

BULGARIA: ECONOMIC AND MARKET ANALYSIS

Monthly report as of March 2017

All data in the edition are the last available data as of March 31, 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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Source: www.geographicguide.net

- The current account was negative amounting to EUR 9.7 million (0.02% of GDP) in January 2017, compared with a surplus of EUR 125.4 million (0.3% of GDP) in January 2016
- According NSI preliminary data in 2016 Bulgarian exports to the EU grew up by 7.2% y/y and amounted to BGN 31 148.1 million
- Gross external debt amounted to EUR 34,447.5 million (70.7% of GDP) at end-January 2017, dropping by EUR 195 million (0.6%) from end-2016 (EUR 34.642.5 million, 73.1% of GDP)
- At the end of February 2017 BNB foreign reserves amounted to EUR 23.8 billion and increased by 3.1% m/m and by 20.8% y/y, respectively
- The GDP growth rate in the fourth quarter of 2016 is 0.9% compared to the third quarter of 2016 and 3.4% compared to the same quarter of the previous year
- The annual inflation in February 2017 compared to February 2016 was 1.7%
- January 2017 working day adjusted Industrial Production Index fell by 1.2% in comparison with the same month of 2016
- In January 2017, the working day adjusted turnover in 'Retail trade, except of motor vehicles and motorcycles' increased by 4.0% in comparison with the same month of the previous year
- In January 2017 working day adjusted data showed a decrease by 10.3% in the construction production, compared to the same month of 2016
- In January 2017, the number of the trips of Bulgarian residents abroad was 369.5 thousand or by 20.4% above the registered in January 2016
- Total Producer Price Index in January 2017 increased by 4.3% compared to the same month of 2016
- According to data of the Employment Agency in February 2017 the registered unemployment rate in Bulgaria remained at 8.2% as in January
- Based on preliminary data and estimates the balance of the Consolidated Fiscal Programme (CFP) on a cash basis as of February 2017 is expected to be positive, amounting to BGN 822.4 million (0.9% of forecast GDP)
- The central government debt as at end-January 2017 decreased to EUR 13 549.4 million as compared to end-December 2016
- In February 2017 broad money (monetary aggregate M3) increased annually by 7.3% compared to 7.6% annual growth in January 2017
- The main index of BSE - SOFIX continued its upward trend in February 2017 reaching 611.12 points, up by nearly 1.5% on a monthly basis
- Compared to the end of January, the total assets in the banking system increased by 1.1% to BGN 92.5 billion

Key Macroeconomic Indicators	2014 (a)	2015 (a)	2016 (e)	2017 (p)	2018 (p)	2019 (p)
Gross Domestic Product						
GDP (BGN million)	83 612	86 373	92 635	96 800	99 900	104 300
GDP (EUR million)	42 750	44 162	47 364	49 493	51 078	53 328
GDP (real growth, %)	1.5	3.6	3.4	3.0	3.1	3.3
Consumption	2.2	0.7	1.5	2	2.5	2.6
Gross capital formation	3.4	2.5	0.1	1.1	3.2	4.2
Exports of goods and services	-0.1	7.6	4.4	3.9	4.1	4.3
Imports of goods and services	1.5	4.4	3.5	3.8	4.1	4.5
Labour market and prices						
Employment (%)	0.4	0.4	1.1	0.6	0.6	0.6
Unemployment rate (%)	11.4	9.1	8	7.8	7.5	7.2
Compensation of one employee (%)	5.6	1.8	5.8	5.4	5.7	5.9
GDP Deflator (%)	0.4	-0.3	3.1	1.6	0.2	0.1
Average inflation (%)	-1.6	-0.8	0.6	1.5	1.7	1.8
Balance of payments						
Current account (% of GDP)	0.9	1.4	0.1	-0.6	-1	-1.5
Trade balance (% of GDP)	-6.5	-4.3	-3.6	-4.1	-4.8	-4.9
FDI (% of GDP)	2.7	5.7	1.5	1.8	2.2	2.4
Monetary sector						
M3 (% y/y growth)	1.1	8.8	8.6	9	9.3	9.5
Loans to companies (% y/y growth)	-10.8	-1.8	0	2.9	4.9	6.5
Loans to households (% y/y growth)	-1.6	-1.3	0.4	3.3	3.8	4.5

I. EXTERNAL SECTOR

1. Balance of payments

The current account was negative amounting to EUR 9.7 million (0.02% of GDP) in January 2017, compared with a surplus of EUR 125.4 million (0.3% of GDP) in January 2016

According to the BNB data, the current account was negative amounting to EUR 9.7 million (0.02% of GDP) in January 2017, compared with a surplus of EUR 125.4 million (0.3% of GDP) in January 2016. The balance on goods recorded a deficit of EUR 146 million (0.3% of GDP) in January 2017, compared with a surplus of EUR 1.7 million in January 2016³. Exports of goods amounted to EUR 1,907.6 million (3.9% of GDP) in January 2017, growing by EUR 255.6 million (15.5%) from January 2016 (EUR 1,652 million, 3.5% of GDP). In January 2016 exports grew by 1% year-on-year. Imports of goods amounted to EUR 2,053.6 million (4.2% of GDP) in January 2017, growing by EUR 403.3 million (24.4%) from January 2016 (EUR 1,650.4 million, 3.5% of GDP). In January 2016 imports shrank by 8% year-on-year. Services recorded a positive balance of EUR 60.9 million (0.1% of GDP) in January 2017, compared with a surplus of EUR 145.3 million (0.3% of GDP) in January 2016. The net primary income (which reflects the receipt and payment of income related to the use of resources (labor, capital, land), taxes of production and imports and subsidies) recorded a surplus of EUR 6.5 million (0.01% of GDP) in January 2017, compared with a deficit of EUR 117.7 million (0.2% of GDP) in January 2016⁴. The net secondary income (which reflects the redistribution of income) recorded a surplus of EUR 68.8 million (0.1% of GDP), compared with a surplus of EUR 96.2 million (0.2% of GDP) in January 2016. The capital account recorded a surplus of EUR 79.3 million (0.2% of GDP), compared with a positive balance of EUR 114.5 million (0.2% of GDP) in January 2016. The financial account recorded a net inflow of EUR 253.1 million (0.5% of GDP), compared with an inflow of EUR 243.7 million (0.5% of GDP) in January 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 51.6 million (0.1% of GDP), compared with a negative balance of EUR 26.7 million (0.1% of GDP) in January 2016. Direct investment – assets dropped by EUR 7.6 million compared with a decrease of EUR 54.1 million in January 2016. Direct investment – liabilities grew by EUR 44.1 million in January 2017, compared with a decline of EUR 27.4 million in January 2016. Foreign direct investment in Bulgaria (under the directional principle) grew by EUR 54 million in January 2017 according to preliminary data, compared with an increase of EUR 28.1 million in January 2016⁵. Direct investment abroad grew by EUR 2.4 million in January 2017, compared with an increase of EUR 1.4 million in January 2016. More detailed information on direct investment is available in the annex Direct Investment (January 2017), and the data series can be found in table 10. Direct Investment of the monthly Balance of Payments paper. The balance on portfolio investment was positive amounting to EUR 136.1 million (0.3% of GDP), compared with a positive balance of EUR 193.2 million (0.4% of GDP) in January 2016. Portfolio investment – assets grew by EUR 143.1 million (0.3% of GDP), compared with an increase of EUR 116.9 million (0.2% of GDP) in January 2016. Portfolio investment – liabilities grew by EUR 7 million (0.01% of GDP) compared with a decline of EUR 76.3 million (0.2% of GDP) in January 2016. The balance on other investment was positive amounting to EUR 944.1 million (1.9% of GDP), compared with a positive balance of EUR 887.3 million (1.9% of GDP) in January 2016. Other investment – assets grew by EUR 635.8 million (1.3% of GDP), compared with an increase of EUR 757 million (1.6% of GDP) in January 2016. Other investment – liabilities dropped by EUR 308.3 million (0.6% of GDP) compared with a decline of EUR 130.3 million (0.3% of GDP) in January 2016. The BNB reserve assets⁶ decreased by EUR 773 million (1.6% of GDP), compared with a decline of EUR 789.8 million (1.7% of GDP) in January 2016. The net errors and omissions were positive amounting to EUR 183.5 million (0.4% of GDP) compared with a positive value of EUR 3.8 million (0.01% of GDP) in January 2016.

2. Foreign Trade

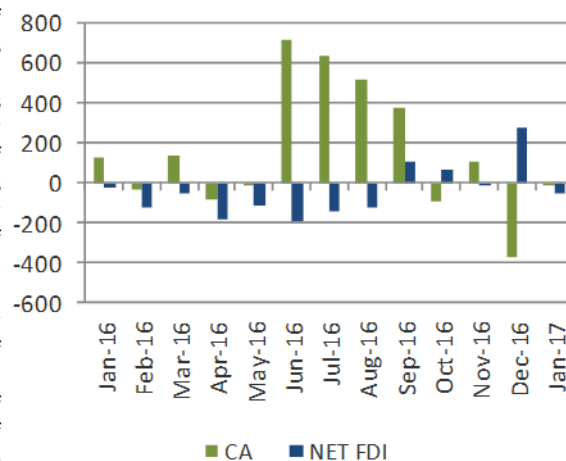
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According NSI preliminary data in 2016 Bulgarian exports to the EU grew up by 7.2% y/y and amounted to BGN 31 148.1 million. Main trade partners of Bulgaria were Germany, Italy, Romania, Greece and France which accounted for 63.8% of the exports to the EU Member States. In December 2016 the exports to the EU increased by 12.8% compared to the corresponding month of the previous year and added up to BGN 2 439.9 million. In 2016 in comparison with 2015 the largest growths in the exports of Bulgaria to the EU distributed according to the Standard International Trade Classification were recorded in the sections 'Beverages and tobacco' (27.8%) and 'Chemical and related products n.e.c.' (21.9%). The most notable fall was recorded in section 'Mineral fuel, lubricants and related materials' (13.8%). Bulgarian imports from the EU in 2016 increased by 2.4% compared to the previous year and reached BGN 33 938.5 million at CIF prices. The largest amounts were reported for the goods imported

Balance of Payments (EUR mn.)

Source:BNB

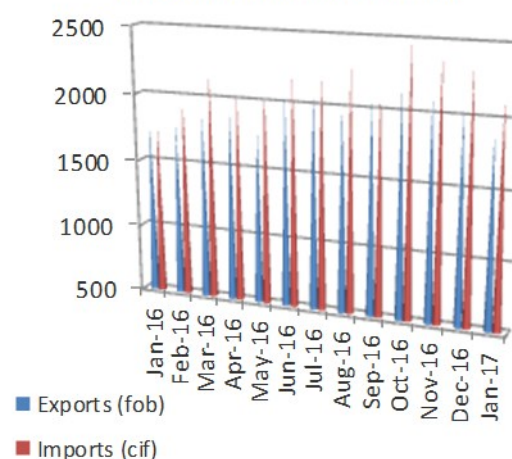
Data provided by CEIC data Manager



Foreign Trade (EUR mn)

Source: NSI

Data provided by CEIC Data Manager



from Germany, Italy, Romania, Greece and Poland. In December 2016 the Bulgarian imports from the EU Member States grew by 6.3% in comparison with December 2015 and amounted to BGN 3 045.2 million. In 2016 compared to 2015 the largest growth in imports from the EU distributed according to the Standard International Trade Classification was reported in the section 'Beverages and tobacco' (9.3%) while the most notable fall was observed in section 'Crude materials, inedible (except fuel)' (14.9%). The foreign trade balance of Bulgaria (export FOB - import CIF) with the EU in 2016 was negative and added up to BGN 2 785.4 million. At FOB/FOB prices (after elimination of transport and insurance costs on imports) the trade balance was also negative and amounted to BGN 1 187.7 million.

3. External debt

Gross external debt amounted to EUR 34 447.5 million (70.7% of GDP) at end-January 2017, dropping by EUR 195 million (0.6%) from end-2016 (EUR 34 642.5 million, 73.1% of GDP)

Gross external debt amounted to EUR 34 447.5 million (70.7% of GDP) at end-January 2017, dropping by EUR 195 million (0.6%) from end-2016 (EUR 34 642.5 million, 73.1% of GDP), show the BNB data. On a year-on-year basis gross external debt grew by EUR 856.9 million (2.6%) from January 2016 (EUR 33 590.6 million, 70.9% of GDP). Long-term liabilities totaled EUR 26,633 million (77.3% of the total debt, 54.7% of GDP) at end-January 2017, dropping by EUR 22.3 million (0.1%) 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 899.8 million (3.5%) from January 2016 (EUR 25 733.2 million, 54.3% of GDP). Short-term liabilities equaled EUR 7 814.5 million (22.7% of the total debt, 16% of GDP), decreasing by EUR 172.7 million (2.2%) 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 dropped by EUR 42.9 million (0.5%) from January 2016 (EUR 7,857.4 million, 16.6% of GDP).

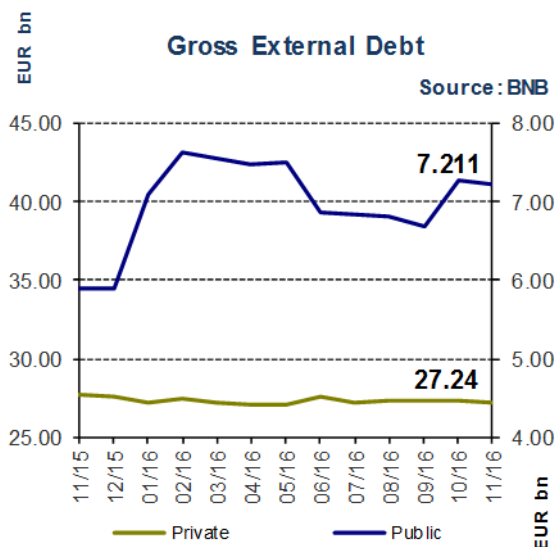
General government's gross external debt totaled EUR 6,738.9 million (13.8% of GDP) in end-January 2017. It dropped by EUR 43.6 million (0.6%) from end-2016 (EUR 6,782.5 million, 14.3% of GDP).

On a year-on-year basis general government's debt increased by EUR 1,255.6 million (22.9%) from January 2016 (EUR 5,483.3 million, 11.6% 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 3,897.2 million (8% of GDP). It fell by EUR 265.7 million (6.4%) from end-2016 (EUR 4,162.9 million, 8.8% of GDP). On a year-on-year basis banks' debt decreased by EUR 170.5 million (4.2%), from EUR 4,067.7 million, 8.6% of GDP in January 2016. Other Sectors' external debt₄ equaled EUR 11,282 million (23.2% of GDP). It rose by EUR 78.7 million (0.7%) from end-2016 (EUR 11,203.3 million, 23.7% of GDP). On a year-on-year basis it fell by EUR 154.2 million (1.3%) from January 2016 (EUR 11,436.1 million, 24.1% of GDP). The stock of intercompany lending₄ amounted to EUR 12,529.4 million (25.7% of GDP) at end-January 2017, growing by EUR 35.7 million (0.3%) from end-2016 (EUR 12,493.7 million, 26.4% of GDP). On a year-on-year basis it decreased by EUR 74 million (0.6%) from January 2016 (EUR 12,603.4 million, 26.6% of GDP). The external financing received from non-residents equalled EUR 203.6 million (0.4% of GDP) in January 2017, compared with EUR 154.1 million (0.3% of GDP) in January 2016. They were distributed as follows: general government received EUR 12.8 million (6.3% of the total amount of disbursements), banks received EUR 74.1 million (36.4%), other sectors₄ received EUR 48.8 million (24%), and intercompany lending₄ totalled EUR 67.8 million (33.3%). Gross external debt service totalled EUR 299.2 million (0.6% of GDP) in January 2017, compared with EUR 367.1 million (0.8% of GDP) in January 2016. Net external debts totalled EUR 2,482.9 million at end-January 2017. It dropped by EUR 38.9 million (1.5%) from end-2016 (EUR 2,521.9 million). Its decline was due to the larger decrease in gross external debt (by EUR 195 million, 0.6%) in comparison with the decrease in gross external assets (by EUR 156 million, 0.5%). Net external debt equated to 5.3% of GDP at end-January 2017, compared with 5.4% of GDP at end-2016.

4. Foreign reserves

At the end of February 2017 BNB foreign reserves amounted to EUR 23.8 billion and increased by 3.1% m/m and by 20.8% y/y, respectively

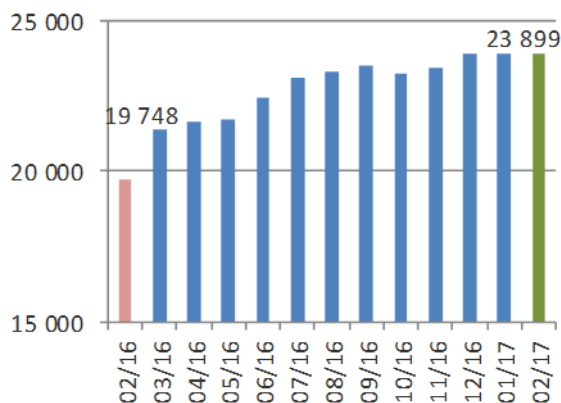
According to BNB data in February 2017 Bulgaria's foreign reserves amounted to BGN 46.6 billion (EUR 23.8 billion) and rose by 3.1% m/m and by 20.8% y/y, respectively. From the side of the assets a sharp increase by nearly BGN 3 billion was seen in cash and foreign currency denominated deposits by 20% m/m and by 67.8% y/y, respectively. For the same period the investment securities decreased by BGN1.7 billion or by 6.2% m/m and with growth of 2.8% y/y, respectively. By liabilities side the money in circulation maintained a level of BGN 13.7 billion and reported a monthly increase of 0.3% and annual growth of 12.4%. Liabilities to banks rose by BGN 1.4 billion or by 11.2% m/m and by 8.3% y/y, respectively. For a period of one month the liabilities to the government and budget organizations increased nominally by BGN 362 million or by 3.2% m/m and by 88.9% y/y, respectively. Liabilities to other depositors shrank by 47.2% m/m and by 11.2% y/y, respectively. In February 2017 the deposit of "Banking" Department increased by BGN 210 million or by 3.5% m/m and by 1.2% y/y, respectively. Bulgaria's international liquidity position, calculated as the ratio of short-term external debt to international reserves maintained a high level and at the end of December 2016 was 297.5%.



Foreign Reserves in EUR mn

Source: BNB

Data provided by CEIC Data Manager



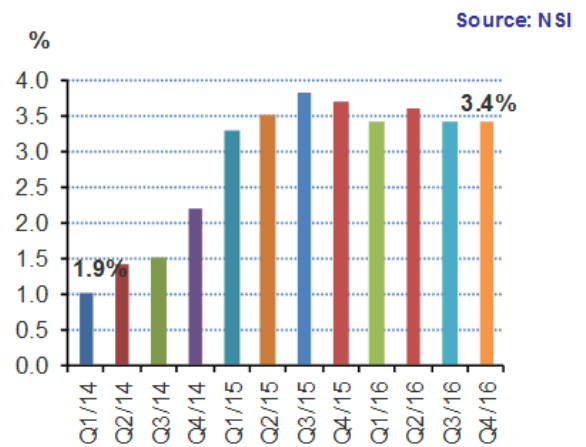
II. REAL SECTOR

1. Gross domestic product

The GDP growth rate in the fourth quarter of 2016 is 0.9% compared to the third quarter of 2016 and 3.4% compared to the same quarter of the previous year

In the fourth quarter of 2016 GDP at current prices amounted to 25 800 million BGN, show the NSI data. In Euro terms GDP reaches 13 191 million EUR in total and 1 849 EUR per person. According to the seasonally adjusted figures, the GDP growth rate in the fourth quarter of 2016 is 0.9% compared to the third quarter of 2016 and 3.4% compared to the same quarter of the previous year. In 2016 GDP at current prices amounts to 92 635 million BGN. In EUR terms GDP is 47 363 million EUR or 6 630 EUR per person. GDP for 2016 increases in real terms by 3.4% compared to 2015. According to the preliminary data the produced Gross Domestic Product at current prices for the fourth quarter of 2016 is 25 800 million BGN. GDP per person is 3 616 BGN. GDP is 14 225 million USD and 1994 USD per person using the average for the quarter exchange rate of 1.81368 BGN for 1 USD. In euro terms GDP is 13 191 million EUR or 1 849 EUR per person. The GVA generated by the national economy during the fourth quarter of 2016 amounted to 22 235 million BGN at current prices. The share of agricultural sector in GVA of the national economy decreases by 0.2 percentage points to 3.3% in the fourth quarter of 2016 compared to the same quarter of 2015. The Industrial sector decreases its relative share in the GVA of the national economy by 1.0 percentage points compared to the same quarter of the previous year to 23.8%. As compared with the fourth quarter of 2015 the service sector increases its share into gross value added of the economy by 1.2 percentage points to 72.9%. For the final consumption 81.1% of the GDP is used during the fourth quarter of 2016. Investments (gross fixed capital formation) form 19.8% of the GDP. The external balance (exports-imports of goods and services) is negative. In the fourth quarter of 2016 GDP increases by 0.9% compared to the previous quarter. For the same period GVA increase is also 0.9%. According to the preliminary data for the fourth quarter of 2016 the final consumption increases by 1.3% compared to the third quarter of 2016. Gross fixed capital formation decreases by 1.8% for the same period. In the fourth quarter of 2016 the exports of goods and services increases by 0.5%, and the imports increases by 1.7% compared to the previous quarter. GDP for the fourth quarter of 2016 increases by 3.4% compared to the same quarter of the previous year. During the fourth quarter of 2016 GVA increases by 3.1% compared to the fourth quarter of 2015. The growth is based on the increase in the following economic activities: Information and communication - 7.3%, Arts, entertainment and recreation, repair of households goods and other services - 6.6%, Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities - 5.4%, Agriculture, forestry and fishing - 5.3%, Real estate activities - 3.3%, Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply, waste management and remediation activities - 2.5% and Public administration and defense; compulsory social security; education; human health and social work activities - 0.1%. In regards to the expenditure components of GDP, contributors to the registered positive economic growth are the growth in the individual final consumption - with 1.7% and in the collective consumption - with 0.5%. The Gross fixed capital formation decreases by 4.5%. Import and export of goods and services increase by 5.5% and 6.8% accordingly. GDP for 2016 obtained as a sum of quarterly data increases in real terms with 3.4% in comparison to the previous year. The nominal value of the GDP for 2016 is 92 635 million BGN. GDP reaches 52 385 million US dollars using the average annual exchange rate of 1.76833 BGN for 1 USD. GDP per person is 12 967 BGN or 7 333 USD. In EUR GDP is 47 363 million or 6 630 EUR per person. Gross value added at current prices amounts to 79 937 million BGN. In real terms GVA increases by 2.9% in comparison with the 2015. The Industry' relative share in the GVA of the national economy is 28.0% which is 0.1 percentage points more than those in 2015. The service sector creates 67.6% of the total GVA and agriculture - 4.4%.

GDP Growth
to the same quarter previous year
preliminary data



2. Inflation

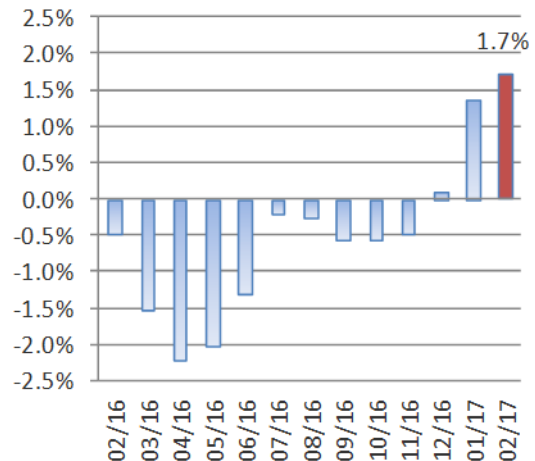
The annual inflation in February 2017 compared to February 2016 was 1.7%

The consumer price index in February 2017 compared to January 2017 was 100.0%, i.e. the monthly inflation was 0.0%, show the NSI data. The inflation rate since the beginning of the year (February 2017 compared to December 2016) has been 1.3% and the annual inflation in February 2017 compared to February 2016 was 1.7%. The annual average inflation, measured by CPI, in the last 12 months (March 2016 - February 2017) compared to the previous 12 months (March 2015 - February 2016) was -0.5%. The harmonized index of consumer prices in February 2017 compared to January 2017 was 100.0%, i.e. the monthly inflation was 0.0%. The inflation rate since the beginning of the year (February 2017 compared to December 2016) has been 0.7% and the annual inflation in February 2017 compared to February 2016 was 0.9%. The annual average inflation, measured by HICP, in the last 12 months (March 2016 - February 2017) compared to the previous 12 months (March 2015 - February 2016) was -1.1%. The price index of a small basket in February 2017 compared to January 2017 was 100.4% and the overall increase since the beginning of the year (February 2017

Inflation y/y

Source: NSI

Data provided by CEIC Data Manager



to

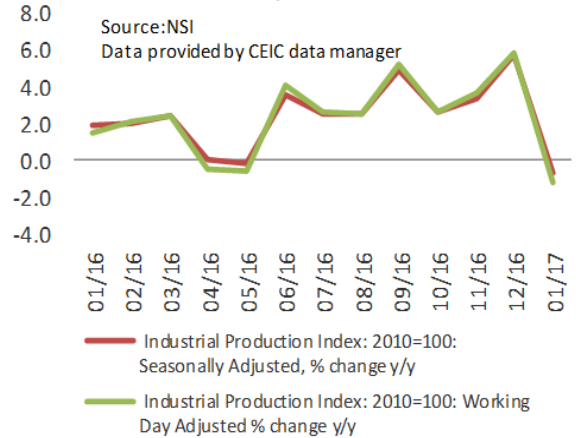
compared to December 2016) has been 102.5%. In February 2017 compared to the previous month the prices of goods and services in the small basket for the 20% households with the lowest income changed as follows: Food products - an increase of 0.7%; Non-food products - an increase of 0.2%; Services - the prices remained at the level of the previous month. According to the final data of the NSI, the price index of a small basket in January 2017 compared to December 2016 was 102.1%.

3. Industrial production

January 2017 working day adjusted Industrial Production Index fell by 1.2% in comparison with the same month of 2016

According to the preliminary data of the NSI, the Industrial Production Index decreased by 3.9% in January 2017 as compared to December 2016, seasonally adjusted. In January 2017 working day adjusted Industrial Production Index fell by 1.2% in comparison with the same month of 2016. In January 2017 as compared to December 2016, the seasonally adjusted Industrial Production Index decreased in the manufacturing by 5.8% and in the mining and quarrying industry by 1.0%, while in the electricity, gas, steam and air conditioning supply an increase by 9.0% was seen. The most significant decreases of production in the manufacturing were registered in the manufacture of fabricated metal products, except machinery and equipment by 37.2%, in the manufacture of beverages and in the repair and installation of machinery and equipment by 12.0%, in the manufacture of machinery and equipment by 7.9%, in the manufacture of other non-metallic mineral products and in the manufacture of furniture by 5.8%. There were increases in the manufacture of computer, electronic and optical products by 23.4%, in the manufacture of other transport equipment by 18.8%, in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 7.3%. On an annual basis in January 2017 Industrial Production Index calculated from working day adjusted data decreased in the manufacturing by 3.7% and in the mining and quarrying industry by 2.8%, while in the electricity, gas, steam and air conditioning supply an increase by 6.9% was seen. In the manufacturing, the more significant decreases compared to the same month of the previous year were seen in the manufacture of fabricated metal products, except machinery and equipment by 32.1%, in the manufacture of tobacco products by 27.2%, in the manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials by 19.4%, in the manufacture of beverages by 17.5%. Increases were registered in the manufacture of other transport equipment by 13.5%, in the manufacture of motor vehicles, trailers and semi-trailers by 13.0%, in the in the manufacture of paper and paper products by 11.6%, in the manufacture of basic metals by 10.5%.

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



4. Retail sales

In January 2017, the working day adjusted turnover in 'Retail trade, except of motor vehicles and motorcycles' increased by 4.0% in comparison with the same month of the previous year

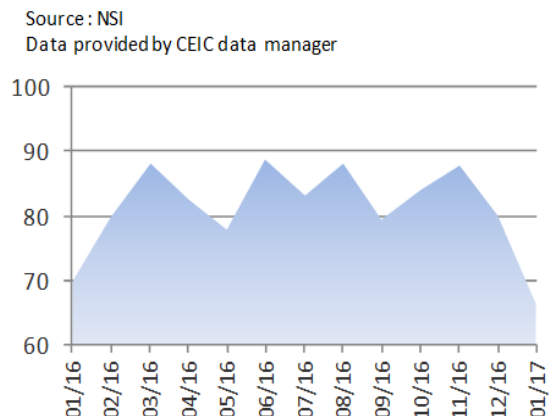
According to the preliminary seasonally adjusted data of the NSI, in January 2017 the turnover in 'Retail trade, except of motor vehicles and motorcycles' at constant prices increased by 0.5% compared to the previous month. In January 2017, the working day adjusted turnover in 'Retail trade, except of motor vehicles and motorcycles' increased by 4.0% in comparison with the same month of the previous year. In January 2017 compared to the previous month, the turnover increased in the 'Retail sale of textiles, clothing, footwear and leather goods' by 2.4%, in the 'Retail sale of computers, peripheral units and software; telecommunications equipment' by 0.5% and in the 'Retail sale in non-specialized stores' by 0.4%. More significantly decrease was registered in the 'Retail sale of automotive fuel' - 1.9% and in the 'Retail sale of audio and video equipment; hardware, paints and glass; electrical household appliances' - 1.1%. In January 2017 compared to the same month of 2016 the turnover increased more significantly in the 'Retail sale of computers, peripheral units and software; telecommunications equipment' by 24.0%, in the 'Retail sale via mail order houses or via Internet' by 22.0%, in the 'Dispensing chemist; retail sale of medical and orthopedic goods, cosmetic and toilet articles' by 12.1% and in the 'Retail sale of textiles, clothing, footwear and leather goods' by 11.3%. A decrease was registered in the 'Retail sale of automotive fuel' - 9.0% and in the 'Retail sale of audio and video equipment; hardware, paints and glass; electrical household appliances' - 4.1%.

5. Construction

In January 2017 working day adjusted data showed a decrease by 10.3% in the construction production, compared to the same month of 2016

According to the preliminary data of the NSI, in January 2017 the index of production in section 'Construction' calculated on the base of seasonally adjusted data was 0.6% below the level of the previous month. In January 2017 working day adjusted data showed a decrease by 10.3% in the construction production, compared to the same month of 2016. In January 2017 the construction production, calculated from the seasonally adjusted data, was below the level of the previous month. Index of production of building construction fell by 1.3%, while the production of civil engineering marked an increase by 0.2%. On an annual basis in January 2017, the

Construction production index seasonally adjusted



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 13.5% and in the building construction the decrease was by 7.5%.

6. Tourism

In January 2017, the number of the trips of Bulgarian residents abroad was 369.5 thousand or by 20.4% above the registered in January 2016

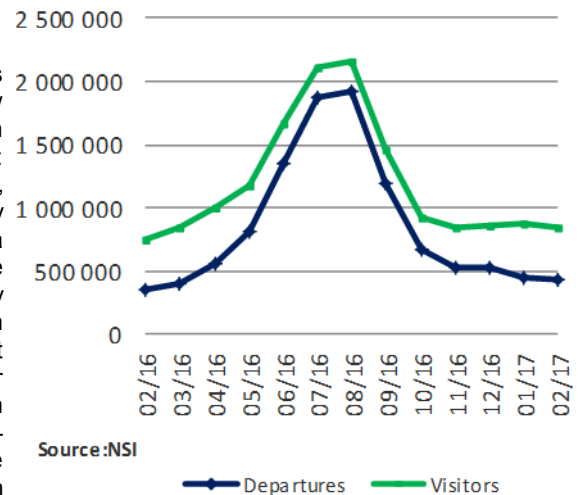
In January 2017, the number of the trips of Bulgarian residents abroad was 369.5 thousand or by 20.4% above the registered in January 2016, show the NSI data. In comparison with the same month of the previous year an increase was observed in the total number of the trips of Bulgarians to: Italy - by 111.9%, the United Kingdom - by 46.7%, France - by 40.2%, Spain - by 37.7%, Romania - by 28.3%, Austria - by 21.6%, Serbia - by 17.5%, Germany - by 15.3%, the Former Yugoslav Republic of Macedonia - by 7.7%, Greece - by 5.7%, and etc. At the same time decreased the number of the trips of Bulgarians to: Portugal - by 18.9%, Slovenia - by 13.2%, Netherland - by 12.3%, Turkey - by 0.9%, and etc. The trips with other purposes (as a guest, education and visit the cultural and sport events) in January 2017 composed the greatest share of the total number of trips of Bulgarian residents abroad - 50.7%, followed by the trips with professional purpose - 27.1%, and with holiday and recreation purpose - 22.2%. In comparison with January 2016 an increase was registered in the trips with all observed purposes: with other purposes - by 30.2%, with holiday and recreation purpose - by 21.7%, and with professional purpose - by 4.7%. In January 2017, the trips with other purposes formed 80.5% of all trips to Turkey. The trips with professional purpose to Greece were 44.3%, as these to France and Romania with holiday and recreation purpose were 42.9% and 42.4% respectively of all trips of Bulgarian residents to these countries. In January 2017, the number of arrivals of visitors from abroad to Bulgaria was 454.6 thousand or by 10.9% more in comparison with January 2016. An increase was registered in the trips by all observed purposes: with professional purpose - by 27.6%, with other purposes - by 9.1%, and with holiday and recreation purpose - by 7.0%. The share of visits of EU citizens was 47.0% of the total number of foreigners' visits to Bulgaria in January 2017 or by 23.0% 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: Romania - by 56.2%, Belgium - by 49.9%, Italy - by 43.5%, France - by 42.3%, Austria - by 26.9%, the United Kingdom - by 22.1%, Poland - by 19.0%, Germany - by 13.0%, Greece - by 9.0%, Czech Republic - by 4.2%, and etc. A decrease was observed in the visits of foreigners in the group 'Other European countries' by 1.0%, as the highest was the decrease in the visits of citizens of Serbia - by 6.3%. In January 2017, the predominant share of the visits with holiday and recreation purpose was 45.0%, followed by trips with other purposes (including as guest and passing transit) - 37.9%, and with professional purpose - 17.1%. The visits with holiday and recreation purpose formed 97.2% of the arrivals from Israel and 91.2% - from the Former Yugoslav Republic of Macedonia. The visits with professional purpose were 48.9% of the arrivals from Poland and 42.1% - from Belgium, as with other purposes were 71.5% of all arrivals from Romania and 53.5% - from Greece.

7.Total Producer price index

Total Producer Price Index in January 2017 increased by 4.3% compared to the same month of 2016

Total Producer Price Index in Industry in January 2017 increased by 0.6% compared to the previous month, show the NSI data. Higher prices were registered in the mining and quarrying industry by 3.2%, in the manufacturing by 0.6% and in the electricity, gas, steam and air conditioning supply by 0.4%. In the manufacturing decreases were reported in the manufacture of tobacco products by 0.5%. 3, more significant prices increases were seen in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 0.9%, in the manufacture of beverages by 0.7% and in the manufacture of rubber and plastic products by 0.5%, while prices. Total Producer Price Index in January 2017 increased by 4.3% compared to the same month of 2016. The prices rose in the mining and quarrying industry by 15.6% and in the manufacturing by 6.2%, while in the electricity, gas, steam and air conditioning supply the pieces fell by 2.4%. In the manufacturing more significant prices increases were seen in the manufacture of basic metals by 18.3%, in the repair and installation of machinery and equipment by 3.1% and in the manufacture of motor vehicles, trailers and semi-trailers by 1.9%, while the producer prices fell in the manufacture of paper and

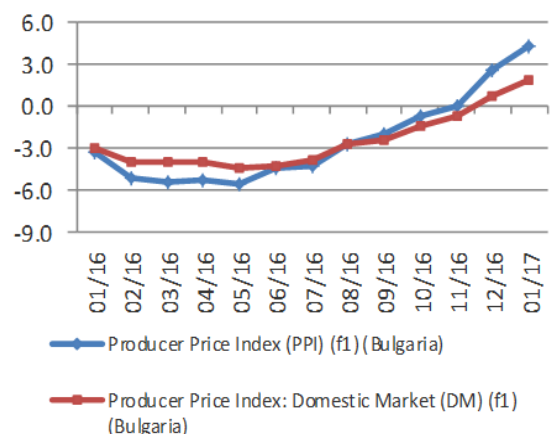
Total Visitors/Departures



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

Source: NSI

Data Provided by CEIC Data Manager

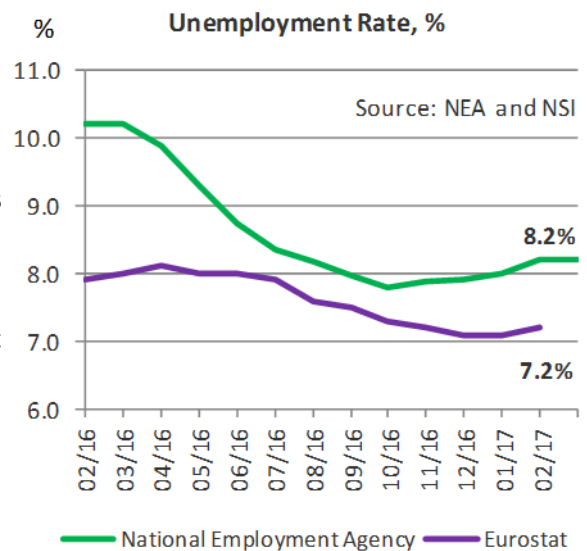


paper products by 1.3% and in the manufacture of rubber and plastic products by 1.0%. Producer Price Index on Domestic Market in January 2017 increased by 0.5% compared to the previous month. The domestic prices rose in the manufacturing by 0.7%, in the mining and quarrying industry and in the electricity, gas, steam and air conditioning supply by 0.3%. In the manufacturing, compared to the previous month the prices rose in the manufacture of motor vehicles, trailers and semi-trailers by 1.8%, in the manufacture of beverages and in the manufacture of wood and of products of wood and cork, except furniture by 0.7%, while the domestic prices fell in the manufacture of tobacco products by 1.0% and in the manufacture of wearing apparel by 0.5%. Producer Price Index on Domestic Market in January 2017 increased by 1.9% compared to the same month of 2016. The domestic prices rose in the mining and quarrying industry by 14.0% and in the manufacturing by 3.8%, while the prices fell in the electricity, gas, steam and air conditioning supply by 2.5%. In the manufacturing compared to January 2016 the prices went up in the manufacture of basic metals by 17.9%, in the repair and installation of machinery and equipment by 3.5% and in the manufacture of computer, electronic and optical products by 2.6%. The prices decreases were reported in the manufacture of wood and of products of wood and cork, except furniture and in the manufacture of chemicals and chemical products by 1.3%. Producer Price Index on Non-domestic Market in January 2017 increased by 0.8% compared to the previous month. In the manufacturing compared to the previous month the non-domestic prices rose by 0.5%. More significant prices increases were reported in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 1.6% and in the manufacture of beverages by 1.5%, while the prices fell in the manufacture of motor vehicles, trailers and semi-trailers by 0.7% and in the manufacture of machinery and equipment by 0.4%. Producer Price Index on Non-domestic Market in January 2017 increased by 9.0% compared to the same month of 2016. In the manufacturing, the prices rose by 9.1% compared to January 2016. The non-domestic prices went up in the manufacture of basic metals by 18.4% and in the manufacture of wood and of products of wood and cork, except furniture by 4.0%. The prices fell in the manufacture of paper and paper products by 7.4% and in the manufacture of computer, electronic and optical products by 2.5%.

8. Unemployment

According to data of the Employment Agency in February 2017 the registered unemployment rate in Bulgaria remained at 8.2% as in January

According to data of the Employment Agency in February 2017 the registered unemployment rate in Bulgaria remained at 8.2% as in January. On an annual basis, unemployment declined significantly - by 1.8 percentage points. The greatest demand for labor force in sectors of the economy in February was registered in manufacturing (4 233 positions), followed by trade (2 466), hospitality (2119), agriculture (1091), administrative and support service activities (725), transport and storage (687), construction (648), education (462) and others. The most sought after professions in the labor offices in February are waiters, bartenders, maids, enter-tainers; machine operators in the processing industry; tailors, cutters, ironers; skilled industrial workers (welders, fitters, fitter); laborers in construction; sellers and cashiers in trade; drivers; installers; laborers in industry. Of specialists with higher education most in demand are nurses, followed by engineers, teachers and professors, business professionals.



III. FISCAL SECTOR

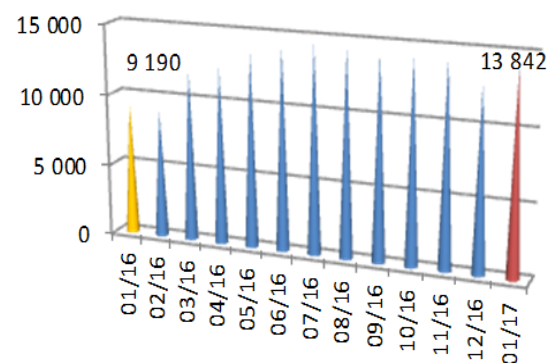
1. Government budget

Based on preliminary data and estimates the balance of the Consolidated Fiscal Programme (CFP) on a cash basis as of February 2017 is expected to be positive, amounting to BGN 822.4 million (0.9% of forecast GDP)

Based on preliminary data of and estimates the balance of the Consolidated Fiscal Programme (CFP) on a cash basis as of February 2017 is expected to be positive, amounting to BGN 822.4 million (0.9% of forecast GDP) show the data of the Ministry of Finance . Key CFP parameters on the basis of preliminary data and estimates: In February 2017, CFP revenues and grants are expected to be BGN 5,733.0 million (16.2% of the annual estimate), registering a growth by BGN 213.6 million as against February 2016. The growth as compared to the previous year is mainly due to the higher tax and non-tax revenues which increased by BGN 450.8 million (9.0%), while proceeds from grants were lower. The Consolidated Fiscal Programme expenditures, including the contribution of the Republic of Bulgaria to the EU budget, for February 2017 amount to BGN 4,910.6 million, which accounts for 13.4% of the annual estimates. Compared to the same period of the previous year, CFP expenditures have increased 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 28.02.2017, amounts to BGN 154.3 million, which complies

Fiscal Reserve Balance Bulgaria mn. BGN

Source: MF
Data provided by CEIC Data Manger



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 March 2017.

2. Government debt

The central government debt as at end-January 2017 decreased to EUR 13 549.4 million as compared to end-December 2016

The central government debt as at end-January 2017 decreased to EUR 13 549.4 million as compared to end-December 2016. Domestic debt amounted to EUR 3 276.4 million and external debt - to EUR 10 273.0 million, show the Ministry of Finance data. At the end of the reporting period the central government debt/gross domestic product (GDP) ratio was 27.8%, with the share of domestic debt being 6.7% and of external debt - 21.1% of GDP. In the central government debt structure, domestic debt at the end of the period amounted to 24.2%, and external debt - to 75.8%. In January, the central government guaranteed debt decreased to EUR 225.6 million as compared to end-December 2016. Domestic guarantees amounted to EUR 34.1 million, with the central government guaranteed debt/GDP ratio being 0.5%. According to the official register of government and government guaranteed debt, kept by the Ministry of Finance on the grounds of Article 38, paragraph 1 of the Government Debt Law, at end-January 2017 the government debt decreased to EUR 12,970.3 million as compared to end-December 2016, being 26.6% of GDP. Domestic debt amounted to EUR 3,241.6 million and external debt - to EUR 9 728.7 million. Government guaranteed debt in January 2017 amounted to EUR 855.3 million. Domestic guarantees amounted to EUR 34.1 million, the government guaranteed debt/GDP ratio being 1.8%.

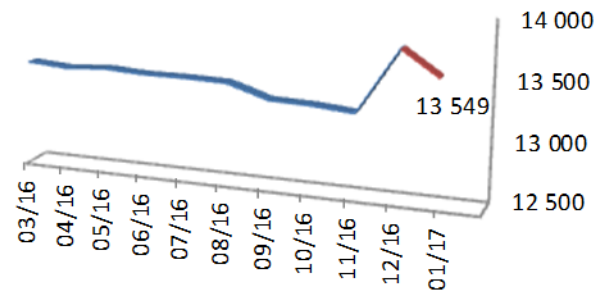
IV. MONETARY SECTOR

In February 2017 broad money (monetary aggregate M3) increased annually by 7.3% compared to 7.6% annual growth in January 2017

According to the BNB data, in February 2017 broad money (monetary aggregate M3) increased annually by 7.3% compared to 7.6% annual growth in January 2017. At the end of February 2017 M3 was BGN 79.232 billion (83.2% of GDP) compared to BGN 79.144 billion (83.1% of GDP) in January 2017. Its most liquid component – monetary aggregate M1 – increased by 14.7% annually in February 2017 (14.3% annual growth in January 2017). At the end of February 2017, deposits of the non-government sector were BGN 68.368 billion (71.8% of GDP), increasing annually by 7.1% (6.7% annual growth in January 2017). Deposits of Non-financial corporations were BGN 19.052 billion (20% of GDP) at the end of February 2017. Compared to the same month of the previous year they increased by 7.9% (7.8% annual growth in January 2017). Deposits of financial corporations increased by 15.5% annually in February 2017 (9.7% annual growth in January 2017). At the end of the month they reached BGN 3.789 billion (4% of GDP). Deposits of Households and NPISHs were BGN 45.527 billion (47.8% of GDP) at the end of February 2017, increasing by 6.1% compared to the same month of 2016 (6.1% annual growth in January 2017). Net domestic assets were BGN 48.674 billion at the end of February 2017. They decreased by 4.2% compared to the same month of 2016 (3.3% annual decline in January 2017). At the end of the month their basic component – domestic credit – was BGN 50.181 billion and decreased by 4.7% compared to February 2016 (3.3% annual decline in January 2017). In February 2017 claims on the non-government sector increased by 3.7% annually (3.3% annual increase in January 2017) reaching BGN 51.914 billion. At the end of February 2017, claims on loans to the non-government sector amounted to BGN 50.742 billion (53.3% of GDP) compared to BGN 50.722 billion (53.2% of GDP) at the end of January 2017. They increased annually by 3.4% in February 2017 (3.1% annual increase in January 2017). The change of loans to the non-government sector was influenced by net sales of loans by Other monetary financial institutions (Other MFIs) -

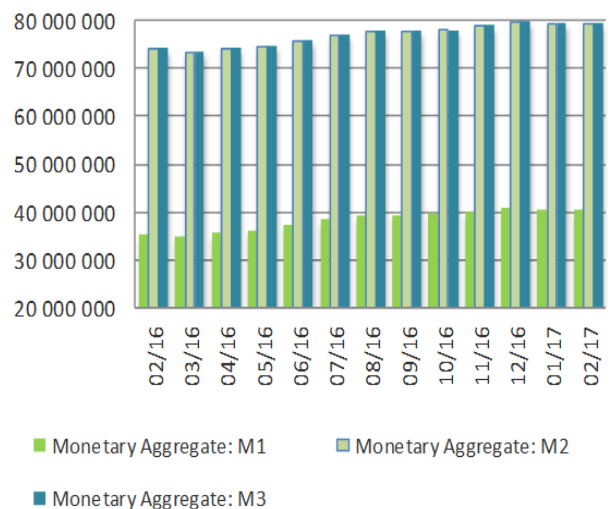
Central Government Debt

Source: Ministry of Finance
Data extracted by CEIC Data Manager



Monetary Aggregates in BGN/th

Source: BNB



their volume for the last twelve months was BGN 93.7 million. On an annual basis, loans sold by Other MFIs were BGN 130.5 million (of which BGN 0.3 million in February 2017), while the amount of repurchased loans was BGN 36.8 million (of which BGN 3.1 million in February 2017). In February 2017, loans to Non-financial corporations increased by 1.8% annually (1.6% annual growth in January 2017) and at the end of the month amounted to BGN 30.561 billion (32.1% of GDP). Loans to Households and NPISHs were BGN 18.677 billion (19.6% of GDP) at the end of February 2017. They increased by 4.5% compared to the same month of 2016 (4.1% annual growth in January 2017). At the end of February 2017 loans for house purchases were BGN 8.801 billion and increased by 2% annually (1.8% annual growth in January 2017). Consumer loans amounted to BGN 7.317 billion and compared to February 2016 they increased by 3% (2.8% annual growth in January 2017). On an annual basis other loans increased by 73.9% (66.5% annual growth in January 2017) and reached BGN 1.209 billion. Loans granted to financial corporations were BGN 1.504 billion at the end of February 2017 (1.6% of GDP). Compared to February 2016, they increased by 25.9% (26.5% annual growth in January 2017). Net foreign assets amounted to BGN 50.682 billion at the end of the reporting month compared to BGN 50.018 billion at the end of January 2017. They increased by 19.9% compared to February 2016 (20.8% annual growth in January 2017). At the end of February 2017 foreign assets increased by 15.6% annually (15.8% annual growth in January 2017), reaching BGN 59.619 billion. Foreign liabilities amounted to BGN 8.937 billion, marking a 3.7% annual decline (6.1% annual decrease in January 2017).

V. CAPITAL MARKET

The main index of BSE - SOFIX continued its upward trend in February 2017 reaching 611.12 points, up by nearly 1.5% on a monthly basis

The main index of BSE - SOFIX continued its upward trend in February 2017 reaching 611.12 points, up by nearly 1.5% on a monthly basis. By comparison in January SOFIX rose 2.4% to 602.28 points compared to December 2016. In February 2017 all four indexes (SOFIX, BG TR30, BGBX 40 and BGREIT) ended the month with an increase. SOFIX ended 2016 with an increase of 27.8 percent to 587.960 points. The index of the most liquid companies BGBX 40 in February rose by nearly 3.1% to 120.56 points, after in January grew by 4.98% to 116.97 points. Equally weighted BG TR30 ended in February with growth of 3.3% to 486.06 points, after in January was reported a growth of 2.4% to 470.35 points. The index of property companies BGREIT ended in February with growth of 0.46% to 107.83 points after in January was registered a fall of 0.85% to 107.34 points.

Date	SOFIX	BGBX40	BGREIT	BGTR30
02.2016	447.4	89.9	100.5	373.4
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

Source: Bulgarian Stock Exchange-Sofia

VI. BANKING SECTOR

Compared to the end of January, the total assets in the banking system increased by 1.1% to BGN 92.5 billion

In February 2017 there was a monthly growth of deposits, profit and balance sheet item total equity of the banking system, show the BNB data. The liquidity position remained stable. During the month, liquid assets increased by 3.6% to BGN 30.8 billion due to the growth of the item cash and cash balances with the BNB. The liquid assets ratio calculated under BNB Ordinance No. 11 increased to 38.80%. Compared to the end of January, the total assets in the banking system increased by 1.1% to BGN 92.5 billion. The item cash and cash balances at central banks and other demand deposits marked an 8.0% growth, and its share in the total assets reached 21.2%. Investments in debt and equity instruments registered a decrease of 1.7% and a slight decline (to 14.0%) in their share in the balance sheet total. Claims on credit institutions decreased in February, and the total gross amount of the loan portfolio (excluding loans and advances to sectors central banks and credit institutions) remained almost unchanged (growth by 0.04%). There was an increase in lending to households (by BGN 47 million), and a decrease – in loans to other financial corporations (by BGN 13 million), to the general governments sector (by BGN 8 million) and to non-financial corporations (by BGN 4 million). Deposits in the banking system reported a monthly growth by 1.1% to BGN 78.6 billion. Deposits of households increased by 0.3%, and those of non-financial corporations – by 1.4%. Deposits of other financial corporations increased by the largest amount and rate on a monthly basis (BGN 331 million, 8.7%). As of 28 February 2017, the profit accumulated by the banking system amounted to BGN 194 million (compared to BGN 196 million for the same period of 2016). Loans and receivables impairment costs for the first two months of 2017 were BGN 98 million (compared to BGN 124 million a year ago). The balance sheet item total equity of the banking system as of end-February was BGN 12.3 billion. During the month it increased by 0.7% mainly owing to the growth in profit.

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 2997 – August 2008. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

Other services item covers receipts and payments related to services other than transportation and travel (communication, construction, financial, leasing, insurance, cultural, sport and recreational services, etc.).

Income consists of two categories: (i) compensation of employees, and (ii) investment income. Compensation of employees covers wages, salaries and other benefits paid to non-resident workers in

the country or received by resident workers abroad. The compensation of employees comprises also income due to illegal employment. By the end of 2006 the BNB estimates this flow in accordance with the Methodology for Estimation of Flows due to Illegal Employment (14 March 2006).³ With the January 2010 data the BNB applies new methodology for estimation of the Compensation of employees, credit. The new methodology was applied for the first time with the data for January 2010, with back data revisions for the months of 2007, 2008 and 2009.

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

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

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

CAPITAL ACCOUNT

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

FINANCIAL ACCOUNT

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

Direct investment covers direct investment abroad, direct investment in reporting economy and mergers and acquisitions. Direct investment is a category of international investment in which a resident of one economy – a direct investor – acquires a lasting interest (at least 10% of the ordinary shares or the voting power) in an enterprise resident in another economy – a direct investment enterprise. The direct investment includes both the initial transaction, through which the relationship between the direct investor and the direct investment enterprise is established, and all subsequent transactions between them. The direct investment covers transactions relating to changes in the direct

investor's share in the equity capital of the direct investment enterprise, inter-company debt transactions as well as the share of the direct investor in the undistributed earnings/loss of the direct investment enterprise. Direct investment is reported on a directional basis: direct investment abroad – as an asset, and direct investment in the reporting country – as a liability.

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

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

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

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

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

According to the balance of payments conventions trade credit arise from the direct extension of credit from a supplier to a buyer, i.e this is a credit extended by a trade partner without issue of a tradable security. Loans item includes received and paid principals on short- and long-term loans between residents and non-residents if no issue of a tradable security is involved with these loans. Transactions concerning disbursements and repayments of principals on IMF loans and disbursements on loans on BOP support are not included in the item Loans. They are recorded in the relative items of group E. Reserves and Related Items.

The Currency and Deposits component presents on the assets side the changes in the residents' currency deposits held abroad, and on the liabilities side – the changes in the liabilities of the resident banks to non-residents in domestic and foreign currency. Following the basic accounting principle and conventions set in the “Balance of Payments Manual” (IMF, 1993), when compiling that item the Bulgarian National Bank excludes any changes therein due to exchange rate changes.

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

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

RESERVES AND RELATED ITEMS

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

rate and market price changes.

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

REAL SECTOR

GROSS DOMESTIC PRODUCT - PRODUCTION APPROACH

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

GDP - INCOME APPROACH

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

GROSS DOMESTIC PRODUCT BY FINAL EXPENDITURE

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

BUSINESS SURVEY IN INDUSTRY, CONSTRUCTION, TRADE AND SERVICE SECTOR

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

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 Eurozone. 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 measure the development of the market of goods and services. Turnover index gives measure of the development of the receipts of sales including the sales of goods, merchant goods and services provided to other enterprises. Monthly Industrial Production and Industrial Turnover Indexes measure changes in production and respectively in turnover between two different periods of time. This information is suitable for monitoring of current economic developments and short-term forecasts. The survey do not attempt to measure the actual production level, it aims to measure the average change in value of production between two points of time.

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 hold by minority shareholders, i.e. by holders of not more than 5 % of the votes in the General Meeting of the issuing company) should not be less than 10 % of the total volume of the issue; 3) The size (amount) of each issue should not be less than 250,000 shares. All issues meeting the conditions above are graded to the following criteria of equal weight: 1) Market capitalization; 2) Number of transactions in the last 6 months; 3) Turnover during the last 6 months; 4) Free-float.

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