

All data in the edition are the last available data, published as of April, 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.

United Bulgarian Bank
Chief Economist Structure

For contacts:

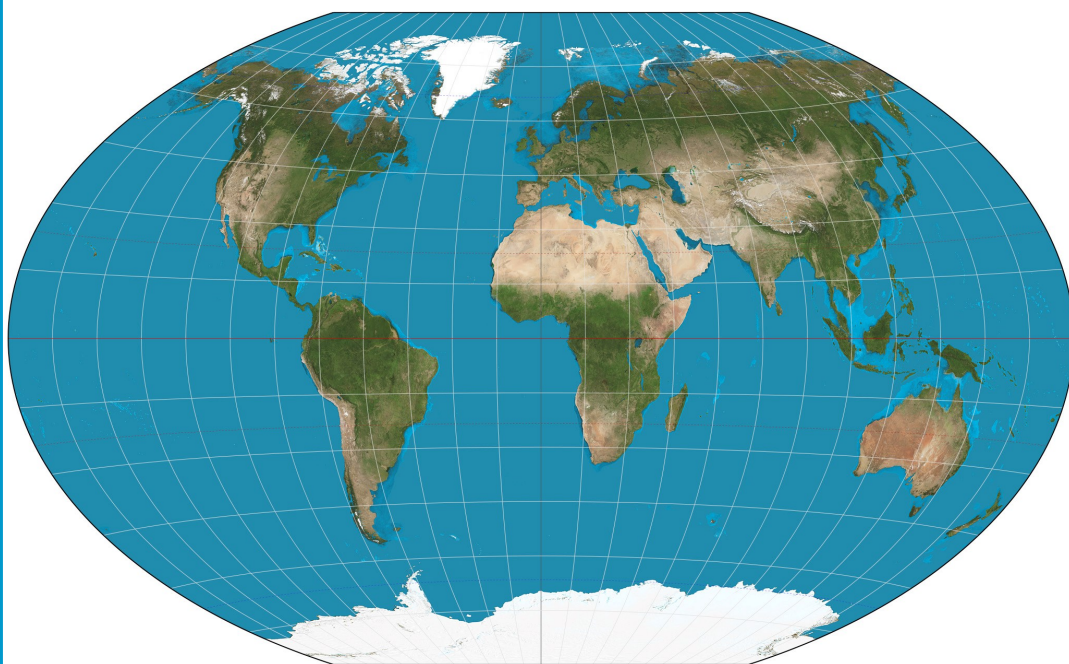
Petya Tsekova
Chief Economist
e-mail:
cekova_p@ubb.bg
tel.:+359 2 811 2980

Zafira Boyuklieva
Chief Analyst
e-mail:
boyuklieva_z@ubb.bg
tel.:+359 2 811 2981

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

HIGHLIGHTS AND FORECASTS

MONTHLY ECONOMIC REPORT



April 2018

Sofia

- *Economic growth in the euro area, which is already moderately slowed down by the stronger currency, will be further affected by the current US-China trade dispute*
- *In Q1 2018 Britain's economy grows by 1.2%. Consumer price growth in the UK slowed down in March to 2.5% from 2.7% in February 2018*
- *In Q1 2018, the US economy grew by 2.3% on a quarterly basis. Personal consumption slowed against the backdrop of lower car, clothing and footwear costs, and housing investment stopped*
- *Consumer prices (excluding food) in Japan rose in March for the 15th consecutive month*
- *In Q1 2018, the Chinese economy grew by 6.8% on an annual basis as a result of solid consumption, investment in real estate and exports*
- *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*
- *Bank of England voted by seven to two to keep the Bank Rate at 0.5 percent on March 22nd, saying pay growth is likely to pick up in response to the tightening labour market and inflation is expected to remain above the 2 % target in the short term.*
- *The Federal Reserve has signaled for greater confidence in reaching its inflation target of 2% in 2018 and has confirmed plans to continue with the gradual increase in interest rates*
- *BoJ left its key short-term interest rate unchanged at -0.1 % at its April 2018 meeting, as expected. Policymakers also kept its target for 10-year government bond yield around zero percent but dropped their target date for reaching 2 % inflation.*
- *China will not devalue its currency to offset the effects of tensions in US trade relations*
- *At the end of April 2018, the US crude oil variety WTI cost USD 67.83 a barrel, and the international benchmark Brent is traded at USD 73.41 a barrel*
- *The designate from US President- Donald Trump's increase on duty-to-steel and aluminum pose a risk to other economies and could lead to cutbacks. China predicts damage to the world economy if other countries follow the example of the United States*
- *In April 2018, the prices of almost all major grain contracts on the world stock markets declined slightly*

- *In January – February 2018 the current and capital account was positive amounting to EUR 102.6 million or 0.2% of GDP*
- *In January-February 2018 FDI in Bulgaria amounted 209.4 million and presented 0.4% of GDP.*
- *In March 2018, Bulgaria's international reserves amounted to BGN 22.2 billion and rose by 1.8% m/m*
- *In March 2018, the total business climate indicator increases by 0.7 percentage points compared to February to 28.2%. An improvement of the business conjuncture is registered in construction and retail trade, while in industry preserves to its level from the previous month. Only in service sector, the indicator is reduced*
- *According to NSI preliminary data the Industrial Production Index, seasonally adjusted, decreased by 1.5% in February 2018 as compared to January 2018. In February 2018 the working day adjusted Industrial Production Index went down by 1.0% in comparison with the same month of 2017*
- *According to NSI preliminary seasonally adjusted data in February 2018 the turnover in 'Retail trade, except of motor vehicles and motorcycles' at constant prices kept level of the previous month*
- *According to NSI preliminary data, in February 2018 the index of production in section 'Construction' calculated on the base of seasonally adjusted data was 13.9% below the level of the previous month. In February 2018 the working day adjusted index of production in construction increased by 4.1% in comparison with the same month of 2017*
- *The consumer price index in March 2018 compared to February 2018 was 99.7%, i.e. the monthly inflation was -0.3%*
- *Total Producer Price Index in February 2018 decreases with 0.6% compared to the previous month; compared to the same month of 2017 the prices rose by 2.3%. Producer Price Index on Domestic Market in February 2018 decreases by 0.5% compared to the previous month; compared to the same month of 2017 the domestic prices grew by 4.4%*
- *In February 2018, 1 883 accommodation establishments - hotels, motels, camping sites, mountain chalets and other establishments for short-term accommodation with more than 10 bed-places were functioned in the country. The total number of the rooms in them was 54.9 thousand and the bed-places were 110.7 thousand. In comparison with February 2017, the total number of accommodation establishments (functioned during the period) increased by 2.8%, and the bed-places in them - by 0.8%*
- *In February 2018, the number of the trips of Bulgarian residents abroad was 379.5 thousand or by 3.5% above the registered in February 2017. The trips with other purposes (as a guest, education and visit the cultural and sport events) in February 2018 composed the greatest share of the total number of trips of Bulgarian residents abroad - 49.7%, followed by the trips with professional purpose - 27.6%, and with holiday and recreation purpose - 22.7%*
- *In March 2018 the registered unemployment rate in Bulgaria decreased to 6.8%.*
- *In February 2018 Bulgaria's consolidated Fiscal Programme (CFP) balance on a cash basis is positive, amounting to BGN 752.3 million, or 0.7 % of GDP*
- *At the end of February 2018 Bulgaria's central government debt stood at EUR 12,137.3 million and presented 22.5% of GDP*

- *At the end of February 2018 M3 was BGN 85.672 billion and increased by 7.7% y/y. Domestic credit amounted at and increased by 7.2% y/y.*
- *In March 2018, the main index of BSE-Sofia SOFIX reported a decrease of 5.43% to 649.17 points. The index of the most liquid companies BGBX 40 decreased by 3.57% to 128.54 points. Equally weighted BG TR30 dropped 3.89% to 536.29. BGREIT, the property developer, declined by 1.36% to 114.93*
- *In February 2018, the banking system's assets grew by 1.1% m/m and by 5.2% y/y, respectively with an increase in loans and advances, securities portfolios, deposits and balance-sheet capital*

Table of content

GLOBAL TRENDS

Advanced countries' economies	6
Euro zone	6
United Kingdom	6
USA	6
Japan	7
China	7
Policy of the Central banks	8
ECB	8
Bank of England	8
USA Federal Reserve	8
Bank of Japan (BoJ)	9
People's Bank of China (PBC)	9
International Commodity Prices	10
Petrol	10
Metals	10
Agricultural products	10

BULGARIA

External sector	12
Balance of Payments	12
Foreign Direct Investments	13
Foreign Reserves	14
Real sector	14
Business climate	14
Industrial Production Index	15
Retail Trade	15
Construction	16
Tourism	16
Unemployment	18
Inflation	18
Producer Price Index in Industry	19
Fiscal sector	20
Budget Balance	20
Central Government Debt	21
Monetary sector	21
Capital market	22
Banking sector	23
Appendix	25
Definitions and methodological notes	44

GLOBAL TRENDS

ADVANCED COUNTRIES' ECONOMIES

Euro zone

Economic growth in the euro area, which is already moderately slowed down by the stronger currency, will be further affected by the current US-China trade dispute

Eurozone business was hit by the appreciating euro, ending the first quarter with its weakest increase since early 2017. The single currency, which raised its value by about 3% this year, is expected to appreciate another 4% against the dollar in one year. In the latest poll, over 85% of the 55 economists surveyed believe that trade tensions between the US and China will harm the economy of the euro area, including an economist who expects the impact to be significant. Trade in goods is weakening in February, even before global trade problems are central. Whether it is a strong euro or the emerging trade war, it is not difficult to see that the challenges to euro area exports are increasing. As the European Union takes the lead in the global supply chain, the eurozone economy may be affected even without being a major player in the war. After rising at its fastest pace last year after the financial crisis in recent quarters, the eurozone economy is expected to lose some momentum - on average between 0.4% and 0.6% in each quarter this and next year. GDP growth for the full year is expected to reach an average of 2.3% this year and 2% next year. Pressure on prices remains weak. Inflation is projected to be below the ECB target of just under 2% over the next three years, reaching an average of 1.5% this year, 1.6% next, and 1.7% in 2020.

United Kingdom

In Q1 2018 Britain's economy grows by 1.2%. Consumer price growth in the UK slowed down in March to 2.5% from 2.7% in February 2018

The UK economy expanded 1.2 percent annually in the first quarter of 2018, according to preliminary statistics, thus failing to meet market expectations. This is the weakest expansion since the second quarter of 2012. The reasons are above all a decline in construction and a slowing of growth in production. Gross domestic product reported a weak 0.1% growth on a quarterly basis in the first three months of 2018. The poor performance fueled the speculation that the Central Bank of England will abandon plans to raise its interest rate next month. The data highlights the challenges facing central bankers, who face rising borrowing costs while the economy is cooling down, and the UK is gradually separating itself from the European Union. Inflation accelerated after the UK voted to leave the bloc in 2016 by sending the value of pounds down. The consumer price index in March increased by 2.5% on an annual basis in anticipation of a 2.7% drop in the previous month. Inflation accelerated with the slowest pace since the year. Base inflation also cooled to 2.3% at a 2.5% forecast. Inflation accelerated with the slowest pace since the year. Base inflation also cooled to 2.3% at a 2.5% forecast. The lower inflation rate in March has contributed to ladies' clothing, which is growing more slowly than usual at this time of year. Alcohol and tobacco also do not increase their prices as usual after the government has changed its annual budgeting window and it will be happening in the autumn. Producer prices slowed down to the lowest rate since 2016, mainly due to a weaker rise in food prices. There is also a decline in property prices in London for the first time since 2009.

USA

In Q1 2018, the US economy grew by 2.3% on a quarterly basis. Personal consumption slowed against the backdrop of lower car, clothing and footwear costs, and housing investment stopped

Personal consumption expenditure contributed 0.73 percentage points to growth (2.75 percentage points in the previous period) and increased by 1.1% (4% in the previous period). Services grew by 2.1% compared to 2.3% in the previous period) and unemployment by 0.1% compared to 4.8%. The cost of durable goods slowed by 3.3% after 13.7% growth in the previous quarter. Investments in fixed assets added 0.76 percentage points to growth (1.31 percentage points in the previous period) and increased by 4.6% (8.2% in the previous period). Investment in equipment declined by 4.7%, compared with 11.6%, and invest-

ment in dwellings rose from 12.88% in the previous period. Private stocks added 0.43 percentage points to growth after the reported decline of 0.53% in the previous period. Meanwhile, exports fell by 4.8% and imports by 2.6%. As a result, the impact of trade was 0.2%, which was better than -1.16% for the prior period. Government expenditure and investment added 0.2 percentage points to growth (0.51 percentage points in the previous period). It has increased by 1.2%, compared to 3%.

Japan

Consumer prices (excluding food) in Japan rose in March for the 15th consecutive month

In March 2018, consumer goods prices in Japan rose 0.9% against the backdrop of rising energy prices. The kerosene stock price jumped 13.3 % and gasoline by 7.5 %v according the Ministry of Interior and Communications. Core inflation, which does not take into account the prices of fresh food products was 100.6 points compared to 100 basis points from 2015. Consumer prices (along with food) rose by 1.1% yoy in March, after a 1.5% growth in the previous month. This is the weakest acceleration in inflation since December 2017. On a monthly basis, consumer prices fell 0.4% after rising 0.1% in February. The fall in March was the first in a year and was mainly due to the decline in food prices. Despite rising rates, March's inflation remains far from the 2% target set by the Central Bank of Japan five years ago when it launched its monetary relief program to overcome deflation undermining the foundations of the world's third-largest economy more than a decade. Japanese industrial output is recovering in February from the sharp decline in the previous month, and companies are predicting further gains in the coming months as output data shows that it is expanding again. Industrial production rose by 4.1% in February compared to the previous month, which is slightly below the expectations of economists for an increase of 5%. However, the data show a recovery from the revised decline of 6.8% in January. The significant improvement in February was due to higher performance of cars, construction equipment and semiconductors. Manufacturers surveyed by the Ministry of Economy, Trade and Industry (METI) expected production to grow by 0.9% in March and to increase by 5.2% in April. Separate data show that labor demand is slightly decreasing and the unemployment rate is higher in February, but the labor market is expected to remain shrinking due to a shortage of workers. Growth in industrial production shows that the weakness in January was temporary and the economy is on track to continue its record-breaking growth due to stable exports and improved demand on the domestic market Vehicle, engine and car manufacturing increased by 10.3% in February, the fastest growth since April last year. Manufacture of construction equipment and factory machinery reported growth of 3.6% in February, while production of semiconductors and electronic parts rose by 4.8%. Unemployment in Japan rose to 2.5% in February from 2.4% in the previous month.

China

In Q1 2018, the Chinese economy grew by 6.8% on an annual basis as a result of solid consumption, investment in real estate and exports

The added value of the core industry increased by 3.2%; the secondary sector by 6.3%; and the tertiary sector by 7.5%. In January - March 2018, investments in fixed assets increased by 7.5% to CNY 1.007.63 billion. Public investment grew at a moderate pace of 7.1% compared to 9.2% in January-February, while private investment increased by 8.9% from 8.1%. In industry, long-term investment growth slowed down for agriculture by 23%, manufacturing by 3.8%, water protection, the environment by 13.8%. Meanwhile, investment in fixed assets declined significantly for electricity, heat, gas and water (-8.9% versus -6.1%). Exports of China grew by 14.1% in the first quarter and imports jumped by 18.9%. For 2018, the Chinese government is looking for a growth of about 6.5%, the same as in 2017, according to the National Bureau of Statistics, "China is fully capable of responding to Sino-American trade friction, responding to the challenges and sustaining sustainable and healthy economic development".

Policy of the Central banks

ECB

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

At its meeting on April 27 2018 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 the net asset purchases, at the current monthly pace of €30 billion, are intended to run 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. The Eurosystem will reinvest the principal payments from maturing securities purchased under the asset purchase programme 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.

World trade protectionism is perceived as a growing risk to the eurozone economy as the European Central Bank (ECB) views it as a problem factor for the medium-term target inflation rate of just under 2%. The risks to the eurozone's economic growth as a whole remain balanced, but the risks associated with global factors, including the threat of rising protectionism, are becoming more visible. Economic growth in the eurozone remains stable. The Bank sees higher employment and growth in business investment as signs that incentives have a positive impact. Another risk to the target inflation rate is high oil prices. The ECB expects inflation this year to "fluctuate around 1.5%" and to gradually increase in the medium term. The ECB still needs monetary incentives. In the euro area, structural reforms are needed to increase flexibility and productivity. New US duties on imports of aluminum and other products have a negative impact on exports to the euro area, but the effects of customs duties are not yet substantial.

Bank of England

Bank of England (BoE) left its key interest rate unchanged, setting conditions for the next increase in May 2018

On March 22, 2018 The Monetary Policy Committee of the Bank of England has voted with 7 votes "for" against two "against" for maintaining interest rate at 0.5%. Central bankers have wanted an increase in interest rates now, claiming that stagnation in the country's economy is over and wage growth is accelerating. The best collective assessment of the Committee is that, given the prospects for unnecessary demand during the projected period, continued tightening of monetary policy over the projected period would be appropriate. "All the members agree that future increases in the key interest rate are likely to be made gradually and to a limited extent. Meanwhile, the pace of inflation has slowed down to 2.7% in February 2018 after the impact of the fall in pounds after the Brexit vote has weakened. However, there are signs that local price growth is boosted. Pay increases, suggesting that consumer spending may increase. BoE reiterated that Britain's decision to leave the European Union has the most significant impact on prospects. The economy is developing according to the latest forecasts released in February. These forecasts show that will appear unduly demand by 2020, and although inflation will slow, it will not be close to the 2% target over the next three years. BoE will update its forecast in May. Growth in Q1 2018 was probably close to the level of the last three months of last year - 0.4%, although heavy snow may have slowed the expansion to 0.3%. BoE warned that stepping up protectionism could have a "significant negative effect" on global growth and push up inflationary pressure. US President Donald Trump's plans to impose duties have sparked fears of a global trade war.

USA Federal Reserve

The Federal Reserve has signaled for greater confidence in reaching its inflation target of 2% in 2018 and has confirmed plans to continue with the gradual increase in interest rates

At its meeting on March 22, 2018, the Federal Reserve discussed the costs and benefits of allowing the economy to boom, as well as the potential need to raise interest rates to levels that would purposefully curb growth. According to the report, central bankers believe the economy will grow faster than its steady pace over the next few years. In February, the US Congress approved larger increases in government spending than expected by central bankers at their January meeting. They had already raised their growth forecasts at this point because of the tax reform at the end of last year. At their meeting in March, central bankers further revised upward their forecasts for growth, employment and inflation. In March, "all participants agreed that the outlook for the economy beyond the current quarter has strengthened in recent months," the report said. In addition, "all participants expect inflation on a 12-month basis to accelerate over the coming months." After keeping the base interest rate around zero for seven years, the Fed raised interest rates six times since the end of 2015, last month reaching a range of 1.5% to 1.75%. Central Bank representatives expect two more increases from a quarter-point in 2018 and three more in 2019. Central bankers are optimistic about growth forecasts, but the prospects for trade wars are causing considerable worries. A "stable majority" of central bankers expects retaliatory trade measures from other countries that will bring risks to the US economy. According to the protocol, the contacts of the representatives of the agricultural sector "feel particularly vulnerable to reciprocal measures". Central bankers are worried about trade duties and other measures contemplated by President Donald Trump, but are generally limited by public criticism. Instead, they have embarked on a "wait and see" approach before assessing how monetary policy can change as a result of trade strains. The Fed will probably not raise interest rates at its next meeting on May 1-2, 2018, but investors generally expect an increase of a quarter point in the June meeting.

Bank of Japan (BoJ)

BoJ left its key short-term interest rate unchanged at -0.1 % at its April 2018 meeting, as expected. Policymakers also kept its target for 10-year government bond yield around zero percent but dropped their target date for reaching 2 % inflation.

At its meeting on April 27, 2018 Bank of Japan abandoned its target of an inflation rate of around 2 % - another signal that Japan has yet to escape from its long period of falling prices. The central bank earlier said it expects inflation to reach 2% by the end of March 2020. In March 2018, baseline consumer prices, which included volatile fresh food prices, rose 0.9% y/y. At the same time, the BoJ left its monetary policy unchanged, indicating its readiness to stick to its radical program of facilitation, while the Federal Reserve raised interest rates. The BoJ voted 8 out of 1 to keep its 10-year Japanese bond yield target around zero and the short-term deposit rate at -0.1%. The BoJ also reaffirmed its commitment to buy government bonds at an annual rate of around \$ 80 trillion. yen (\$ 732 billion). Investors perceive this promise as a symbolic indicator of the bank's commitment to relief, although real purchases are below this pace. The commitment of Japan to leave interest rates at record lows contrasts with the US, where yields on 10-year government bonds went 3 %. The dollar strengthened against the yen because of the interest rate differential. The Bank presented its forecast for the year by the end of March 2021 for the first time, saying it expects the economy to grow by 0.8% in 2018. This suggests that the bank does not expect much influence from the increase in consumption tax, scheduled for October 2019, although the previous increase has led to a contraction in the economy.

People's Bank of China (PBC)

China will not devalue its currency to offset the effects of tensions in US trade relations

According to the China Central Bank, the country's exchange rate system is working smoothly against the background of the Chinese authorities' intention to consider devaluing the yuan due to the problems in Sino-US trade relations. According to the China Central Bank, the country's exchange rate system is working smoothly against the background of the Chinese authorities' intention to consider devaluing the yuan due to the problems in Sino-US trade relations. Meanwhile, China's president, Jin Jinping, said his country wants to boost imports and achieve a better international trade balance. In a speech by the Asian Economic Forum in Boao, Jinping focused on a four-point plan for opening key sectors such as industry and finance and liberalizing foreign investment. On the other hand, the central banker of the world's second-largest economy has also promised that China will open the financial sector for foreign investment, and this is one of Washington's often-repeated demands. The two largest economies in the world have entered into sharp trade disputes after US President Donald Trump threatened to import USD 150 billion in Chinese imports. In 2017, Beijing announced it was introducing USD 50 billion in US goods to China and said it would fight against "unilateral American protectionism at all costs".

International Commodity Prices

Petrol

At the end of April 2018, the US crude oil variety WTI cost USD 67.83 a barrel, and the international benchmark Brent is traded at USD 73.41 a barrel

Oil prices as of April 30, 2018 are declining as the growing number of oil platforms in the United States show signs of an increase in production in the country. However, trading with "black gold" remains close to its highest for the past three years, with the expectation that they will mark an increase for the second consecutive month. The oil price is also pushed by worries about shrinking reserves because of Washington's ability to resume its sanctions against Iran in May, as well as the ongoing program of the Organization of Petroleum Producing Countries and its allies to curtail mining. The futures of the Brent international benchmark on April 30, 2018 are traded at USD 73.41 a barrel, which is a 0.51% depreciation. Last week, the price of the raw material reached USD 75.47 a barrel - the highest value since November 2014. The American variety WTI costs 67.83 USD a barrel - a fall of 0.40%. The overall trend is positive and has the potential to close the market again. Market power is largely determined by sanctions as well as by global demand, and if this trend persists, it is entirely possible that raw material prices will increase further. US mining companies have put in use five more new platforms in the week to April 27, bringing their total number in the country to 825 - the highest since March 2015. At the same time, in the past two months, the gap between WTI and Brent has doubled to USD 6 a barrel of about \$ 3 at the beginning of March. International benchmark prices rose 6% only this month because of investor concerns that the US could resume its sanctions against Iran. The decision to do so must be announced on 12 May.

Metals

The designate from US President- Donald Trump's increase on duty-to-steel and aluminum pose a risk to other economies and could lead to cutbacks. China predicts damage to the world economy if other countries follow the example of the United States

Fears that a trade war may escalate have rocked the international markets, lowering steel producer prices. A particularly strong impact was borne by the producers supplying specifically the US market. The US head of state said customs tariffs of 25 % for steel and 10 % for aluminum would be officially announced in May 2018. Later, however, White House representatives said some details were still clear. The steel and aluminum industries of all countries face difficulties. Australia, which backed the Transatlantic Partnership (TTP) for Freedom of Trade, from which Trump has withdrawn its country, has demanded that steel and aluminum that it exports to the US are not subject to tariffs. China calls on the US to show restraint in the use of protectionist trade measures, to respect multilateral trade rules and to make a positive contribution to international trade. Steel has become a key focus for Trump, who has pledged to rebuild American industry and punish what it describes as unfair commercial practices, especially from China. Although the country accounted for only 2% of total US steel imports, its massive industrial expansion helped create a global steel saturation and lowered prices. South Korea, the third-largest US steel importer after Canada and Brazil, has announced it will continue to negotiate with the US authorities as Washington plans for tariffs are finalized. Steel increased 32 Yuan/MT or 0.82% to 3,954 on Friday April 27 from 3,922 in the previous trading session. Aluminum decreased 259.50 USD/Tonne or 10.44% to 2,225.50 on Friday April 27 from 2,485 in the previous trading session.

Agricultural products

In April 2018, the prices of almost all major grain contracts on the world stock markets declined slightly

According to the Sofia Commodity Exchange in April 2018, despite the latest forecasts by the World Grain Council, for the first time in years, grain consumption will exceed production in this harvest year following the short-term increase, the prices of almost all major grain contracts on the world stock markets declined slightly. In Chicago, wheat dropped by USD 3.00 to USD 215.00 per tonne, in France the change was 1.00 euros to 168.00 euros / ton. Ukraine is minus 1.00 dollars to 209.00 USD / t,

and in Russia there is no change - 216.00 USD / ton. For maize, the price trend is the same, for the week Chicago prices are minus USD 2.00 to 195.00 USD / tonne, 1 dollar in Ukraine to 205.00 USD / ton and 2 euros in France to 165.00 EUR / ton. The rapeseed in the European Union / Euronext / fell by 9.00 euros to a price of 334.00 EUR / ton. Barley in Russia and Ukraine is the only exception on this list, its price rises by 1 and 2 dollars in both countries to 176.00 and 212.00 USD / ton respectively. The price in Rotterdam for unrefined sunflower oil also rose by 5.00 USD / t and now costs USD 805.00 / t. It is interesting to develop the price of sugar - it only cheaper and on an annual basis it has dropped by 26%. For the week, refined sugar in London is minus USD 21.50 to USD 321.70 / tonne. The price in Rotterdam for unrefined sunflower oil also rose by 5.00 USD / t and now costs USD 805.00 / t. It is interesting to develop the price of sugar - it only cheaper and on an annual basis it has dropped by 26%. For the week, refined sugar in London is minus USD 21.50 to \$ 321.70 / tonne. In the "Grain" circle of Sofia Commodity Exchange AD, the prices of the contracts did not show any special changes; there were trades in three of the contracts. Bread wheat was offered at BGN 283.00 per ton, demand ranged from BGN 275.00 to BGN 283.00 leva per ton, at which price was concluded and the deals. Feed wheat ranged from BGN 261.00 to 271.00 per tonne at which price of BGN 271.00 per tonne was bought over 1,700 tons. Feed barley is offered at BGN 252.00 per ton, with the counter announcements being BGN 242-252 per ton - the deals are at 252.00 BGN / ton. All prices are without VAT.

BULGARIA

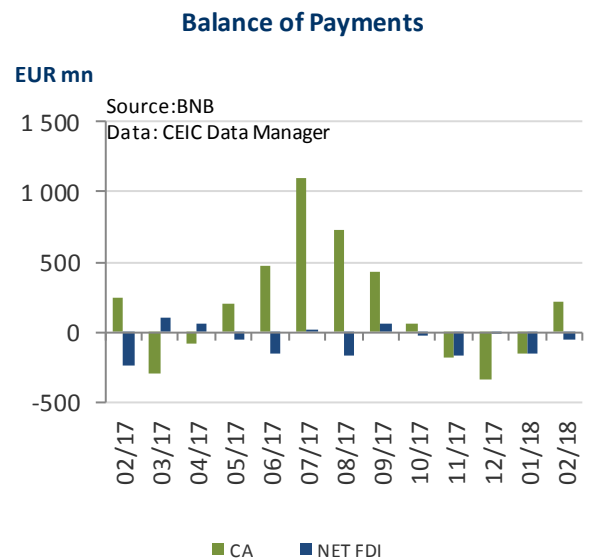
EXTERNAL SECTOR

Balance of Payments

In January – February 2018 the current and capital account was positive amounting to EUR 102.6 million or 0.2% of GDP

According to BNB data, the current and capital account recorded a surplus of EUR 241.5 million in February 2018, compared with a surplus of EUR 247 million in February 2017. In January – February 2018, the current and capital account was positive, amounting to EUR 102.6 million (0.2% of GDP), compared with a surplus of EUR 283.1 million (0.6% of GDP) in January – February 2017. The current account was positive, amounting to EUR 218.1 million in February 2018, compared with a surplus of EUR 244.6 million in February 2017. In January – February 2018, the current account was positive and amounted to EUR 62.7 million (0.1% of GDP), compared with a surplus of EUR 201.9 million (0.4% of GDP) in January – February 2017. The balance on goods recorded a deficit of EUR 263.8 million in February 2018, compared with a deficit of EUR 94.4 million in February 2017. In January – February 2018, the balance on goods was negative, amounting to EUR 587 million (1.1% of GDP), compared with a deficit of EUR 249.1 million (0.5% of GDP) in January – February 2017. Exports of goods amounted to EUR 1,961.6 million

in February 2018, dropping by EUR 16.4 million (0.8%) from February 2017 (EUR 1,978 million). In January – February 2018, exports of goods totalled EUR 4,011.9 million (7.5% of GDP), increasing by EUR 209.6 million (5.5%) year-on-year (from EUR 3,802.3 million, 7.5% of GDP). In January – February 2017, exports grew by 14.5% y/y. Imports of goods amounted to EUR 2,225.4 million in February 2018, growing by EUR 153 million (7.4%) from February 2017 (EUR 2,072.4 million). In January – February 2018, imports of goods totalled EUR 4,598.8 million (8.6% of GDP), growing by EUR 547.4 million (13.5%) from January – February 2017 (EUR 4,051.5 million, 8% of GDP). In January – February 2017, imports grew by 17.9% y/y. Services recorded a positive balance of EUR 80.8 million in February 2018, compared with a surplus of EUR 46.8 million in February 2017. In January – February 2018, services recorded a surplus of EUR 207.2 million (0.4% of GDP) compared with a positive balance of EUR 141.3 million (0.3% of GDP) in the same period of 2017. 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 4.4 million in February 2018, compared with a deficit of EUR 80.6 million in February 2017. In January – February 2018, the balance on primary income was positive and equated to EUR 7.7 million (0.01% of GDP), against a deficit of EUR 153.2 million (0.3% of GDP) in January – February 2017. The net secondary income (which reflects the redistribution of income) recorded a surplus of EUR 396.6 million, compared with a positive balance of EUR 372.7 million in February 2017. In January – February 2018, the net secondary income was positive, amounting to EUR 434.7 million (0.8% of GDP), compared with a positive balance of EUR 463 million (0.9% of GDP) in the same period of 2017. The capital account recorded a surplus of EUR 23.5 million, compared with a positive balance of EUR 2.4 million in February 2017. In January – February 2018, the capital account recorded a surplus of EUR 39.8 million (0.1% of GDP), compared with a positive balance of EUR 81.2 million (0.2% of GDP) in January – February 2017. The financial account recorded a net inflow of EUR 283.2 million, compared with an outflow of EUR 71.2 million in February 2017. In January – February 2018, the financial account recorded a net inflow of EUR 302.2 million (0.6% of GDP) compared with an outflow of EUR 117.2 million (0.2% of GDP) in January – February 2017. 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 55.7 million, compared with a negative balance of EUR 236.1 million in February 2017. In January – February 2018, direct investment recorded a negative balance of EUR 217.7 million (0.4% of GDP), compared with a negative balance of EUR 318.4 million (0.6% of GDP) in January – February 2017. Direct investment – assets increased by EUR 27.8 million, compared with an increase of EUR 12.6 million in February 2017. In January – February 2018, direct investment – assets grew by

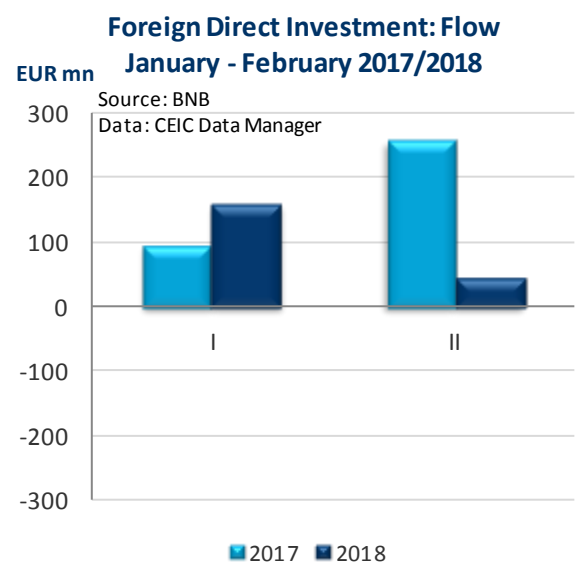


EUR 3.8 million (0.01% of GDP), compared with a decline of EUR 8.7 million (0.02% of GDP) in the same period of 2017. Direct investment – liabilities grew by EUR 83.5 million in February 2018, compared with an increase of EUR 248.7 million in February 2017. In January – February 2018 direct investment – liabilities rose by EUR 221.5 million (0.4% of GDP), compared with an increase of EUR 309.7 million (0.6% of GDP) in the same period of 2017. The balance on portfolio investment was positive amounting to EUR 236.6 million, compared with a positive balance of EUR 35.5 million in February 2017. In January – February 2018 the balance was positive and equated to EUR 309.5 million (0.6% of GDP), compared with a positive balance of EUR 178.4 million (0.4% of GDP) million in January – February 2017. Portfolio investment – assets increased by EUR 168.2 million, compared with a decline of EUR 90.3 million in February 2017. In January – February 2018 they rose by EUR 328.3 million (0.6% of GDP) compared with an increase of EUR 54.5 million (0.1% of GDP) in January – February 2017. Portfolio investment – liabilities dropped by EUR 68.4 million compared with a decline of EUR 125.8 million in February 2017. In January – February 2018 portfolio investment – liabilities grew by EUR 18.8 million (0.04% of GDP), compared with a decline of EUR 124 million (0.2% of GDP) in January – February 2017. The balance on other investment was positive amounting to EUR 128.6 million, compared with a negative balance of EUR 476.1 million in February 2017. In January – February 2018 the balance was positive and equated to EUR 1591 million (3% of GDP), compared with a positive balance of EUR 190.8 million (0.4% of GDP) in January – February 2017. Other investment – assets grew by EUR 134.5 million, compared with a decline of EUR 335.9 million in February 2017. In January – February 2018 they grew by EUR 1,483.8 million (2.8% of GDP) compared with an increase of EUR 153.2 million (0.3% of GDP) in January – February 2017. Other investment – liabilities grew by EUR 5.8 million compared with an increase of EUR 140.2 million in February 2017. In January – February 2018 they dropped by EUR 107.3 million (0.2% of GDP) compared with a decline of EUR 37.5 million (0.1% of GDP) in January – February 2017. The BNB reserve assets⁵ decreased by EUR 75.6 million, compared with an increase of EUR 612.3 million in February 2017. In January – February 2018 they dropped by EUR 1,434.2 million (2.7% of GDP), compared with a decline of EUR 160.7 million (0.3% of GDP) in the same period of 2017. The net errors and omissions were positive amounting to EUR 41.7 million compared with a negative value of EUR 318.3 million in February 2017. According to preliminary data, the item was positive totalling EUR 199.6 million (0.4% of GDP) in January – February 2018, compared with a negative value of EUR 400.3 million (0.8% of GDP) in the same period of 2017.

Foreign Direct Investments

In January-February 2018 FDI in Bulgaria amounted 209.4 million and presented 0.4% of GDP

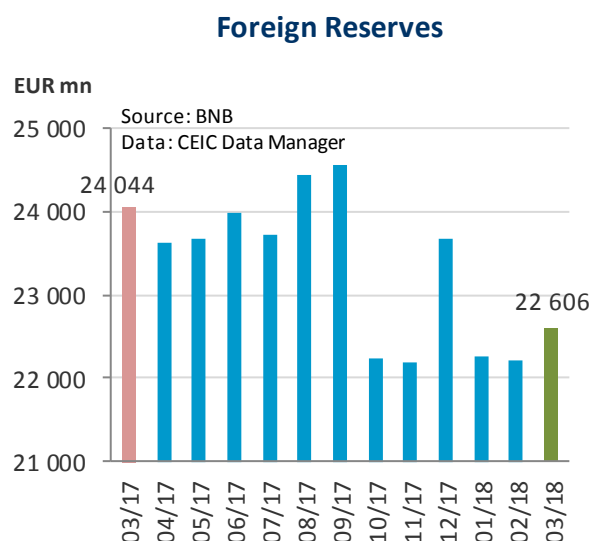
According to BNB preliminary data, foreign direct investment in Bulgaria presented according to the directional principle totalled EUR 204.9 million (0.4% of GDP) in January – February 2018, dropping by EUR 148.3 million (42%) from January – February 2017 (EUR 353.2 million, 0.7% of GDP). Foreign direct investment in Bulgaria grew by EUR 45.9 million in February 2018, compared with an increase of EUR 256.8 million in February 2017. 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 13.4 million in January – February 2018, dropping by EUR 2.1 million from EUR 15.5 million in January – February 2017. Real estate investments of non-residents totalled EUR 0.9 million, compared with EUR 2 million attracted in January – February 2017. The largest inflow of real estate investment was from Russia (EUR 0.4 million, 48.8% of the total amount for January – February 2018), Kazakhstan (EUR 0.3 million, 35.6% of the total amount), and Israel (EUR 0.2 million, The net debt instruments (the change in the net liabilities between affiliated enterprises on financial loans, suppliers' credits and debt securities) amounted to EUR 191.6 million in January – February 2018, compared with EUR 278.5 million in January – February 2017. The largest net direct investment inflows in Bulgaria for January – February 2018 were from the United Kingdom (EUR 57.9 million), from Germany (EUR 44.1 million), and Greece (EUR 30.5 million).



Foreign Reserves

In March 2018, Bulgaria's international reserves amounted to BGN 22.2 billion and rose by 1.8% m/m

According to BNB data, the international reserves at the end of March 2018 amounted to BGN 44.2 billion (EUR 22.6 billion). Over a one-year period, they decreased by 6%, but on a monthly basis recording a growth of 1.8%. The main reason for this dynamics is the negative interest rates on long-term bonds in global markets. In line with the characteristics of the currency board, the BNB should invest the bulk of international reserves in first-class US and European bonds. At the end of March 2018 the placements in cash and foreign currency deposits decreased by 12.1% y/y, with growth of 2.8% on a monthly basis. Monetary gold investments shrank by 7.3% y/y, down 0.4% on a monthly basis. Investment in securities declined by 1% y/y and rose by 1.8% m/m. In terms of liabilities, money outside banks increased by 11.3% y/y and by 1.4% on a monthly basis, respectively to BGN 15.2 billion. Liabilities to banks decreased by 16.6% y/y and increased by 8.2% m/m to BGN 12.6 billion. Liabilities to the government and the budget decreased by 20.2% y/y and by 4.5% m/m, respectively to BGN 9.1 billion. Bulgaria's international liquidity position, calculated as a ratio between the short-term external debt and the international reserves slightly decreased, but maintained high levels at 289.3% at the end of February 2018 compared to 314.1% at the end of 2017 and 289.9% in January 2018.



REAL SECTOR

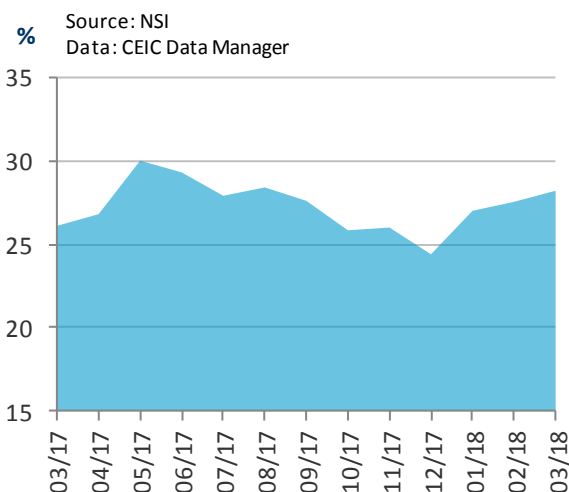
Business climate

In March 2018, the total business climate indicator increases by 0.7 percentage points compared to February to 28.2%. An improvement of the business conjuncture is registered in construction and retail trade, while in industry preserves to its level from the previous month. Only in service sector, the indicator is reduced

Industry. The composite indicator "business climate in industry" remains to its February level at 25.2%. The industrial entrepreneurs assess the present production activity as reduced, as their expectations about the activity over the next 3 months are also slight worsened. The main factor limiting the enterprises continues to be the uncertain economic environment, followed by the shortage of labour as the last inquiry reports strengthen of the unfavourable influence of the second factor. Concerning the selling prices in industry, the managers foresee them to remain unchanged over the next 3 months.

Construction. In March the composite indicator "business climate in construction" increases by 1.2 percentage points to 23.9% which is due to the optimistic construction entrepreneurs' expectations about the business situation of the enterprises over the next 6 months. The inquiry registers an increase of the new orders inflow at the last month, which is accompanied with more favourable expectations about the activity over the next 3 months. The main obstacles, limiting the business remain connected with the uncertain economic environment, competition in the branch and shortage of labour, although in the last month a decrease of the negative impact of the first factor is observed. As regards the selling prices in construction, the managers' expect preservation of their level over the next 3 months.

Business Climate Indicator



Retail trade. The composite indicator “business climate in retail trade” increases by 3.2 percentage points compared to February to 43.6% as a result of the optimistic retailers’ expectations about the business situation of the enterprises over the next 6 months. At the same time, their forecasts about both the volume of sales and orders placed with suppliers from foreign market over the next 3 months are improved. The factors “competition in the branch”, “insufficient demand” and “uncertain economic environment” continue to limit with most extend the activity of the enterprises. Concerning the selling prices, the retailers do not expect a change over the next 3 months.

Service sector. In March, the composite indicator ‘business climate in service sector’ decreases by 1.4 percentage points to 17% mainly due to the more reserved managers’ assessments about the present business situation of the enterprises. As regards the demand of services the present tendency is assessed as slight reduced, while the expectations over the next 3 months are improve. Competition in the branch and uncertain economic environment remain the main problems for the business development. As regards the selling prices in the service sector, the managers forecast preservation of their level over the next 3 months.

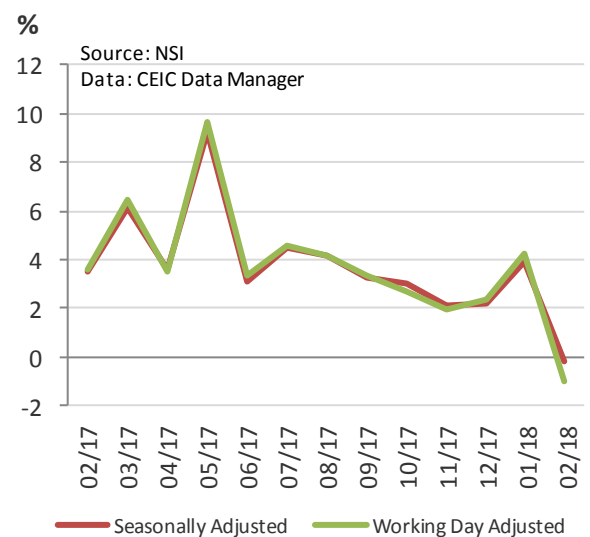
Industrial Production Index

According to NSI preliminary data the Industrial Production Index, seasonally adjusted, decreased by 1.5% in February 2018 as compared to January 2018. In February 2018 the working day adjusted Industrial Production Index went down by 1.0% in comparison with the same month of 2017

According to NSI preliminary data the Industrial Production Index decreased by 1.5% in February 2018 as compared to January 2018 seasonally adjusted. In February 2018 working day adjusted by 1.0% in comparison with the same month of 2017 Industrial Production Index went down. In February 2018 as compared to January 2018, the seasonally adjusted Industrial Production Index rose in the electricity, gas, steam and air conditioning supply by 1.4%, while the production decreased in the mining and quarrying industry by 4.3% and in the manufacturing by 3.2%. The most significant production decreases in the manufacturing were registered in the manufacture of other non-metallic mineral products by 9.2%, in the manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials by 9.1%, in the printing and reproduction of recorded media by 8.2%, in the manufacture of food products by 7.0%. There were increases in the manufacture of tobacco products by 14.1%, in the manufacture of leather and related products by 8.5%, in the manufacture of other transport equipment by 4.0%. On

annual basis in February 2018 Industrial Production Index calculated from working day adjusted data rose in the manufacturing by 1.0%, while the production fell in the mining and quarrying industry by 14.2% and in the electricity, gas, steam and air conditioning supply by 2.3%. 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 62.2%, in the manufacture of motor vehicles, trailers and semi-trailers by 15.8%, in the repair and installation of machinery and equipment by 11.5%, in the manufacture of furniture by 10.3%. Decreases were seen in the manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials by 18.7%, in the manufacture of textiles by 10.4%, in the manufacture of chemicals and chemical products by 7.9%, in the printing and reproduction of recorded media by 7.8%.

Industrial production Index, % change, YoY

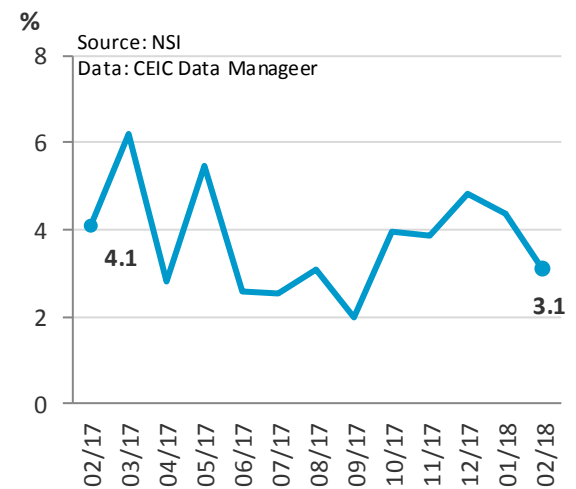


Retail Trade

According to NSI preliminary seasonally adjusted data in February 2018 the turnover in ‘Retail trade, except of motor vehicles and motorcycles’ at constant prices kept level of the previous month

According to NSI preliminary seasonally adjusted data³ in February 2018 the turnover in ‘Retail trade, except of motor vehicles and motorcycles’ at constant prices kept level of the previous month. In February 2018, the working day adjusted⁴ turnover in ‘Retail trade, except of motor vehicles and motorcycles’ marked rise from 3.1% in comparison with the same month of the previous year. In February 2018 compared to the previous month more significantly, growth of turnover was observed in the ‘Dispensing chemist; retail sale of medical and orthopedic goods, cosmetic and toilet articles’ by 6.5%. Decrease was noted in the ‘Retail sale via mail order houses or via Internet’ - 6.8%, in the ‘Retail sale of automotive fuel’ - 5.3%, in the ‘Retail sale of computers, peripheral units and software; telecommunications equipment’ - 4.8% and in the ‘Retail sale in non-specialised stores’ - 1.2%. In February 2018 compared to the same month of 2017 the turnover increased more significantly in the ‘Dispensing chemist; retail sale of medical and orthopedic goods, cosmetic and toilet articles’ by 15.3%, in the ‘Retail sale of audio and video equipment; hardware, paints and glass; electrical household appliances’ by 6.3% and in the ‘Retail sale of food, beverages and tobacco’ by 5.4%. Decline was registered in the ‘Retail sale via mail order houses or via Internet’ - 9.8%, in the ‘Retail sale of automotive fuel’ - 7.5% and in the ‘Retail sale of textiles, clothing, footwear and leather goods’ - 7.4%.

Retail trade index, % change (YoY)

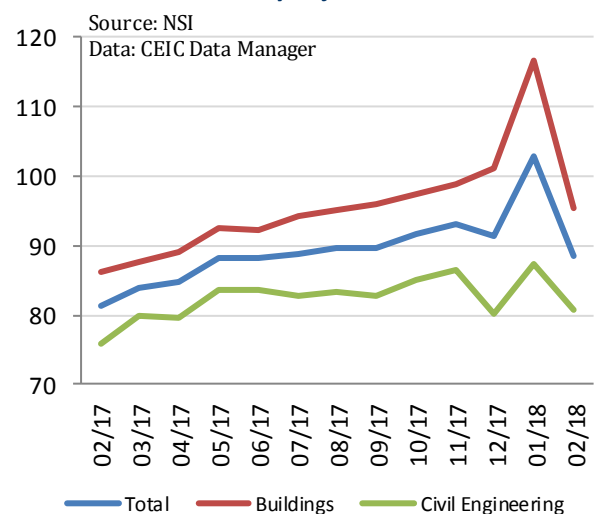


Construction

According to NSI preliminary data, in February 2018 the index of production in section ‘Construction’ calculated on the base of seasonally adjusted data was 13.9% below the level of the previous month. In February 2018 the working day adjusted index of production in construction increased by 4.1% in comparison with the same month of 2017

According to the preliminary data, in February 2018 the index of production in section ‘Construction’ calculated on the base of seasonally adjusted data was 13.9% below the level of the previous month. In February 2018 working day adjusted data⁴ showed an increase by 4.1% in the construction production, compared to the same month of 2017. In February 2018 the construction production, calculated from the seasonally adjusted data, was below the level of the previous month. Index the production of building construction fell by 18.2% and production of civil engineering - by 7.5%. On an annual basis in February 2018, the increased of production in construction, calculated from working day adjusted data, was determined from the positive rate in the building construction, where the growth was by 7.4%, while in the civil engineering was no change.

Construction Production index, seasonally adjusted data



Tourism

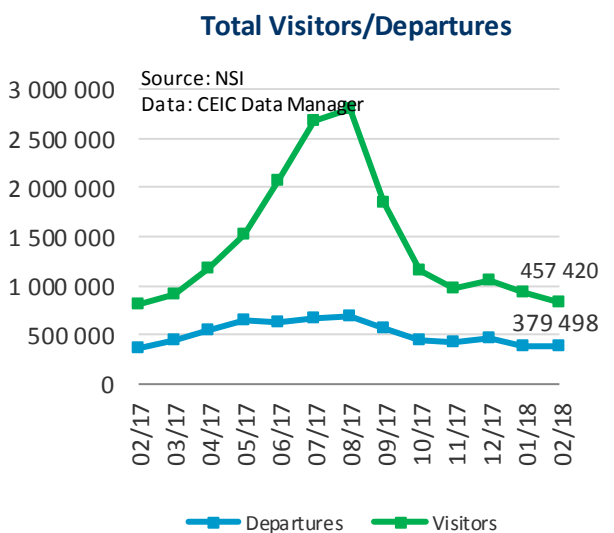
In February 2018, 1 883 accommodation establishments - hotels, motels, camping sites, mountain chalets and other establishments for short-term accommodation with more than 10 bed-places were functioned in the country. The total number of the rooms in them was 54.9 thousand and the bed-places were 110.7 thousand. In comparison with February 2017, the total number of accommodation establishments (functioned during the period) increased by 2.8%, and the bed-places in them - by 0.8%

In February 2018, 1 883 accommodation establishments - hotels, motels, camping sites, mountain chalets and other establish-

ments for short-term accommodation with more than 10 bed-places were functioned in the country. The total number of the rooms in them was 54.9 thousand and the bed-places were 110.7 thousand. In comparison with February 2017, the total number of accommodation establishments (functioned during the period) increased by 2.8%, and the bed-places in them - by 0.8%. The total number of the nights spent in all accommodation establishments registered in February 2018 was 939.4 thousand, or by 3.5% more in comparison with the same month of the previous year, as the greatest increase (by 3.9%) was observed in 1 and 2 stars accommodation establishments. In February 2018, 71.7% of all nights spent by foreign citizens and 35.9% of all nights spent by Bulgarians were realized in 4 and 5 stars hotels. In 3 stars accommodation establishments were spent 22.5% of all nights by foreigners and 33.1% of all nights by Bulgarian residents, while in the rest of accommodation establishments (with 1 and 2 stars) they were 5.8% and 31.0% respectively. In February 2018, the number of arrivals in all accommodation establishments increased by 2.1% compared to the same month of 2017 and reached 389.1 thousand, as an increase was registered for foreigners by 4.6% and for Bulgarians - by 0.7%. Bulgarians spent the nights in accommodation establishments in February 2018 were 252.2 thousand and spent 2.1 nights on the average. The arrivals of foreigners were 136.9 thousand, as 72.0% of them spent nights in hotels with 4 and 5 stars. On the average 3.1 nights were spent by foreigners. In February 2018, the total occupancy of the bed-places in accommodation establishments was 31.1%, as compared to February 2017 increased by 0.7 percentage points. The highest was occupancy of the bed-places in 4 and 5 stars accommodation establishments - 44.8%, followed by 3 stars accommodation establishments - 31.2%, and with 1 and 2 stars - 17.3%. The total revenues from nights spent in February 2018 reached 50.2 million BGN or by 9.6% more compared to February 2017. An increase in revenues was registered from both foreigners - by 13.5% and Bulgarians - by 5.1%.

In February 2018, the number of the trips of Bulgarian residents abroad was 379.5 thousand or by 3.5% above the registered in February 2017. The trips with other purposes (as a guest, education and visit the cultural and sport events) in February 2018 composed the greatest share of the total number of trips of Bulgarian residents abroad - 49.7%, followed by the trips with professional purpose - 27.6%, and with holiday and recreation purpose - 22.7%

In February 2018, the number of the trips of Bulgarian residents abroad was 379.5 thousand or by 3.5% above the registered in February 2017. In comparison with the same month of the previous year, an increase was observed in the total number of the trips of Bulgarians to: Romania - by 12.9%, Turkey - by 10.6%, France - by 4.6%, Germany - by 3.1%, Austria - by 2.9%, and etc. At the same time decreased the number of the trips of Bulgarians to: Greece - by 3.9%, the Former Yugoslav Republic of Macedonia - by 3.0%, Italy - by 1.7%, Serbia - by 0.6%, and etc. In comparison with February 2017, an increase was registered in the trips with holiday and recreation purpose - by 24.4% and with professional purpose - by 9.7%, while those with other purposes decreased with 6.7%. The trips with other purposes (as a guest, education and visit the cultural and sport events) in February 2018 composed the greatest share of the total number of trips of Bulgarian residents abroad - 49.7%, followed by the trips with professional purpose - 27.6%, and with holiday and recreation purpose - 22.7%. In February 2018 most trips of Bulgarian citizens were made to: Turkey - 76.9 thousand, Greece - 61.5 thousand, Romania - 43.9 thousand, Serbia - 36.3 thousand, the Former Yugoslav Republic of Macedonia - 29.3 thousand, Germany - 21.4 thousand, Austria - 14.4 thousand, Spain - 13.4 thousand, France - 11.9 thousand, Italy - 11.4 thousand. In February 2018, the number of arrivals of visitors from abroad to Bulgaria was 457.4 thousand or by 4.9% more in comparison with February 2017. An increase was registered in the trips by all observed purposes: with professional purpose - by 18.8%, with holiday and recreation purpose - by 2.6%, and with other purposes (including as guest and passing transit) - by 1.2%. Transit passes through the country were 22.2% (101.4 thousand) of all visits of foreigners to Bulgaria. The share of visits of EU citizens was 47.4% of the total number of foreigners' visits to Bulgaria in February 2018 or by 6.0% more in comparison with the same month of the previous year. An increase was registered in the visits of citizens from Belgium - by 23.7%, Greece - by 14.9%, Czech Republic - by 12.1%, Romania - by 9.4%, and etc. At the same time decreased the visits from Austria - by 12.7%, the United Kingdom - by 6.1%, Italy - by 4.2%, Germany - by 2.4%, and etc. The visits of foreigners in the group 'Other European countries'1 increased by 3.0%, as the highest growth was observed in



the visits of citizens of Serbia - by 15.0%. In February 2018, the predominant share of the visits with holiday and recreation purpose was 42.2%, followed by trips with other purposes - 37.7%, and with professional purpose - 20.1%. In February 2018 the most visits to Bulgaria were from: Turkey - 79.7 thousand, Romania - 66.4 thousand, Greece - 59.5 thousand, Serbia - 48.2 thousand, the Former Yugoslav Republic of Macedonia - 40.6 thousand, the United Kingdom - 20.5 thousand, Germany - 14.3 thousand, Israel - 14.3 thousand, Ukraine - 12.5 thousand, Russian Federation - 9.5 thousand.

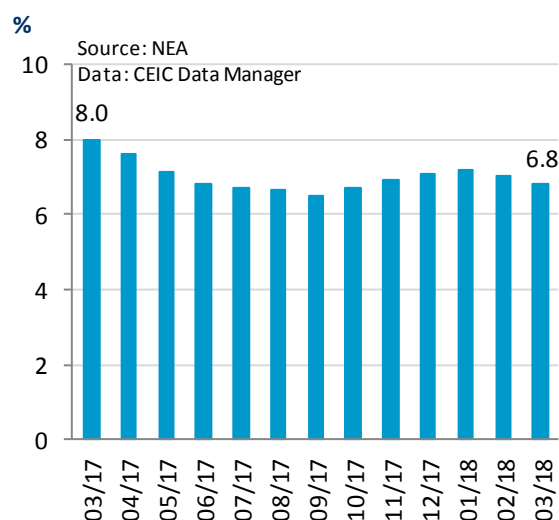
Unemployment

In March 2018 the registered unemployment rate in Bulgaria decreased to 6.8%

According to data from the Employment Agency in March 2018 the registered unemployment rate in Bulgaria continues to decrease and reaches 6.8%. One of the usual factors for this is seasonal employment. The comparison with the previous month shows a decrease by 0.3 percentage points, and on an annual basis the decrease is of 1.2 percentage points. Since the beginning of the year, the number of unemployed registered in the Labor Offices has decreased by more than 15 thousand, compared to 221 600 in March. Compared to February, the registered unemployed are 9 011 people less, and compared to a year earlier - by 40 171. Newly registered unemployed in the month were 21,741, with young people taking up a share of 24%, persons over 50 years old - 27%, self-identified Roma as 13%, and disabled people - nearly 5%. As a result of the activity of the employment intermediaries, over 5,500 unemployed are activated to use the services offered by the Employment Agency. Relative to a month earlier, it is an increase of over 50% of registered inactive, the number of which reaches 1 304 persons.

Announced job vacancies from the real economy in March were 23,131, and the comparison a month earlier showed a significant increase of nearly 45% in labor demand. The data speaks of a marked recovery in the labor market, with traditionally over 80% of the places being advertised by the private sector. Most of the jobs are in the sphere of: Hotels and restaurants - 5,449 or 23% of those declared; Manufacturing - 4,746 or 20% of the applications; Trade - 3,692 or 16.0% of the applications. The structure of registered unemployed at the Labor Offices at the end of March shows a comparatively good characteristic of the compliance of the professional skills with the required skills in the trade sector, while in the other two sectors - tourism and manufacturing, there is a deficit. Practice shows that with a ratio between jobseekers and job positions below 5: 1 the absorption of the latter is prolonged considerably. The most sought-after groups of professions in March include staff in the field of personal services, sellers, mining and manufacturing workers, waste collectors, agricultural workers, drivers and mobile operators, stationary machinery and equipment operators, etc.

Registered Unemployment Rate

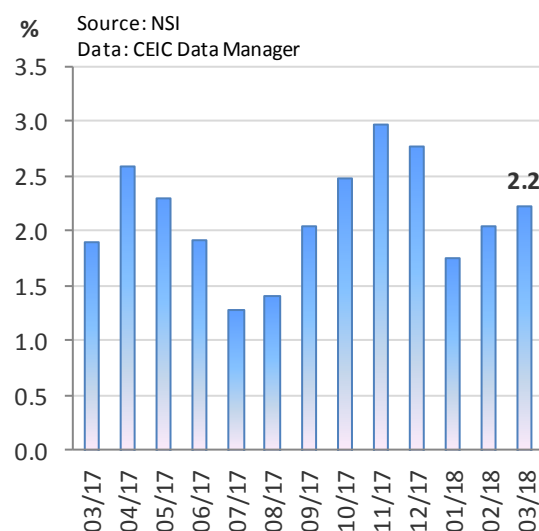


Inflation

The consumer price index in March 2018 compared to February 2018 was 99.7%, i.e. the monthly inflation was -0.3%

The consumer price index in March 2018 compared to February 2018 was 99.7%, i.e. the monthly inflation was -0.3%. The inflation rate since the beginning of the year (March 2018 compared to December 2017) has been 0.3% and the annual inflation in March 2018 compared to March 2017 was 2.2%. The annual average inflation, measured by CPI, in the last 12 months (April 2017 - March 2018) compared to the previous 12 months (April 2016 - March 2017) was 2.2%. The harmonized index of consumer prices in March 2018 compared to February 2018 was 99.8%, i.e. the monthly inflation was -

Inflation, YoY

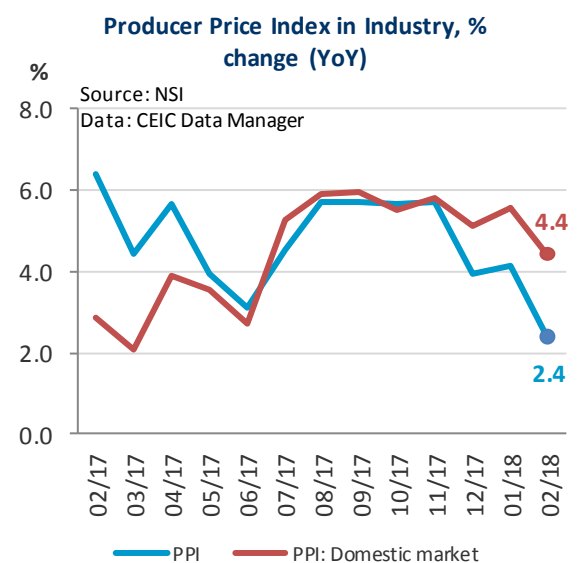


0.2%. The inflation rate since the beginning of the year (March 2018 compared to December 2017) has been 0.2% and the annual inflation in March 2018 compared to March 2017 was 1.9%. The annual average inflation, measured by HICP, in the last 12 months (April 2017 - March 2018) compared to the previous 12 months (April 2016 - March 2017) was 1.4%.

Producer Price Index in Industry

Total Producer Price Index in February 2018 decreases with 0.6% compared to the previous month; compared to the same month of 2017 the prices rose by 2.3%. Producer Price Index on Domestic Market in February 2018 decreases by 0.5% compared to the previous month; compared to the same month of 2017 the domestic prices grew by 4.4%

The Total Producer Price Index in Industry in February 2018 decreases with 0.6% compared to the previous month. Lower prices were registered in the manufacturing by 0.8%, in the electricity, gas, steam and air conditioning supply by 0.1% and in the mining and quarrying industry the prices increased by 0.1%. In the manufacturing, more significant decrease in prices were reported in the manufacture of basic metals by 1.5%, as well as in the manufacture of tobacco products by 1.4%, while prices went up in the manufacture of leather and related products by 1.2%, and in the manufacture of paper and paper products and the manufacture of other non-metallic mineral products, both by 0.5%. The Total Producer Price Index in February 2018 increased by 2.4% compared to the same month of 2017. The prices rose in the electricity, gas, steam and air conditioning supply by 11.7%, in the mining and quarrying industry by 0.1%, while prices dropped in manufacturing by 0.1%. In the manufacturing more significant decrease in prices were seen in the manufacture of tobacco products by 7.0%, and in the manufacture of other transport equipment by 2.5%, while the producer prices rose in the manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials by 6.1% and in the manufacture of paper and paper products by 5.8%.



Producer Price Index on Domestic Market in February 2018 decreased by 0.5% compared to the previous month. The domestic prices went down in the mining and quarrying industry by 1.5% and in manufacturing by 0.7%, while in the electricity, gas, steam and air conditioning supply the prices remained unchanged. In the manufacturing, compared to the previous month the prices went down in the manufacture of tobacco products by 2.3% and in the manufacture of basic metals by 1.8%. The domestic prices rose in the manufacture of paper and paper products by 0.5% and in the manufacture of: basic pharmaceutical products and pharmaceutical preparations, fabricated metal products, except machinery and equipment, electrical equipment and in printing and reproduction of recorded media – all by 0.4%. Producer Price Index on Domestic Market in February 2018 increased by 4.4% compared to the same month of 2017. The domestic prices rose in the electricity, gas, steam and air conditioning supply by 12.1%, in the mining and quarrying industry by 1.5% and in the manufacturing by 0.3%. In the manufacturing compared to February 2017 the prices went up in the manufacture of wood and of products of wood and cork, except furniture 6.0% and in the manufacture of electrical equipment by 2.7%. A decrease in the prices was reported in the manufacture of tobacco products by 8.3% and in the manufacture of rubber and plastic products by 0.9%.

Producer Price Index on Non-domestic Market in February 2018 decreased by 0.8% compared to the previous month. In the manufacturing, the non-domestic prices decreased by 0.8%. More significant price decrease were reported in manufacture of basic metals by 1.5% and in the manufacture of rubber and plastic products by 0.6% and in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 0.5%, while prices went up in the manufacture of leather and related products by 1.8% and in manufacture of tobacco products and in the manufacture of other non-metallic mineral products, both by 1.0%. Producer Price Index on Non-domestic Market in February 2018 decreased by 0.5% compared to the same month of 2017. In the manufacturing, the prices went down by 0.5%. The non-domestic prices fell in the manufacture of other transport

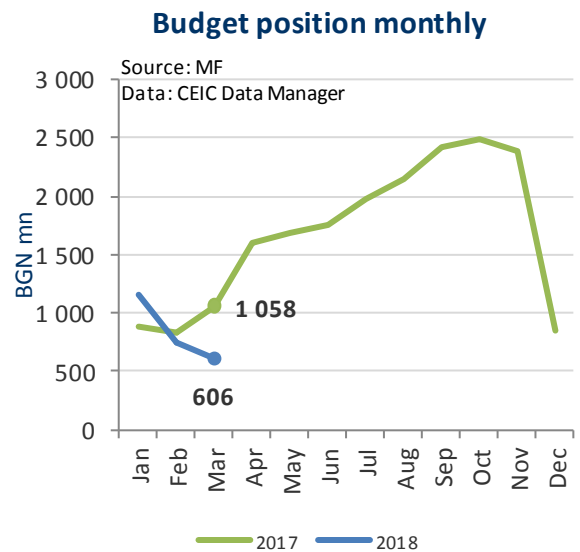
equipment by 4.3%, as well as in the manufacture of tobacco products and in the manufacture of chemicals and chemical products, both by 3.8%. The prices rose in the manufacture of paper and paper products by 12.0% and in the manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials by 6.3%.

FISCAL SECTOR

Budget Balance

In February 2018 Bulgaria's consolidated Fiscal Programme (CFP) balance on a cash basis is positive, amounting to BGN 752.3 million, or 0.7 % of GDP

According to MF data the Consolidated Fiscal Programme (CFP) balance on a cash basis as of end-February 2018 is positive, amounting to BGN 752.3 million, or 0.7% of the projected GDP, and is formed by a national budget surplus of BGN 980.9 million and by a EU funds deficit of BGN 228.7 million. For comparison, a CFP surplus of BGN 831.8 million (0.8% of GDP) was reported for January 2017. The underlying factors for the excess of revenues over expenditures as of February are the good parameters of national budget tax and social security revenue performance. The CFP revenues and grants in February 2018 stand at BGN 6,212.3 million, or 16.3% of the annual estimates. Compared to the same period of the previous year, tax and non-tax revenues have risen by BGN 729.0 million, or by 13.4%, with grant proceeds being lower. Tax proceeds, including revenues from social security contributions, total BGN 5,381.1 million, which accounts for 17.3% of the revenues planned for the year. Compared to the data for February 2017, tax proceeds have risen in nominal terms by 14.0%, or by BGN 659.9 million. Direct tax revenues amount to BGN 714.0 million, or 12.4% of the estimates planned for the year, growing by BGN 162.7 million (29.5%) compared to the same period of the previous year. Indirect tax revenues amount to BGN 3,064.1 million, which accounts for 20.2% of the annual estimates. Compared to the data as of February 2017, proceeds in this group have grown by BGN 278.4 million, or by 10.0%. VAT proceeds amount to BGN 2,073.8 million, or 21.2% of those planned. Compared to the same period of the previous year, VAT revenues have grown by BGN 204.7 million, or by 10.9%. The amount of non-refunded VAT as of 28/02/2018 is BGN 65.8 million. The excise duty revenues amount to BGN 938.5 million, or 18.2% of the annual estimates. Customs duty proceeds amount to BGN 42.9 million, or 22.6% 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 150.9 million, or 13.7% of the annual estimates. Revenues from social security and health insurance contributions are BGN 1,452.2 million, which accounts for 15.9% 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 198.7 million, or by 15.9%, in nominal terms. Non-tax revenues amount to BGN 795.1 million, which accounts for a performance of 16.9% of the annual estimates. Grant proceeds amount to BGN 36.2 million. CFP expenditures, including the contribution of the Republic of Bulgaria to the EU budget for February 2018, amount to BGN 5,460.1 million, which accounts for 13.9% of the annual estimates. For comparison, CFP expenditures for the same period of 2017 amount to BGN 4,900.1 million. The increasing expenditures as against the same period of 2017 are mainly due to the higher amount of social payments related to the baseline effect for pension expenditures as a result of the increase in July 2017, the two-step increase in the minimum pension in 2017 (as from July and October), the higher staff costs (mostly resulting from the increase in the remuneration of pedagogical staff within the secondary education) and the increase in capital expenditures (mainly under EU fund accounts). Non-interest expenditures amount to BGN 5,134.6 million, which accounts for 13.8% of the annual estimates. Non-interest current expenditures as of February 2018 amount to BGN 4,803.9 million, or 15.4% of the estimates for the year, capital expenditures (including net increment of state reserve) amount to BGN 327.2 million, or 5.3% of the plans for 2018. The current and capital transfers to other countries amount to BGN 3.5 million, or 24.6% of the estimates for the year. Interest payments amount to BGN 105.4 million, or 14.6% of those planned for 2018. The part of Bulgaria's contribution to the



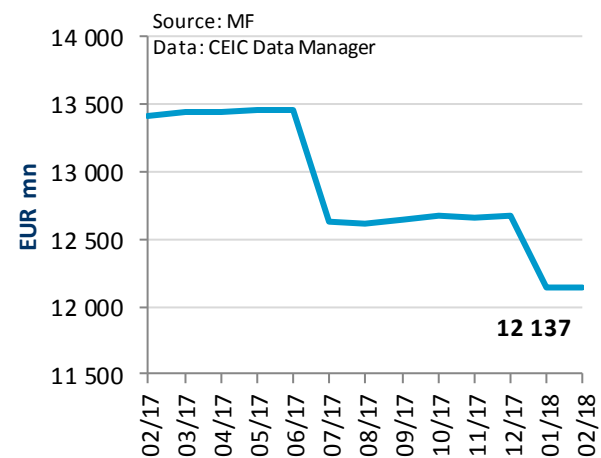
EU budget, as paid from the central budget as of 28/02/2018, amounts to BGN 220.1 million, which complies with the existing legislation in the area of EU own resources. The fiscal reserve as of end-February 2018 is BGN 10.7 billion, including BGN 10.0 billion of fiscal reserve deposits in the BNB and in banks and BGN 0.7 billion of receivables under the EU Funds for certified expenditure, advance payments, etc.

Central Government Debt

At the end of February 2018 Bulgaria's central government debt stood at EUR 12,137.3 million and presented 22.5% of GDP

According to MF data the central government debt as at end-February 2018 stood at EUR 12,137.3 million. Domestic debt amounted to EUR 2,953.7 million and external debt – to EUR 9,183.6 million. At the end of the reporting period the central government debt/GDP ratio was 22.5%, with the share of domestic debt being 5.5% and of external debt – 17.0%. In the central government debt structure, domestic debt at the end of the period amounted to 24.3%, and external debt – to 75.7%. The weighted average interest rate on debt for the period 01.01.2018 – 28.02.2018 is 2.69%, decreasing by 11 basis points as compared to the same period of 2017 (2.80%). As of 28 February 2018, the central government guaranteed debt was EUR 371.7 million. Domestic guarantees amounted to EUR 36.2 million and external guarantees – to EUR 335.5 million. The central government guaranteed debt/GDP ratio is 0.7%. According to the official register of government and government guaranteed debt, kept by the Ministry of Finance on the grounds of Article 38, paragraph 1 of the Government Debt Law, at end-February 2018 the government debt reached EUR 11,488.7 million, being 21.3% of GDP. Domestic debt amounted to EUR 2,887.1 million and external debt – to EUR 8,601.6 million. Government guaranteed debt in February 2018 amounted to EUR 1,018.7 million. Domestic guarantees amounted to EUR 36.2 million, the government guaranteed debt/ GDP ratio being 1.9%.

Central Government Debt



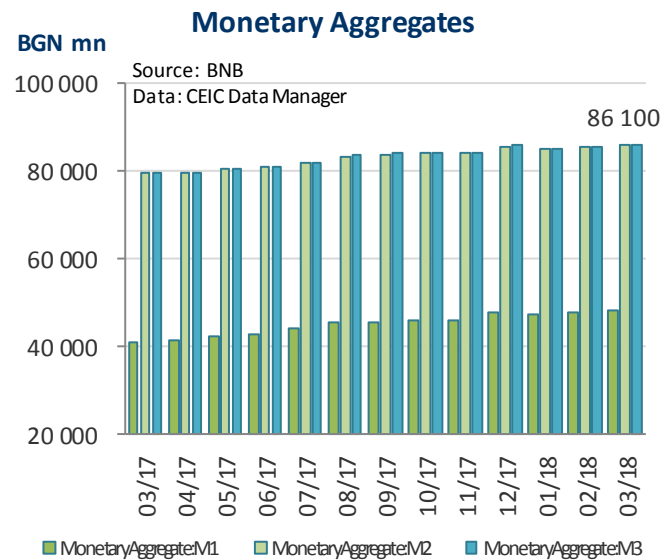
MONETARY SECTOR

At the end of February 2018 M3 was BGN 85.672 billion and increased by 7.7% y/y. Domestic credit amounted at and increased by 7.2% y/y

In February 2018 broad money (monetary aggregate M3) increased annually by 8.1% compared to 7.7% annual growth in January 2018. At the end of February 2018 M3 was BGN 85.672 billion (81.7% of GDP) compared to BGN 85.201 billion (81.2% of GDP) in January 2018. Its most liquid component – monetary aggregate M1 – increased by 17.6% annually in February 2018 (16.9% annual growth in January 2018). At the end of February 2018, deposits of the non-government sector⁶ were BGN 72.177 billion (68.8% of GDP), increasing annually by 5.6% (5.9% annual growth in January 2018). Deposits of Non-financial corporations were BGN 21.651 billion (20.6% of GDP) at the end of February 2018. Compared to the same month of 2017 they increased by 13.6% (14.5% annual growth in January 2018). Deposits of financial corporations decreased by 32.4% annually in February 2018 (28% annual decline in January 2018) and at the end of the month they reached BGN 2.563 billion (2.4% of GDP). Deposits of Households and NPISHs were BGN 47.964 billion (45.7% of GDP) at the end of February 2018. They increased by 5.4% compared to the same month of 2017 (4.8% annual growth in January 2018). Net domestic assets were BGN 52.819 billion at the end of February 2018. They increased by 8.5% compared to the same month of 2017 (7.8% annual growth in January 2018). At the end of the month their basic component – domestic credit – was BGN 53.780 billion and increased by 7.2% compared to February 2017 (6.4% annual growth in January 2018). In February 2018 claims on the non-government sector⁷ increased by 4.8% annually (4.6% annual increase in January 2018) reaching BGN 54.425 billion. At the end of February 2018, claims on loans to the non-government sector amounted to BGN 53.291 billion (50.8% of GDP) compared to BGN 53.140 billion

April 2018

(50.7% of GDP) at the end of January 2018. They increased annually by 5% in February 2018 (4.8% annual growth in January 2018). The change of loans to the non-government sector was influenced B net sales of loans by Other monetary financial institutions (Other MFIs) their volume for the last twelve months was BGN 81.2 million. On an annual basis, loans sold by Other MFIs were BGN 149.5 million (of which BGN 6.9 million in February 2018), while the amount of repurchased loans was BGN 68.3 million (of which BGN 0.4 million in February 2018). In February 2018, loans to Non-financial corporations increased by 2% annually (1.6% annual growth in January 2018) and at the end of the month amounted to BGN 31.183 billion (29.7% of GDP). Loans to Households and NPISHs were BGN 19.808 billion (18.9% of GDP) at the end of February 2018. They increased by 6.1% compared to the same month of 2017 (6.1% annual growth in January 2018). At the end of February 2018 loans for house purchases were BGN 9.549 billion and increased by 8.5% annually (8.2% annual growth in January 2018). Consumer loans amounted to BGN 7.826 billion and compared to February 2017 they increased by 7% (6.5% annual growth in January 2018). On an annual basis other loans decreased by 2% (3.3% annual growth in January 2018) and reached BGN 1.182 billion. Loans granted to financial corporations were BGN 2.300 billion at the end of February 2018 (2.2% of GDP). Compared to February 2017, they increased by 53% (53% annual growth in January 2018).



CAPITAL MARKET

In March 2018, the main index of BSE-Sofia SOFIX reported a decrease of 5.43% to 649.17 points. The index of the most liquid companies BGBX 40 decreased by 3.57% to 128.54 points. Equally weighted BG TR30 dropped 3.89% to 536.29. BGREIT, the property developer, declined by 1.36% to 114.93

For the period January-March 2018, the stock of the most liquid companies of SOFIX is negative. Again, as in February, the losers are significantly more than the winners at a ratio of 12 to 3. A year earlier, in March 2017, the ratio was the opposite 11 winners to 4 losers. It is noteworthy that for the first time in three years last month, there were two issues reporting a two-digit decline: First Investment Bank (-19.29%) and Monbat (-11.79%). In March 2018 the total volume of transactions with the securities of the 15 companies of SOFIX amounted to BGN 11 563 523, which is BGN 386 883 more than the turnover in February, when BGN 11 176 640 was reported. The leaders in March 2018 were: Industrial Holding Bulgaria with 4 088 113 leva, Chimimport with 2 183 785 leva and Holding Varna with BGN 1 092 200. In March 2018, Sopharma regained its market capitalization leadership (556,715,323 liters) among the 15 most liquid companies. Followed by Chimimport (541,600,563 leva) and the February First Investment Bank (First Investment Bank) (BGN 587,400,000) dropped to third place. The top five is complemented by Monbat (BGN 335,400,000) and Eurohold Bulgaria (BGN 298,263,656). Following a change in the SOFIX base of March 19, the group of holdings

increased by one. Of the six holdings included in SOFIX, two Eurohold Bulgaria (+ 6.34%) and Holding Varna (+ 2.78%) and four are at a loss. The company with the highest turnover for March 2018 is Velgraf Asset Management AD-Sofia, with a total amount of BGN 5 814 008. The second place is St. St. Konstantin and Elena Holding AD with a total amount of BGN 5 239 846. In the ranking there is only one special purpose vehicle, which is Super Borovets Property Fund REIT and occupies 8th position

Bulgarian Stock Exchange Indexes on Monthly Basis				
Date	SOFIX	BGBX40	BGREIT	BGTR30
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
01.2018	712.7	138.2	115.4	571.6
02.2018	686.4	133.3	116.5	558.0
03.2018	649.2	128.5	114.9	536.3

Source: Bulgarian Stock Exchange-Sofia

respectively. With the smallest number of concluded deals in the ranking are Investor.BG AD and Atomenergoremont AD and with the largest Chimimport AD. The most profitable company in March 2018 is Sv. Konstantin and Elena Holding AD, which achieved a double digit growth of 15.79%. CEZ Electro Bulgaria AD ranked second. The third position is Severcoop Gamza Holding AD, which achieved an increase of 11.38%. The fourth position in the ranking is Development Industry Holding AD, which realizes growth of 10.50%. The last company in the ranking is Eurohold Bulgaria AD, which marks a one-digit growth of 6.34%.

BANKING SECTOR

In February 2018, the banking system's assets grew by 1.1% m/m and by 5.2% y/y, respectively with an increase in loans and advances, securities portfolios, deposits and balance-sheet capital

According to BNB data at the end of February 2018, the aggregate profit of the banking system was BGN 189 million and decreased by 2.5% y/y. Impairment costs of financial assets not reported at fair value through profit or loss for the two months amounted to BGN 64 million. Net interest income for the entire banking system decreased by 4.4% compared to the reported negative growth trend of 2.4% for January 2018, due to the continued fall in interest income.

Indicator (BGN'000)	February 2017	February 2018	Y/Y (%)
Interest Income	511 459	472 131	-7.7
Interest Expense	69 558	49 641	-28.6
Net interest income	441 901	422 490	-4.4
Impairment	97 828	64 365	-34.2
Fee and commission income	168 719	183 999	9.1
Fee and commission expenses	21 815	26 214	20.2
Net fee and commission income	146 904	157 785	7.4
Administration costs	253 432	259 124	2.2
Personal cost	127 941	133 929	4.7
Total operating income, net	592 346	554 625	-6.4
Net Profit	193 928	189 144	-2.5

Source: BNB, Calculations: UBB

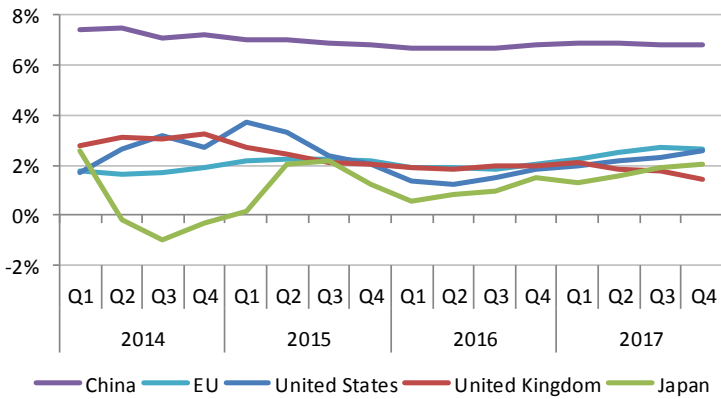
In February 2018, the total assets rose by 1.1% on a monthly basis and 5.2% on an annual basis to 97.3 billion leva, accounting for 91.8% of the projected GDP. Gross loans and advances to customers increased by 0.5% m/m and by 3.6% y/y, respectively to BGN 56.5 billion. An increase was observed in loans to non-financial corporations (by BGN 136 million, 0.4% m/m and 0.5% y/y, respectively) and households (by BGN 68 million, 0.3% per month and 7.2% annually). The decrease in loans to other financial corporations and general government was negligible. In February 2018, the attracted funds from customers in the banking system recorded an increase of 0.5% m/m and 5.3% y/y, respectively to BGN 78.3 billion. Household deposits increased (by BGN 351 million), or by 0.7% m/m and by 4.9% y/y, other financial corporations (by BGN 33 million, 1.2% m/m with a decrease of 32.9% y/y), non-financial corporations (by 0.1% m/m and by 12.2% y/y, respectively) and general government (by BGN 16 million, 0.7% m/n and 21.6% y/y, respectively). In February 2018 equity in the banking system's balance sheet amounted to BGN 12.3 billion, rising by BGN 57 million (0.5%) mainly due to profit growth. There is no significant change in the size and structure of liquid assets and at the end of February 2018 and the liquidity position of the banking sector remains high.

Bulgaria Intermediation Indicators	31.01.2017 BGN'000	31.12.2017 BGN 000	31.01.2018 BGN'000	28.02.2018 BGN'000	Изменение m/m (%)	Изменение y/y (%)	Изменение yend (%)	Дял в БВП (%)
BANKING SYSTEM TOTAL ASSETS	92 510 993	95 850 484	96 929 889	97 320 309	0.4	5.2	1.5	91.8
Loans to central governments	649 831	614 592	593 067	592 253	-0.1	-8.9	-3.6	0.6
Loans to non-financial corporations	33 191 361	33 516 791	33 206 378	33 342 388	0.4	0.5	-0.5	31.4
Loans to financial corporations	1 968 680	2 352 930	2 494 165	2 489 626	-0.2	26.5	5.8	2.4
Retail loans, incl.:	18 710 819	19 972 030	19 888 561	20 056 098	0.8	7.2	0.4	18.8
Mortgage loans	8 793 030	9 444 146	9 765 974	9 820 212	0.6	11.7	4.0	9.2
Consumer loans	8 693 174	9 264 095	9 000 627	9 048 891	0.5	4.1	-2.3	8.5
Micro credits and other loans	1 224 615	1 263 789	1 121 960	1 186 995	5.8	-3.1	-6.1	1.1
TOTAL LOANS	54 520 691	56 456 343	56 182 171	56 480 365	0.5	3.6	0.0	53.2
ATTRACTED SOURCES FROM CLIENTS, incl.:	74 369 300	76 747 619	77 887 823	78 306 251	0.5	5.3	2.0	73.8
Local government deposits	1 775 695	1 824 421	2 143 210	2 158 715	0.7	21.6	18.3	2.0
Non-financial corporations deposits	21 114 209	23 709 705	23 671 650	23 690 781	0.1	12.2	-0.1	22.4
Financial corporations deposits	4 119 881	2 842 120	2 730 552	2 763 346	1.2	-32.9	-2.8	2.6
Households and NPISHs deposits	47 359 515	48 371 373	49 342 411	49 693 409	0.7	4.9	2.7	46.7
Equity	12 326 044	12 468 136	12 242 650	12 299 768	0.5	-0.2	-1.4	11.6
Net profit (annualised)	193 928	1 088 190	116 914	189 144		-2.5		
BANKING INDICATORS (%)								
ROE	9.44	9.5	11.5	9.2	-1.2	0.4	-1.2	
ROA	1.26	1.2	1.4	1.2	-0.1	0.1	-0.1	
Capital adequacy	n.a.	22.1	n.a.	n.a.				
Liquidity	38.80	37.1	n.a.	n.a.	-0.4	1.1	-0.4	
NPL	n.a.	8.4	n.a.	n.a.				
GDP, BGN '000	96 800 000	99 624 000	105 609 000	105 609 000				
EUR/BGN	1.95583	1.95583	1.95583	1.95583				

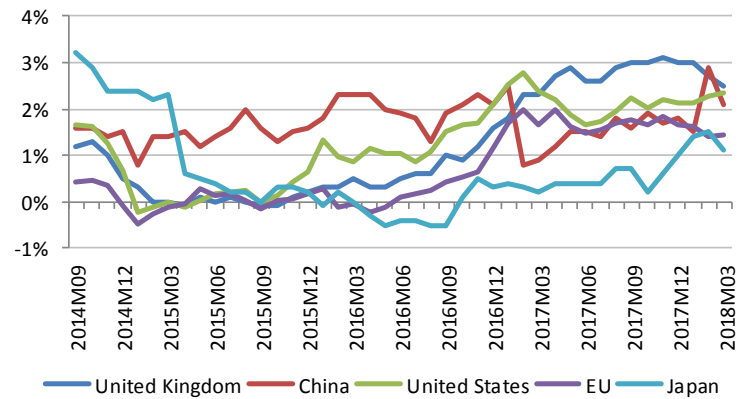
Source: BNB, MF, Calculations: UBB

Appendix

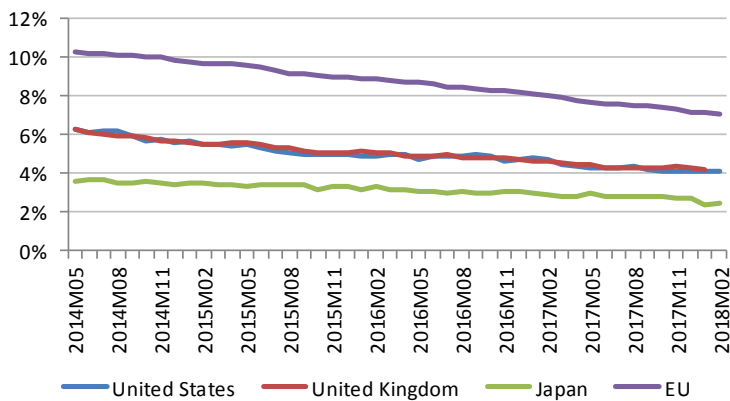
Advanced Economies: GDP growth rate compared to the same quarter of the previous year



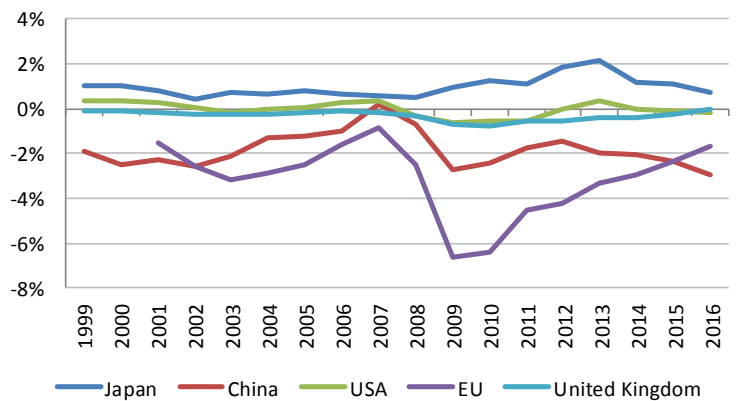
Advanced economies: Inflation by country, monthly (y/y)



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

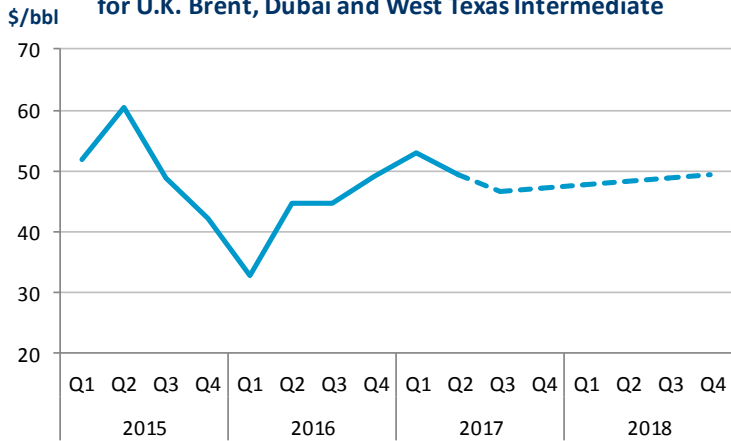


Advanced economies: Budget surplus/deficit to GDP (%)

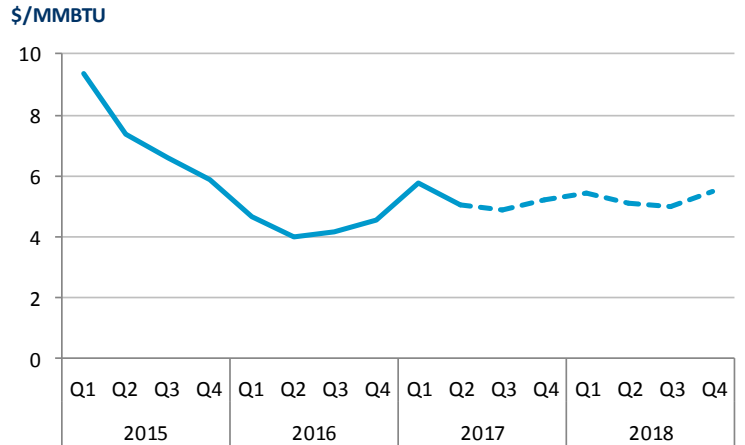


Overseas Prices of Oil Products

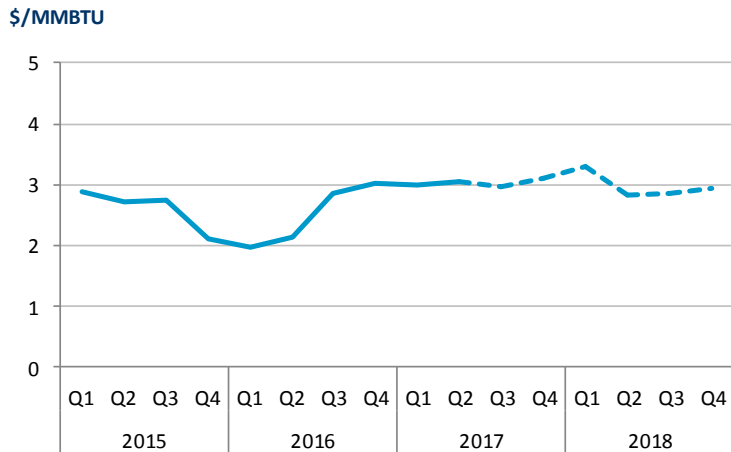
Spot Crude: Petroleum price - average of spot prices for U.K. Brent, Dubai and West Texas Intermediate



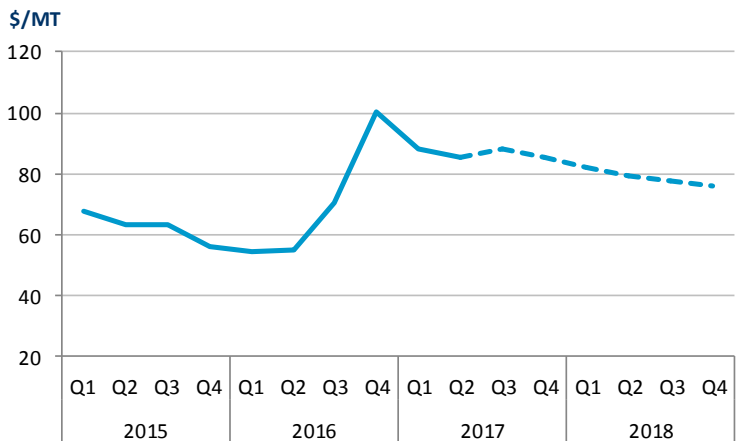
Natural Gas: Russian in Germany



Natural Gas: US, domestic market

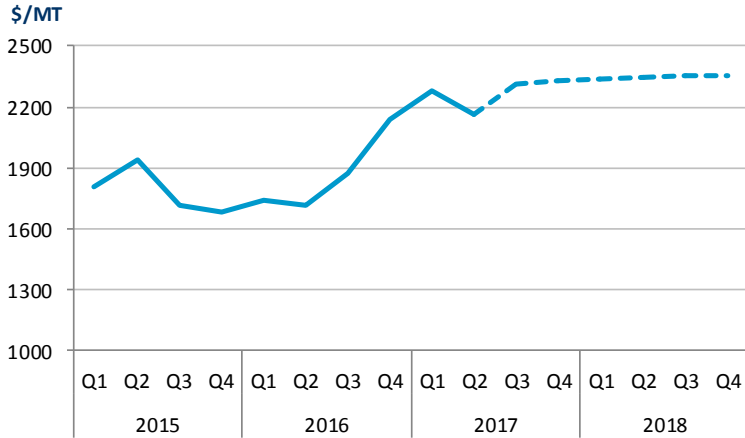


Coal: Australian, export markets

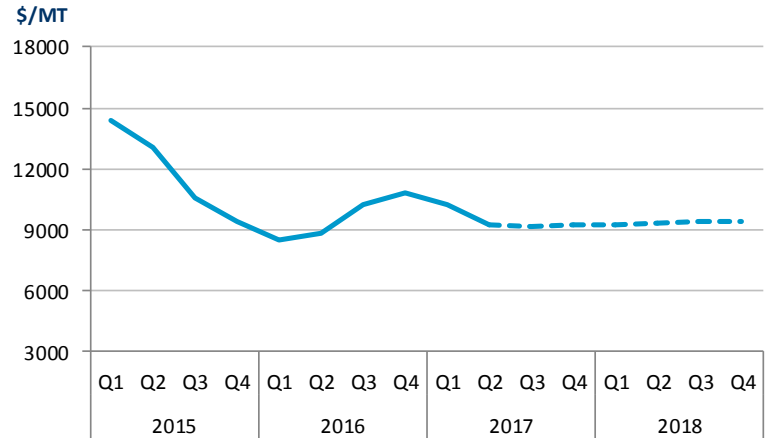


Overseas Prices of Metals

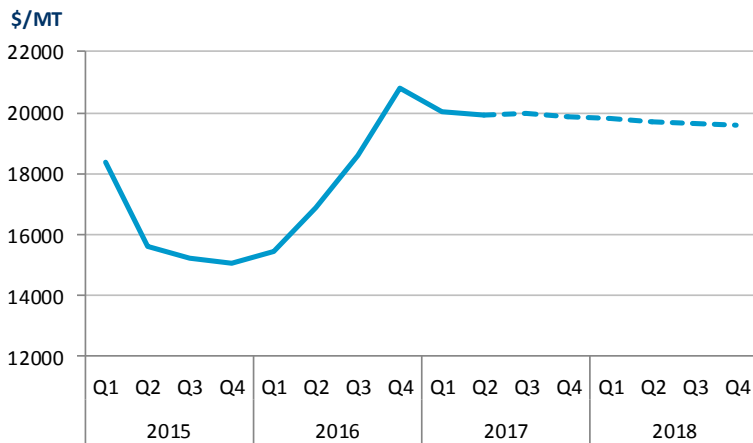
Lead



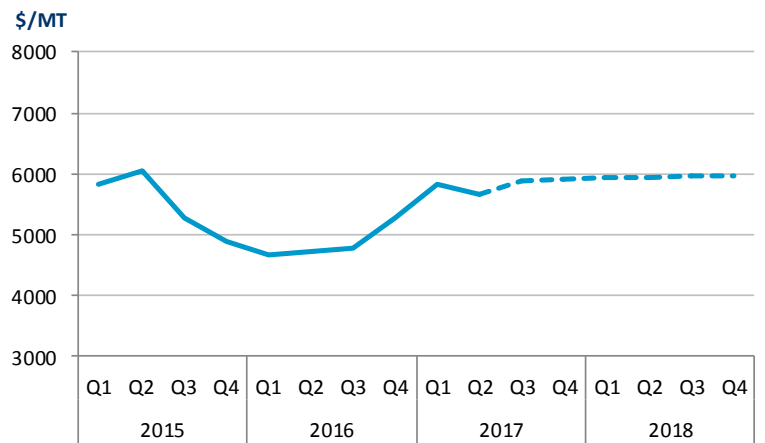
Nickel



Tin

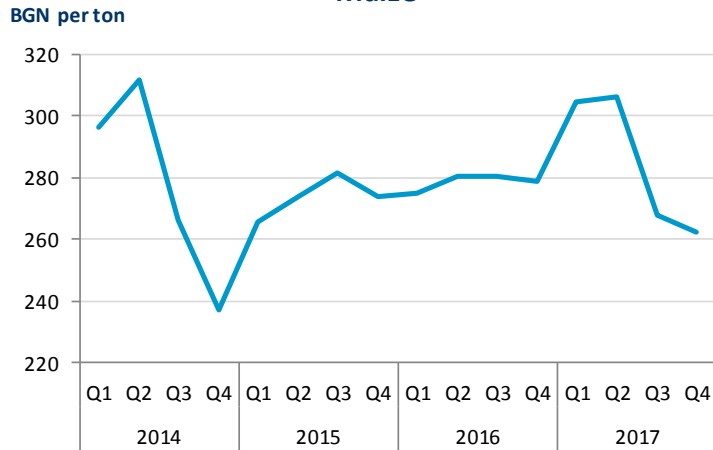


Copper

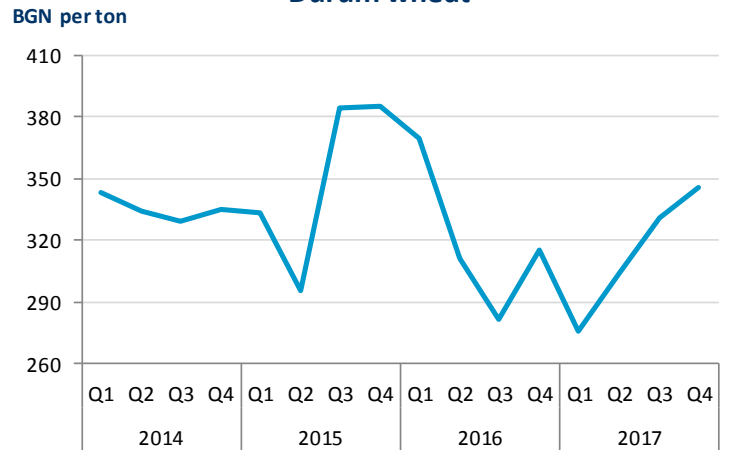


Bulgaria: Prices of Agriculture products

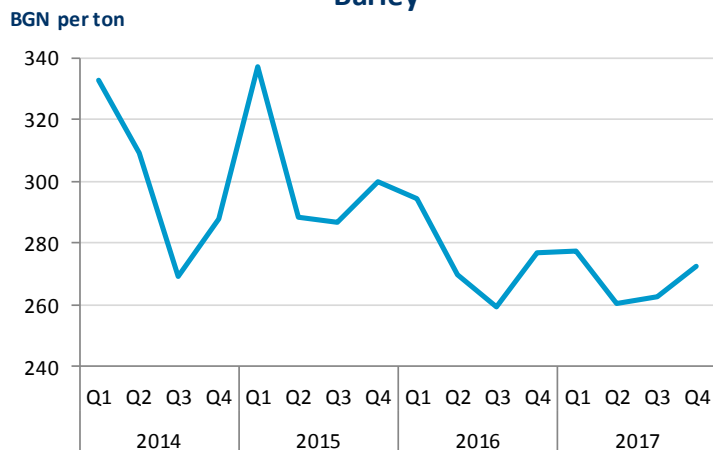
Maize



Durum wheat



Barley

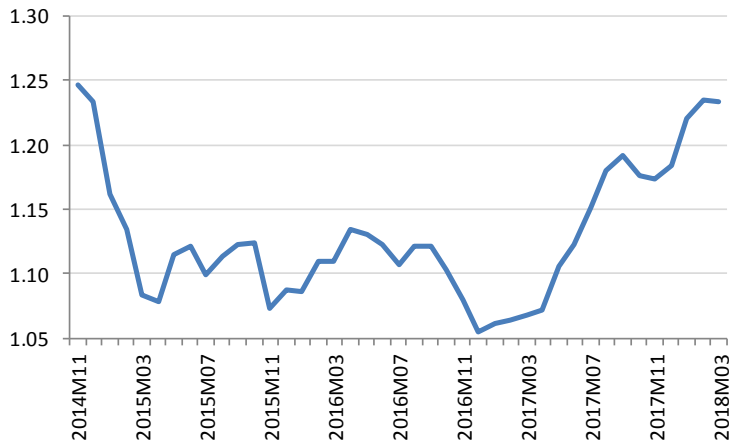


Oats

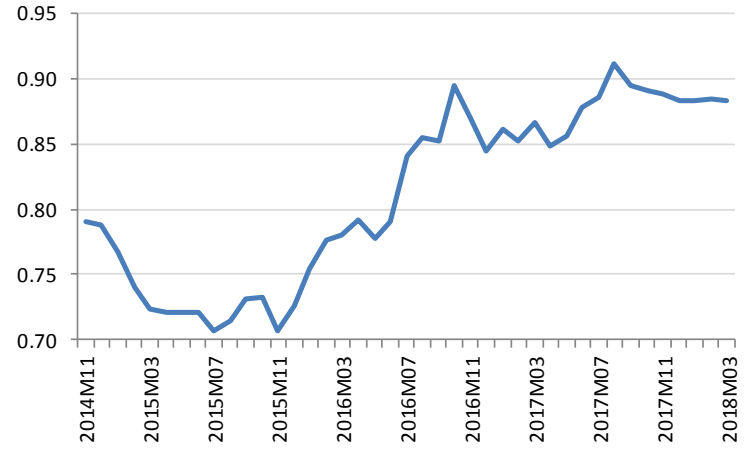


Overseas FX Rates

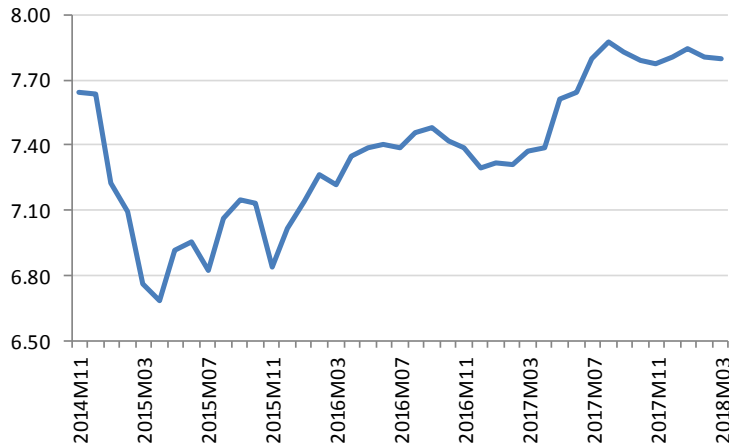
EUR/USD



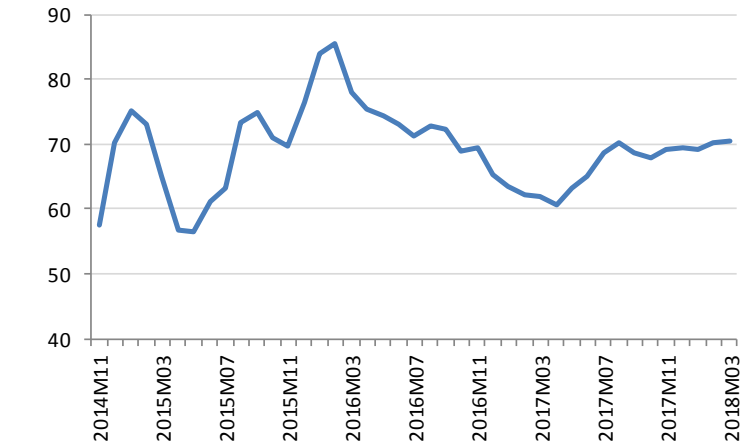
EUR/GBP



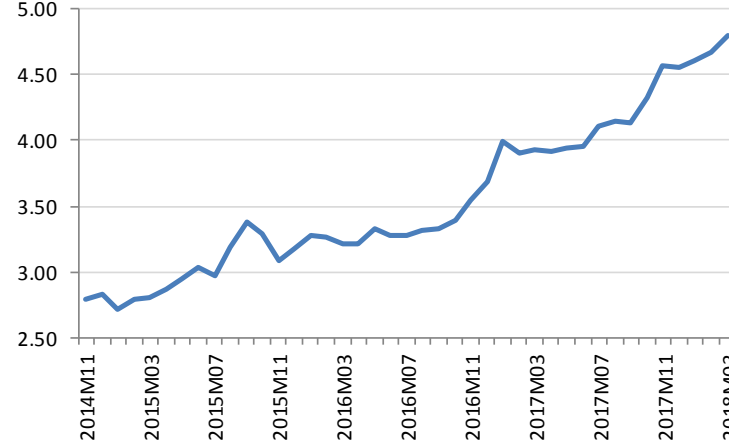
EUR/CNY



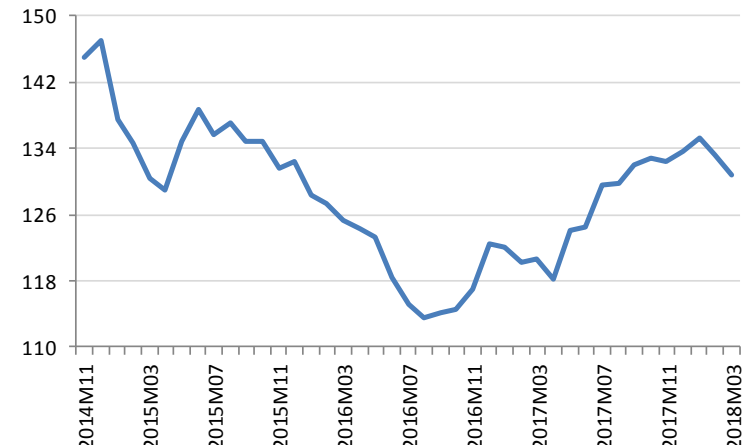
EUR/RUB



EUR/TRY

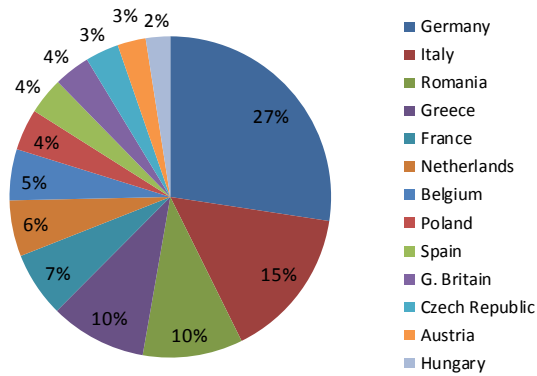


EUR/JPY

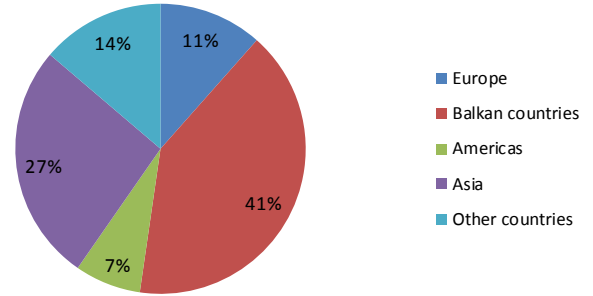


Bulgaria: External Sector Indicators

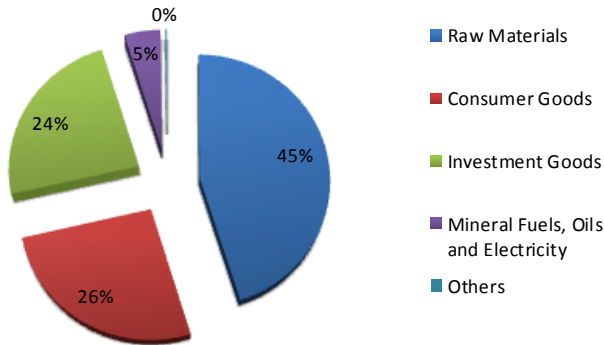
Exports: FOB by EU countries: January 2018



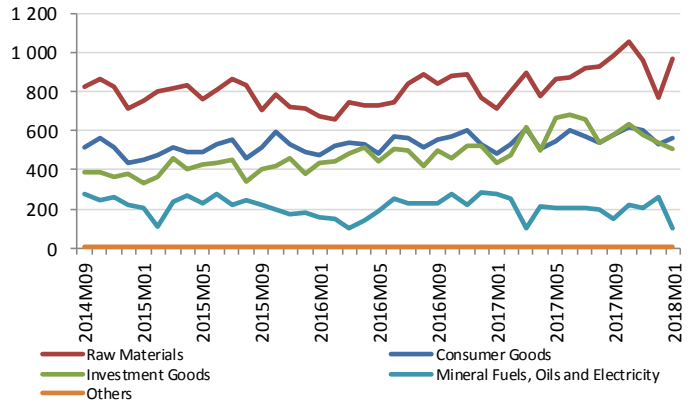
Exports: FOB by Non EU countries: January 2018



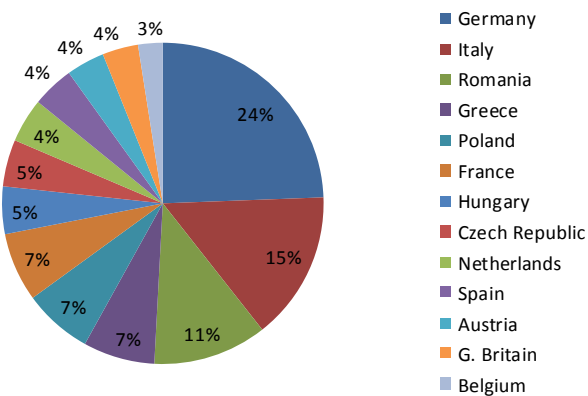
Exports: FOB: Commodity groups - percentage shares for January 2018



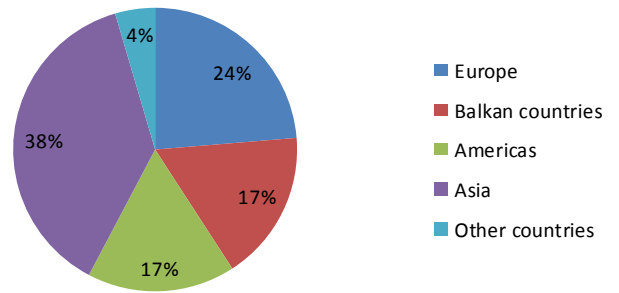
Exports by Commodity groups: 2014 - 2018



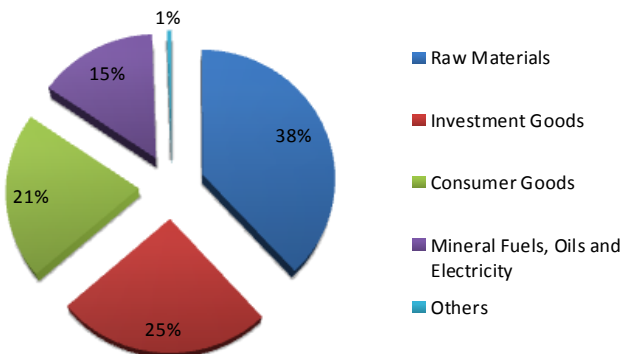
Imports: CIF by EU Countries: January 2018



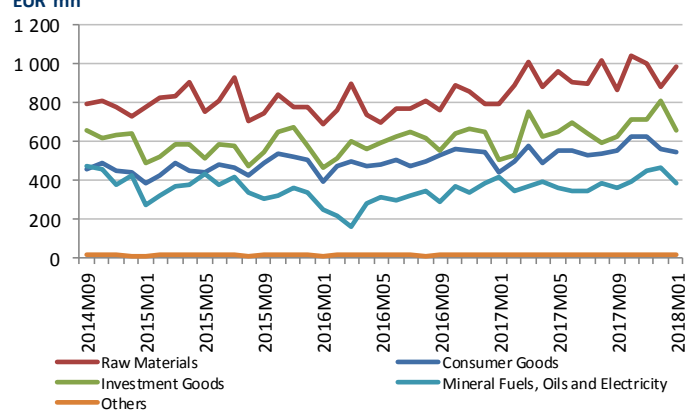
Imports: CIF by Non EU Countries: January 2018



Imports: CIF - Commodities groups - percentage share for January 2018

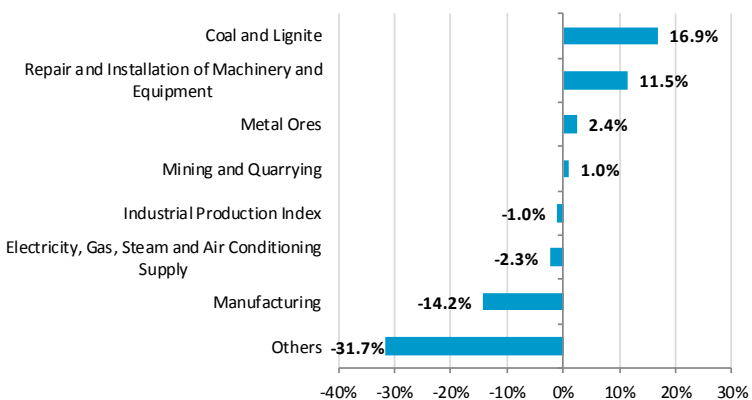


Imports by Commodity groups: 2014 - 2018

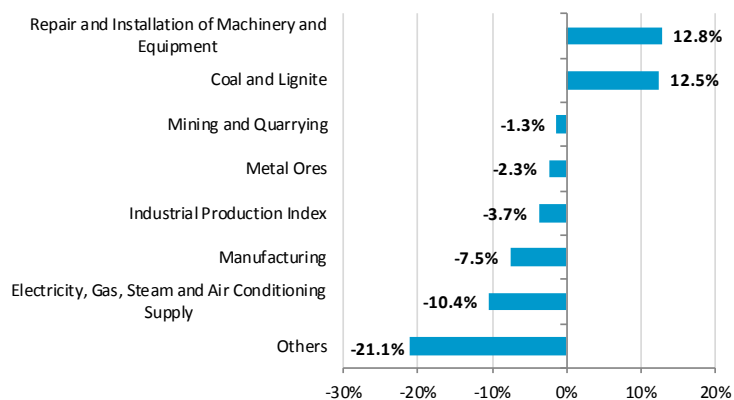


Bulgaria: Real Sector Indicators

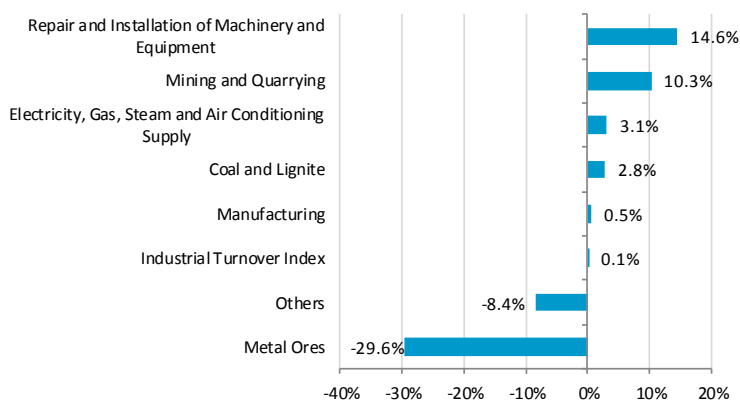
Industrial Production Index: % change in February 2018 compared to February 2017



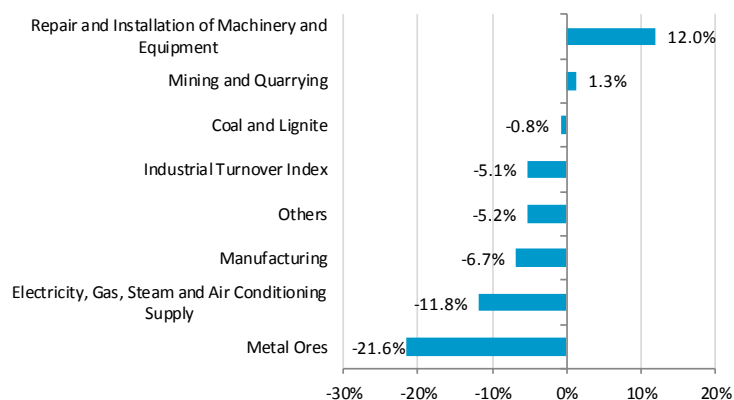
Industrial Production Index: % change in February 2018 compared to January 2018



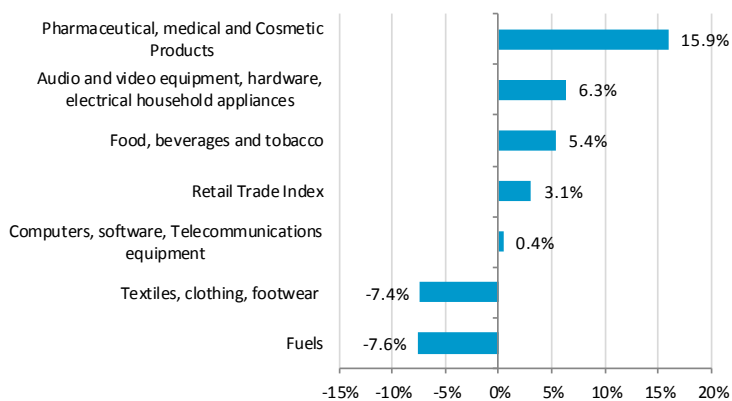
Industrial Turnover Index: % change in February 2018 compared to February 2017



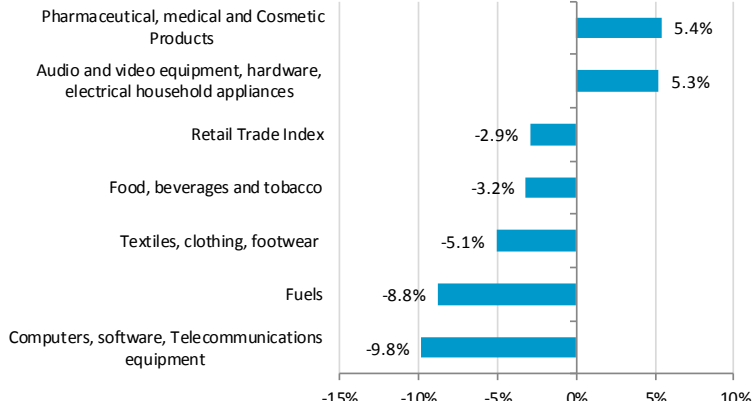
Industrial Turnover Index: % change in February 2018 compared to January 2018



Retail Trade Index: % change in February 2018 compared to February 2017

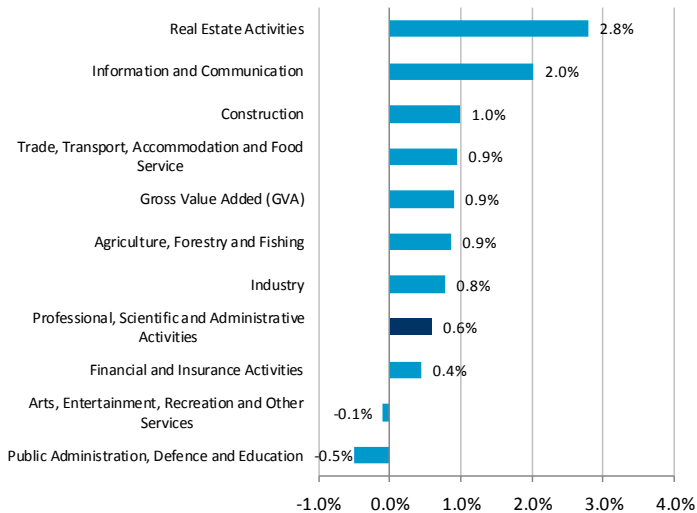


Retail Trade Index: % change in February 2018 compared to January 2018

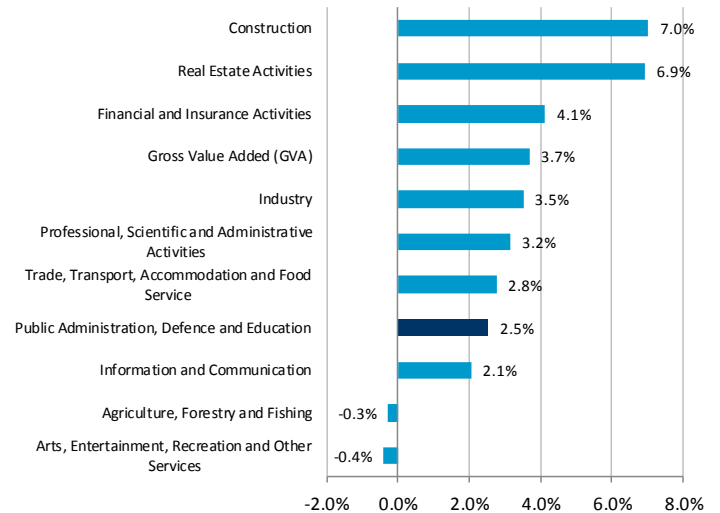


Bulgaria: Real Sector Indicators

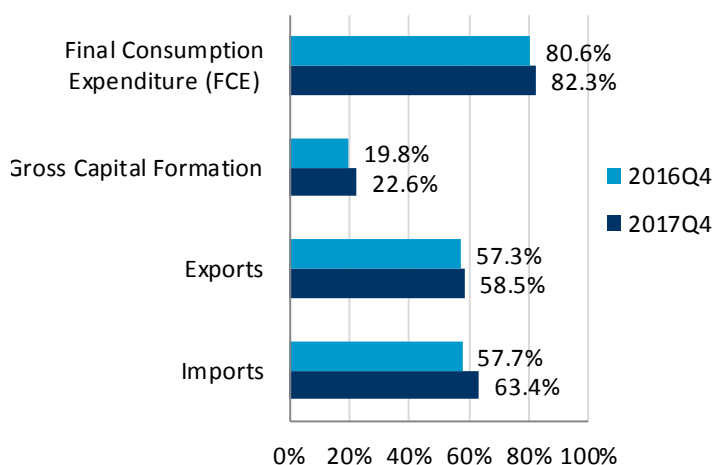
Gross Value Added by Economic Sectors: Percentage Change of Q4 2017 compared to Q3 2017



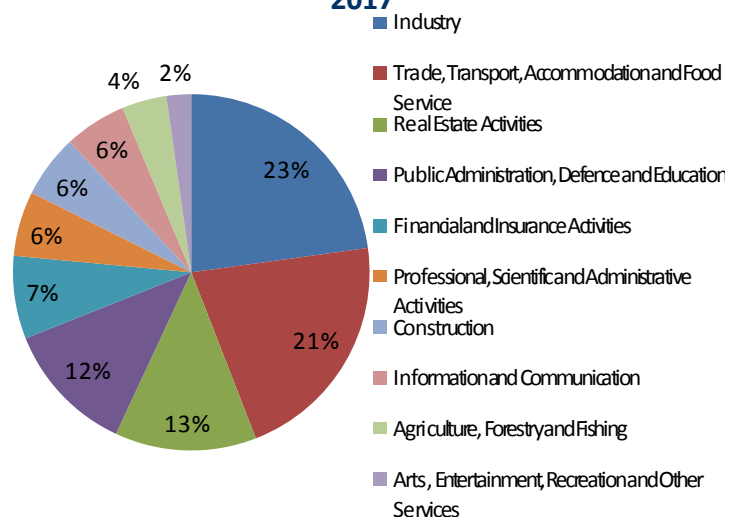
Gross Value Added by Economic Sectors: Percentage change of Q4 2017 compared to Q4 of 2016



Structure of GDP by the expenditure approach for Q4 in 2016 and 2017

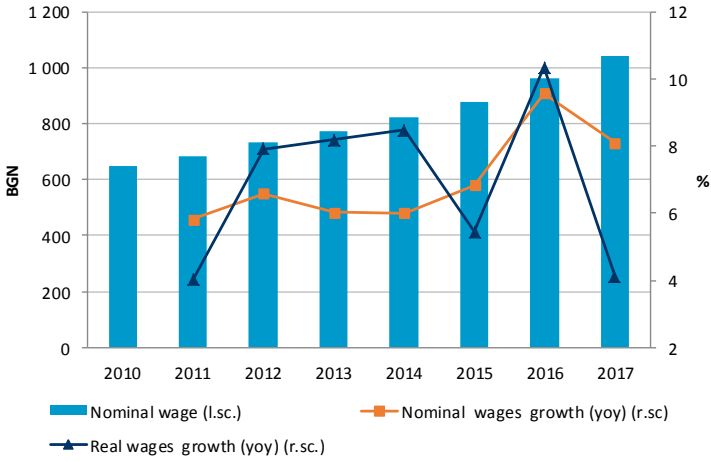


Bulgaria: Industries' relative share to GVA for Q4 2017

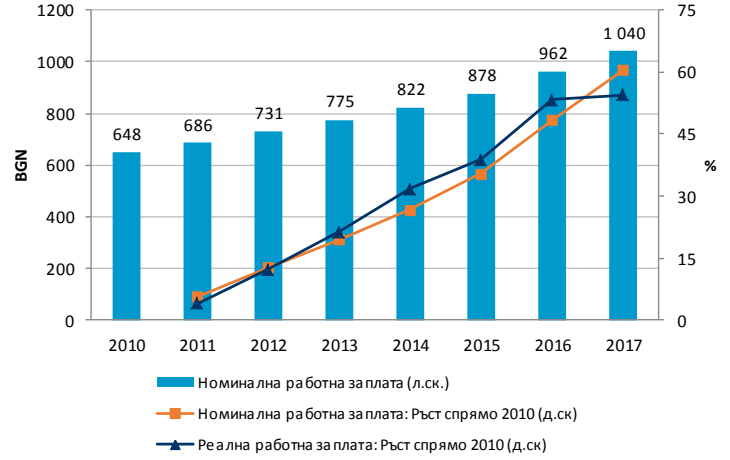


Bulgaria: Real Sector Indicators

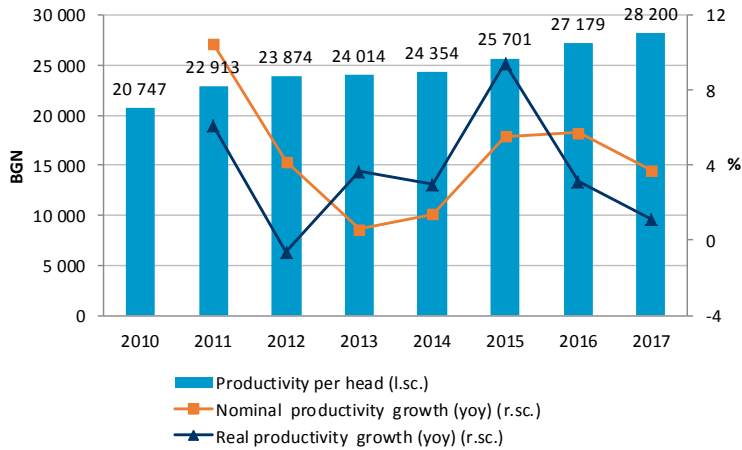
Nominal and Real Wage Dynamics: YoY (%)



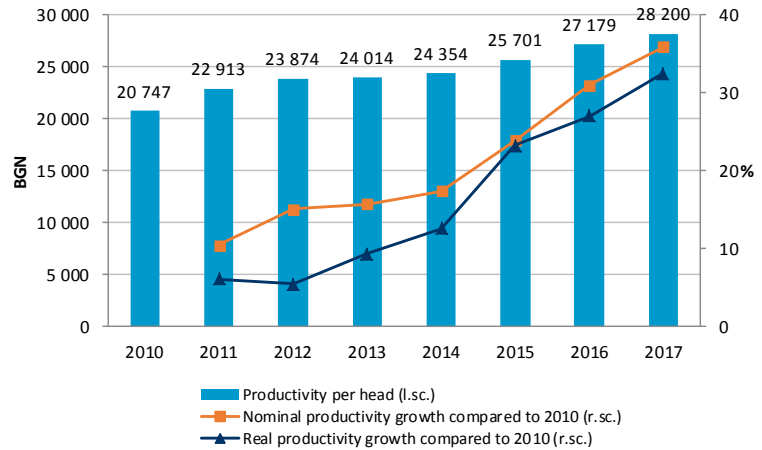
Nominal and Real Wage Dynamics compared to 2010 (%)



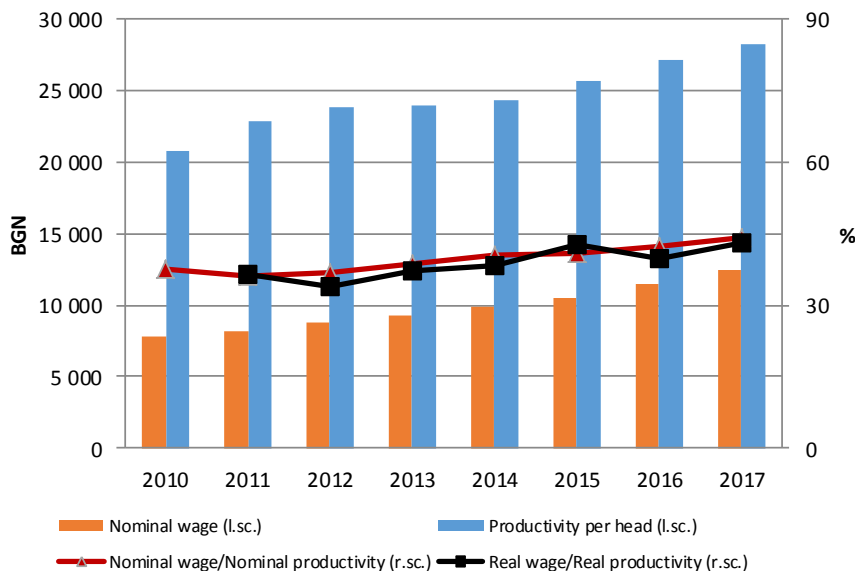
Nominal and Real Productivity per Head Dynamics, YoY (%)



Nominal and Real Productivity Dynamics compared to 2010 (%)

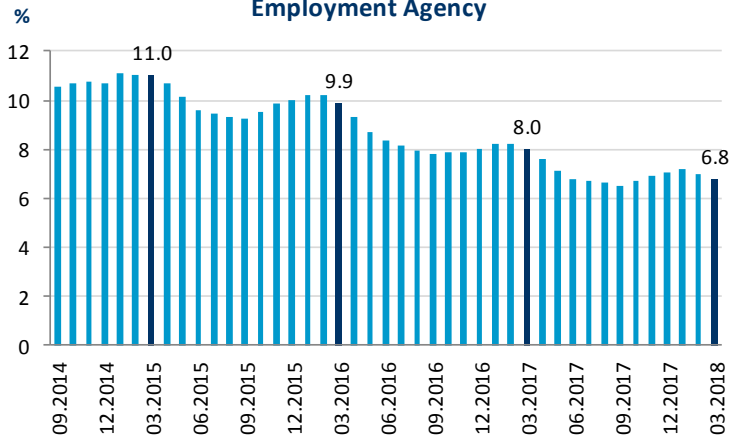


Average Wage to Productivity Ratio Dynamics, YoY (%)

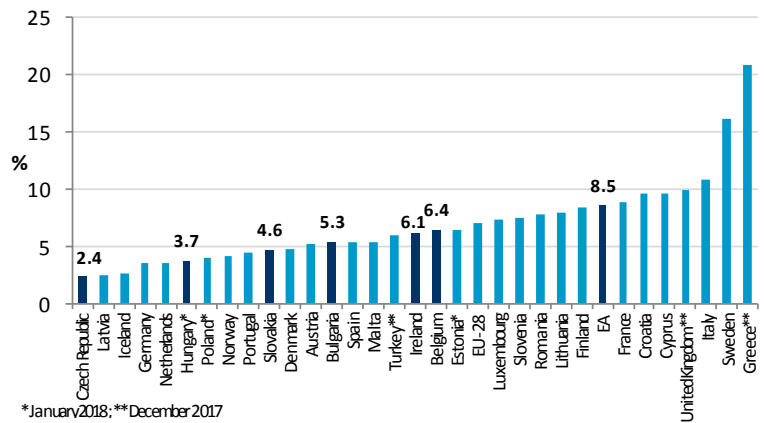


Bulgaria: Real Sector Indicators

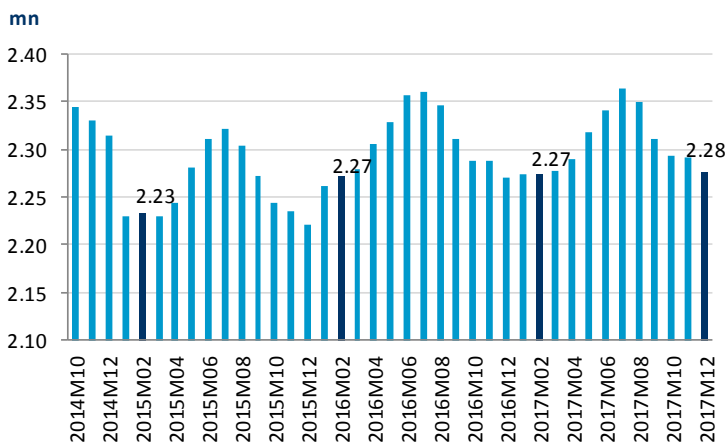
Registered Unemployment Rate: National Employment Agency



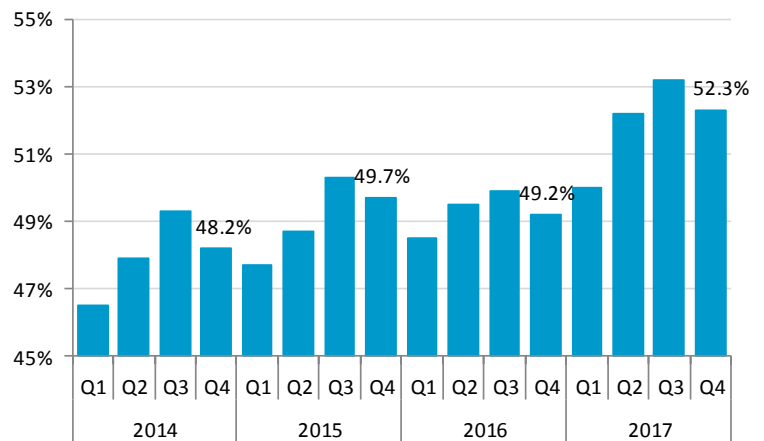
EU: Unemployment rate seasonally adjusted by country, February 2018



Bulgaria: Number of Employees

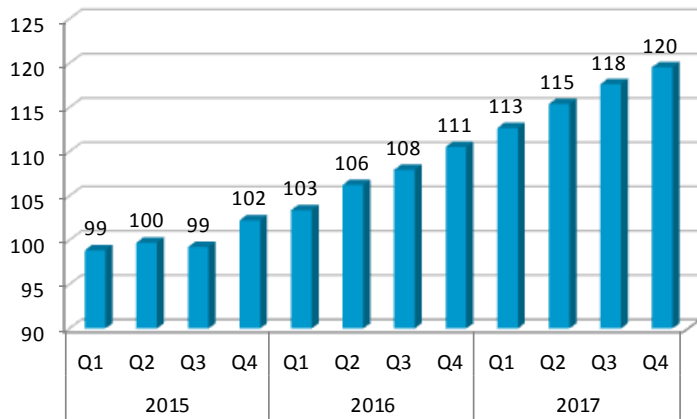


Bulgaria: Employment Rate

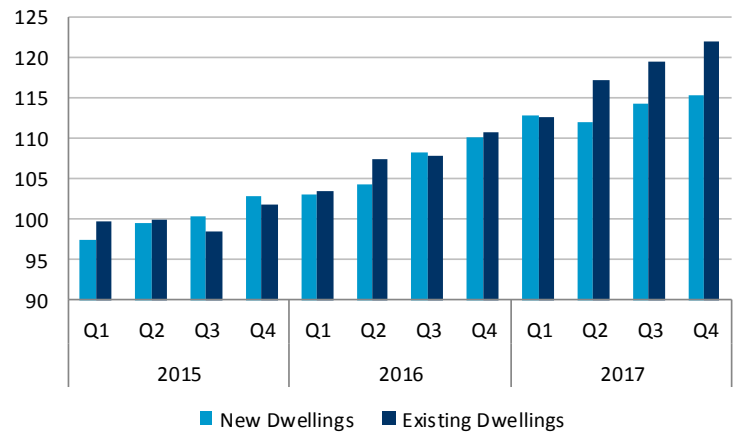


Bulgaria: Real Sector Indicators

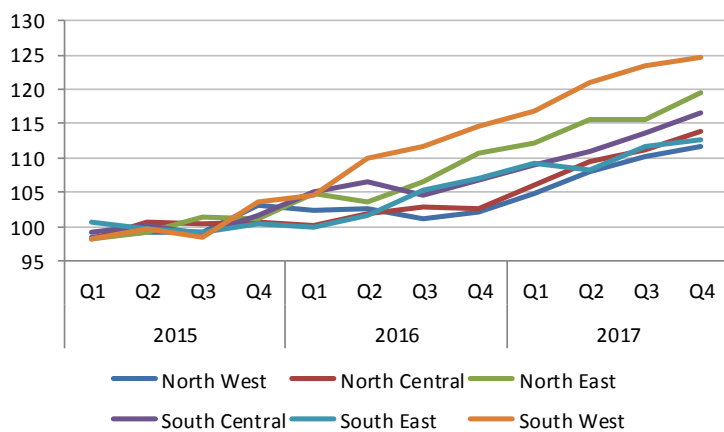
House Price Index (HPI)



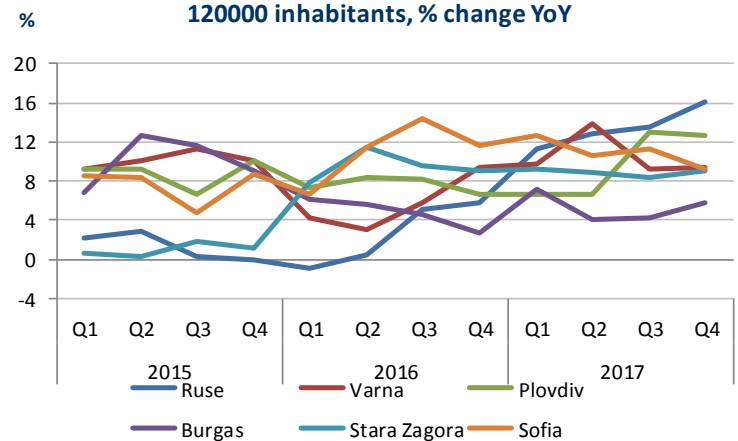
HPI: New and existing dwellings



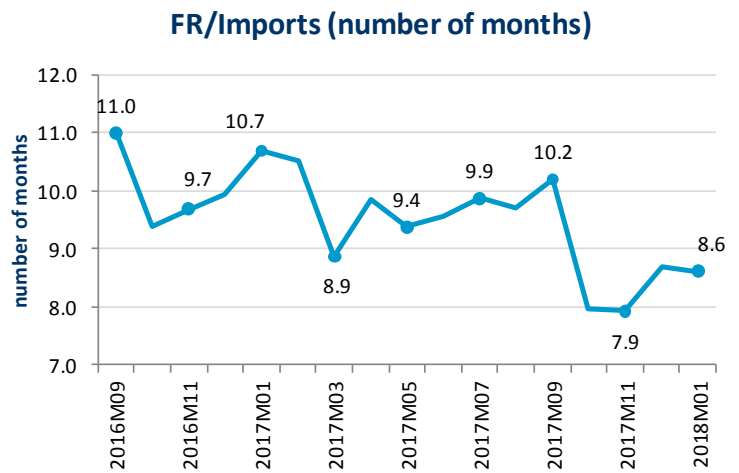
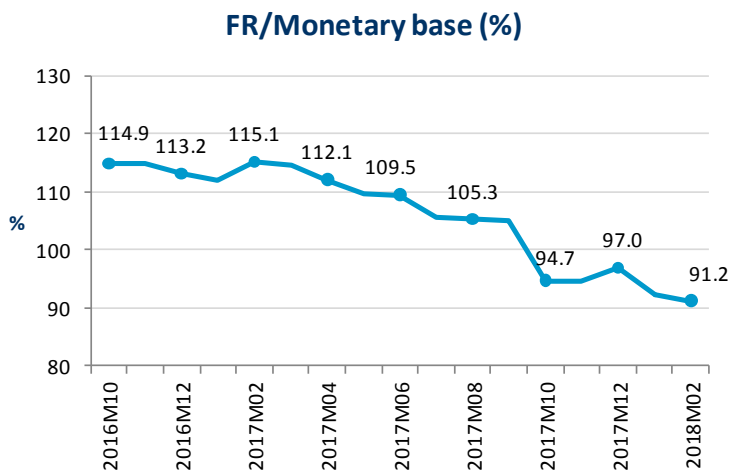
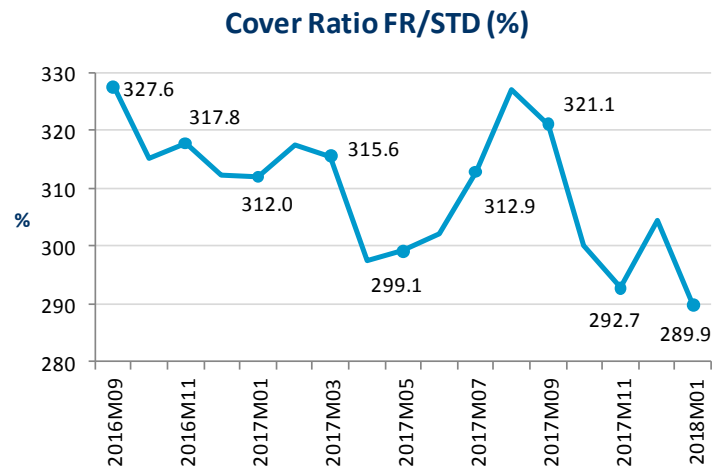
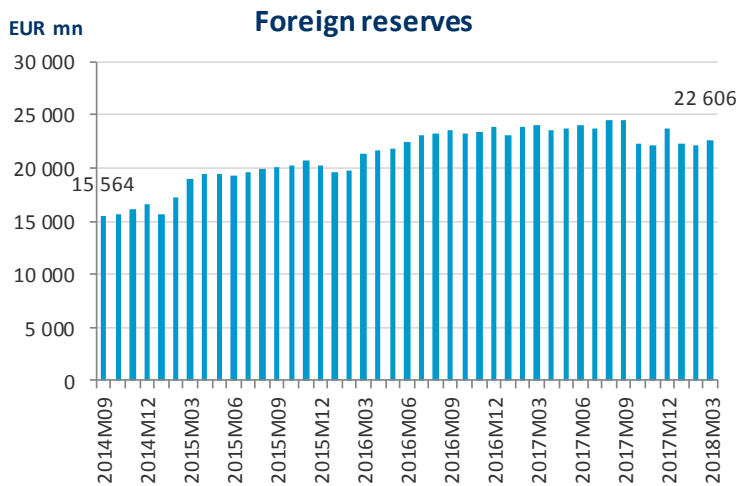
House Price index by regions



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

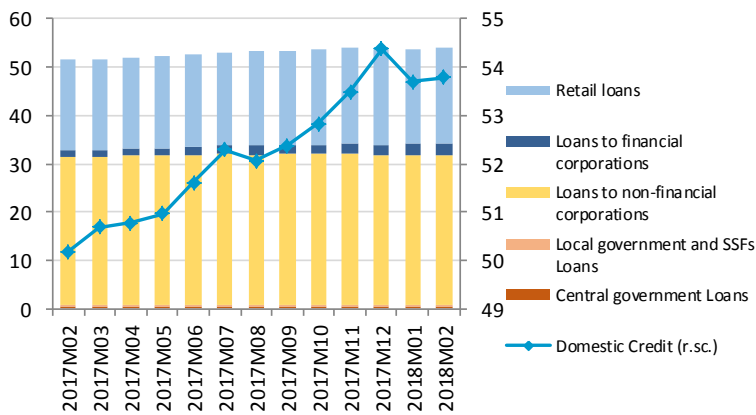


Bulgaria: Monetary Sector Indicators

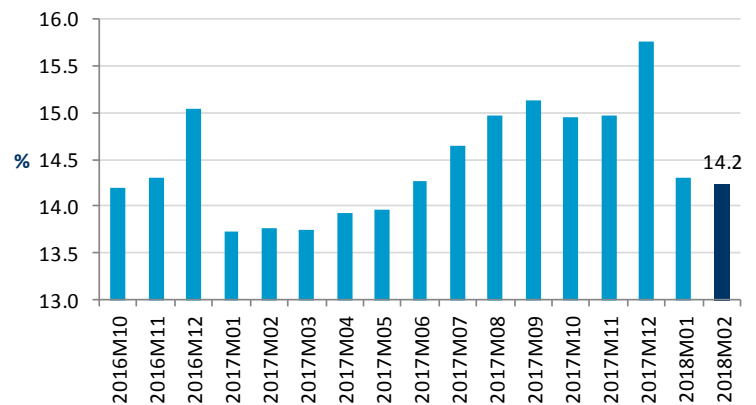


Bulgaria: Monetary Sector Indicators

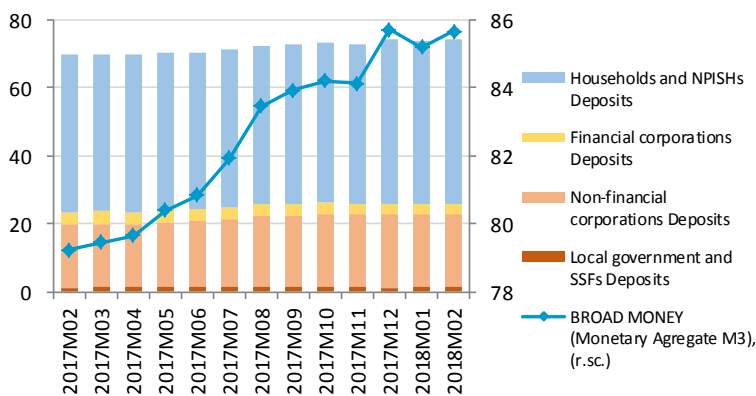
Loans and Domestic Credit (BGN bn)



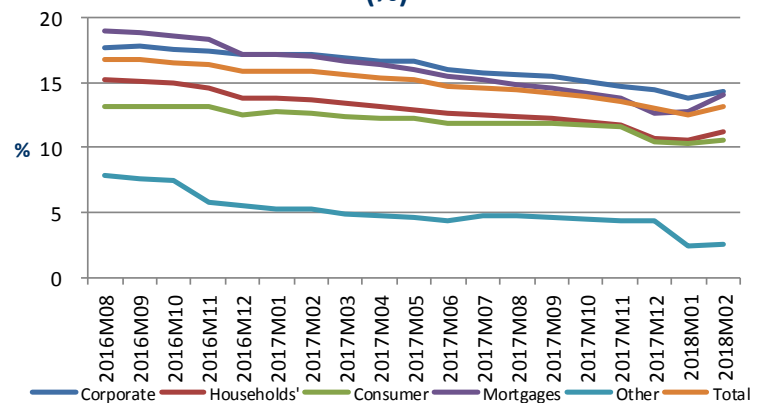
Money in circulation/GDP (%)



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

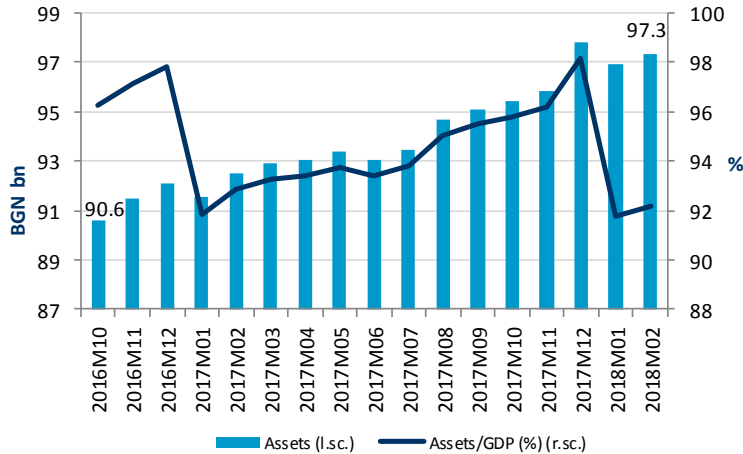


Banking sector: Bad and restructured loans (%)

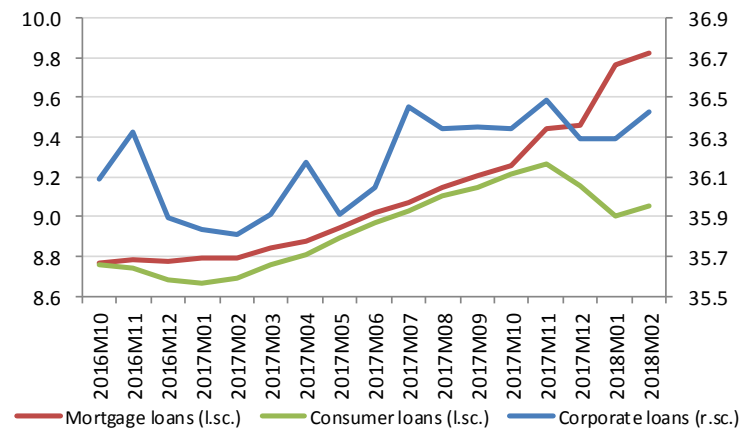


Bulgaria: Banking Sector Indicators

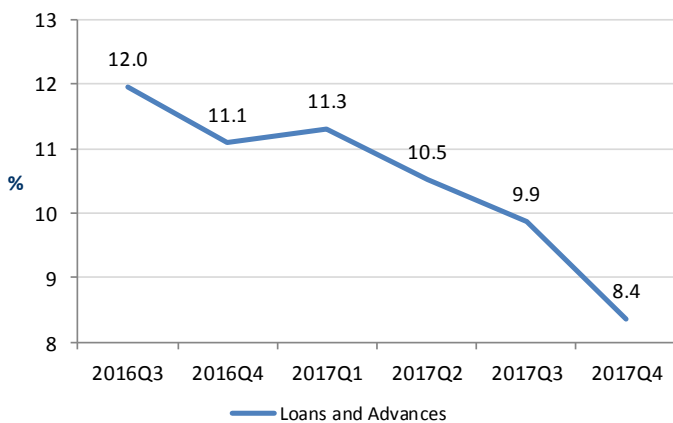
Assets



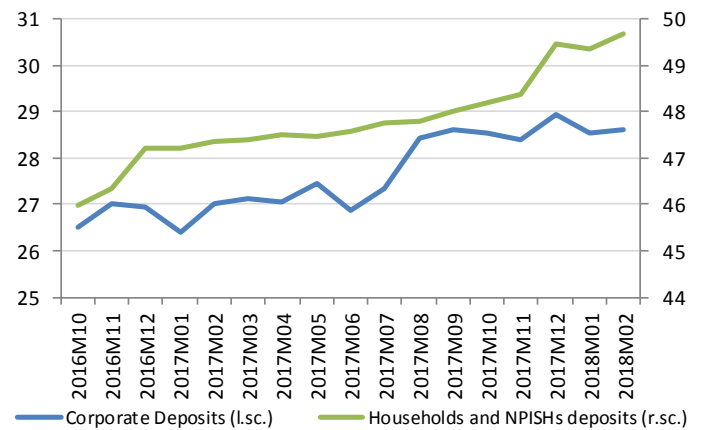
Loans (BGN bn)



Banking System Non Performing Loans (%)

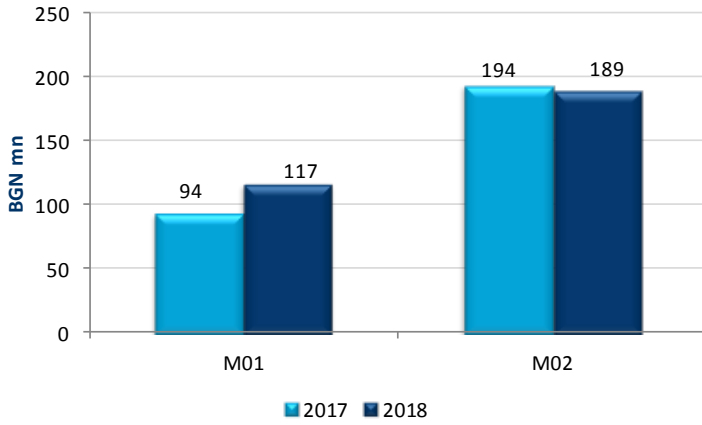


Deposits (BGN bn)

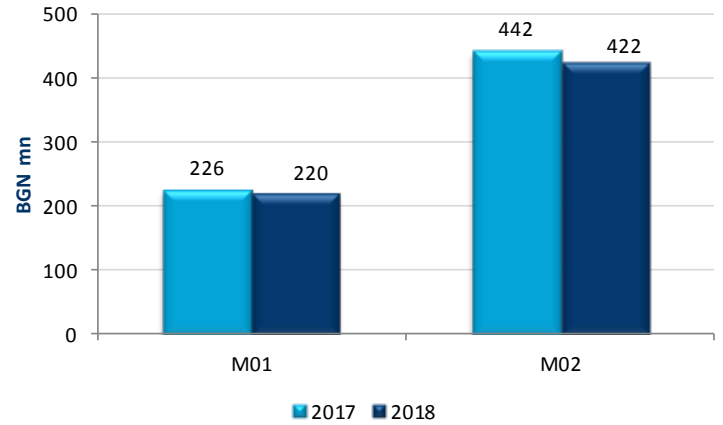


Bulgaria: Banking Sector Indicators

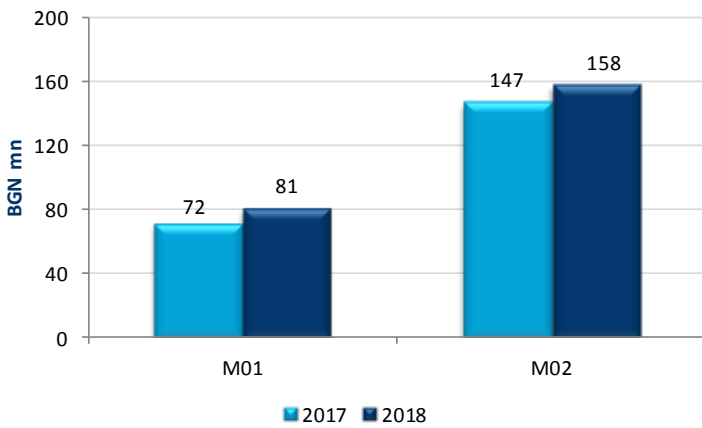
Net Profit



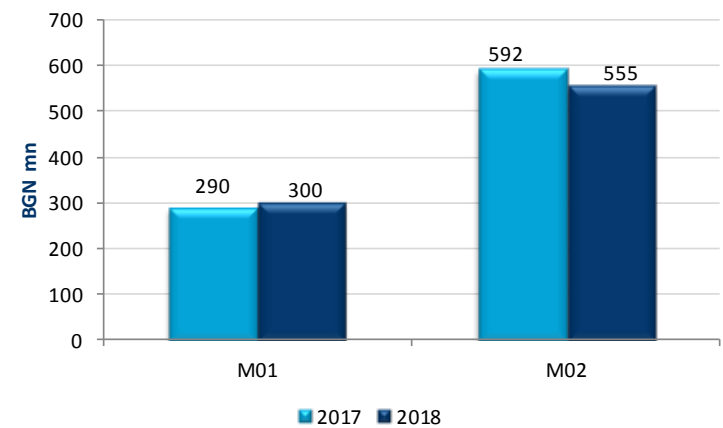
Net interest Income



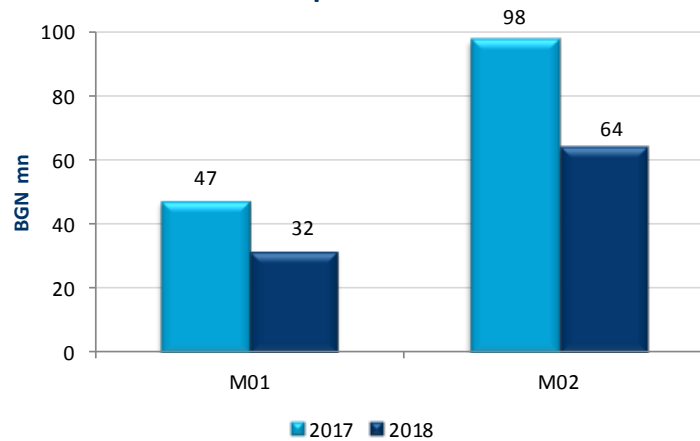
Net fee and commission income



Net operating income

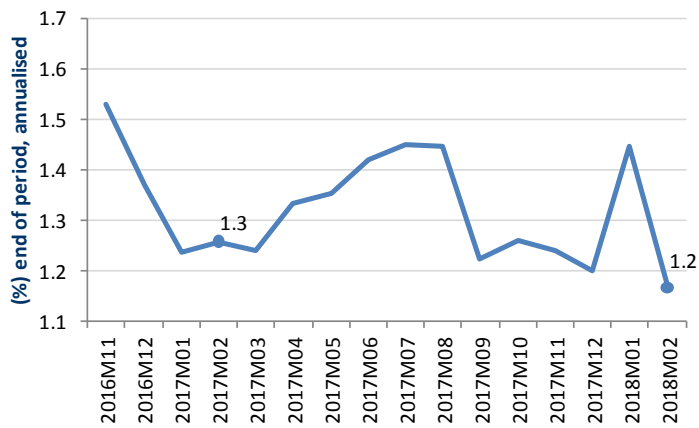


Impairment

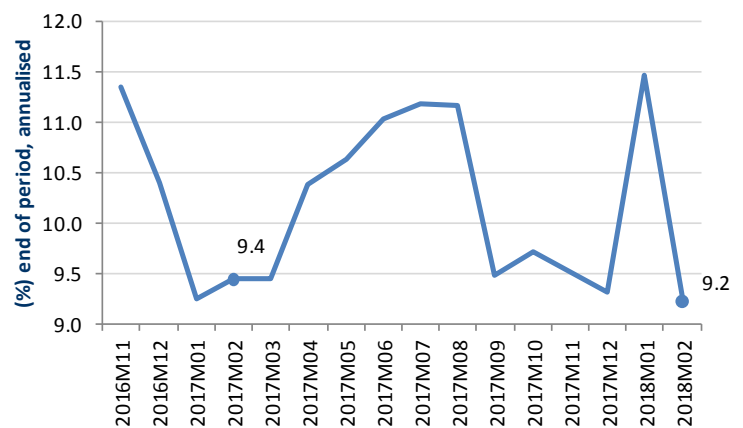


Bulgaria: Banking Sector Indicators

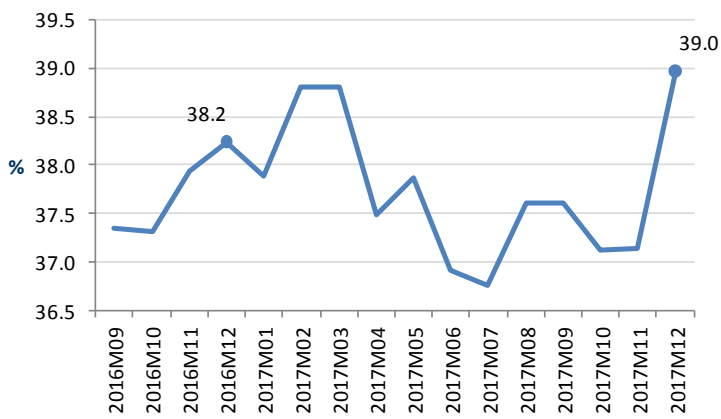
ROA



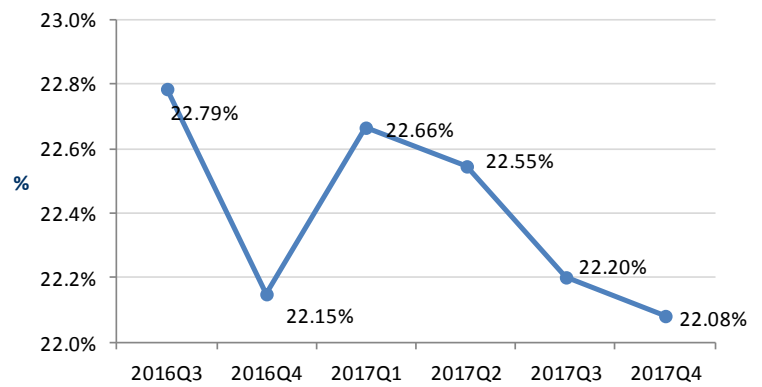
ROE



Liquid Assets Ratio (LAR)



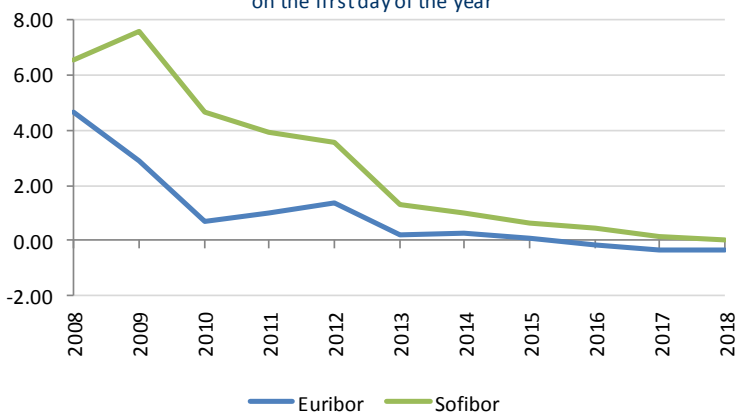
Total Capital Ratio



Bulgaria: Indexes and Interest Rates

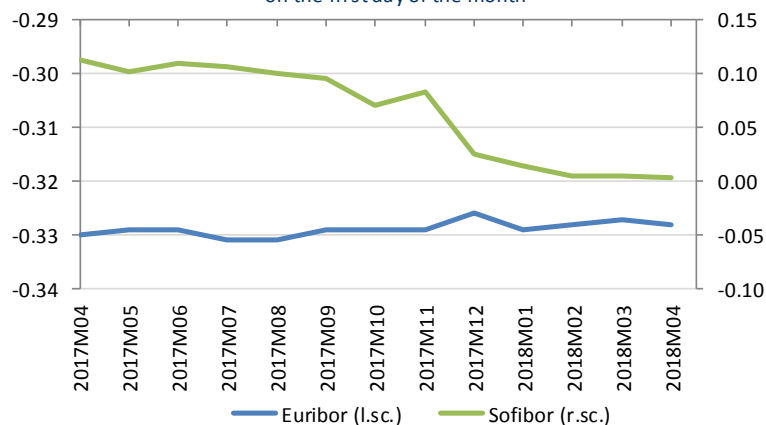
Indexes 3-months

on the first day of the year

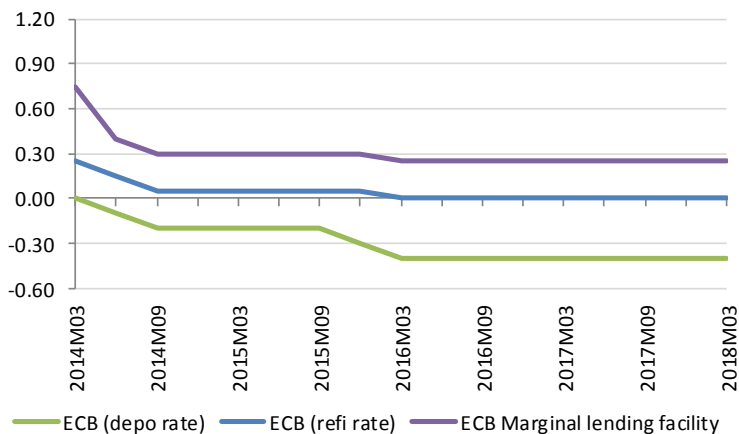


Indexes 3-months

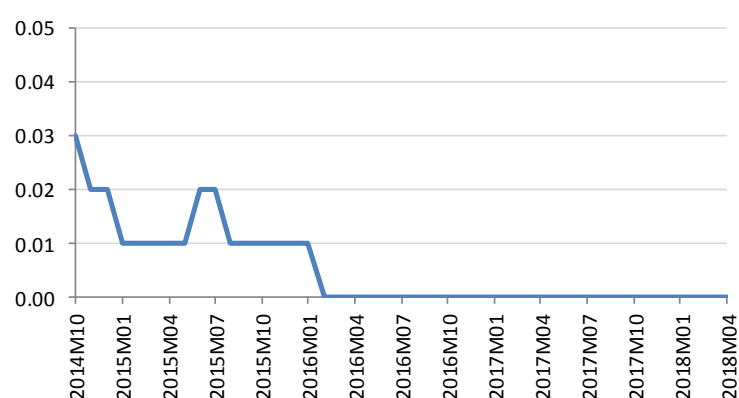
on the first day of the month



Policy Rates (in %)

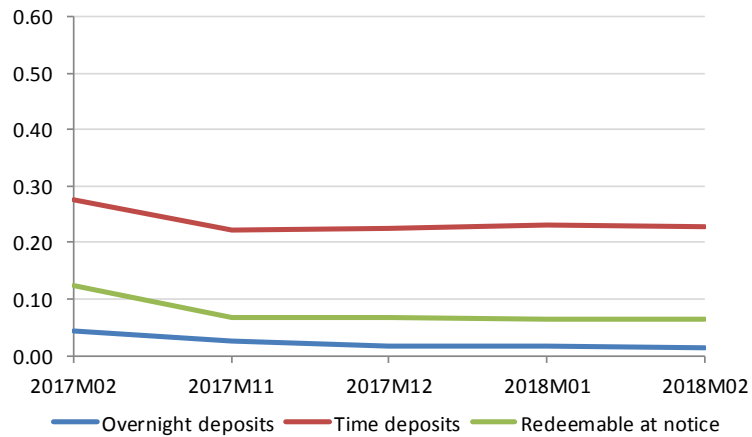


Base Interest Rate of the BNB (in %)

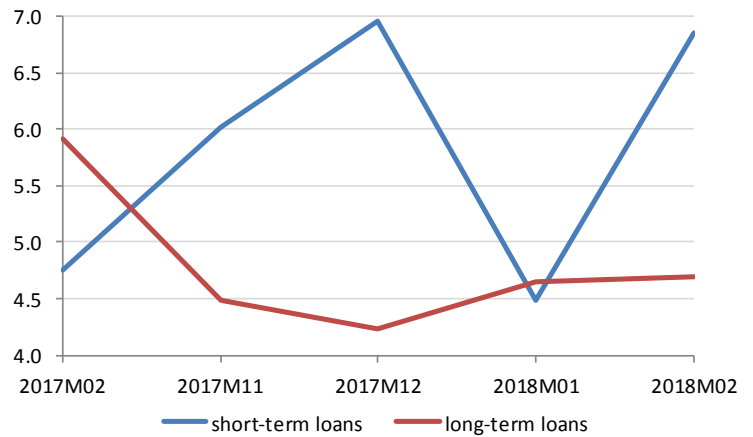


Bulgaria: Interest Rates of New Business on Deposits and New Loans Interest Rates

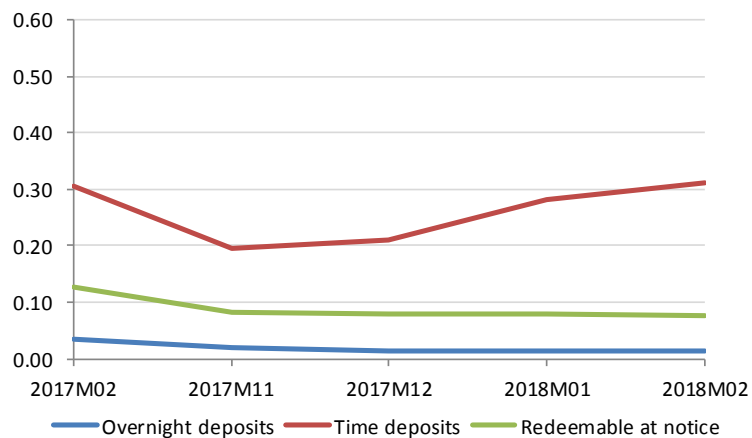
Interest Rates (%) in BGN



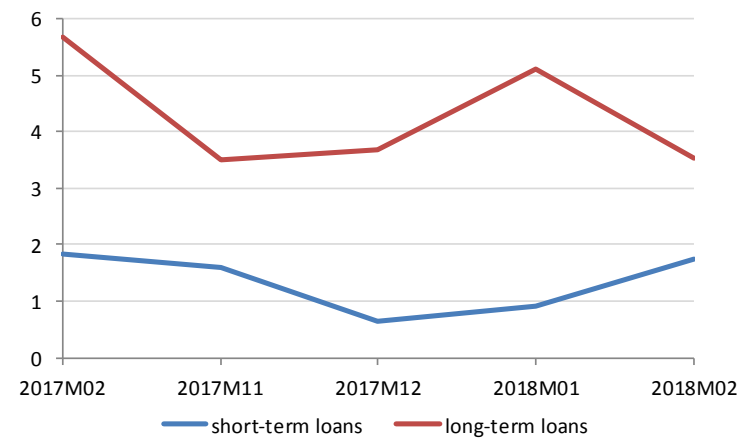
Interest Rates (%) in BGN



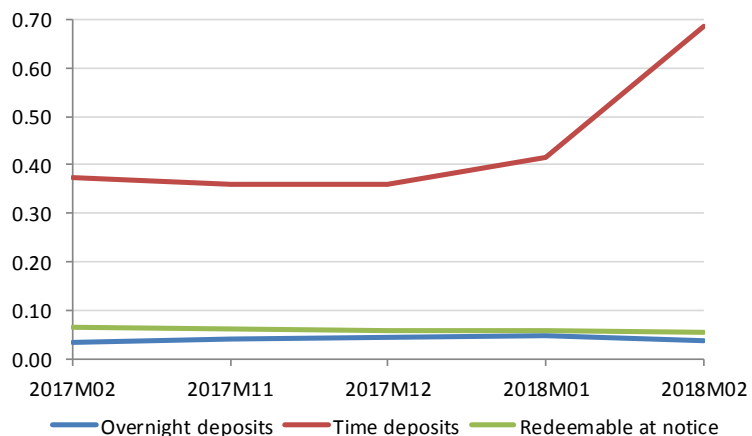
Interest Rates (%) in EUR



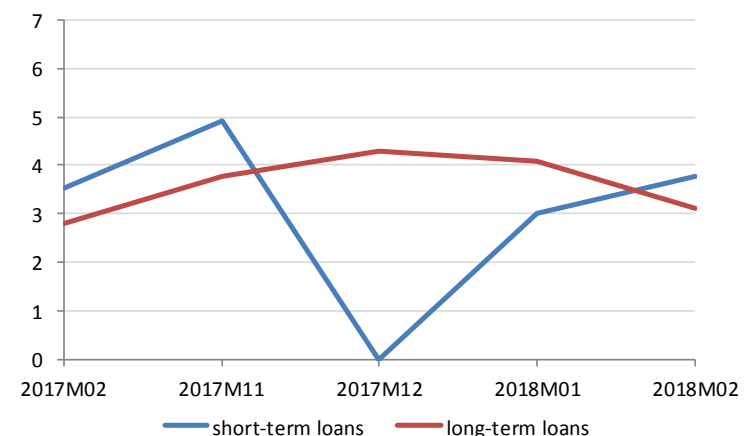
Interest Rates (%) in EUR



Interest Rates (%) in USD

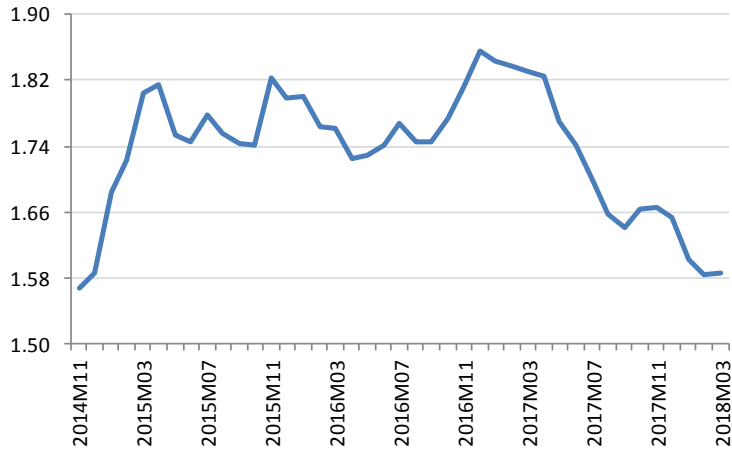


Interest Rates (%) in USD

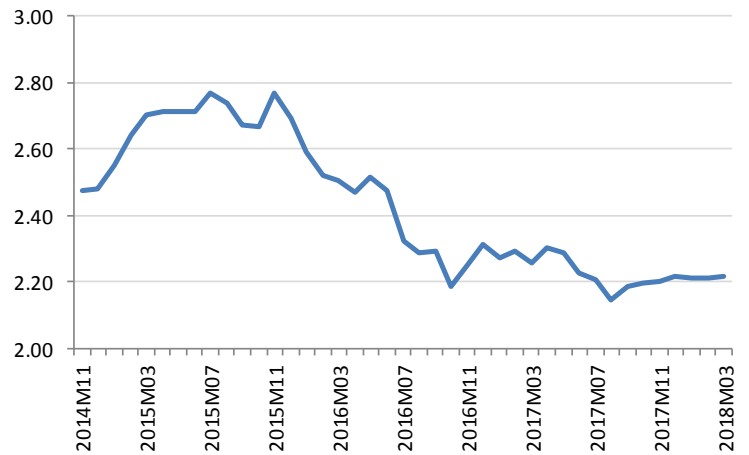


Bulgaria: FX Rates

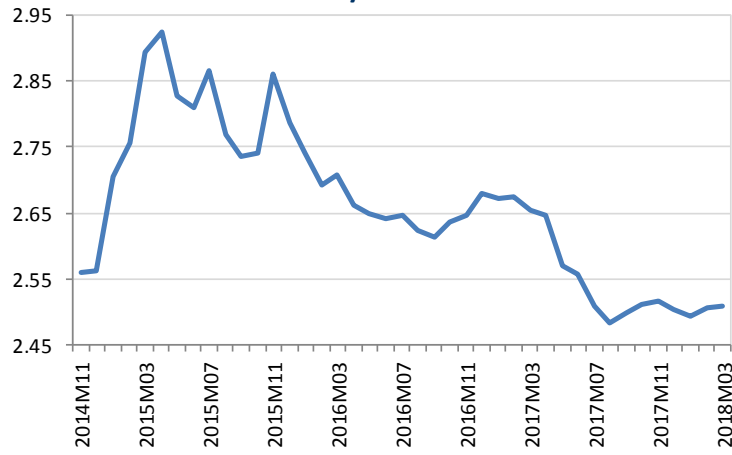
BGN/USD



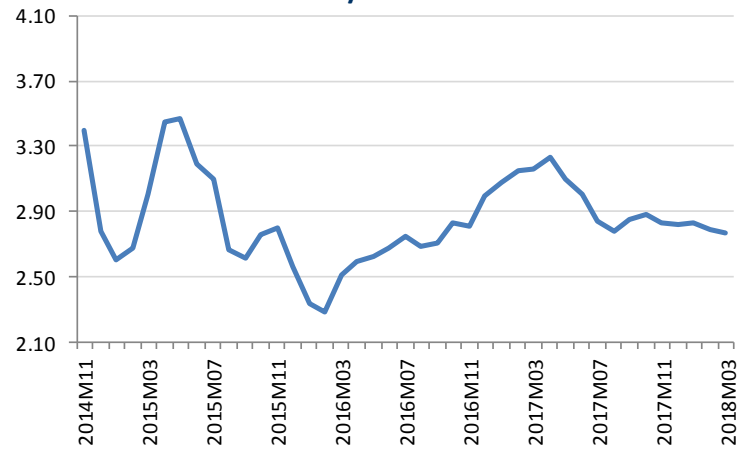
BGN/GBP



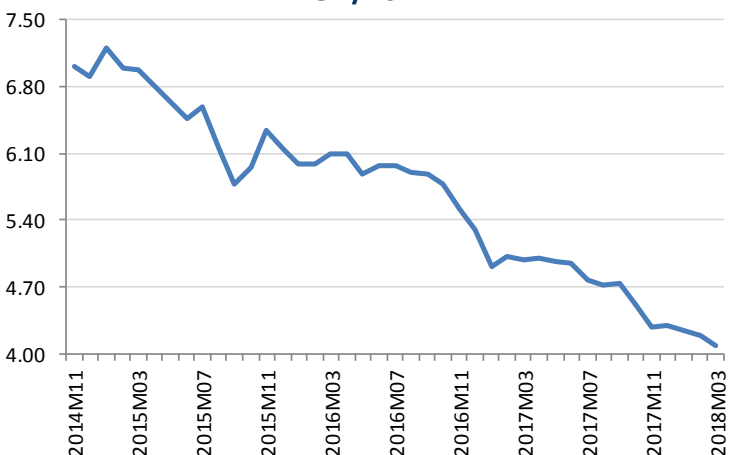
BGN/10CNY



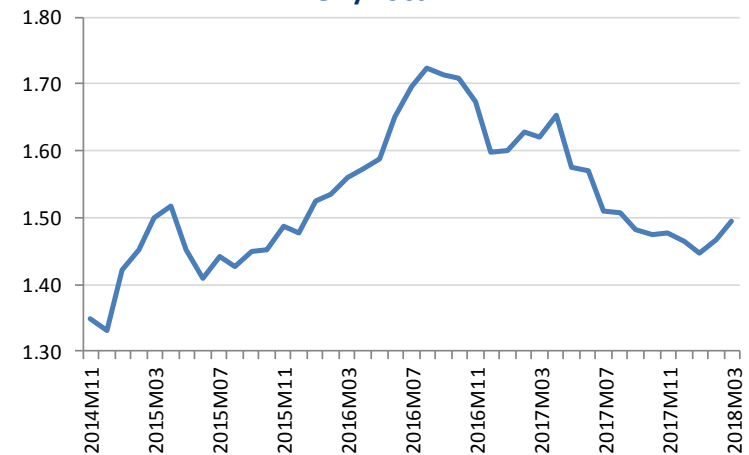
BGN/100RUB



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 2007 – 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.

***Disclaimer:** This document is for information only. The analyzed digital information is provided by reliable institutional sources such as KBC, NSI, MF, BNB, OECD, ECB, EC, IMF, WB, EBRD, EMIS Internet Securities-Bulgaria, CEIC Internet Securities-Bulgaria, EMD Holdings LLC. United Bulgarian Bank (UBB) officially accepts the accuracy and completeness of the data produced by them. Nor is the extent to which the hypotheses, risks and projections in this material reflect market expectations or their real chances can be guaranteed. Estimates are indicative. The data in this publication are of a general nature and is for information purposes only. This publication should not be used as a recommendation or offer for the purchase or sale of any financial instruments and securities and does not constitute an offer or prospectus within the meaning of the Public Offering of Securities Act, the Markets in Financial Instruments Act or other similar regulatory acts, including foreign ones. UBB and KBC are not responsible for the accuracy and completeness of this information. More information on topics could be obtained upon request.*