

All data in the edition are the last available data as of April 30, 2017



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

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BULGARIA: ECONOMIC AND MARKET ANALYSIS

Monthly report as of April 2017

- The current account was positive amounting to EUR 316.8 million in February 2017, compared with a deficit of EUR 37.7 million in February 2016
- In the period January - February 2017 the value of all exported goods from Bulgaria amounted to 7 787.4 Million BGN and in comparison with the corresponding period of the previous year the exports increased by 12.7%
- Gross external debt amounted to EUR 34,231.5 million (70.3% of GDP) at end-February 2017, decreasing by EUR 411 million (1.2%) from end-2016 (EUR 34,642.5 million, 73.1% of GDP)
- In March 2017 BNB foreign reserves amounted to EUR 24.0 billion and increased by 12.6% y/y
- The annual inflation in March 2017 compared to March 2016 was 1.9%
- In February 2017 working day adjusted Industrial Production Index rose by 5.0% in comparison with the same month of 2016
- In February 2017, the working day adjusted turnover in 'Retail trade, except of motor vehicles and motorcycles' increased by 3.8% in comparison with the same month of the previous year
- In February 2017 working day adjusted data showed a decrease by 0.5% in the construction production, compared to the same month of 2016
- In February 2017, the number of the trips of Bulgarian residents abroad was 366.8 thousand or by 30.4% above the registered in February 2016
- Total Producer Price Index in February 2017 increased by 5.9% compared to the same month of 2016
- In March 2017 Bulgaria's unemployment rate declined to 8%
- Based on preliminary data and estimates the balance of the Consolidated Fiscal Programme (CFP) on a cash basis as of March 2017 is expected to be positive, amounting to BGN 1 062.5 million (1.1 % of the forecast GDP)
- According MF data in February 2017 the central government debt decreased to EUR 13 418.3 million as compared to end-January 2017
- In March 2017 broad money (monetary aggregate M3) increased annually by 8.5% compared to 7.3% annual growth in February 2017
- In March 2017, all four indexes of the BSE, (SOFIX, BG TR30, BGBX 40 and BGREIT) reported an increase. SOFIX rose with 3.74% up to 633.99 points
- Compared to the end of January, the total assets in the banking system increased by 1.1% to BGN 92.5 billion

Bulgaria:	2014 (a)	2015 (a)	2016 (a)	2017 (p)	2018 (p)	2019 (p)	2019 (p)
Key Macroeconomic Indicators							
Gross Domestic Product							
GDP (BGN million)	83 612	86 373	92 635	97 156	102 012	107 442	113 062
GDP (EUR million)	42 750	44 162	47 364	49 675	52 158	54 934	57 808
GDP (real growth, %)	1.5	3.6	3.4	3	3.1	3.2	3.2
Consumption	2.2	3.8	1.8	2.6	2.8	2.9	2.9
Gross capital formation	3.4	2.7	-4	2.8	3.8	4.6	4.9
Exports of goods and services	-0.1	5.7	5.7	5.2	5.4	5.4	5.6
Imports of goods and services	1.5	5.4	2.8	4.8	5.3	5.6	5.9
Labour market and prices							
Employment (%)	0.4	0.4	0.5	0.5	0.6	0.5	0.4
Unemployment rate (%)	11.4	9.1	7.6	6.9	6.5	6.3	6.2
Compensation of one employeed (%)	5.6	5.6	3.1	4.2	4.9	5.3	5.5
GDP Deflator (%)	0.4	2.2	1.1	1.8	1.8	2	2
Average inflation (%)	-1.6	-1.1	-1.3	1.2	1.3	1.7	1.8
Balance of payments							
Current account (% of GDP)	0.9	0.4	3.8	3.8	3.8	3.7	3.6
Trade balance (% of GDP)	-6.5	-5.8	-3.8	-3.5	-3.2	-3.2	-3.3
FDI (% of GDP)	2.7	3.7	2.3	2.3	2.3	2.3	2.4
Monetary sector							
M3 (% y/y growth)	1.1	8.8	7.6	8.1	8.4	8.7	8.9
Loans to companies (% y/y growth)	-10.8	-1.8	1.6	3.5	5.2	6.5	6.9
Loans to households (% y/y growth)	-1.6	-1.3	2	4.5	4.7	5.5	6.1

Source: MF, BNB, NSI.

I. EXTERNAL SECTOR

1. Balance of payments

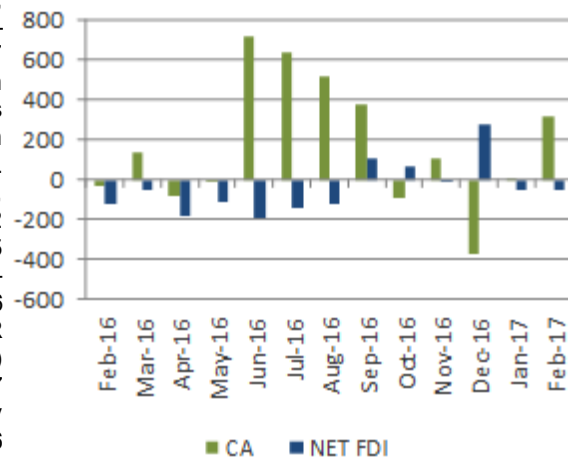
The current account was positive amounting to EUR 316.8 million in February 2017, compared with a deficit of EUR 37.7 million in February 2016

The current account was positive amounting to EUR 316.8 million in February 2017, compared with a deficit of EUR 37.7 million in February 2016, show BNB data. In January – February 2017 the current account was positive and amounted to EUR 319.3 million (0.7% of GDP), compared with a surplus of EUR 87.7 million (0.2% of GDP) in January – February 2016. The balance on goods recorded a deficit of EUR 90.7 million in February 2017, compared with a deficit of EUR 136.1 million in February 2016. In January – February 2017 the balance on goods was negative amounting to EUR 276.2 million (0.6% of GDP), compared with a deficit of EUR 134.4 million (0.3% of GDP) in January – February 2016. Exports of goods amounted to EUR 2,073.7 million in February 2017, growing by EUR 391.5 million (23.3%) from February 2016 (EUR 1,682.2 million). In January – February 2017 exports of goods totaled EUR 3,892.5 million (8% of GDP), increasing by EUR 558.3 million (16.7%) year-on-year (from EUR 3,334.2 million, 7% of GDP). In January – February 2016 exports grew by 1.4% year-on-year. Imports of goods amounted to EUR 2,164.3 million in February 2017, growing by EUR 346.1 million (19%) from February 2016 (EUR 1,818.3 million). In January – February 2017 imports of goods totaled EUR 4,168.7 million (8.6% of GDP), growing by EUR 700.1 million (20.2%) from January – February 2016 (EUR 3,468.6 million, 7.3% of GDP). In January – February 2016 imports dropped by 7.4% year-on-year. Services recorded a positive balance of EUR 45.5 million in February 2017, compared with a surplus of EUR 132.1 million in February 2016. In January – February 2017 services recorded a surplus of EUR 158 million (0.3% of GDP) compared with a positive balance of EUR 277.4 million (0.6% of GDP) in the same period of 2016. The net primary income (which reflects the receipt and payment of income related to the use of resources (labour, capital, land), taxes of production and imports and subsidies) recorded a surplus of EUR 12.3 million in February 2017, compared with a deficit of EUR 108.2 million in February 2016⁴. In January – February 2017 the balance on primary income was positive and equated to EUR 18.8 million (0.04% of GDP), against a deficit of EUR 226 million (0.5% of GDP) in January – February 2016. The net secondary income (which reflects the redistribution of income) recorded a surplus of EUR 349.6 million, compared with a surplus of EUR 74.5 million in February 2016. In January – February 2017 the net secondary income was positive amounting to EUR 418.7 million (0.9% of GDP), compared with a positive balance of EUR 170.7 million (0.4% of GDP) in the same period of 2016. The capital account recorded a surplus of EUR 20.1 million, compared with a positive balance of EUR 77.9 million in February 2016. In January – February 2017 the capital account recorded a surplus of EUR 99.4 million (0.2% of GDP), compared with a positive balance of EUR 192.4 million (0.4% of GDP) in January – February 2016. The financial account recorded a net inflow of EUR 361.2 million, compared with an inflow of EUR 346 million in February 2016. In January – February 2017 the financial account recorded a net inflow of EUR 625.5 million (1.3% of GDP) compared with an inflow of EUR 589.7 million (1.2% of GDP) in January – February 2016. The net direct investment compiled in accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual was negative amounting to EUR 56.8 million, compared with a negative balance of EUR 121.1 million in February 2016. In January – February 2017 direct investment recorded a net outflow of EUR 111.8 million (0.2% of GDP), compared with an outflow of EUR 147.8 million (0.3% of GDP) million in January – February 2016. Direct investment – assets grew by EUR 31.7 million compared with an increase of EUR 81.7 million in February 2016. In January – February 2017 direct investment – assets rose by EUR 24.2 million (0.05% of GDP), compared with an increase of EUR 27.5 million (0.1% of GDP) in the same period of 2016. Direct investment – liabilities grew by EUR 88.6 million in February 2017, compared with an increase of EUR 202.8 million in February 2016. In January – February 2017 direct investment – liabilities grew by EUR 136 million (0.3% of GDP), compared with an increase of EUR 175.4 million (0.4% of GDP) in the same period of 2016. Foreign direct investment in Bulgaria (under the directional principle) grew by EUR 45 million in February 2017 according to preliminary data, compared with an increase of EUR 133.6 million in February 2016⁵. In January – February 2017 foreign direct investment in Bulgaria equated to EUR 102.4 million, compared with a total of EUR 161.7 million in January – February 2016. Direct investment abroad dropped by EUR 11.8 million in February 2017, compared with an increase of EUR 12.4 million in February 2016. In January – February 2017 the direct investment abroad declined by EUR 9.4 million, compared with an increase of EUR 13.9 million in the same period of 2016. The balance on portfolio investment was positive amounting to EUR 99 million, compared with a positive balance of EUR 36.2 million in February 2016. In January – February 2017 the balance was positive and equated to EUR 251.6 million (0.5% of GDP), compared with a positive balance of EUR 229.4 million (0.5% of GDP) million in January – February 2016. Portfolio investment – assets dropped by EUR 16.6 million, compared with an increase of EUR 35.6 million in February 2016. In January – February 2017 they rose by EUR 127.6 million (0.3% of GDP) compared with an increase of EUR 152.5 million (0.3% of GDP) in January – February 2016. Portfolio investment – liabilities dropped by EUR 115.6 million compared with a decline of EUR 0.7 million in February 2016. In January – February 2017 portfolio investment – liabilities decreased by EUR 124 million (0.3% of GDP), compared with a decline of EUR 76.9 million (0.2% of GDP) in January – February 2016. The balance on other investment was negative amounting to EUR 284.5 million, compared with a positive balance of EUR 436.2 million in February 2016. In January – February 2017 the

Balance of Payments (EUR mn.)

Source:BNB

Data provided by CEIC data Manager



balance was positive and equated to EUR 657.6 million (1.4% of GDP), compared with a positive balance of EUR 1,323.6 million (2.8% of GDP) in January – February 2016. Other investment – assets dropped by EUR 204.8 million, compared with an increase of EUR 114.6 million in February 2016. In January – February 2017 they grew by EUR 431 million (0.9% of GDP) compared with an increase of EUR 871.6 million (1.8% of GDP) in January – February 2016. Other investment – liabilities increased by EUR 79.7 million compared with a decline of EUR 321.6 million in February 2016. In January – February 2017 they dropped by EUR 226.6 million (0.5% of GDP) compared with a decline of EUR 452 million (1% of GDP) in January – February 2016. The BNB reserve assets rose by EUR 612.3 million, compared with an increase of EUR 14.8 million (1.6% of GDP) in February 2016. In January – February 2017 they dropped by EUR 160.7 million (0.3% of GDP), compared with a decline of EUR 775 million (1.6% of GDP) in the same period of 2016. The net errors and omissions were positive amounting to EUR 24.4 million compared with a positive value of EUR 305.8 million in February 2016. According to preliminary data, the item was positive in January – February 2017 and totaled EUR 206.8 million (0.4% of GDP), against a positive value of EUR 309.5 million (0.7% of GDP) in the same period of 2016.

2. Foreign Trade

In the period January - February 2017 the value of all exported goods from Bulgaria amounted to 7 787.4 Million BGN and in comparison with the corresponding period of the previous year the exports increased by 12.7%

In the period January - February 2017 the value of all exported goods from Bulgaria amounted to BGN 7 787.4 million and in comparison with the corresponding period of the previous year the exports increased by 12.7%, show the NSI data. In February 2017 the total exports added up to BGN 4 049.3 billion and increased by 16.3% compared to the corresponding month of the previous year. The total value of all the goods imported in the country in the period January - February 2017 amounted to BGN 8 644.5 million (at CIF prices), or by 18.5% more than the same period of 2016. In February 2017 the total imports increased by 15.8% compared to the same month of the previous year and added up to 4 428.5 Billion BGN. The total foreign trade balance (exports FOB - import CIF) was negative in the period January - February 2017 and amounted to BGN 857.1 million. At FOB/FOB prices (after elimination of transport and insurance costs on imports) in the period January - February 2017 the total foreign trade balance was also negative and added up to BGN 423.3 million. In February 2017 the total foreign trade balance (exports FOB - import CIF) was negative and added up to 379.2 Million BGN. The trade balance at FOB/FOB prices was also negative and amounted to BGN 157.4 million.

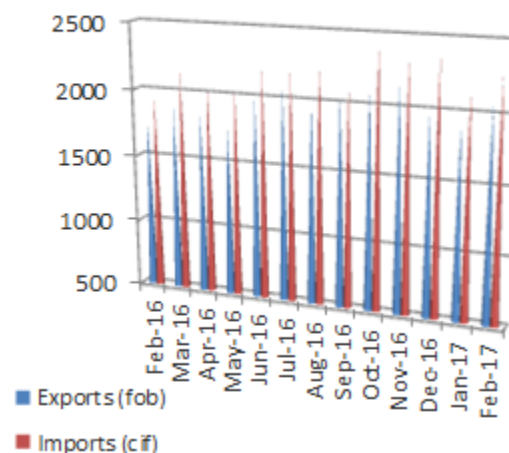
3. External debt

Gross external debt amounted to EUR 34,231.5 million (70.3% of GDP) at end-February 2017, decreasing by EUR 411 million (1.2%) from end-2016 (EUR 34,642.5 million, 73.1% of GDP)

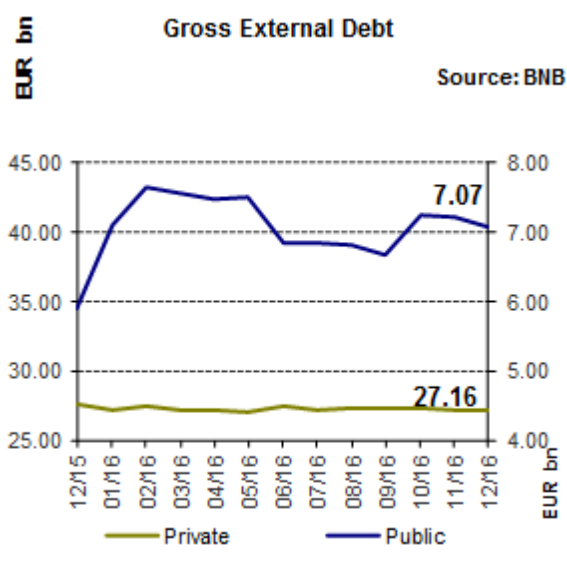
According to the BNB the gross external debt amounted to EUR 34,231.5 million (70.3% of GDP) at end-February 2017, decreasing by EUR 411 million (1.2%) from end-2016 (EUR 34,642.5 million, 73.1% of GDP). On a year-on-year basis gross external debt grew by EUR 789 million (2.4%) from February 2016 (EUR 33,442.5 million, 70.6% of GDP). Long-term liabilities totaled EUR 26,365.3 million (77% of the total debt, 54.1% of GDP) at end-February 2017, dropping by EUR 290 million (1.1%) from end-2016 (EUR 26,655.2 million, 76.9% of the total debt, 56.3% of GDP). On a year-on-year basis, long-term liabilities grew by EUR 572.3 million (2.2%) from February 2016 (EUR 25,792.9 million, 54.5% of GDP). Short-term liabilities equaled EUR 7,866.2 million (23% of the total debt, 16.2% of GDP), decreasing by EUR 121 million (1.5%) from end-2016 (EUR 7,987.2 million; 23.1% of the total debt, 16.9% of GDP). On a year-on-year basis, short-term liabilities rose by EUR 216.7 million (2.8%) from February 2016 (EUR 7,649.5 million, 16.2% of GDP). General government's gross external debt totaled EUR 6,601.2 million (13.6% of GDP) in end-February 2017. It dropped by EUR 181.4 million (2.7%) from end-2016 (EUR 6,782.5 million, 14.3% of GDP). On a year-on-year basis general government's debt increased by EUR 1,131.8 million (20.7%) from February 2016 (EUR 5,469.3 million, 11.5% of GDP), mostly due to the nonresident-held securities from Bulgaria's bond issues on international capital markets in March 2016. Banks' external debt totaled EUR 3,953.7 million (8.1% of GDP). It fell by EUR 209.3 million (5%) from end-2016 (EUR 4,162.9 million, 8.8% of GDP). On a year-on-year basis banks' debt grew by EUR 106.1 million (2.8%), from EUR 3,847.5 million, 8.1% of GDP in February 2016. Other Sectors' external debt equaled EUR 11,206.2 million (23% of GDP). It rose by EUR 2.9 million (0.03%) from end-2016 (EUR 11,203.3 million, 23.7% of GDP). On a year-on-year basis it fell by EUR 161 million (1.4%) from February 2016 (EUR 11,367.2 million, 24% of GDP). The stock of intercompany lending⁴ amounted to EUR 12,470.5 million (25.6% of GDP) at end-February 2017, dropping by EUR 23.2 million (0.2%) from end-2016 (EUR 12,493.7 million, 26.4% of GDP). On a year-on-year basis it decreased by EUR 287.9 million (2.3%) from February 2016 (EUR 12,758.4 million, 26.9% of GDP). The external financing received from non-residents equaled EUR 272.8 million (0.6% of GDP) in January – February 2017, compared with EUR 385.6 million (0.8% of GDP) in January – February 2016. They were distributed as

Foreign Trade (EUR mn)

Source: NSI
Data provided by CEIC Data Manager



At FOB/FOB prices (after elimination of transport and insurance costs on imports) in the period January - February 2017 the total foreign trade balance was also negative and added up



follows: general government received EUR 12.8 million (4.7% of the total amount of disbursements), banks received EUR 140.8 million (51.6%), other sectors⁴ received EUR 72.8 million (26.7%), and intercompany lending totaled EUR 46.4 million (17%). Gross external debt service totaled EUR 483.5 million (1% of GDP) in January – February 2017, compared with EUR 841.8 million (1.8% of GDP) in January – February 2016. Net external debts⁵ totaled EUR 1,883.9 million at end-February 2017. It dropped by EUR 638 million (25.3%) from end-2016 (EUR 2,521.9 million). Its decline was due to the increase in gross external assets (by EUR 227 million, 0.7%) on the one hand, and on the other – to the decrease in gross external debt (by EUR 411 million, 1.2%). As a percentage of GDP, net external debt equated to 3.9%, from 5.3% at end-2016. On a year-on-year basis, net external debt decreased by EUR 3,556.7 million, 65.4% (from EUR 5440.6 million, 11.5% of GDP in February 2016).

4. Foreign reserves

In March 2017 BNB foreign reserves amounted to EUR 24.0 billion and increased by 12.6% y/y

According to BNB data in March 2017 Bulgaria's foreign reserves amounted to BGN 47.0 billion (EUR 24.0 billion) and increased by 0.8% m/m and by 12.6% y/y, respectively. At the end of March 2017, cash and deposits in foreign currency within the balance sheet of BNB "Issue" Department amounted to BGN 19.3 billion and increased by 8.3% m/m and by 71.3% y/y, respectively. Investments in monetary gold amounted to BGN 2.9 billion and grew up by 7.2% y/y but reported a monthly decrease of 1.6%. Investments in securities amounted to BGN 24.8 billion and decreased by 4% m/m and by 10.7% y/y, respectively. For a period of one year the money in circulation increased to BGN 13.7 billion or by 13.3%. Liabilities to banks amounted to BGN 15.1 billion and increased by 4.2% m/m and by 24% y/y, respectively. Liabilities to government and other budget organizations amounted to BGN 11.4 billion and increased by 6.3% y/y reporting a slight decline of 0.7% m/m. Bulgaria's international liquidity position, calculated as ratio of the foreign reserves to short-term external debt according the latest available data at the end of January 2017 maintained high levels of 296% compared to 252.6% in January 2016 and 297.5% at the end of December 2016.

II. REAL SECTOR

1. Inflation

The annual inflation in March 2017 compared to March 2016 was 1.9%

The consumer price index in March 2017 compared to February 2017 was 99.5%, i.e. the monthly inflation was -0.5%, show the NSI data. The inflation rate since the beginning of the year (March 2017 compared to December 2016) has been 0.8% and the annual inflation in March 2017 compared to March 2016 was 1.9%. The annual average inflation, measured by CPI, in the last 12 months (April 2016 - March 2017) compared to the previous 12 months (April 2015 - March 2016) was -0.2%. The harmonized index of consumer prices in March 2017 compared to February 2017 was 99.5%, i.e. the monthly inflation was -0.5%. The inflation rate since the beginning of the year (March 2017 compared to December 2016) has been 0.2% and the annual inflation in March 2017 compared to March 2016 was 1.0%. The annual average inflation, measured by HICP, in the last 12 months (April 2016 - March 2017) compared to the previous 12 months (April 2015 - March 2016) was -0.9%. The price index of a small basket in March 2017 compared to February 2017 was 99.7% and the overall increase since the beginning of the year (March 2017 compared to December 2016) has been 102.2%. In March 2017 compared to the previous month the prices of goods and services in the small basket for the 20% households with the lowest income changed as follows: Food products - a decrease of 0.6%; Non-food products - a decrease of 0.1%; Services - the prices remained at the level of the previous month.

2. Industrial production

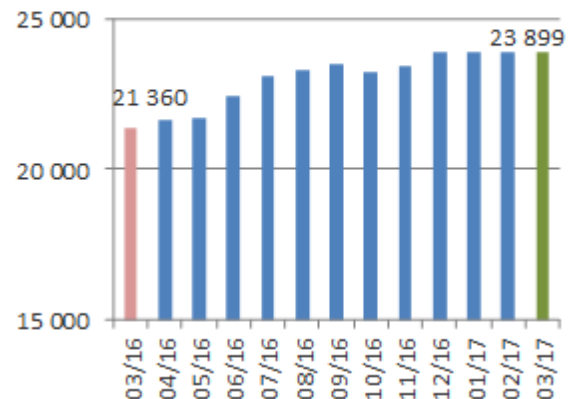
In February 2017 working day adjusted Industrial Production Index rose by 5.0% in comparison with the same month of 2016

According to the preliminary data of the NSI, the Industrial Production Index, seasonally adjusted, increased by 3.7% in February 2017 as compared to January 2017. In February 2017 working day adjusted Industrial Production Index rose by 5.0% in comparison with the same month of 2016. In February 2017 as compared to January 2017, the seasonally adjusted Industrial

Foreign Reserves in EUR mn

Source: BNB

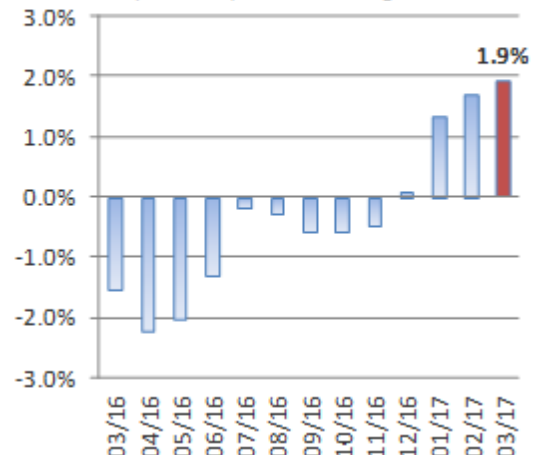
Data provided by CEIC Data Manager



Inflation y/y

Source: NSI

Data provided by CEIC Data Manager



Production Index increased in the mining and quarrying industry by 5.5% and in the manufacturing by 5.2%, while in the electricity, gas, steam and air conditioning supply a decrease by 6.9% was seen. The most significant increases of production in the manufacturing were registered in the manufacture of fabricated metal products, except machinery and equipment by 35.8%, in the manufacture of textiles and by 16.3%, in the manufacture of beverages by 11.9%, in the manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials by 11.3%. There were decreases in the manufacture of other transport equipment by 12.5%, in the manufacture of computer, electronic and optical products by 4.9%, in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 4.3%. On annual basis in February 2017 Industrial Production Index calculated from working day adjusted data increased in the mining and quarrying industry by 14.9%, in the manufacturing by 5.3% and in the electricity, gas, steam and air conditioning supply by 2.6%. In the manufacturing, the more significant increases compared to the same month of the previous year were seen in the manufacture of computer, electronic and optical products by 34.0%, in the manufacture of basic metals by 30.2%, in the manufacture of fabricated metal products, except machinery and equipment by 13.9%, in the manufacture of chemicals and chemical products by 10.6%. Decreases were registered in the manufacture of tobacco products by 16.3%, in the manufacture of other transport equipment by 9.8%, in the printing and reproduction of recorded media by 6.9%, in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 6.8%.

3. Retail sales

In February 2017, the working day adjusted turnover in 'Retail trade, except of motor vehicles and motorcycles' increased by 3.8% in comparison with the same month of the previous year

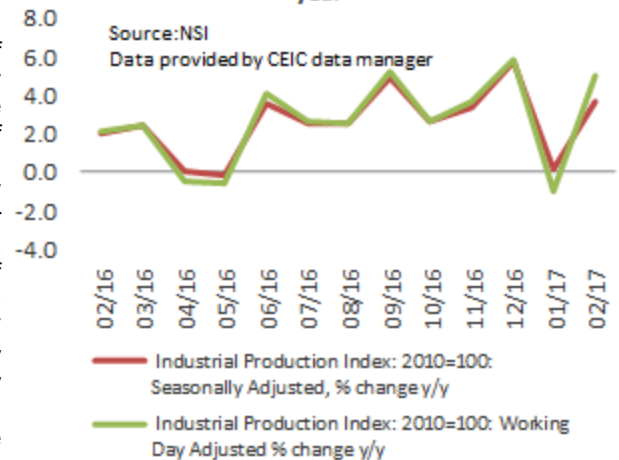
According to the preliminary seasonally adjusted data of the NSI, in February 2017 the turnover in 'Retail trade, except of motor vehicles and motorcycles' at constant prices increased by 0.2% compared to the previous month. In February 2017, the working day adjusted turnover in 'Retail trade, except of motor vehicles and motorcycles' increased by 3.8% in comparison with the same month of the previous year. In February 2017 compared to the previous month, the turnover increased in the 'Retail sale via mail order houses or via Internet' by 2.6%, in the 'Retail sale in non-specialized stores' by 1.3%, in the 'Retail sale of food, beverages and tobacco', in the 'Retail sale of audio and video equipment; hardware, paints and glass; electrical household appliances', in the 'Dispensing chemist; retail sale of medical and orthopaedic goods, cosmetic and toilet articles' by 1.0% and in the 'Retail sale of textiles, clothing, footwear and leather goods' by 0.6%. A decrease was registered in the 'Retail sale of computers, peripheral units and software; telecommunications equipment' - 2.7% and in the 'Retail sale of automotive fuel' - 0.3%. In February 2017 compared to the same month of 2016 the turnover increased more significantly in the 'Retail sale via mail order houses or via Internet' by 26.5%, in the 'Dispensing chemist; retail sale of medical and orthopaedic goods, cosmetic and toilet articles' by 11.0%, in the 'Retail sale of computers, peripheral units and software; telecommunications equipment' by 10.7% and in the 'Retail sale in non-specialized stores' by 10.0%. A decrease was registered in the 'Retail sale of automotive fuel' - 9.3%.

4. Construction

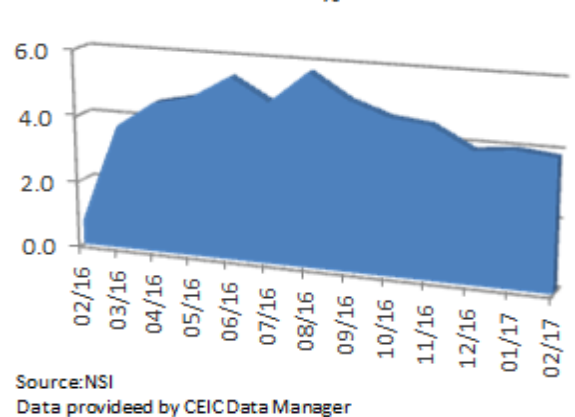
In February 2017 working day adjusted data showed a decrease by 0.5% in the construction production, compared to the same month of 2016

According to the preliminary data of the NSI, in February 2017

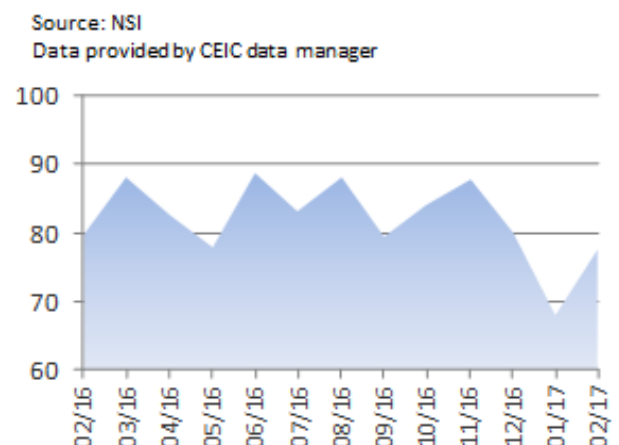
Industrial production Index, % change compare the same month of the previous year



Retail Sales Index: YoY: sa Bulgaria Monthly %



Construction production index seasonally adjusted



the index of production in section 'Construction' calculated on the base of seasonally adjusted data³ was 2.2% above the level of the previous month. In February 2017 working day adjusted data showed a decrease by 0.5% in the construction production, compared to the same month of 2016. In February 2017 the construction production, calculated from the seasonally adjusted data, was above the level of the previous month. Index of production of building construction increased by 3.9%, and the production of civil engineering - by 0.2%. On an annual basis in February 2017, the decline of production in construction, calculated from working day adjusted data, was determined mainly from the negative rate in the civil engineering where the drop was by 9.7%, while in the building construction was registered an increase by 8.3%.

5. Tourism

In February 2017, the number of the trips of Bulgarian residents abroad was 366.8 thousand or by 30.4% above the registered in February 2016

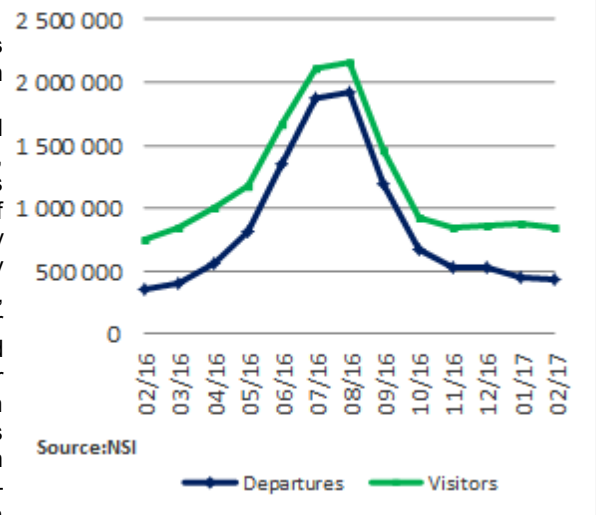
In February 2017, the number of the trips of Bulgarian residents abroad was 366.8 thousand or by 30.4% above the registered in February 2016, show the NSI data. In comparison with the same month of the previous year an increase was observed in the total number of the trips of Bulgarians to: Austria - by 54.8%, Romania - by 52.5%, France - by 45.1%, Italy - by 41.5%, Greece - by 40.3%, the Former Yugoslav Republic of Macedonia - by 39.0%, Spain - by 35.0%, Serbia - by 31.3%, Germany - by 24.9%, and etc. At the same time decreased the number of the trips of Bulgarians to: Russian Federation - by 6.0%, the United Kingdom - by 4.6%, USA - by 2.6%, and etc. The trips with other purposes (as a guest, education and visit the cultural and sport events) in February 2017 composed the greatest share of the total number of trips of Bulgarian residents abroad - 55.0%, followed by the trips with professional purpose - 26.1%, and with holiday and recreation purpose - 18.9%. In comparison with February 2016 an increase was registered in the trips with all observed purposes: with other purposes - by 37.4%, with professional purpose - by 33.6%, and with holiday and recreation purpose - by 10.1%. In February 2017, the trips with other purposes formed 73.3% of all trips to Turkey. The trips with professional purpose to Czech Republic were 64.7%, as these to Italy with holiday and recreation purpose were 40.5% of all trips of Bulgarian residents to these countries (Figure 2). In February 2017, the number of arrivals of visitors from abroad to Bulgaria was 435.9 thousand (Annex, Table 2) or by 20.4% more in comparison with February 2016 (Figure 3). An increase was registered in the trips by all observed purposes: with other purposes - by 25.6%, with professional purpose - by 18.7%, and with holiday and recreation purpose - by 16.8%. The share of visits of EU citizens was 46.9% of the total number of foreigners' visits to Bulgaria in February 2017 or by 42.4% more in comparison with the same month of the previous year. An increase was registered in the visits of citizens from almost all countries in EU: Poland - by 168.6%, Spain - by 99.0%, Greece - by 77.7%, Belgium - by 63.6%, Italy - by 44.1%, Austria - by 35.3%, Germany - by 32.1%, Romania - by 27.9%, the United Kingdom - by 24.4%, and etc. The visits of foreigners in the group 'Other European countries' increased by 4.4%, as the highest growth was observed in the visits of citizens of Ukraine - by 31.4%. In February 2017, the predominant share of the visits with holiday and recreation purpose was 43.2%, followed by trips with other purposes (including as guest and passing transit) - 39.0%, and with professional purpose - 17.8%. The visits with holiday and recreation purpose formed 97.8% of the arrivals from Israel and 84.5% - from the Former Yugoslav Republic of Macedonia. The visits with professional purpose were 52.9% of the arrivals from Spain and 42.2% - from Germany, as with other purposes were 75.4% of all arrivals from Romania and 58.0% - from Greece.

6. Total Producer price index

Total Producer Price Index in February 2017 increased by 5.9% compared to the same month of 2016

According to the NSI, Total Producer Price Index in Industry in February 2017 increased by 1.0% compared to the previous month. Higher prices were registered in the mining and quarrying industry by 2.0%, in the manufacturing by 1.2% and in the electricity, gas, steam and air conditioning supply by 0.3%. In the manufacturing decreases were reported in the manufacture of leather and related products and in the manufacture of computer, electronic and optical products by 0.8% more significant prices increases were seen in the manufacture of basic metals by 4.0%, in the manufacture of tobacco products by

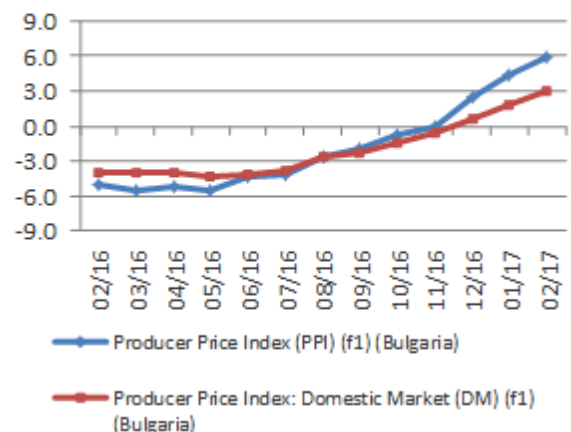
Total Visitors/Departures



Producer Price Index and PPI on Domestic market, % change on annual base

Source: NSI

Data Provided by CEIC Data Manager



2.3% and in the manufacture of chemicals and chemical products by 1.3%, while prices decreases were reported in the manufacture of leather and related products and in the manufacture of computer, electronic and optical products by 0.8%. Total Producer Price Index in February 2017 increased by 5.9% compared to the same month of 2016. The prices rose in the mining and quarrying industry by 20.2% and in the manufacturing by 8.2%, while in the electricity, gas, steam and air conditioning supply the pieces fell by 2.2%. In the manufacturing more significant prices increases were seen in the manufacture of basic metals by 22.3%, in the repair and installation of machinery and equipment by 3.8% and in the manufacture of tobacco products by 3.1%, while the producer prices fell in the manufacture of computer, electronic and optical products by 1.3% and in the manufacture of paper and paper products by 0.6%. Producer Price Index on Domestic Market in February 2017 increased by 0.6% compared to the previous month. The domestic prices rose in the mining and quarrying industry by 1.2%, in the manufacturing by 0.9%, and in the electricity, gas, steam and air conditioning supply by 0.1%. In the manufacturing, compared to the previous month the prices rose in the manufacture of tobacco products by 3.4%, in the manufacture of basic metals by 2.9% and in the manufacture of chemicals and chemical products by 2.5%, while the domestic prices fell in the manufacture of motor vehicles, trailers and semi-trailers by 0.7%. Producer Price Index on Domestic Market in February 2017 increased by 2.9% compared to the same month of 2016. The domestic prices rose in the mining and quarrying industry by 13.9% and in the manufacturing by 5.4%, while the prices fell in the electricity, gas, steam and air conditioning supply by 2.2%. In the manufacturing compared to February 2016 the prices went up in the manufacture of basic metals by 22.0%, in the repair and installation of machinery and equipment by 4.4% and in the manufacture of tobacco products by 3.7%. The prices decreases were reported in the manufacture of wood and of products of wood and cork, except furniture by 0.7% and in the manufacture of rubber and plastic products by 0.4%. Producer Price Index on Non-domestic Market in February 2017 increased by 1.8% compared to the previous month. In the manufacturing compared to the previous month the non-domestic prices rose by 1.6%. More significant prices increases were reported in the manufacture of basic metals by 4.2% and in the manufacture of wearing apparel by 1.4%, while the prices fell in the manufacture of computer, electronic and optical products by 1.3% and in the manufacture of leather and related products by 1.2%. Producer Price Index on Non-domestic Market in February 2017 increased by 11.9% compared to the same month of 2016. In the manufacturing, the prices rose by 11.6% compared to February 2016. The non-domestic prices went up in the manufacture of basic metals by 22.4% and in the manufacture of wood and of products of wood and cork, except furniture by 4.5%. The prices fell in the manufacture of paper and paper products by 5.3% and in the manufacture of computer, electronic and optical products by 3.2%.

7. Unemployment

In March 2017 Bulgaria's unemployment rate declined to 8%

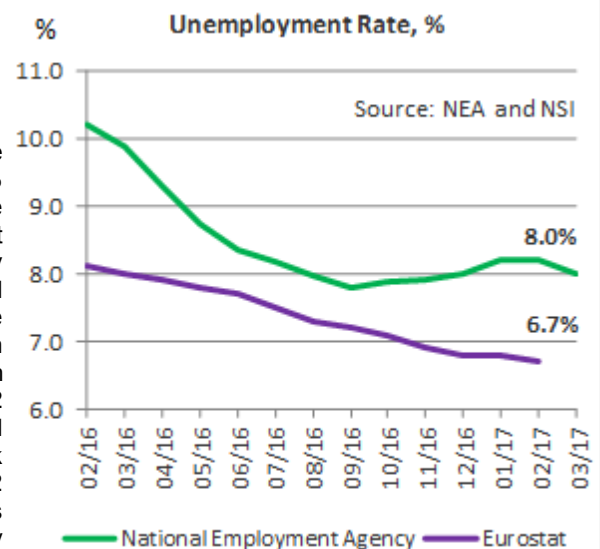
According to data of the Employment Agency in March 2017 the unemployment rate in Bulgaria decreased by 0.2 percentage points to 8% compared to February 2017. This is the first decline in the indicator since the beginning of the year, after the first two months remained stable at 8.2%. In comparison to March 2016 the unemployment rate decreased by 1.9 percentage points. In March 2017 the number of registered unemployed at labor offices was 261 771, decreasing by 7 871 people compared to the previous month and 62 538 people (or by 19.3% y/y). In March, work started a total of 23 262 unemployed, of which 22 170 - in the primary market. The subsidized employment included 1092 unemployed. Of these 628 persons have begun work on programs and measures financed from the budget. Schemes with EU funds work received 464 unemployed. In the labor offices were announced 22 592 job vacancies in the primary market. Of these, the private sector has announced 18 824 that 83.3% of all vacancies announced in the primary market during the month. In comparison to February vacancies in the primary market increased by 50% to 7 532 units. The greatest demand for labor in March was registered in manufacturing (4 774 positions). Follow the hospitality industry (4 472), trade (3 177), Agriculture (2 411), transport and storage (1 583), real estate operations (1 364), construction (1 042), the administrative and support activities (1 008).

III. FISCAL SECTOR

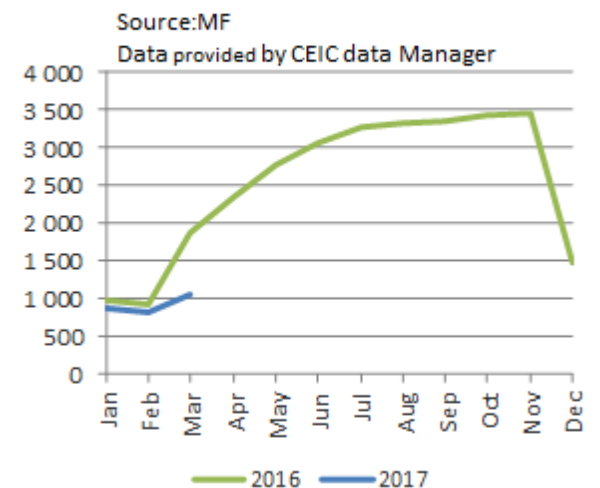
1. Government budget

Based on preliminary data and estimates the balance of the Consolidated Fiscal Programme (CFP) on a cash basis as of March 2017 is expected to be positive, amounting to BGN 1 062.5 million (1.1 % of the forecast GDP)

Based on preliminary data and estimates of the Ministry of Finance, the balance of the Consolidated Fiscal Programme (CFP) on a cash basis as of March 2017 is expected to be positive, amounting to BGN 1 062.5 million (1.1 % of the forecast GDP). Key CFP parameters on the basis of preliminary data and estimates: In March 2017, CFP revenues and grants are expected to be BGN 8,871.2 million (25.0 % of the annual estimates). Compared to the same period of the previous year, tax and non-tax revenues have grown by BGN 698.3 million, (9.0 %), while



BGN mn Budget position monthly



proceeds from grants were lower. Grants performance as compared to the annual estimates for 2017 is expected to be 14.2 %. The Consolidated Fiscal Programme expenditures, including the contribution of the Republic of Bulgaria to the EU budget, as of March 2017 are expected to amount to BGN 7,808.7 million, which is 21.2 % of the annual estimates. The expenditures for the same period of the previous year are to the amount of BGN 7,234.4 million. The growth as compared to the same period of the previous year is mostly due to the higher social security and health insurance payments, a baseline effect on expenditures on pensions from their increase as from July 2016, expenditures on subsidies and growth of insurance payments related to the higher insurance contribution for the Pensions for Persons under Article 69 Fund which increased by 20 percentage points as compared to 2016. The part of Bulgaria's contribution to the EU budget, paid from the central budget as of 31.03.2017, amounts to BGN 213.7 million, which complies with the current legislation in the area of EU own resources - Council Decision 2014/335/EU, Euratom on the system of own resources of the European Union, Council Regulation (EU, Euratom) No 608/2014 of 26 May 2014 laying down implementing measures for the system of own resources of the European Union, and Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements as amended by Council Regulation (EU, Euratom) No 2016/804 of 17 May 2016. The statistics and the Information Bulletin on the Execution of the State Budget and the key Consolidated Fiscal Programme indicators based on the monthly data on cash execution of the budgets of first-level spending units will be published on the website of the Ministry of Finance at the end of April 2017.

2. Government debt

According to MF data in February 2017 the central government debt decreased to EUR 13 418.3 million as compared to end-January 2017

According to the MF data in February 2017 the central government debt decreased to EUR 13 418.3 million as compared to end-January 2017. Domestic debt amounted to EUR 3 153.1 million and external debt - to EUR 10,265.1 million. At the end of the reporting period the central government debt/GDP ratio was 27.5%, with the share of domestic debt being 6.4% and of external debt - 21.1% of GDP. In the central government debt structure, domestic debt at the end of the period amounted to 23.5%, and external debt - to 76.5%. In February 2017, the central government guaranteed debt increased to EUR 226.3 million as compared to end-January 2017. Domestic guarantees amounted to EUR 35.6 million, with the central government guaranteed debt/GDP ratio being 0.5%. The government debt decreased to EUR 12 815.9 million as compared to end-January 2017, being 26.3% of GDP. Domestic debt amounted to EUR 3,086.6 million and external debt - to EUR 9 728.7 million. Government guaranteed debt in February 2017 amounted to EUR 855.4 million. Domestic guarantees amounted to EUR 35.6 million, the government guaranteed debt/ GDP ratio being 1.8%.

IV. MONETARY SECTOR

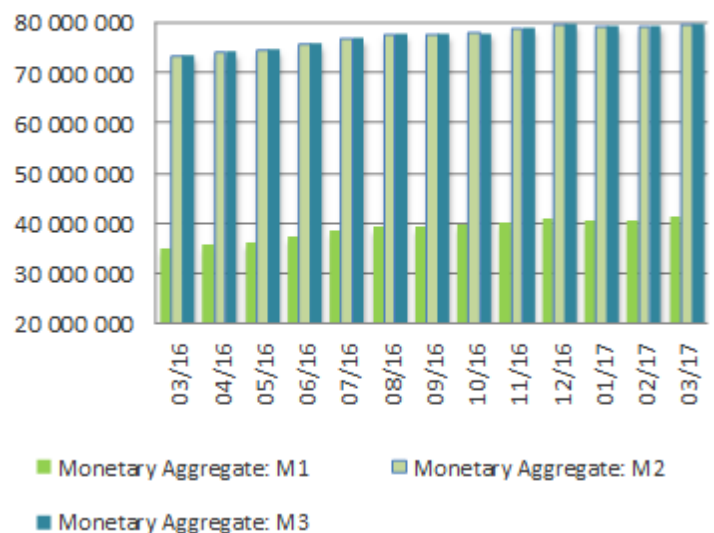
In March 2017 broad money (monetary aggregate M3) increased annually by 8.5% compared to 7.3% annual growth in February 2017

In March 2017 broad money (monetary aggregate M3) increased annually by 8.5% compared to 7.3% annual growth in February 2017, show the BNB data. At the end of March 2017 M3 was BGN 79.457 billion (83.4% of GDP) compared to BGN 79.232 billion (83.2% of GDP) in February 2017. Its most liquid component – monetary aggregate M1 – increased by 17.7% annually in March 2017 (14.7% annual growth in February 2017). At the end of March 2017, deposits of the non-government sectors were BGN 68.573 billion (72% of GDP), increasing annually by 8.4% (7.1% annual growth in February 2017). Deposits of Non-financial corporations were BGN 19.182 billion (20.1% of GDP) at the end of March 2017. Compared to the same month of 2016 they increased by 10% (7.9% annual growth in February 2017). Deposits of financial corporations increased by 28.4% annually in March 2017 (15.5% annual growth in February 2017) and at the end of the month they reached BGN 3.845 billion (4% of GDP). Deposits of Households and NPISHs were BGN 45.546 billion (47.8% of GDP) at the end of March 2017. They increased by 6.4% compared to the same month of 2016 (6.1% annual growth in February 2017). Net

domestic assets were BGN 48.859 billion at the end of March 2017. They increased by 5.5% compared to the same month of 2016 (4.2% annual decline in February 2017). At the end of the month their basic component – domestic credit – was BGN 50.690 billion and increased by 4% compared to March 2016 (4.7% annual decline in February 2017). In March 2017 claims on the non-government sector increased by 3.9% annually (3.7% annual increase in February 2017) reaching BGN 52.189 billion. At the end of March 2017, claims on loans to the non-government sector amounted to BGN 51.014 billion (53.6% of GDP) compared to BGN 50.742 billion (53.3% of GDP) at the end of February 2017. They increased annually by 3.8% in March 2017 (3.4% annual increase in February 2017). The change of loans to the non-government sector was influenced by net sales of loans by Other monetary financial institutions (Other MFIs) - their volume for the last twelve months was BGN 138.3 million. On

Monetary Aggregates in BGN/th

Source: BNB



an annual basis, loans sold by Other MFIs were BGN 169.4 million (of which BGN 21.6 million in March 2017), while the amount of repurchased loans was BGN 31.1 million (of which BGN 3.8 million in March 2017). In March 2017, loans to Non-financial corporations increased by 2.5% annually (1.9% annual growth in February 2017) and at the end of the month amounted to BGN 30.758 billion (32.3% of GDP). Loans to Households and NPISHs were BGN 18.784 billion (19.7% of GDP) at the end of March 2017. They increased by 4.7% compared to the same month of 2016 (4.5% annual growth in February 2017). At the end of March 2017 loans for house purchases were BGN 8.848 billion and increased by 2.4% annually (2% annual growth in February 2017). Consumer loans amounted to BGN 7.386 billion and compared to March 2016 they increased by 3.3% (3% annual growth in February 2017). On an annual basis other loans increased by 71.8% (73.4% annual growth in February 2017) and reached BGN 1.210 billion. Loans granted to financial corporations were BGN 1.472 billion at the end of March 2017 (1.5% of GDP). Compared to March 2016, they increased by 21.1% (25.9% annual growth in February 2017). In accordance with the ECB's statistical reporting requirements, the BNB collects data for all balance sheet items of MFIs, including aggregated data on loans, which are restructured or non-performing past-due over 90 days. The banks provide aggregated data on these loans, because detailed data on the loans according to their past-due periods are not collected for the purpose of monetary and interest rate statistics. In accordance with the international practice, reporting of monetary statistics differs from supervisory reporting, including the reporting of loans, which are restructured or non-performing. Net foreign assets amounted to BGN 50.505 billion at the end of the reporting month compared to BGN 50.682 billion at the end of February 2017 and increased by 10% compared to March 2016 (19.9% annual growth in February 2017). At the end of March 2017 foreign assets increased by 8.6% annually (15.6% annual growth in February 2017), reaching BGN 59.490 billion. Foreign liabilities amounted to BGN 8.986 billion, marking a 1.5% annual growth (3.7% annual decrease in February 2017).

V. CAPITAL MARKET

In March 2017, all four indexes of the BSE, (SOFIX, BG TR30, BGBX 40 and BGREIT) reported an increase. SOFIX rose with 3.74% up to 633.99 points

The increase to the main index SOFIX, continued in March 2017, and thus the index reported the highest increase since the beginning of the year. In March 2017, all four indexes of the BSE, (SOFIX, BG TR30, BGBX 40 and BGREIT) reported an increase. SOFIX rose with 3.74% up to 633.99 points. For comparison, in February, SOFIX grew by 1.47% and ended the month at 611.12 points, while in January it grew by 2.44% up to 602.28 points. SOFIX ended the year with an increase of 27.81% up to 587.960 pp. The volume of the transactions in March 2017 with the securities of the 15 companies which are included in the SOFIX formation, have decreased compared to the previous month. In March 2017 the SOFIX turnover was BGN 13 147 173q while in February were reported deals for BGN 15 164 403. In March 2017 the index of the most liquid companies BGBX 40 increased with 3.60% up to 124.9 pp. For comparison a month earlier—in February the index increased with 3.07% up to 120.56 pp, after it reported an increase of 4.98% up to 116.97 pp. The equally weighted BG TR30 ended March with an increase of 3.65% up to 503.81 pp, while in February it reported an increase with 3.34% up to 486.6 pp. In March 2017 the measure of the real estate properties BGREIT ended the month with a growth of 0.7% up to 108.59 pp. For comparison in February 2017 it increased with 0.46% to 107.83pp., after it registered a decrease of 0.85% to 107.34 pp.

Date	SOFIX	BGBX40	BGREIT	BGTR30
03.2016	446.4	89.4	100.0	373.0
04.2016	442.6	89.1	100.3	372.0
05.2016	441.3	87.8	101.4	368.7
06.2016	455.6	89.2	102.2	377.8
07.2016	458.2	89.6	100.9	381.8
08.2016	464.7	90.0	102.5	384.9
09.2016	504.6	96.1	103.3	404.6
10.2016	531.8	100.9	104.6	420.1
11.2016	562.8	106.4	103.5	439.1
12.2016	586.4	111.3	108.1	459.2
01.2017	602.3	117.0	107.3	470.4
02.2017	611.1	120.6	107.8	486.1
03.2017	634.0	124.9	108.6	503.8

Source: Bulgarian Stock Exchange-Sofia

VI. BANKING SECTOR

At the end of March 2017, the banking system in Bulgaria reported an increase in deposits, assets and balance sheet capital, while maintaining the high liquidity position

According to BNB data, the aggregated profit of the banking sector at the end of the March 2017 was BGN 288 million or by BGN 18 million less than recorded at the end of March 2016. The accumulated impairment charges on loans and receivables from the beginning of 2017 amounted to BGN 125 million (compared to BGN 175 million a year earlier). Total net interest income in the sector was BGN 670.8 million at the end of March, or by 4.3% less than in the same period of the previous year. Towards the end of March 2017 the net fee and commission income grew up by 7.5% y/y. On the one hand, low interest rates on a global scale put pressure on the price at which the main banking products are offered - loans and deposits, but on the other hand, the competition between banks to attract customers with cheaper loans also affects. At the end of March 2017, Bulgaria's banking system reported ROA and ROE levels at 1.2% and 9.4%, respectively. Bulgaria's banking system assets grew up to BGN 92.9 billion and their relative share in the full year projected GDP is 96%. As a result of the growth of cash balances with central banks (by BGN 680 million, 4.7%) in Q1 2017, the share of money, cash balances with central banks and other sight deposits (up to 20.3%). The balance of loans and advances also increased, but its share remained unchanged (60.7%). Investment in debt and equity instruments decreased by BGN 369

million (2.7%) and at the end of March they accounted for 14.1% of the total assets. The decline in securities portfolios was due to the decrease in debt instruments issued by government and credit institutions. Over the quarter, the gross credit portfolio of the banking sector (excluding loans and advances to "central banks" and "credit institutions") increased by BGN 291 million (3.1% y/y) and accounted for 56.6% of projected GDP. Household loans (BGN 275 million, 4.4% y/y) and non-financial corporations (BGN 132 million, 2.1% y/y) increased. Decrease in loans to other financial corporations (by 1.2% on a monthly basis and 4.4% on a quarterly basis) and in the general government sector (by 5.1% on a quarterly basis). Deposits in the banking sector increased by BGN 276 million (0.5%) in the reporting quarter, with their dynamics by institutional sector varying. The share of non-financial corporations increased by BGN 21.2 billion (11.1% y/y) to other financial corporations (by 17.9% y/y), to households (by 6.2% y/y) to BGN 47.4 billion. Deposits of the general government sector decreased by 8.5% y/y and amounted to BGN 1.8 billion. The share of attracted funds from customers in the estimated GDP is 77%. At the end of March 2017, the gross amount of non-performing loans and advances (excluding central bank loans) in the banking system of Bulgaria amounted to BGN 8159 million (compared to BGN 7975 million as at 31 December 2016). Thus, the share of non-performing loans in the banking system in Bulgaria is 11.2% and increased by 0.1 percentage points compared to the end of 2016 and decreased by 1.4 percentage points compared to the end of March 2016. The balance sheet equity position of the banking system as at 31 March 2017 was BGN 12.2 billion, with growth of BGN 51 million or by 0.4% compared to the end of 2016. At the end of March 2017, the amount of liquid assets amounted to BGN 30.9 billion. Cash and cash balances with the BNB and current account funds in other banks and interbank deposits with a maturity of up to seven days increased by persons in the group, While debt securities declined. The liquid assets ratio, calculated according to BNB Ordinance No. 11, reached 38.80%.

METHODOLOGICAL NOTES

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 1997 – 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 reflects 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.

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.

CONSUMER SURVEY

The survey gathers information about the consumers' opinions about their financial situation, the general economic situation in the country, the inflation, unemployment, savings, etc. The replies to the questions are presented in a five-option ordinal scale. The results are in the form of balances which are the difference between the relative shares of the positive and the relative shares of the negative answering options, as there is one specification: the very positive and the very negative answering options are given a coefficient of 1, and the more moderate positive and negative options - a coefficient of 0.5. The composite confidence indicator is calculated as an arithmetic average of the balances of the expectations about the development over the next 12 months of: the financial situation and savings of the households, the general economic situation in the country and the unemployment, as the last balance is taken with a negative sign.

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 it is calculated by applying the structure of the final monetary consumption expenditures of Bulgarian households. The main source of information concerning the expenditures is the household budget survey in the country. CPI in year t is calculated on the basis of 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 for readiness of Bulgaria to join the Euro-zone. HICP, just as CPI, measures the total relative change of the prices of goods and services. Both indices are calculated using the same basket of goods and services, but differ with respect to the used weights. 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 $t-3$.

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 measures 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 does not attempt to measure the actual production level, it aims to measure the average change in value of production between two points of time.

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.

LABOUR FORCE

The Labor Force Survey (LFS) is a continuous sample survey providing quarterly and annual data on the economic activity of the population aged 15 and over. The survey covers non-institutional households. Reference period - the characteristics of each interviewee refer to his/her status during a defined calendar week.

Economically active population (labor force) comprises of all employed and unemployed persons.

Employed are persons aged 15 and over who during the reference period: 1) performed some work for at least one hour for pay in cash or in kind or other income; 2) did not work but had a job or an enterprise, a business from which they were temporarily absent due to illness, annual leave, full-paid maternity leave, parental leave, strike or another labour dispute, etc.

Unemployed are persons aged 15 to 74 who: 1) did not work at all during the reference period; 2) were actively seeking work within the preceding four weeks, including the reference one or have found a new job or business that is expected to start within 3 months following the reference period; 3) were available to start working within two weeks following the reference period. *Inactive population* (persons not in the labour force) includes persons aged 15 and over who were neither employed, nor unemployed during the reference period. *Activity rate* - ratio between the economically active population and the total population of the same age group. *Employment rate* - ratio between the employed population and the total population of the same age group. *Unemployment rate* - ratio between the unemployed persons and the economically active population.

Inactivity rate - ratio between the economically inactive population and the total population of the same age group.

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 netting (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 median 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 held 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.

REAL ESTATE

MARKET PRICES OF HOMES

This statistical survey is designed for price index calculation of homes (flats) built up by standard plans and comparable by predefined parameters which remain unchangeable for the whole process of observation. The purpose is to obtain representative data on average prices and indices of flats in district centers and for the total country. The object of the survey is the price of flats' real sales in the district centers. Data give the possibility to compare the total price change of dwellings for the current quarter with the total price change for the previous one as well as for a longer period.

The statistical data about the newly built residential buildings and dwellings are prepared on the basis of quarterly reports of the municipal administrations. In the scope of survey are newly built residential buildings with approved or valid usage license according to Regulation № 2/31.07.2003 of the Ministry of Regional Development and Public Works.

Living floor space is the floor space of living-rooms, bedrooms, recesses for sleeping, dining-rooms, living-rooms, cabinets and libraries of scientists and drawing-rooms but does not include the space of kitchens. **Service floor space** is the floor space of rooms and kitchens with less than 4 square meters floor space, vestibules with a portal or other screen, corridors, bathrooms, toilets, larders, hanging closets, other service rooms such as drying-rooms, laundries or balconies regardless their space. The space of kitchens with over 4 sq. m. floor space is shown separately.

The useful floor space of dwelling is a sum of the living-floor-space, the service floor space and the space of the kitchens.

The average useful floor space is a ratio between the useful floor space and the number of dwellings.

Analyst Certification: This analysis is prepared on the base of Press realizes as well as an official data provided by NSI, by Bulgarian Ministry of finance, Bulgarian National bank, Internet Securities Bulgaria, EMIS, Emerging Markets Direct. The following analyst hereby certify that the views expressed in this research report accurately reflect my personal views about the macroeconomic indicators in Bulgaria and no part of them was, is, or will be directly used as specific recommendations for buying securities or other issues. Gergana Kosturska, Chief analyst, e-mail: kosturska_g@ubb.bg