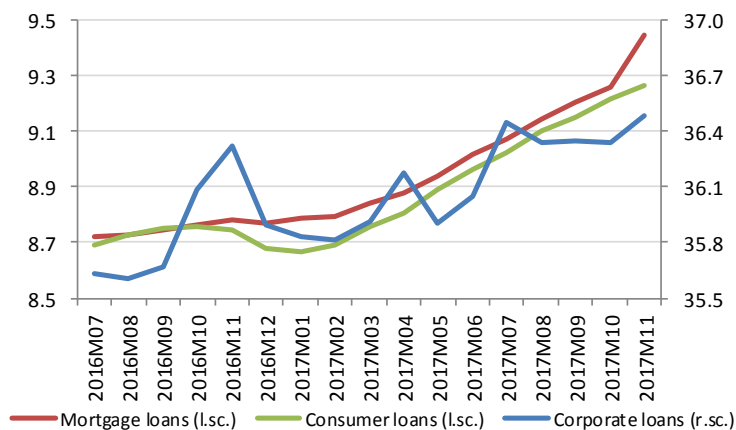


Bulgaria: Banking Sector Indicators

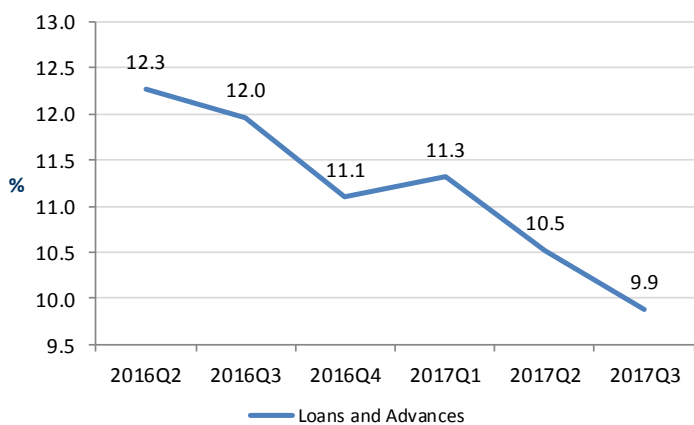
Assets



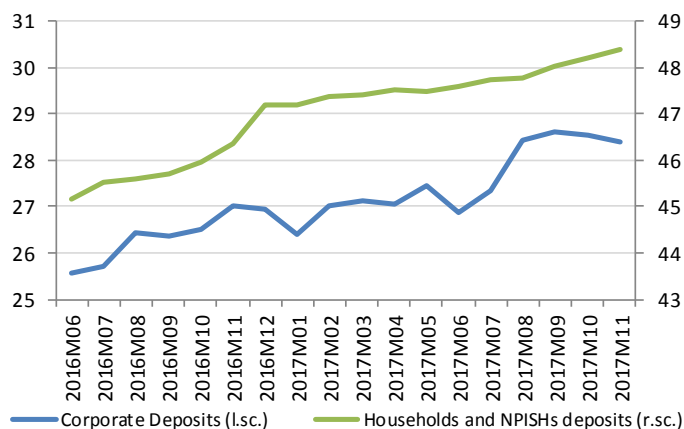
Loans (BGN bn)



Banking System Non Performing Loans (%)

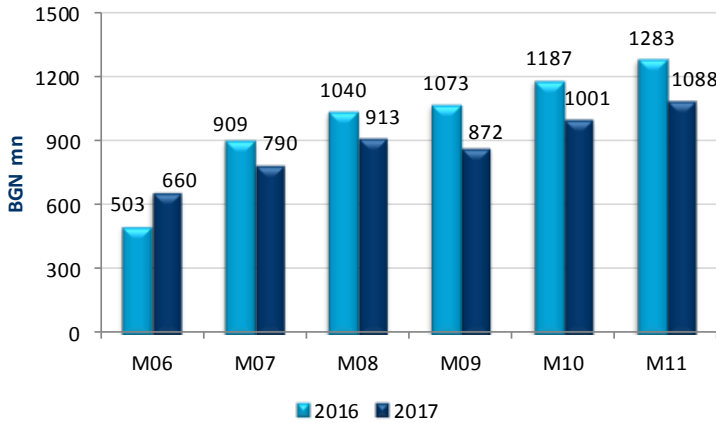


Deposits (BGN bn)

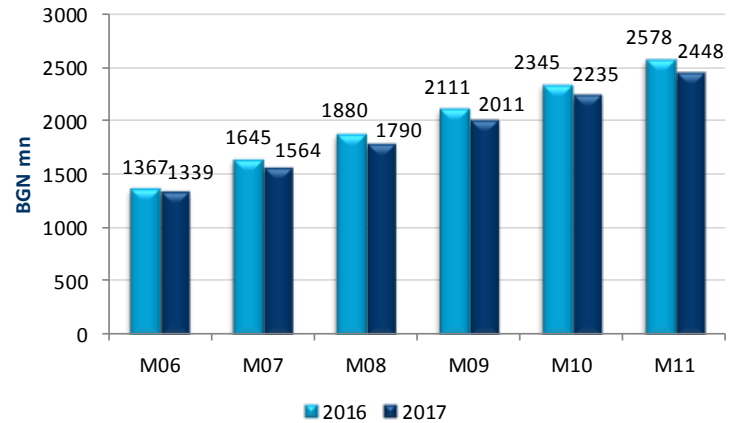


Bulgaria: Banking Sector Indicators

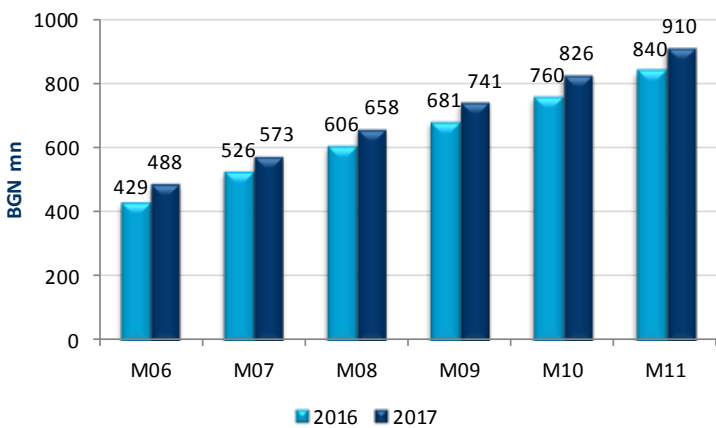
Net Profit



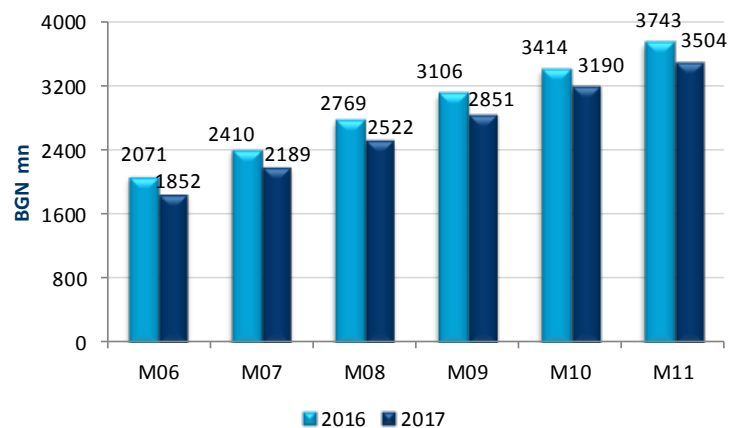
Net interest Income



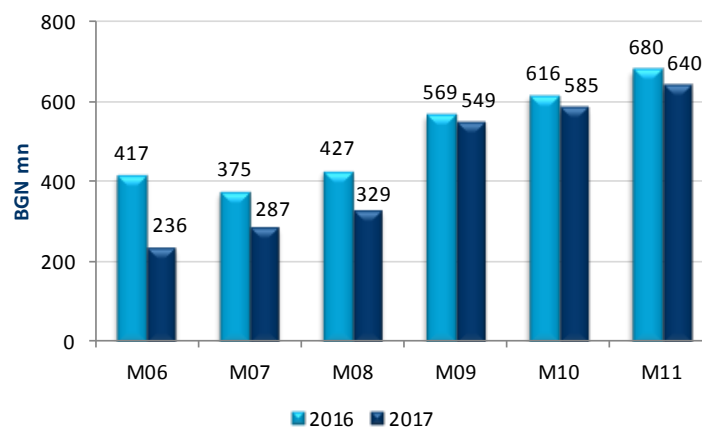
Net fee and commission income



Net operating income

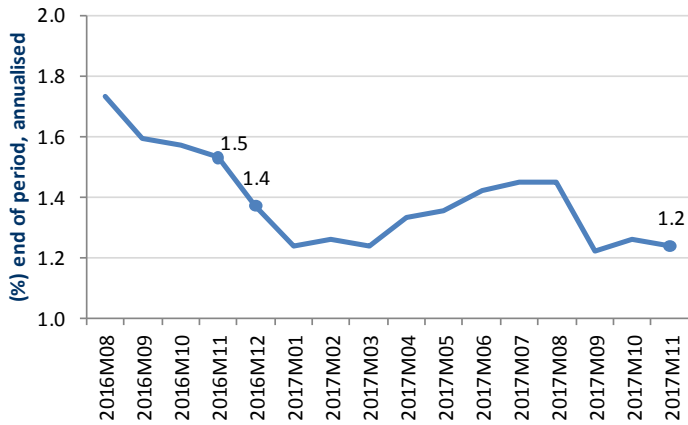


Impairment

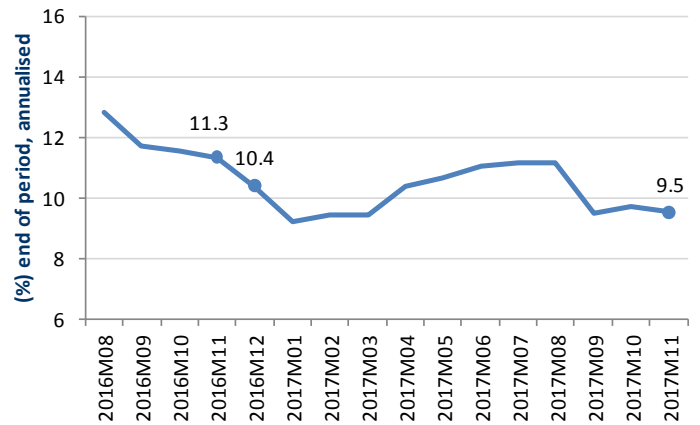


Bulgaria: Banking Sector Indicators

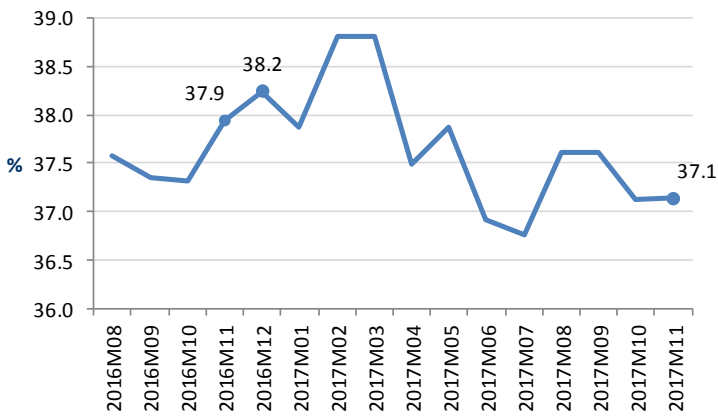
ROA



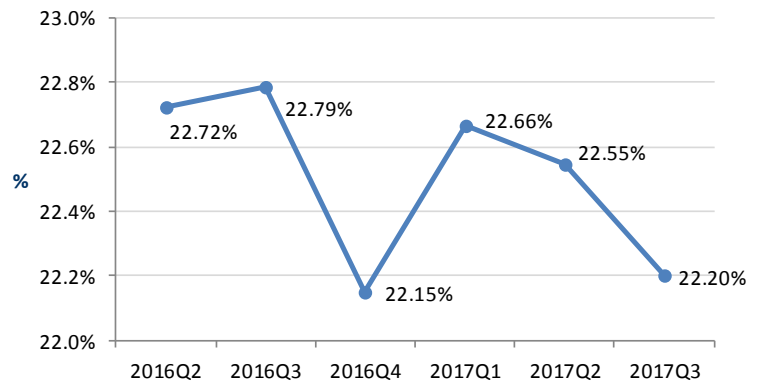
ROE



Liquid Assets Ratio (LAR)



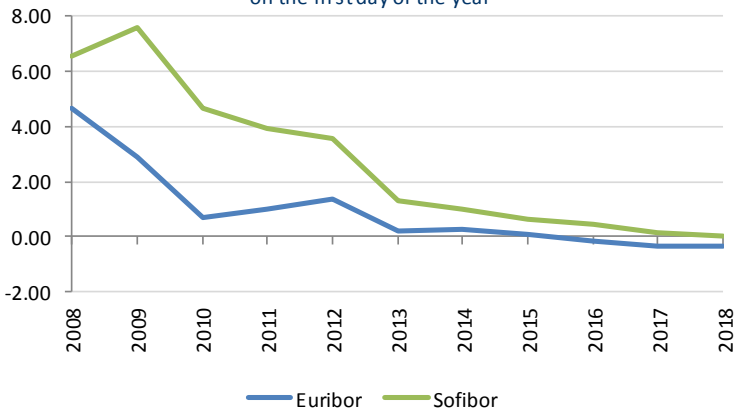
Total Capital Ratio



Bulgaria: Indexes and Interest Rates

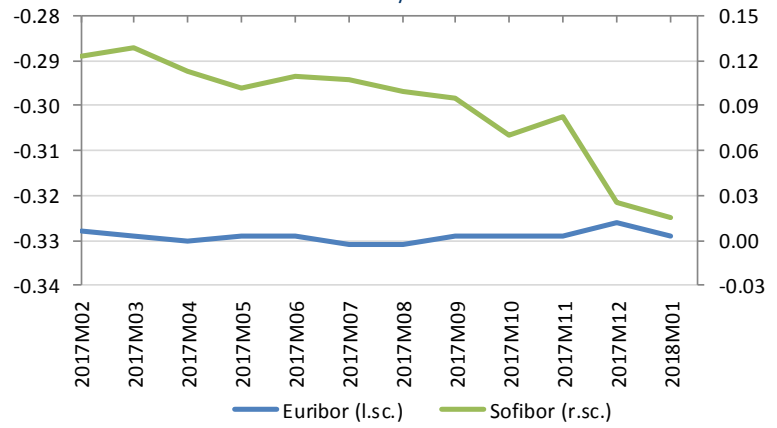
Indexes 3-months

on the first day of the year

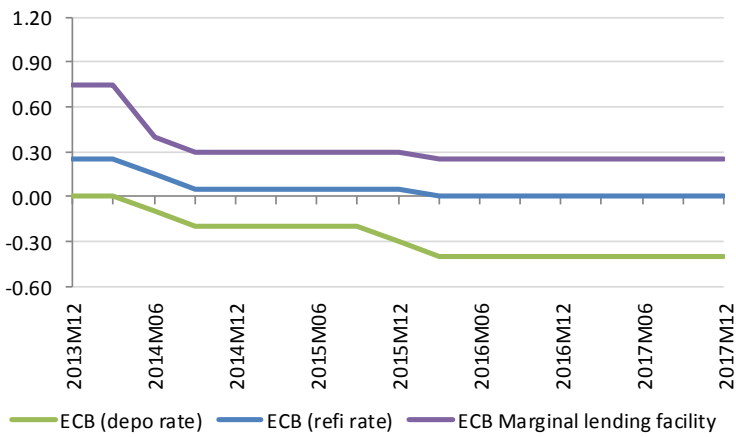


Indexes 3-months

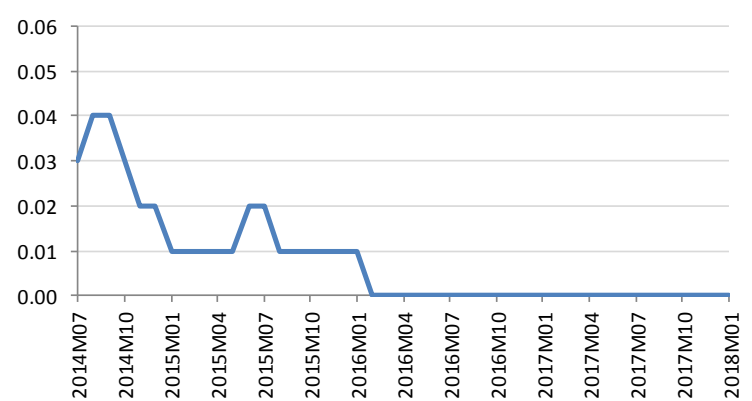
on the first day of the month



Policy Rates (in %)

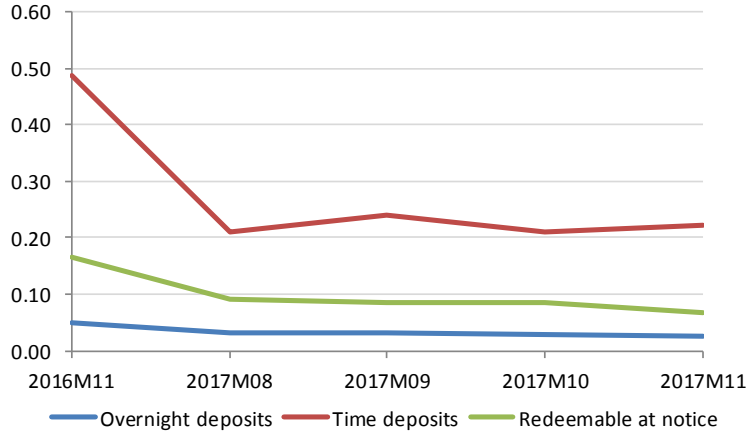


Base Interest Rate of the BNB (in %)

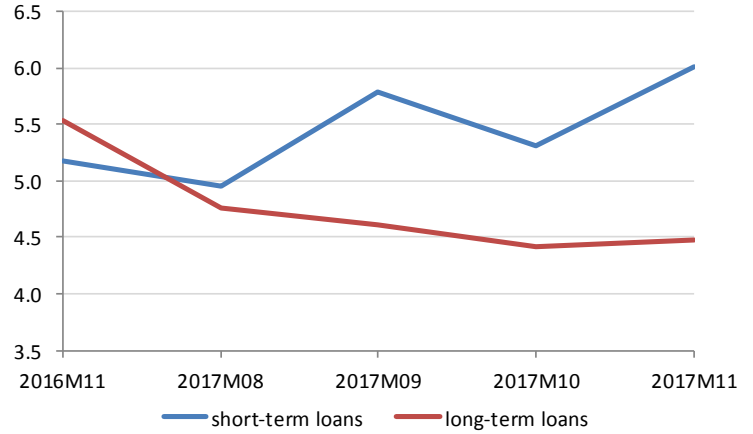


Bulgaria: Interest Rates of New Business on Deposits and New Loans Interest Rates

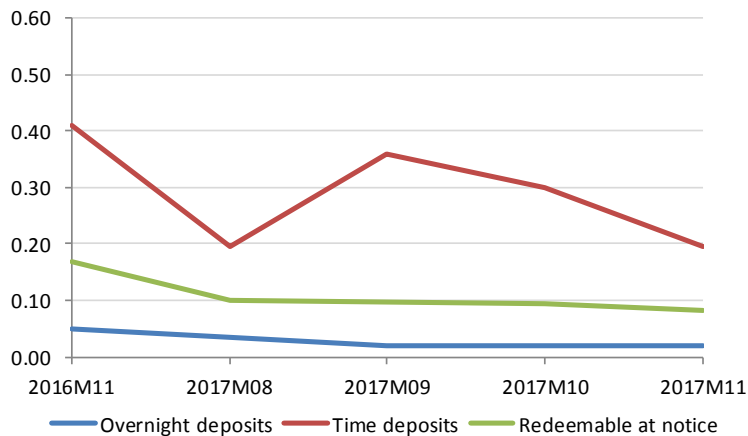
Interest Rates (%) in BGN



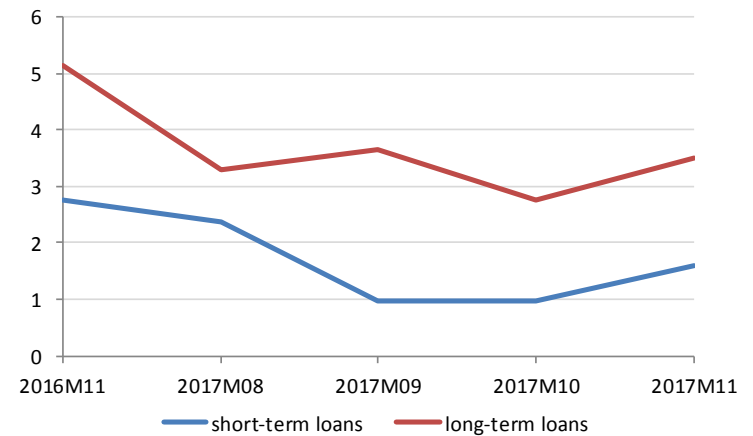
Interest Rates (%) in BGN



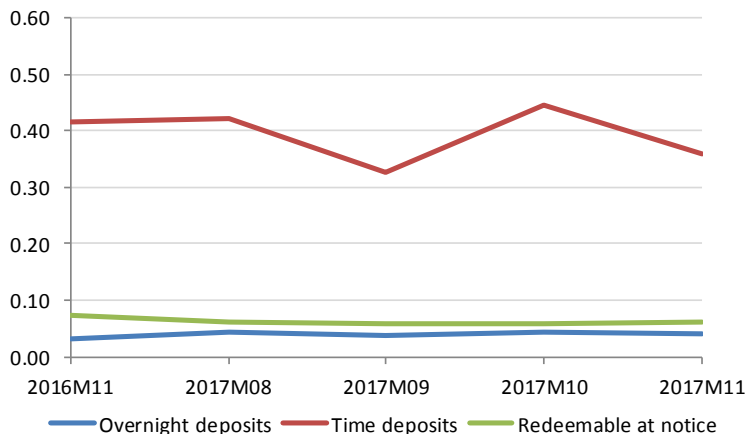
Interest Rates (%) in EUR



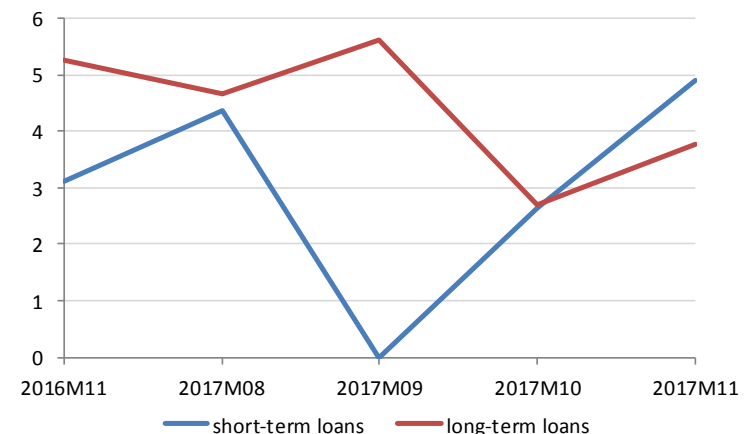
Interest Rates (%) in EUR



Interest Rates (%) in USD

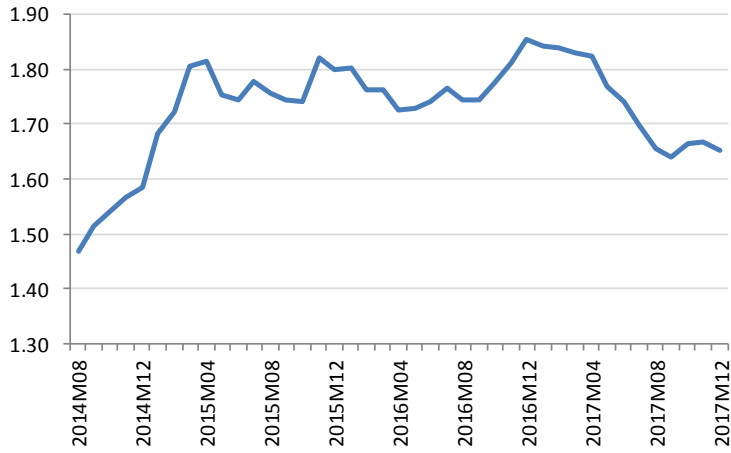


Interest Rates (%) in USD

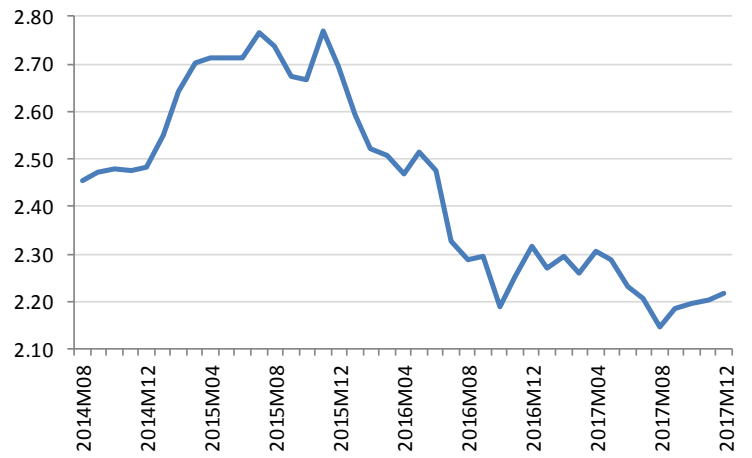


Bulgaria: FX Rates

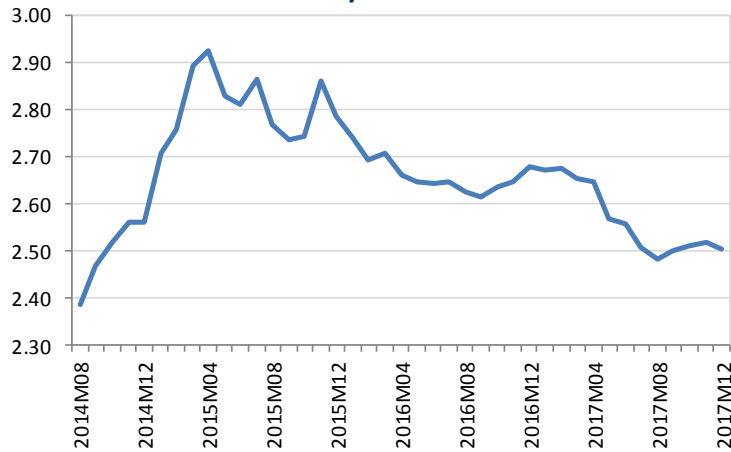
BGN/USD



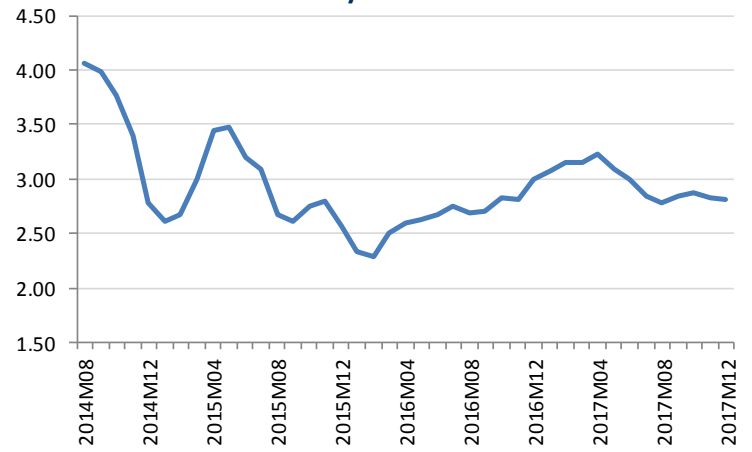
BGN/GBP



BGN/10CHY



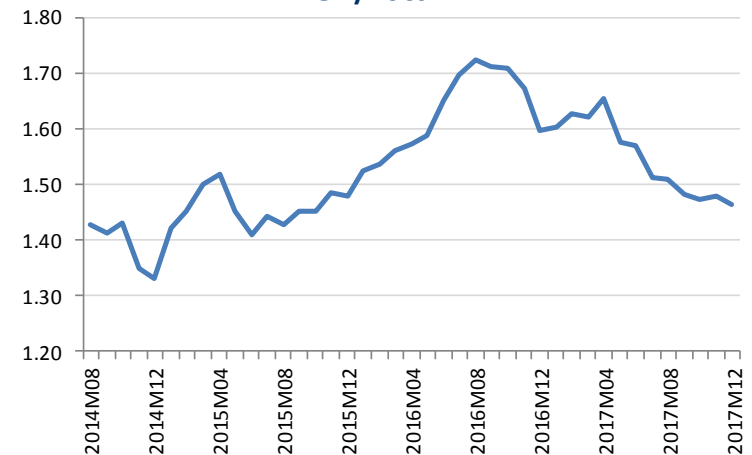
BGN/100RUB



BGN/10TRY



BGN/100JPY



DEFINITIONS AND METHODOLOGICAL NOTES

The Governing Council of the ECB sets the key interest rates for the euro area, as follows: The interest rate on the main refinancing operations (MRO), which provide the bulk of liquidity to the banking system. The MRO rate defines the cost at which banks can borrow from the central bank for a period of one week. The rate on the deposit facility, which banks may use to make overnight deposits with the Eurosystem. The deposit facility rate is one of the three interest rates the ECB sets every six weeks as part of its monetary policy. The rate defines the interest banks receive for depositing money with the central bank overnight. Since June 2014, this rate has been negative. The rate on the marginal lending facility, which offers overnight credit to banks from the Eurosystem. If banks need money overnight, they can borrow from the marginal lending facility at a higher rate.

EXTERNAL SECTOR

CURRENT ACCOUNT

Starting from April 17th 2015, in accordance with the Statistical Data Release Calendar, BNB starts the regular dissemination of monthly balance of payments data, compiled in accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual. The implementation of the new methodological requirements of BPM6 by the EU countries was coordinated by the European System of Central Banks (ESCB) and the European Statistical System (ESS). With the implementation of the Sixth Edition of the Balance of Payments and International Investment Position Manual (IMF,2008) significant methodological changes in the reporting of trade in goods and trade in services were introduced. Based on their economic nature, certain items were reclassified from Goods (exports and imports) to Services (exports and imports), and vice versa. These methodological changes resulted in differences between the data on goods (exports and imports) compiled by the BNB for the balance of payments statistics, and the external trade statistics compiled by the NSI. Thus, the exports, imports and trade balance data compiled by the NSI do not equate to the exports, imports and trade balance data compiled by the BNB for the purposes of balance of payments statistics. According to external trade statistics, exports of goods amounted to EUR 3,483.1 mn in January – February 2015, growing by EUR 249.1 mn (7.7 %) year-on-year (compared with EUR 3,234 mn in January – February 2014). Imports of goods amounted to EUR 3,856.9 mn in January – February 2015, growing by EUR 58.9 mn (1.6 %) year-on-year (from EUR 3,797.9 mn in January – February 2014). The trade balance recorded a deficit of EUR 373.8 mn (0.9 % of GDP) in the reporting period, dropping by EUR 190.2 mn year-on-year (from a deficit of EUR 564 mn, 1.3 % of GDP in January – February 2014). Taking into consideration the analytical importance of the data on goods (exports and imports) in the external trade statistics, the BNB shall continue its practice of preparing a short text on the external trade dynamics, and maintaining the relevant data series. These materials are included in the Balance of Payments publication, and are published on the BNB website. More detailed information on these methodological changes is available in the material Compilation of the balance of payments in accordance with the methodology of the sixth edition of the Balance of Payments and International Investment Position Manual. As far as the direct investment data is concerned, the sixth edition of the Balance of Payments and International Investment Position Manual introduced principally different approach for their presentation – the Asset/Liability presentation. Taking into consideration the analytical importance of the directional principle presentation (based on the direction of the initial investment), the BNB shall continue disseminating the direct investment data according to it in the Annex Direct Investment of the Balance of Payments monthly publication as well as in the direct investment tables. In accordance with the directional principle presentation, foreign direct investment in Bulgaria amounted to EUR 53.9 mn compared with EUR 94.7 mn in February 2014. In January – February 2015 the foreign direct investment in Bulgaria inflow equated to EUR 128.2 mn compared with an inflow of EUR 137.7 mn in January – February 2014. Direct investment abroad recorded a net increase of EUR 9.4 mn in February 2015, compared with an increase of EUR 5.7 mn in February 2014. In January – February 2015 the direct investment abroad decreased by EUR 16.6 mn, against an increase of EUR 108.7 mn in the same period of 2014. More detailed information on the direct investment is available in the annex Direct Investment (January-February 2015) and in table 10. Direct Investment of the monthly Balance of Payments publication. The Current Account comprises the acquisition and provision of goods and services, income, and current transfers between the country and the rest of the world. The flows recorded on the credit side

represent that part of the gross domestic product, which is provided to the rest of the world (exports of goods and services), as well as the provision of factors of production expressed by income receivable – compensation of employees and investment income (interest, dividends, etc.). Recorded are also offsets for non-refundable real and financial resources received (transfers). The flows on the debit side represent the gross product created in the rest of the world and acquired by the domestic economy (imports of goods and services), as well as the acquisition of factors of production expressed by income payable. Recorded are also offsets to non-refundable real and financial resources provided. The Goods component of the BOP Current Account covers movable goods for which changes of ownership between residents and non-residents occur. The data on imports and exports FOB (Free on board) is based on customs declarations, as the codes used in them are after the Harmonized System for Description and Coding of Commodities of the World Customs Organization, introduced in 1988 and supplemented in 1992. With the January 2006 data the Bulgarian National Bank and the National Statistics Institute jointly apply developed by them methodology for compilation of imports at FOB prices and receipts and payments regarding the freight transportation.² The methodology is based on the analysis of the CIF-FOB correlations for the imports of goods depending on the different imports delivery categories, as well as on the different mode of transportation and nationality of the carrier.

The geographical breakdown of the Goods item of the BOP is based on the following principles:

For the intra EU trade in goods:

- In case of exports (or dispatches) is the country (or Member State) of final destination of the goods - In case of imports (or arrivals) is the country (or Member State) of consignment of the goods.

For the trade with third countries (outside EU)

- In case of exports – partner country is the country of final destination of the goods - In case of imports - partner country is the country of origin of the goods.

The Services component comprises transportation, travel, and other services. The Bulgarian National Bank derives the data on freight transportation from foreign trade data and the data on passenger transportation from travel data on the basis of estimates. With the January 2006 data the BNB introduced a new methodology for compilation of receipts and payments regarding the freight transportation. The freight transportation receipts are set up on the basis of estimated receipts of resident carriers related to the country exports of goods. The payments are calculated as an estimation of the payments made by residents on behalf of non-resident carriers related to the country imports of goods. The receipts and payments are estimated according to mode of transportation and nationality of the carrier. With the introduction of the system INTRASTAT with the January 2007 data changes in the way of compilation of receipts and payments regarding the freight transportation of Bulgaria with the rest of the EU member states took place. Due to the delay in receiving the detailed data on trade of Bulgaria with the rest of the EU member states from the NSI, as of the date of publication of the preliminary balance of payments report for the corresponding month (42 days after the close of the reporting period) the preliminary compilation of receipts and payments of freight transportation is based on data for preceding years. These estimates are subject to revisions after receiving the preliminary detailed data (with breakdown by trade partners and by type of goods) on trade with the rest of the EU member states for the reporting month.

Travel covers goods and services, including those related to health and education, acquired by travelers for business and personal purposes. By the end of 2006 the data on travel is based on data from the Ministry of Internal Affairs on the number of travelers crossing the borders and on estimates of per capita expenditures, the latter based on the methodology for estimation of the receipts and expenditures from travel services – “Methodology For Estimation of the Receipts and Expenditures from Travel in the Bulgarian Balance of Payments” (Bulgarian National Bank, Ministry of Trade and Tourism, 18 November 1999). As of the beginning of 2007 data for the number and the structure of foreigners who visited the country are based on information from the border police and NSI estimates. With the January 2010 data the BNB applies new methodology for estimation of the receipts and expenditures for travel and passenger transportation. The estimation model for the Travel item is based on the product of the number of travelers and the expenditure respective for a certain type of purpose of the travel (for more detailed information and questions, related to the methodologies applied, please contact us through the following e-mail: press_office@bnbank.org). The estimates of the expenditures (receipts) by purpose of the travel are based on the data collected during the Border Survey among Traveling Bulgarians and Foreigners conducted by the BNB during the period July 2997 – August 2008. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

Other services item covers receipts and payments related to services other than transportation and travel (communication,

construction, financial, leasing, insurance, cultural, sport and recreational services, etc.).

Income consists of two categories: (i) compensation of employees, and (ii) investment income. Compensation of employees covers wages, salaries and other benefits paid to non-resident workers in the country or received by resident workers abroad. The compensation of employees comprises also income due to illegal employment. By the end of 2006 the BNB estimates this flow in accordance with the Methodology for Estimation of Flows due to Illegal Employment (14 March 2006).³ With the January 2010 data the BNB applies new methodology for estimation of the Compensation of employees, credit. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

Investment income covers receipts and payments of income associated with external financial assets and liabilities. Included are receipts and payments on direct investment, portfolio investment, other investment, and receipts on reserve assets.

Transfers are all real resources and financial items provided without a quid-pro-quo from one economy to another. Current transfers directly affect the level of disposable income of the economy, and the consumption of goods and services. That is, current transfers reduce the income and consumption potential of the donor and increase the income and consumption potential of the recipient. Included in the Current transfers are the EU pre-acquisition grants, other grants, gifts, inheritances, prizes won from lotteries, pensions, current taxes, social security contributions, etc. Sources: The Bulgarian National Bank receives information on current transfers from the Ministry of Finance, the Bulgarian Red Cross, the Agency for Foreign Aid, and from the reporting system of banks on transactions between residents and non-residents.

The item Workers remittances, credit is a sub-item of the Current transfers, credit in the Current account of the balance of payments and is a balancing item for transfers without a quid-pro-quo in cash or in kind. Applying of a new methodology for estimation of these flows became necessary not only because the above described circumstances demanded it but because of the necessity to capture inflows transferred through both official and unofficial channels. The estimates of the workers' remittances are based on the product of the number of Bulgarian emigrants, transferring money to their relatives and the amount of the average transfer. Such calculations are made separately for the official and the unofficial transfer channels. The sum of the money transferred via those two channels is recorded as the amount of Workers' remittances to Bulgaria. The data on the number of the Bulgarian emigrants are based on information from the State Agency for Bulgarians abroad, from the Bulgarian embassies and from Eurostat. The data on the percentage of the Bulgarian emigrants, transferring money; the shares of the official and unofficial channels and the average transfer for each of the channels used are based on the data collected via the Border survey. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

CAPITAL ACCOUNT

The Capital Account consists of two categories: (i) capital transfers and (ii) acquisition or disposal of non-produced, non-financial assets. If in kind, a capital transfer consists of (i) a transfer of ownership of fixed assets, or (ii) forgiveness of a liability by a creditor when no counterpart is received in return. If in cash, a transfer is a capital transfer when it is linked to, or conditional on, the acquisition or disposal of fixed assets (for example, an investment grant).

FINANCIAL ACCOUNT

The Financial Account comprises all transactions (actual and imputed) in the external financial assets and liabilities of an economy. The external assets and liabilities are primarily classified according to type of investment. Included in Financial Account are (i) direct investment, (ii) portfolio investment and (iii) other investment.

Direct investment covers direct investment abroad, direct investment in reporting economy and mergers and acquisitions. Direct investment is a category of international investment in which a resident of one economy – a direct investor – acquires a lasting interest (at least 10 % of the ordinary shares or the voting power) in an enterprise resident in another economy – a direct investment enterprise. The direct investment includes both the initial transaction, through which the relationship between the direct investor and the direct investment enterprise is established, and all subsequent transactions between them. The direct investment covers transactions relating to changes in the direct investor's share in the equity capital of the direct investment enterprise, inter-company debt transactions as well as the share of the direct investor in the undistributed earnings/loss

of the direct investment enterprise. Direct investment is reported on a directional basis: direct investment abroad – as an asset, and direct investment in the reporting country – as a liability.

The sub item Mergers and Acquisitions shows the transactions related to mergers and acquisitions. The purpose of its inclusion was to eliminate the influence of such deals over the reported foreign direct investment data. The international practice shows that these transactions have hardly any real impact on the production capacities and employment and the conclusions drawn from the interpretation of foreign direct investment data in which data on mergers and acquisitions are included might be misleading about investment flows, developments, branch and geographical structure. (“European Central Bank, Eurostat, Foreign Direct Investment Task Force Report”, March 2004, para.332).

Portfolio investment includes portfolio investment, assets and portfolio investment, liabilities. Portfolio investment covers transactions in shares and equity if the investor’s share in the capital is less than 10 %, transactions in bonds, notes, money market and other tradable securities.

Other investment covers trade credits, loans, currency deposits, and other assets and liabilities.

According to the balance of payments conventions trade credit arise from the direct extension of credit from a supplier to a buyer, i.e this is a credit extended by a trade partner without issue of a tradable security. Loans item includes received and paid principals on short- and long-term loans between non-bank financial institutions, insurance companies and pension funds, the Bulgarian National Bank and the Ministry of Finance.

Other investment covers trade credits, loans, currency deposits, and other assets and liabilities.

According to the balance of payments conventions trade credit arise from the direct extension of credit from a supplier to a buyer, i.e this is a credit extended by a trade partner without issue of a tradable security. Loans item includes received and paid principals on short- and long-term loans between residents and non-residents if no issue of a tradable security is involved with these loans. Transactions concerning disbursements and repayments of principals on IMF loans and disbursements on loans on BOP support are not included in the item Loans. They are recorded in the relative items of group E. Reserves and Related Items. The Currency and Deposits component presents on the assets side the changes in the residents’ currency deposits held abroad, and on the liabilities side – the changes in the liabilities of the resident banks to non-residents in domestic and foreign currency. Following the basic accounting principle and conventions set in the “Balance of Payments Manual” (IMF, 1993), when compiling that item the Bulgarian National Bank excludes any changes therein due to exchange rate changes.

Items Other assets and Other liabilities includes all transactions on miscellaneous accounts receivable and payable not included elsewhere and transactions in arrears. The Net errors and omissions component is an offsetting item. This component exists in the BOP presentation because the compilation system used by the Bulgarian National Bank is not a closed one but is a combination of different sources of information. Unlike other statistical reports, such as for example the monetary statistics, the collecting of the data necessary for the balance of payments compilation could not be restricted to the accounting records of the banks as the only source of information.

The fluctuations in the Net errors and omissions, both in sign and in size, are mainly due to: (i) revisions of export and import data, (ii) the development of the methodology for compilation of certain balance of payments’ components and (iii) the existence of objective obstacles to the collection of data on certain balance of payments’ items.

RESERVES AND RELATED ITEMS

Reserve assets include those external assets that are readily available to and controlled by the central bank (government) for direct financing of balance of payments imbalances. The reserve assets comprise monetary gold, SDRs, reserve position in the Fund, foreign exchange assets (consisting of currency and deposits and securities), and other claims. The entries under this category pertain to transactions in the BNB’s external holdings which are administered by the Issue Department. The data on reserve assets changes included in the BOP table exclude valuation changes, due to exchange rate and market price changes.

This group in the analytic presentation of the balance of payments includes also Use of Fund credit and the item Exceptional Financing. The exceptional financing comprises the BOP support as well as deferred/rescheduled payments and payments on arrears, resulting from balance of payments difficulties. In accordance with the methodology for accounting the exceptional financing transactions (“Balance of Payments Manual”, Fifth Edition (IMF, 1993), p. 454), the principal repayments on the BOP support credits are included in the Financial Account – Other investment – Liabilities – Loans – General Government.

REAL SECTOR

Gross Domestic Product - production approach

Gross domestic product by production approach, characterized the outcome of economic activity and is measured by value added generated in the production of goods and services by the resident units of the economic territory of the country. The GDP by production approach at market prices is calculated as the sum of gross value added at basic prices for total economy and adjustments, which include net taxes on products, non-deductible VAT and duties on imports.

GDP - INCOME APPROACH

The income approach is an integral part of the primary distribution of income accounts. This approach reflect income as an element of value added created in the production process. Balance sheet item of income approach is the gross operating surplus / gross mixed income.

GROSS DOMESTIC PRODUCT BY FINAL EXPENDITURE

GDP by expenditure approach is calculated as the sum of individual consumption (including final consumption expenditure of households, final consumption expenditure of non-profit institutions serving households, final government expenditure on individual consumption), collective consumption (final cost of the government, which satisfy the needs of society as a whole), gross fixed capital formation (investments made in fixed assets), changes in inventories and foreign trade balance of goods and services (the difference between exports and imports of goods and services).

BUSINESS SURVEY IN INDUSTRY, CONSTRUCTION, TRADE AND SERVICE SECTOR

The business surveys in industry, construction, retail trade and service sector gather information about the entrepreneurs' opinions about the situation and development of their business. The replies to the questions included in the different questionnaires are presented in a three-option ordinal scale. The results are in the form of balances which are the difference between the positive and negative answering options. The survey also calculates the so-called composite indicators, such as the confidence indicator (arithmetic average of the balances of answers to specific questions), and business climate indicator (geometric average of the balances of opinions about the present and expected business situation). Some of the indicators represent numerical assessment, e.g. production assurance with orders (number of months), capacity utilization (%), etc.

CONSUMER SURVEY

The survey is a part of the harmonized program of European Union for business and consumer surveys and it is representative for the population of 16 years and older.

The persons of 16 years and older are the object of the survey; the sample method is random, clustered, proportional to the population by regions, incl. urban/rural inhabitants (154 clusters with 8 persons per cluster). The interviewing method is face to face. The questionnaire contains standardized questions about the financial situation of households, general economic situation, inflation, unemployment, saving, intentions of making major purchases on durable goods or purchasing/building a home or buying a car. The proposed variants of answers give an opportunity to arrange them from optimistic, through neutral to pessimistic. The balance of opinions is calculated as a difference between relative shares of positive opinions and relative shares of negative opinions, as there is one specification: the strong positive opinions and the strong negative opinions are given a coefficient of 1, and the more moderate positive and negative opinions - a coefficient of 0.5.

The survey results are used to capture the direction of change of surveyed variables incl. that of the consumer confidence level, which gives an opportunity to analyze the tendencies in the development of public opinions on significant economic phenomena.

The consumer confidence indicator is an arithmetic mean of the balances of the expectations about the development over the next 12 months of the financial situation of households, general economic situation, savings and unemployment, as the last is taken with a negative sign.

INVESTMENT ACTIVITY IN INDUSTRY

The survey gathers information about the carried out investment and investment plans of the enterprises. The inquiry is conducted twice a year - in March and in October, and the questionnaires have different content. Based on the results from the March survey is calculated the expected percentage change of the investment carried out during the current year in comparison with the investment from the previous year. Based on the data from the October survey is calculated the percentage change of the investment carried out during the current year compared to the previous year, and also the expected investment for the next year compared to the current year.

INDUSTRIAL PRODUCTION INDEX; INDUSTRIAL TURNOVER INDICES

The Industrial Production Index is the most important short-term economic business indicator, which aims to measure at a monthly frequency the ups and downs of industrial production during the long period of time. Monthly survey allows identifying the turning points in economic development at an early stage; also, the timely industrial production index is one of the most important measures of economic activity. The Industrial Turnover Index is other important short-term indicator, which measure the development of the market of goods and services. Turnover index gives measure of the development of the receipts of sales including the sales of goods, merchant goods and services provided to other enterprises. Monthly Industrial Production and Industrial Turnover Indexes measure changes in production and respectively in turnover between two different periods of time. This information is suitable for monitoring of current economic developments and short-term forecasts. The survey do not attempt to measure the actual production level, it aims to measure the average change in value of production between two points of time.

TOURISM

The definitions recommended by the World Tourist Organization and the Methodological manual for tourism by Eurostat are applied by the National Statistical Institute.

In accordance with these definitions an international tourist is any person who travels to a country other than his/her permanent residence for at least 24 hours but no more than one year and whose main purpose is not doing any activity for payment.

The purposes of visiting a country are the following:

- Excursion, holiday or entertainment (visits to cultural or historical landmarks, sport events and other);
- Visiting friends and relatives;
- Professional purposes (business trips, participation in conferences, congresses, concluding deals, and etc.);
- Other (education, medical treatment, and etc.) purposes.

Statistical data on the trips of Bulgarian citizens travelling abroad and visits by foreigners to Bulgaria are obtained on the basis of monthly information received from the Ministry of Interior and sample survey of the National Statistical Institute among Bulgarian and foreign citizens passing through border check points.

Data on the number of the trips of the citizens of the European Union are estimated on the basis of the information obtained from the Ministry of Interior and the airport authorities. Data on the number of citizens from 'third countries' are obtained directly from the Ministry of Interior.

Data on the purposes of the trips are obtained on the basis of the NSI's regular monthly sample survey of passing Bulgarian and foreign citizens through the border check points.

CONSUMER PRICE INDICES (CPI)

The consumer price index (CPI) is the official measure of inflation in the Republic of Bulgaria. It measures the total relative price change of goods and services used by households for private (non-production) consumption and is calculated by applying the structure of the final monetary consumption expenditures of Bulgarian households. The main source of information for the expenditures is the household budget survey in the country. CPI in year t is calculated with the expenditures structure of year $t-1$.

HARMONIZED INDICES OF CONSUMER PRICES (HICP)

The Harmonized Index of Consumer Prices (HICP) is the comparable measure of inflation across EU Member states. It is one of the criteria of price stability and readiness of Bulgaria to join the euro-zone. HICP, as well as CPI, measure the total relative price change of goods and services. Both indices are calculated using the same basket of goods and services, but differ with respect to the weights used. HICP is calculated through the use of weights, which reflect the individual and the collective consumption of all households (incl. institutional and foreign households) on the economic territory of the country. The main source of information for HICP weights is the national accounts data. HICP in year t is calculated with the weights of year $t - 2$. In compliance with Regulation (EC) No 2015/2010 since January 2016 the base year for HICP has been changed and the all indices have been calculated and published at 2015 as a base year.

PRODUCER PRICE INDICES ON DOMESTIC AND ON NON-DOMESTIC MARKET IN INDUSTRY

Producer Price Index (PPI) is one of the main short-term business indicators; it is regarded as one of the important measures of the economic situation in the Country. The indices measure the average change in the prices of industrial products, which are produced and sold by Bulgarian enterprises. This is done on the bases of constant sample of groups of products, produced by the activity and sold on the domestic market or directly exported on non-domestic market and that sample is representative for total industrial production.

The surveys about the prices in agriculture are carried out in accordance with the main requirements of the EU Handbook for Agricultural Price Indices. In this way harmonization with the EU practices in the domain of agricultural price statistics is achieved from the point of view of:

- Definitions used
- Techniques of prices registration
- Type of calculated indices
- Survey periodicity
- Nomenclatures used
- Defining of the selected products by their quality, quantity, variety and other price characteristics.

The object of observation are the producer prices of produced by the farm crops, live animals and animal products and prices of products and services of goods and services currently consumed in agriculture.

Producer price in agriculture is the price received by farm selling its own agricultural products/live animals. It is recorded at the first market stage of goods - „farm gate price“. Producer price excludes subsidies on agricultural products/animals, transport costs and taxes. VAT is also excluded in the price.

The examination of prices of goods and services currently consumed in agriculture (Input I) includes five surveys which supply the information about the prices of:

- Mineral fertilizers
- Feeding stuffs
- Plant protection products
- Veterinary medicinal products
- Seeds and planting stocks.

The object of observation is the purchase price of goods and services currently consumed in agriculture. The observed unit price is the price that the buyer actually paid for the means of production. It includes taxes and fees and excludes subsidies and VAT refunded.

Statistical unit

Observation units within the surveys of agricultural prices are farms - juridical and physical persons and agricultural and veterinary pharmacies. For each survey a list of respondents is established and during the years stable number of price registrations of products/livestock categories and means of production is maintained.

The conducted surveys are exhaustive and include all units above certain threshold defined in value terms. For the survey on the producer prices in agriculture as selection criteria a value of sales of agricultural products/animals is used and for the surveys on the prices of goods and services currently consumed in agriculture - the expenditures rising from purchases of goods

and services for intermediate consumption. The representativeness of prices is assured, both by the maintaining of regular number of price registrations and coverage of at least of 50 % of value of sales for each product/livestock category or purchase value of goods and services for intermediate consumption in the respective year.

Data sources

The sources of information are statistical questionnaires for collection of qualitative and quantitative characteristics of agricultural products/live animals and goods and services currently consumed in agriculture and quarterly questionnaires supplying information about the producer prices of agricultural products/live animals and purchasing prices of goods and services currently consumed in agriculture.

The questionnaires on the qualitative and quantitative characteristics of agricultural products/live animals and goods and services currently consumed in agriculture supply data for establishment of list of representative products defined with their quantitative and qualitative, variety and other characteristics which may have influence on the variation of prices. The established lists of products are periodically updated, as usual in the years ending to 0 or 5, when the Eurostat weighting scheme is rebased.

The quarterly questionnaires supply regular data about the prices of included in the scope of surveys agricultural products/live animals or goods and services currently consumed in agriculture.

Calculation of average prices

Within the quarterly surveys average monthly and quarterly prices are calculated. The average monthly prices are calculated as arithmetical mean derived from all registered prices. The quarterly prices are calculated as arithmetical mean from monthly prices.

Type of index and calculation

The calculation of price indices is carried out by the Laspeyres formula. This type of index has a constant weighting scheme, so that the base period of weights and prices is the same. For calculation of producer price indices as weights the value of sales of agricultural output is used and for the indices of prices of goods and services currently consumed in agriculture - the value of purchased intermediate consumption. The weights are calculated within satellite economic accounts for agriculture.

The indices are calculated at three bases: previous year, corresponding quarter of previous year and the year ending in 0 or 5 (Eurostat base).

The total index of goods and services currently consumed in agriculture (Input I) is calculated on the base of price indices of five groups of products as well as on the indices of goods and services calculated within the Survey on consumer prices index.

Classifications

For the survey of producer prices in agriculture the National classification of production in agriculture, forestry and fisheries (PRODAGRO) is used. Classification PRODAGRO is used as a basis for further product breakdown in accordance with their qualitative and quantitative characteristics. For the surveys on prices of goods and services currently consumed in agriculture own proper classifications are used. These classifications are compiled within the surveys for establishment of lists of representative products. For calculation and providing Eurostat with harmonized data of price indices in agriculture classification PRAG (Nomenclature of agricultural prices in the Eurostat New CRONOS database) is used.

Consideration of the impact of quality on the prices of agricultural products

To eliminate differences in prices associated with changes in the quality, type, quantity, packaging, selected products are defined by quality, quantity, species and other characteristics that affect the changes of prices. When particular product is dropped down from the list it has to be replaced by a new one defined by same or approximately similar characteristics. The new product should also be representative.

The calculation of the indices of goods and services contributing to the agricultural investments (Input II)

The calculation of price index of goods and services contributing to agricultural investments is also done by a Laspeyres formula. As weights the values of goods and services purchased by farms for further investments, calculated within the satellite economic accounts for agriculture are used. For calculation of total index of goods and services contributing to agricultural investments indices from other surveys conducted by NSI in the domain of the Consumer prices Statistics, Foreign trade statistics and Short-term business statistics are also used.

On the basis of indices of goods and services currently consumed in agriculture and contributing to agricultural investments, total index of prices of means of production used in agriculture (Total Input) is calculated.

MONETARY AGGREGATES

Net Foreign Assets – a balance between gross foreign assets and liabilities of the banking sector. Gross foreign assets are reported by instrument and include Bulgaria's international forex reserves and other foreign assets of the BNB and commercial banks. Gross foreign liabilities reflect liabilities of the BNB and commercial banks to the foreign sector.

Domestic credit – incorporates credit to the consolidated general government sector and non-government sector. Credit to the consolidated general government sector includes net claims on the central government and gross claims on local government, and social security funds. Credit to the non-government sector includes gross claims on non-financial corporations, financial corporations, households and NPISHs.

Fixed assets – movable or immovable non-financial assets which monetary financial institutions intend to use over a period longer than one year in their main activity.

Other items (net) – consolidates all components of the balance sheets of the BNB and commercial banks which are not included in the instruments displayed above. They include relations between commercial banks (net), other assets and liabilities (net) and relations between the BNB and commercial banks (net). Accrued and overdue interest, derivatives, depreciation, provisions, as well as assets and liabilities which are not included elsewhere are part of the Other assets and liabilities (net) item. The balance on the Relations between the BNB and Commercial Banks (net) item reflects the float as a result of netting of claims and liabilities between commercial banks and the BNB.

Broad money (money supply) comprises liabilities with money character of banks to the resident sector with the exception of the liabilities to the central government and the banking sector (money-holding sectors). Monetary aggregate instruments are grouped by liquidity and are presented by currency and sector.

The following monetary aggregates are used: M1, M2, and M3. The M1 monetary aggregate, commonly referred to as narrow money, includes the most liquid instruments used in settlements (currency outside banks and overnight deposits in national and foreign currency). The M2 monetary aggregate comprises quasi-money and the M1 monetary aggregate. Quasi-money comprises deposits with agreed maturity of up to two years and deposits redeemable at notice of up to three months (including savings deposits). The least liquid financial instruments include repos and debt securities issued up to two years. They are denominated in national and foreign currency and together with M2 form the broadest monetary aggregate, M3, commonly referred to as money supply (broad money).

Long-term liabilities and monetary financial institutions – include liabilities of monetary financial institutions with maturity of over two years or with a notice of over three months, as well as capital and reserves. Capital and reserves comprise the statutory fund of the banking system reserves and financial result.

Money supply is based on commercial bank monetary base (currency outside banks and bank reserves) multiplication. Money supply is determined by using M1, M2 and M3 monetary aggregates.

Monetary base (reserve money) consists of currency outside banks and commercial bank funds (bank reserves). The latter include commercial bank deposits with the BNB and cash in commercial bank vaults. Commercial bank deposits include minimum required reserves and excess reserves (overnight deposits and deposits with agreed maturity). Dynamics of reserves depends on the amount of required reserves (comprising a set portion of deposits) and excess reserves. The amount of required reserves is set by the Managing Board of the BNB and is the only instrument of the central bank monetary policy under a currency board. The amounts of excess reserves reflect the liquidity of commercial banks and the trend toward greater security.

MONEY SUPPLY MECHANISM

Money supply (M3) may be expressed as a product of monetary base and the money multiplier variable. Money multiplier characterizes the degree of multiplication effect as a result of commercial bank activity. This effect is measured by the ratios of broad money (M3) or individual monetary aggregates (M1 and M2) to reserve money. The money multiplier reflects the currency outside banks to deposits ratio and the bank reserves to deposits ratio, known as factors in determining money supply. The currency outside banks to deposits ratio depends primarily on the public behavior, while the bank reserves to deposits ratio reflects commercial bank behavior. Sources of Reserve Money: Under a stable money multiplier, total money supply may be influenced through reserve money sources. Foreign assets (net) reflect an increase/decrease in Bulgaria's forex reserves. Under a currency board changes in forex reserves at the expense of government deposit do not directly affect the monetary base and it is automatically sterilized. Claims on central government (net) – the net position of the government is a result of assets net-

ting (balances on lev loans disbursed prior to June 1997 pursuant to the former Law on the BNB and balances on forex loans under Article 45 of the Law on the BNB) its liabilities. Claims on non-government sector include only claims on shares and other equity on the non-government sector. Claims on commercial banks – the balance sheet reports balances on loans extended prior to June 1997 and unpaid interest on these loans. Remaining items (net) include assets and liabilities, which are not classified to any other item.

CAPITAL MARKET

SOFIX Index:

Initial date: 20 October 2000; Initial value: 100

SOFIX is an index based on the market capitalization of the included issues of common shares, adjusted with the free-float of each of them. The index covers the 15 issues of shares complying with the general requirements for selection of constituent issues that have the greatest market value of the free-float. An issue included in the index base of SOFIX shall also meet the following criteria: 1) The issues should have been traded on a market, organized by the Exchange, for at least 3 (three) months before their introduction into the SOFIX portfolio. Provided an issue has been transferred for trading from one market segment to another, the first quotation date of the issue shall be assumed as its first trading date; 2) The market capitalization of the issue shall not be less than BGN 40,000,000 and the free-float shall not be less than 25 %* of the amount of the issue, or the market value of the free-float shall not be less than BGN 10,000,000; 3) The number of shareholders of the issue shall not be less than 500 persons; 4) The turnover of the issue during the last 12 months shall not be less than BGN 2,000,000; 5) The number of transactions executed in the issue during the last 12 months shall not be less than 750.

* The free-float as one of the requirements for SOFIX, shall be defined as follows: 1) As from 1st September 2010 – 15 (fifteen) %; 2) As from 1st March 2011 – 20 (twenty) %; 2) As from 1st September 2011 – 25 (twenty-five) %

BG REIT Index:

Initial date: 03 September 2007; Initial value: 100

BG REIT is an index based on the free-float-adjusted market capitalization and shall cover 7 (seven) issues of common shares of special investment purpose companies that operate in the field of securitization of real estates and/or land, i.e. real estate investment trusts (REITs), with the greatest market value of the free-float and the highest median value of the weekly turnover during the last 6 (six) months. The two criteria shall have equal weight. Beside the general requirements an issue included in the index base of BG REIT shall meet the following criteria: 1) To have been traded on a market, organized by BSE-Sofia, for at least 3 (three) months before its introduction into the BG REIT portfolio. Provided an issue has been transferred for trading from one market segment to another, the first quotation date of the issue shall be assumed as its first trading date; 2) The market capitalization of the issue shall not be less than BGN 5,000,000 (five mn. Bulgarian Leva); 3) The free-float shall not be less than 25 (twenty-five)* % of the total volume of the issue;

* The free-float requirements for BG REIT constituents shall be defined as follows: 1) As from 1st September 2010 – 15 (fifteen) %; 2) As from 1st March 2011 – 20 (twenty) %; 3) As from 1st September 2011 – 25 (twenty-five) %

BG 40 Index:

Initial date: 01 February 2005; Initial value: 100

BG 40 is an index based on the price performance of the issues and shall cover 40 (forty) issues of common shares of the companies with the greatest number of transactions and the highest median value of the daily turnover during the last 6 (six) months as the two criteria shall have equal weight. Beside the general requirements the issues included in the calculation of the index should meet the following additional requirement: To have been traded on a market, organized by the Exchange, for at least 3 (three) months before their introduction into the BG 40 portfolio. Provided an issue has been transferred for trading from one market segment to another, the first quotation date of the issue shall be assumed as its first trading date. In case of more than 3 (three) companies belonging to one economic group, all compliant with the additional requirements above, only the three issues of companies belonging to that economic group with the greatest number of transactions and the highest me-

dian value of the daily turnover shall be admitted to the ranking. If as a result of the ranking it occurs that two or more issues of companies belonging to one economic group have been ranked at the same place, the issues with the greater number of transactions executed during the last 6 (six) months shall be treated with priority with respect to the inclusion.

BGTR30 Index (BG Total Return 30):

Initial date: 03 September 2007; Initial value: 1,000

BG TR30 is an index based on the price performance of the common shares included in the index portfolio, as each constituent issue shall have equal weight. The issues included in the calculation of the index should meet the following criteria: 1) The market capitalization of each issue should not be less than BGN 10,000,000 (10 mn.); 2) The free-float (number of shares hold by minority shareholders, i.e. by holders of not more than 5 % of the votes in the General Meeting of the issuing company) should not be less than 10 % of the total volume of the issue; 3) The size (amount) of each issue should not be less than 250,000 shares. All issues meeting the conditions above are graded to the following criteria of equal weight: 1) Market capitalization; 2) Number of transactions in the last 6 months; 3) Turnover during the last 6 months; 4) Free-float.

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