

2012

RECENT ECONOMIC DEVELOPMENTS, BULGARIA

SELECTED ISSUES, MAY 2012

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REPUBLIC OF BULGARIA
Ministry of Finance



— MACROECONOMIC ENVIRONMENT AND POLICIES IN BRIEF

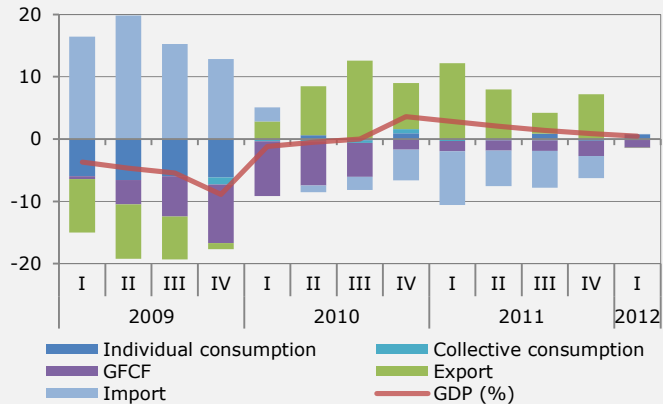
- At its meeting on June 22, ECOFIN formally closed the excessive deficit procedure for Bulgaria and Germany, thus confirming that they have reduced their deficits below 3% of GDP, the EU's reference value for government deficits. The Council concluded that the budgetary targets have been consistently overachieved in the period following the year of the excessive deficit. The general government deficit was reduced to 3.1% of GDP in 2010 and decreased further to 2.1% of GDP in 2011.
- On July 2, Bulgaria successfully issued a new 5Y benchmark Eurobond at a coupon rate of 4.25%, as the extremely strong investor interest amounted to over EUR 6 bn of orders. Bulgarian new EUR 950 mln 5-year Eurobond issue was oversubscribed in just over 30 minutes from hitting the screens.
- Meanwhile, preliminary data on GDP confirmed dynamics from the flash estimates. Bulgarian economy expanded by 0.5% yoy in Q1 2012, while remaining flat qoq. According to the latest data release, both imports and exports performance has been revised upwards, pointing to no change in imports in yoy terms, while exports showing a marginal 0.1% drop. GFCF saw a 5.4% downward revision yoy. Final consumption was also revised to an increase of 1.5% yoy, on the back of a significant contraction in collective consumption, down 2.1% yoy.
- High-frequency economic data showed somewhat favorable developments. Industrial turnover moved to positive territory in April, after a decline during the previous month, construction production and business climate expanded further, while industrial output and retail sales stabilized at their previous month level.
- Unemployment rate decreased further to 11%, on the account of seasonal activities revival, as well as the subdued dismissals in the public administration. Inflation also stepped down by a marginal 0.1% mom, thus the annual HICP slowed to 1.8% yoy in line with decreasing energy prices, both international and domestic.
- Current account deficit widened to 1.5% in Jan-Apr, due to merchandize trade and despite narrowing growth differential between exports and imports. Meanwhile, services balance improved during the month. Net FDI also came substantially above their level a year earlier, as they amounted to EUR 368.1 mln (0.9% of GDP) in January-April against the EUR 14.4 mln reported for the same period in 2011.
- In the first five months, consolidated budget balance recorded a 0.1% of GDP surplus on a cash basis compared to a deficit of 0.8% of GDP a year earlier. Thus, the cumulative budget stance is positive for the first time after June 2009. Budget balance reported a surplus of 0.4% of GDP over the previous month, mainly due to the better revenue performance, as well as to streamlining expenditures. ▼

— RECENT ECONOMIC DEVELOPMENTS

According to preliminary data, **GDP reported a 0.5% yoy growth in Q1 2012** (s.a. data), while being flat compared to the previous quarter. Final consumption increased by 1.5% on a year earlier and had the major contribution for the GDP growth, while the slump in investment narrowed to 5.4%. Meanwhile, exports decreased by 0.1% yoy, as a result of still weak foreign demand, while imports remained at their level in Q1 2011.

Contributions to GDP growth

(s.a. data, pps, yoy)



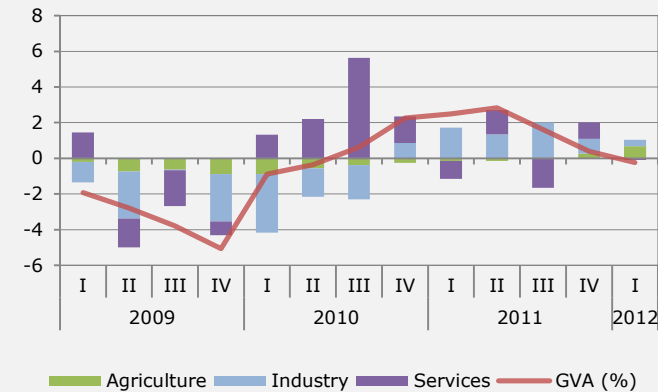
Source: NSI

On the supply side, **GVA decreased marginally by 0.2% yoy**. Subdued exports largely accounted for the registered slowdown in industrial growth to 1.2%. Services also reported a weak first quarter stepping down slightly by 0.1% yoy. At the same time, **value added in agriculture increased by 12.7%**. Growth was also reported in trade, repair of motor vehicles, transport, hotels

and restaurants; financial and insurance activities and in real estate activities.

Contributions to GVA growth

(s.a. data, pps, yoy)



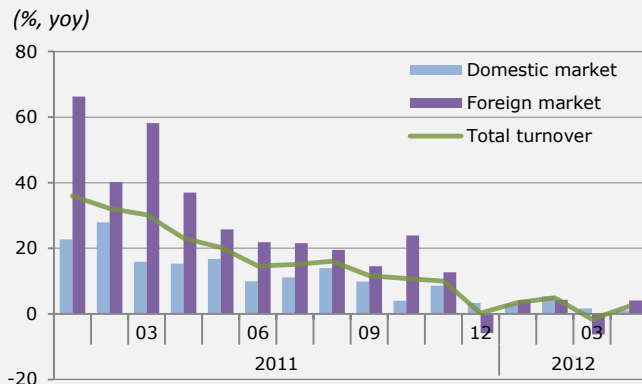
Source: NSI

Industrial turnover increased by 2.2% yoy, as both foreign and domestic turnover contributed for the registered growth. Foreign market sales increased by 4.1% yoy on the back of strong results in manufacture of basic metals and recycling of materials. Domestic turnover reported a 1.1% increase on a year earlier, with the largest positive contribution coming from the manufacture of machinery and electrical equipment.

Contraction in **industrial production** narrowed marginally to 2.8% yoy, being 2.9% in March. Strong performance in manufacture of basic metals during the month managed to offset the

negative impact coming from the other two sectors with the largest share in industrial production, namely manufacture of food products, and electricity, gas, steam and air conditioning supply.

Industrial turnover



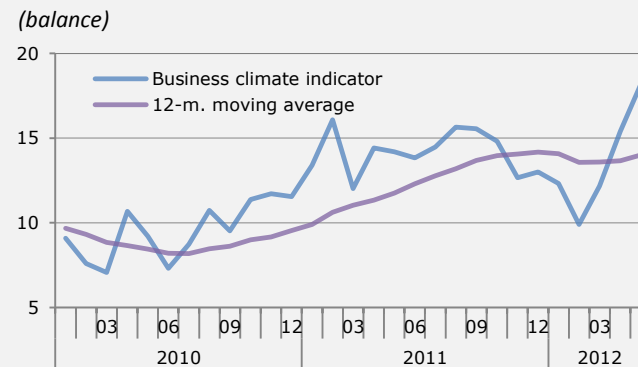
Source: NSI

Retail sales reported 1.8% growth over the previous month with annual dynamics stabilizing at -1.4%. Despite sustained growth in retail sales of medical and orthopedic goods, up 7.1% yoy, as well as food, beverages and tobacco, up 2.3% yoy, the still weak retail sales of textiles, clothing, footwear and leather goods, down 21.9% yoy, continued driving the negative dynamics of the headline rate.

Construction production index further expanded to 2.4% yoy, almost fully due to positive developments in civil engineering. The latter posted a 9.4% increase compared to April 2011, while building construction was still in the red, down 2.5% yoy.

Positive trends in the **business juncture** continued in May, thus the business climate indicator increased for a third month in a row, up 2.8 points. An improvement in present business situation was reported in all sectors of the economy, future sales expectations in retail trade were also optimistic. According to survey results, demand for services increased during the recent months. Business climate in industry remained unchanged on a month earlier, while there was an increase reported in construction orders.

Business climate

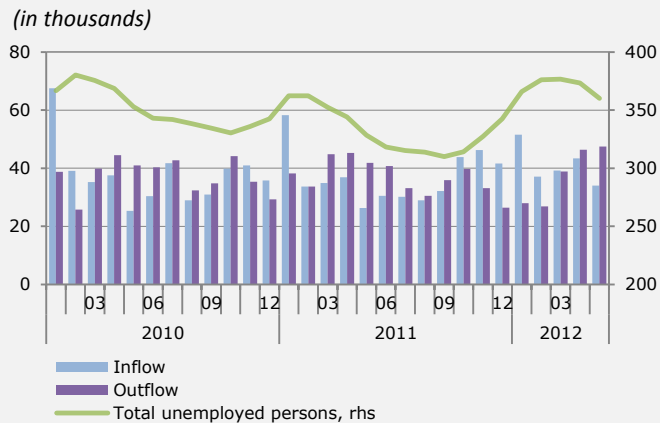


Source: NSI

Unemployment decreased further to 11%, down 0.4 pps mom. The contraction of the jobless inflow and the expansion of the outflow largely accounted for the 3.6% mom decrease in the overall unemployed number, which totaled 360.1K. The newly registered in the employment offices fell off in May due to the seasonal revival and the subdued dismissals in the public administration, as well as the subsidized employment programs contracts ending from April. The number of people who started working in May (24.4K) showed no change over the previous

month. Private sector activity stood high, thus supporting a new 13.3K entering into employment. The ALMM implementation was somewhat slower on a month earlier, with 6.5K newly covered by employment. However, people who found job themselves or without a labor office intervention increased to 4.6K, thus supporting the high overall number of persons who started working in May.

Inflow, outflow and unemployed persons



Source: EA

Inflation decreased by a marginal 0.1% mom in May, thus annual HICP decelerated slightly to 1.8%. Bulgaria remained among EU Member States with the lowest inflation rates. Energy prices had the largest negative contribution to the monthly headline rate, as fuel prices declined by 3.8% on average. International dollar denominated prices of crude oil declined for a second month in a row, down 3.6 and 8.3% in April and May respectively. The latter translated into lower domestic prices, despite the weakening euro against the USD. Core inflation excluding administered prices also stepped down by a marginal 0.1%

mom, led by still declining prices of consumer durables. Meanwhile, market prices of services remained almost unchanged over the previous month. Only food prices increased by 0.5% compared to April, almost fully due to seasonal hikes in prices of fruits and potatoes. The latter went up 11.4 and 12.7% respectively in May alone, thus contributing together by 0.16 pps. Their impact, however, was partially offset by the reported declines in the prices of vegetables – down 4.1%, eggs – down 12.1%, and sugar – down 1.3%. Administered prices went up by 1% on average, as prices of medical services of physicians under contract with the NHIF, as well as hospital services, increased by 7.4% in May. New healthcare prices were in line with the minimum wage hike as of May 1, 2012.

Price changes and contributions by main HICP components

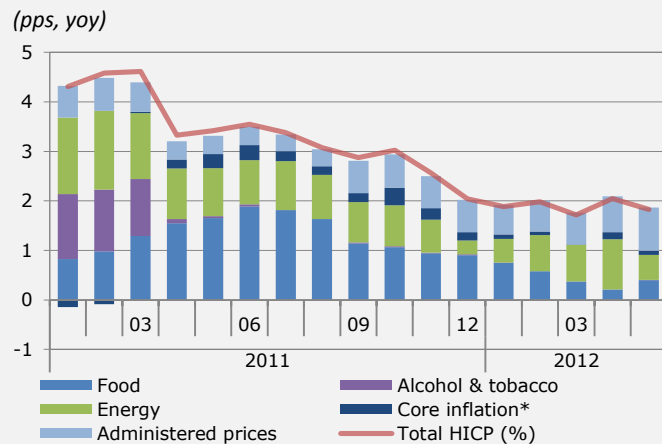
HICP components	Monthly rates		Annual rates	
	% change	contribution	% change	contribution
	%	pps	%	pps
Total HICP	-0.1		1.8	
Inflation w/o admin. prices	-0.3	-0.26	1.1	0.96
Food	0.5	0.11	1.7	0.40
Alcohol & Tobacco	0.0	0.00	0.1	0.01
Energy	-3.6	-0.32	5.2	0.50
Core inflation*	-0.1	-0.03	0.2	0.09
- igoodsxe **	-0.2	-0.03	-1.1	-0.23
- market services	0.0	0.00	1.3	0.32
Administered prices	1.0	0.15	6.0	0.87

Notes: * the headline rate excl. energy, food, alcohol & tobacco

** igoodsxe – non-energy industrial goods

Broken down by main components, almost half of the HICP annual rate of change (0.87 pps) is explained by administered prices hikes compared to the corresponding month a year earlier. Energy goods contribution almost halved to 0.50 pps during the month in line with slowing international and domestic fuel prices. Food prices, on the other hand, accelerated somewhat due to seasonal patterns in unprocessed food price dynamics, while core inflation remained subdued.

HICP and contributions by main groups



* Overall index excluding energy, food, alcohol and tobacco.

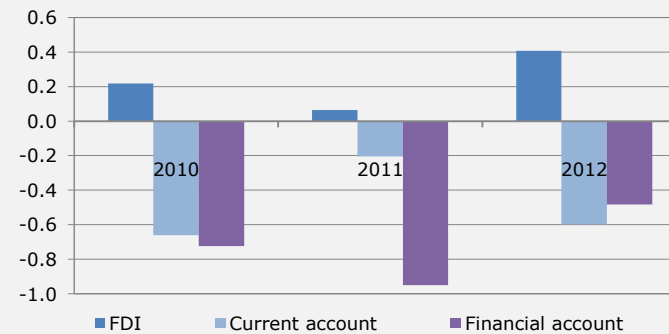
Source: NSI, MF

Current account balance reported negative at EUR 158.7 mln in April. Thus the accumulated Jan-Apr deficit widened to EUR 597.5 mln (1.5% of GDP) due to the trade balance. **Merchandise trade** deficit reached EUR 395.4 mln in April alone, increasing 70.2% yoy. Although the gap between exports and imports expanded during the month, their growth differential narrowed,

as the increase in imports slowed to 11.1%, while exports growth accelerated to 2.5% yoy.

FDI, Current and Financial Account

(January – April, billion euro)



Source: BNB

Services balance improved 11.9% yoy in April, but dropped by 26% in Jan-Apr, as a result of negative dynamics in services in March. Revisions in data showed negative balance in March for the first time in more than two years. The monthly deficit on services resulted from an increase in construction services import and other business services. Current transfers to the public sector continued to rise during the month, with net transfers up 70.5% for the first four months of the year compared to the same period of 2011. Income deficit shrank substantially to EUR 9.1 mln in April against a deficit of EUR 60.4 mln a year earlier.

Financial account came in negative by EUR 201.7 mln in April, while the accumulated deficit in Jan-Apr halved on a year earlier to EUR 482.7 mln (1.2% of GDP). After the March increase in other investment inflows to the private sector, April data showed currency and deposits outflow again. Net FDI amounted to EUR

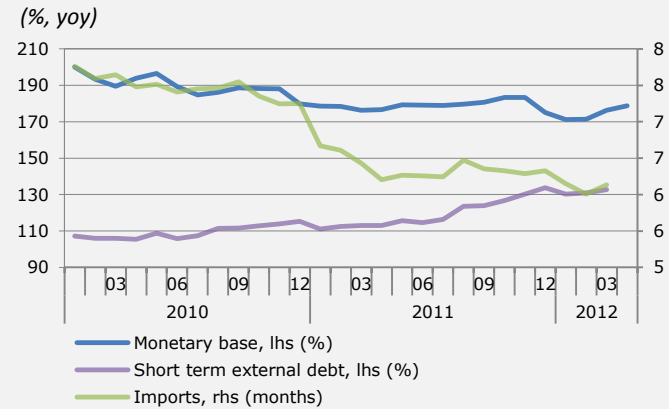
368.1 mln (0.9% of GDP) in January-April. The accumulated net FDI inflows were substantially above their level of EUR 14.4 mln reported for the same period in 2011.

The **overall BoP** was positive by EUR 182.4 mln in April against a deficit of EUR 258.3 mln a year earlier.

Bulgarian **gross external debt** (GED) stood at EUR 35.4 bn at the end of March, down 3% yoy. External indebtedness accounted for 88.8% of GDP. An increase in short-term bank borrowing shaped the monthly dynamics of this indicator. Compared to the same period a year earlier, all institutional sectors, except for FDI (intercompany lending), reported a decline in the liabilities to non-residents. The deleveraging in the banking sector led to 13.3% yoy contraction in its short-term external debt stock. Another 4.7% yoy decrease was recorded in banks long-term liabilities. At end-March banking sector foreign debt stood at 16.2% of GED, being 17.7% a year ago. Foreign debt of other companies narrowed by 5% yoy and decreased marginally over the previous month. Intercompany loans stood at EUR 15 bn, up from EUR 14.7 bn twelve months earlier. The short-to-long-term debt ratio was 28.1% to 71.9% as of end-March.

International reserves kept expanding at a double digit rate, up 10.6% yoy, reaching EUR 13.5 bn at the end of May. Banking Department deposit and notes in circulation largely accounted for the annual increase. Reserves grew 1.2% in May alone, led by a 6.4% mom increase in the Government deposit. Monetary base coverage reached 181.6%, which is an improvement against 178.8% a month earlier. As of end-April, international reserves covered 6.2 months of imports and 132.7% of the short-term external debt as of end-March.

Coverage with FX Reserves



Source: BNB, MF

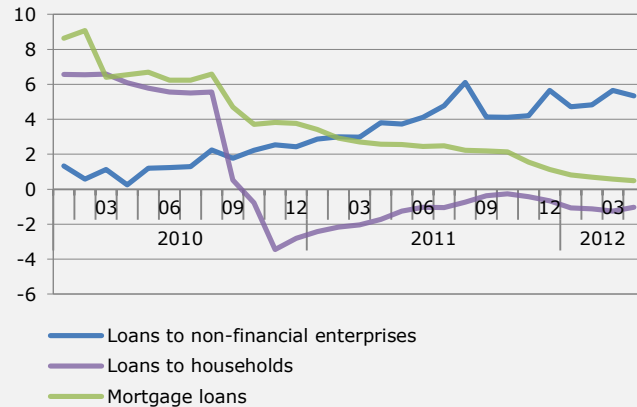
Money supply picked up slightly, up 11.6% yoy as of end-April, compared to 10.7% at the end of the previous month. Overnight deposits and deposits with agreed maturity up to 2 years had the largest contribution to the M3 annual increase. After shrinking by 1.3% mom in March, liquid monetary aggregate M1 grew by 1.5% mom in April, thus leading to a 1.4% monthly increase in broad money. Total deposits' growth accelerated from 11% in March to 11.9% yoy at the end of April, due to the faster increase of financial enterprises' deposits. Compared to the previous month, deposits rose 1.5% as both deposits of financial corporations and households reported increase, up by 9.6 and 0.6% respectively.

The annual growth rate of **credit to the private sector** remained at 3.1% in April. Corporate credit increase slowed somewhat to 5.3% yoy (5.7% in March), which was compensated by a smaller decline in credit to households, down 0.8% against the 1% yoy drop a month earlier. Consumer credits contracted by

1% yoy, while mortgages growth rate slowed to 0.5% yoy. The pace of increase of bad and restructured credits lost speed to 25.9% yoy, down from 27.2% in March. Their share in credits to non-financial corporations and households had a marginal 0.1 pp increase to 18.6%.

Credit growth

(% change, yoy)

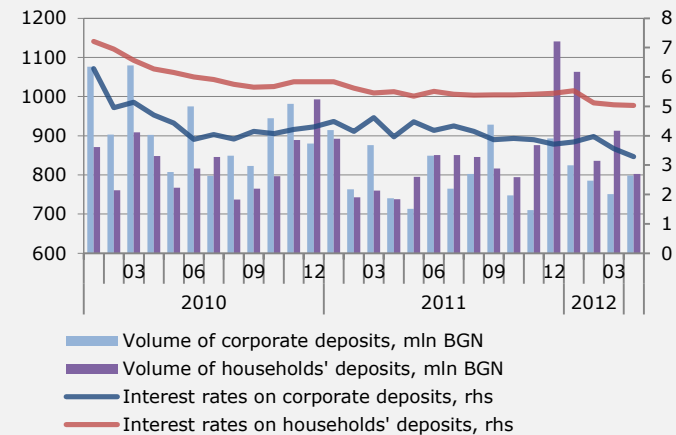


Source: BNB, MF

Weighted average **interest rates on credits** showed some mixed performance in April. Corporate loans had their average price declining by 4 bps with a 10.2% increase in new credits lent over the month. The average rate on consumer credits went down by 24 bps, but did not result in an increase of volumes. Yet, the latter decreased by 9.8% mom. Mortgages became more expensive by 4 bps, accompanied by a 9.4% drop in their volumes. Weighted average **interest rates on deposits** in local currency and euro fell 21 and 28 bps mom respectively as of end-April, while the average rate on USD deposits went up by

5 bps. Total deposits attracted over the month amounted to BGN 3.1 bn, down 9.2% compared to March.

Interest rates and volumes of time deposits in BGN up to 1 year

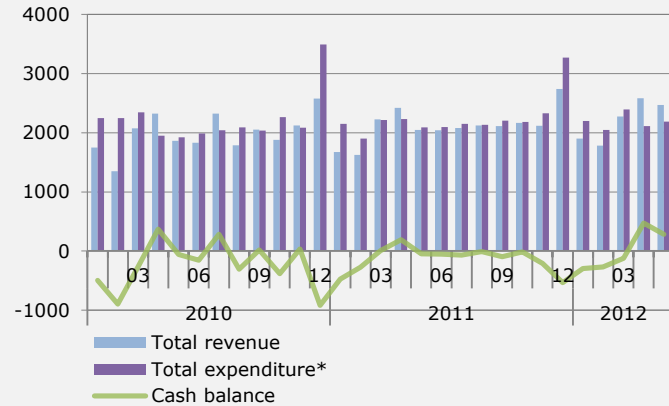


Source: BNB, MF

In the first five months, **consolidated budget balance** recorded a BGN 67.4 mln (0.1% of GDP) surplus on a cash basis compared to a deficit of 0.8% of GDP a year earlier. Thus, the accumulative budget stance is positive for the first time after June 2009. Budget balance reported a surplus of 0.4% of GDP (BGN 284.6 mln) over the previous month, mainly due to the better revenue performance, as well as to streamlining expenditures.

Consolidated Budget

(monthly value, mln BGN)



* Incl. contribution to EU budget

Source: MF

Total revenue posted a 7.6% yoy increase in nominal terms, accounting for 42.1% of the annual plan. Tax revenue expanded 6.7% yoy mainly due to increases in VAT and excise duties receipts, up 15.7 and 7.4% yoy respectively. The latter also resulted in a 12.6% yoy rise in indirect tax revenue. Direct tax receipts grew by 3.7%, while social and health insurance contributions declined by 0.6% yoy. A significant nominal increase was recorded in revenue from grants, as and they came 101.9% higher compared to May 2011. Non-tax receipts rose by 12.2% yoy owing to greater property income.

General government expenditure, including Bulgarian contribution to EU budget, increased 3.3% yoy, accounting for 36.7% of the annual program. The latter was mostly owing to the annual increase in capital expenditures, up 24.7% and reaching 18.8% of the annual estimate, and social spending and scholarships, up 3.5%, while subsidies and maintenance decreased, down by 22.4 and 1% yoy respectively. Bulgarian contribution to EU budget also grew considerably, up by 30.8% yoy.

Fiscal reserve stood at BGN 5 bn at end-May.

General government debt, including government guaranteed debt, accounted for 16.7% of GDP at the end of April, of which: domestic debt – 6.5% of GDP, external debt – 8.8% of GDP and government guaranteed debt – 1.4% of GDP. ▼

— KEY ECONOMIC INDICATORS

		2008	2009	2010	2011	Q2'11	Q3'11	Q4'11	Q1'12	XII'11	I'12	II'12	III'12	IV'12	V'12
— GDP¹															
Gross Domestic Product ¹	% , yoy	6.2	-5.5	0.4	1.7	2.1	1.4	0.9	0.5						
Consumption	% , yoy	2.6	-7.3	0.5	-0.3	-0.3	1.5	-1.8	1.5						
Gross fixed capital formation	% , yoy	21.9	-17.6	-18.3	-9.7	-7.0	-7.4	-10.5	-5.4						
Export	% , yoy	3.0	-11.2	14.7	12.8	13.5	5.3	11.9	-0.1						
Import	% , yoy	4.2	-21.0	2.4	8.5	8.7	8.9	5.2	0.0						
Agriculture	% , yoy	32.4	-9.5	-6.2	-1.1	-2.7	0.0	4.9	12.7						
Industry	% , yoy	6.0	-5.7	-6.3	6.6	4.7	6.9	2.9	1.2						
Services	% , yoy	4.1	-1.3	4.4	-0.1	2.1	-2.5	1.4	-0.1						
Adjustments	% , yoy	5.7	-16.5	-0.5	0.8	-5.8	2.3	0.9	8.1						
— SHORT TERM BUSINESS STATISTICS															
Industrial production	% , yoy	0.7	-18.3	2.0	5.8	7.1	3.9	1.3	-2.6	-1.2	-1.1	-3.6	-2.9	-2.8	
Industrial turnover	% , yoy	13.7	-20.2	14.1	17.2	19.1	14.2	6.8	2.0	0.2	3.5	4.9	-1.7	2.2	
Retail trade turnover	% , yoy	8.9	-7.7	-8.4	-1.9	0.2	-3.0	-4.3	-3.1	-2.4	-2.4	-5.6	-1.4	-1.4	
Construction output	% , yoy	12.2	-14.3	-14.5	-12.9	-16.2	-11.3	-9.2	-1.7	-5.6	2.2	-9.4	1.7	2.4	
Total business climate	balance	38.0	10.2	9.6	14.2	14.1	15.2	13.5	11.5	13.0	12.3	9.9	12.2	15.4	18.2
Industrial confidence	balance	39.9	12.3	13.4	22.4	22.8	24.1	21.0	21.3	21.0	21.4	21.3	21.4	23.2	23.6
Retail trade confidence	balance	41.3	13.5	10.1	17.3	10.7	20.2	25.5	10.5	26.2	11.0	9.1	11.5	13.8	24.1
Construction confidence	balance	40.3	8.5	5.1	2.8	4.4	3.9	-1.9	-4.1	-6.1	-2.4	-4.7	-5.2	3.5	4.5
Services confidence	balance	28.7	5.1	5.6	5.9	10.1	3.8	1.8	8.2	2.9	10.2	2.6	11.8	13.3	15.1
— LABOUR MARKET															
Participation rate (15+)	level	53.8	53.0	52.0	51.3	51.0	51.9	51.5	51.8						
Employment rate (15+)	level	50.8	49.4	46.7	45.6	45.3	46.6	45.7	45.1						
Employment (LFS)	% , yoy	3.3	-3.2	-6.2	-3.4	-4.5	-2.8	-2.3	-1.8						
Unemployment rate (LFS)	level	5.6	6.8	10.2	11.2	11.2	10.2	11.4	12.9						

		2008	2009	2010	2011	Q2'11	Q3'11	Q4'11	Q1'12	XII'11	I'12	II'12	III'12	IV'12	V'12
Unemployment rate (Employment agency)	level	6.3	7.6	9.5	10.1	10.1	9.5	10.0	11.4	10.4	11.1	11.5	11.5	11.4	11.0
Nominal wage	%, yoy	26.5	11.8	6.4	9.1	9.3	8.6	8.7	8.9	8.8	8.6	8.4	9.4		
Real wage ²	%, yoy	13.0	9.1	3.3	5.6	5.7	5.3	5.9	6.9	6.6	6.5	6.3	7.6		
Labour productivity (GDP per employed)	%, yoy	3.5	-3.0	5.3	6.2	7.5	7.3	2.6	2.6						
Real ULC (GDP)	%, yoy	3.7	8.1	2.7	-3.7	-7.5	-2.7	8.1	4.6						
— PRICES															
National index of consumer prices (CPI)	%, yoy	12.3	2.8	2.4	4.2	4.8	3.9	3.1	2.0	2.8	2.3	2.0	1.7	1.7	1.7
Harmonized index of consumer prices (HICP)	%, yoy	12.0	2.5	3.0	3.4	3.4	3.1	2.5	1.9	2.0	1.9	2.0	1.7	2.0	1.8
Domestic producer prices	%, yoy	13.3	-4.3	7.2	8.6	10.3	7.2	5.5	4.8	4.1	5.3	4.6	4.6	5.0	4.3
— CONSOLIDATED FISCAL PROGRAM (CUMMULATIVE)															
Revenue and grants	mIn BGN	27313	25041	23933	25378	12042	18354	25378	5956	25378	1900	3681	5956	8537	11010
Total expenses	mIn BGN	25323	25667	26755	26866	12692	19181	26866	6647	26960	2198	4246	6643	8754	10943
Contribution to EU budget	mIn BGN	720	746	670	779	367	528	779	307	779	62	242	307	372	431
Cash deficit (-) / surplus (+)	mIn BGN	1990	-626	-2823	-1488	-651	-827	-1488	-691	-1582	-298	-565	-687	-217	67
	% of GDP	2.9	-0.9	-4.0	-2.0	-0.9	-1.1	-2.0	-0.9	-2.1	-0.4	-0.7	-0.9	-0.3	0.1
Government and government guaranteed debt	mIn BGN	10710	10641	11778	12826	11578	11946	12826	13053	12826	12715	12819	13052	13117	
	% of GDP	15.5	15.6	16.7	17.0	15.4	15.9	17.0	16.6	17.0	16.2	16.3	16.6	16.7	
Fiscal reserve	mIn BGN	8382	7673	6012	4999	5154	5071	4999	4531	4999	4028	3802	4531	4921	5047
	%, yoy	12.5	-8.5	-21.6	-16.9	-14.5	-24.4	-16.9	-3.6	-16.9	-25.6	-25.0	-3.6	5.1	1.2
— FINANCIAL SECTOR															
BNB International reserves	mIn EUR	12713	12919	12977	13349	12340	13051	13349	13192	13349	12981	12789	13192	13388	13548
Monetary base coverage	%	175.3	195.2	179.8	175.1	179.2	180.7	175.1	176.0	175.1	171.2	171.4	176.3	178.8	181.6
Coverage of import with FX reserves	months	5.4	8.0	7.3	6.3	6.3	6.4	6.3	6.1	6.3	6.1	6.0	6.1	6.2	
Coverage of short-term external debt	%	96.5	100.2	115.3	133.8	114.6	123.9	133.8	132.7	133.8	130.3	130.9	132.7		
Money M1 (Narrow money)	%, yoy	-4.1	-8.8	0.8	14.4	3.7	5.5	14.4	17.2	14.4	18.9	18.0	17.2	18.0	
Money M3 (Broad money)	%, yoy	8.8	4.2	6.2	12.2	8.0	10.3	12.2	10.7	12.3	12.7	11.7	10.7	11.6	
Deposits	%, yoy	8.8	7.6	6.6	13.2	8.8	11.3	13.2	11.0	13.2	13.4	12.1	11.0	11.9	

		2008	2009	2010	2011	Q2'11	Q3'11	Q4'11	Q1'12	XII'11	I'12	II'12	III'12	IV'12	V'12
Credit to private sector	%, yoy	32.9	3.8	1.1	3.3	2.1	2.2	3.3	3.1	3.3	2.5	2.4	3.1	3.1	
Credit to non-financial enterprises	%, yoy	33.1	2.3	2.4	5.7	4.1	4.1	5.7	5.7	5.7	4.7	4.8	5.7	5.3	
Credit to households	%, yoy	31.4	5.8	-0.8	-0.4	-0.6	-0.2	-0.4	-1.0	-0.4	-0.8	-1.0	-1.0	-0.8	
Interest rate on short-term loans	%	10.9	10.5	8.5	7.4	7.3	7.3	7.7	8.3	8.6	8.1	8.8	8.0	7.8	
Interest rate on time deposits	%	5.6	7.0	5.4	4.8	4.9	4.7	4.8	4.6	4.7	4.8	4.6	4.4	4.2	
Exchange rate BGN/USD	eop	1.39	1.36	1.47	1.51	1.35	1.45	1.51	1.46	1.51	1.48	1.45	1.46	1.48	1.58
	per. av.	1.34	1.41	1.48	1.41	1.36	1.38	1.45	1.49	1.48	1.52	1.48	1.48	1.49	1.53
— GROSS EXTERNAL DEBT (GED)															
Gross external debt	% of GDP	104.9	108.3	102.8	91.9	94.6	94.0	91.9	88.1	91.9	87.6	87.7	88.1		
Short term external debt	% of GED	35.4	32.1	30.4	28.2	29.6	29.1	28.2	28.1	28.2	28.3	27.7	28.1		
Intercompany lending	% of GED	36.4	38.5	40.3	41.8	40.3	40.8	41.8	42.3	41.8	42.1	42.5	42.3		
— BALANCE OF PAYMENTS															
Current account	mIn EUR	-8182	-3116	-376	361	9	1155	-715	-346	-329	-179	-329	69	-159	
<i>Current account (moving average)</i>	% of GDP	-23.1	-8.9	-1.0	0.9	1.0	0.6	0.9	0.3	0.9	0.6	-0.4	0.0	-0.1	
Trade balance	mIn EUR	-8598	-4174	-2764	-1975	-697	-220	-856	-803	-323	-208	-273	-338	-395	
<i>Trade balance (moving average)</i>	% of GDP	-24.3	-11.9	-7.7	-5.1	-5.7	-5.6	-5.1	-6.7	-5.1	-5.4	-6.0	-6.5	-6.9	
Export, f.o.b.	mIn EUR	15204	11699	15561	20227	4866	5416	5162	4626	1585	1435	1478	1721	1651	
	%, yoy	12.5	-23.1	33.0	30.0	28.1	22.6	19.7	-3.3	13.6	-10.0	-1.6	1.9	2.5	
Import, f.o.b.	mIn EUR	23802	15873	18325	22201	-5563	-5635	-6018	-5429	-1908	-1643	-1751	-2059	-2047	
	%, yoy	-214.7	-33.3	15.4	21.2	18.9	22.0	12.4	8.9	7.8	1.9	13.8	12.3	11.1	
Capital account	mIn EUR	277	477	291	494	47	126	306	14	250	3	11	6	0	
Financial account	mIn EUR	11463	1163	-699	-1194	-351	-707	588	-591	18	-259	-132	111	-202	
Net Foreign Direct Investments	mIn EUR	6206	2505	1035	1205	85	302	904	216	388	264	120	68	-84	
Net Portfolio Investments	mIn EUR	-731	-619	-661	-357	-9	-234	67	-356	-136	29	-35	-370	181	
Other Investments – net	mIn EUR	6032	-704	-1048	-1976	-420	-747	-364	-445	-230	-552	-218	417	-296	
Change in BNB reserve assets ³	mIn EUR	-674	650	384	-159	-92	-470	-261	176	-215	490	196	-510	-182	

Notes: 1. Reference year 2005, seasonally and working day adjusted data; 2. HICP deflated; 3. (-) - increase; (+) - decrease in BNB International Reserves.

— RECENT ECONOMIC DEVELOPMENTS

MF successfully placed 5Y GS amid unfavorable foreign conditions

The demand for 5Y Bulgarian GS exceeded two times the quantity offered for sale by MF at the auction held on 14.05.2012. Participants placed offers amounting to BGN 110.05 mln, with BGN 50 mln offered by the issuer. The coverage ratio of the issue is 2.20 – the highest value of the three auctions held for this issue since the beginning of 2012. The average annual weighted yield for the approved BGN 50 mln is 3.83% and illustrates the lasting stability in the medium-term segment of Bulgarian sovereign debt curve.

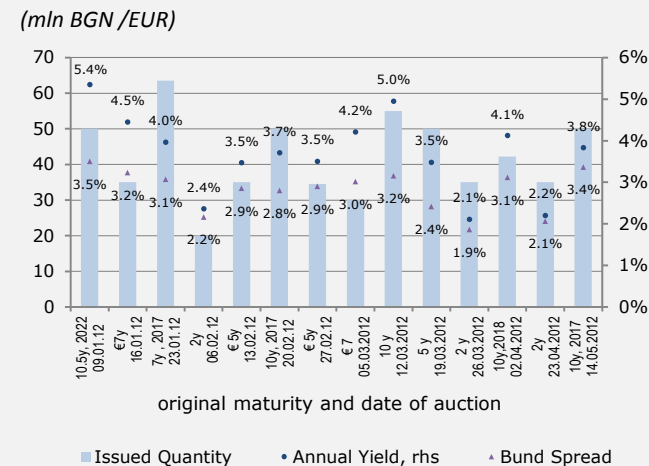
Bonds supply in this maturity segment meets the expectations of government debt market participants to the utmost degree. Investor base analysis showed that banks acquired 35% of the approved face value and had a leading positions, followed by pension funds (32%) and insurance companies (10%).

The great interest for low cost central government financing corresponds with the findings presented in the European Commission’s 2012 spring forecast. According to this document, Bulgaria’s budget discipline has successfully contributed to improving the country’s fiscal position owing to the consolidation measures implemented by the Government in 2010 and 2011.

Against the background of an ongoing instability in the euroarea, owing to the political tensions in several Member States and the deepening downward trend in some of the largest debt markets in Europe, Bulgaria strengthened its position of a key stability factor in the region. The latter was reflected by the independent

evaluation of participants in the medium-term GS sale auction. Despite concerns arising from possible negative scenarios for the single currency future, the cost of Bulgarian GS remained a premium one, while interest in them was again extremely high.

Latest Government Securities Auction Results



Additional data on the auction results can be viewed on the site of the Bulgarian National Bank, that is a fiscal agent to the government

www.bnb.bg

Source: MF

Stable nominal amount of government debt is of primary importance to government finance

The nominal amount of government debt at the end of April amounted to EUR 6136.7 mln, including domestic debt of EUR 2616.1 mln and external debt of EUR 3520.7 mln. In nominal terms, debt has been steadily increasing, up by approximately EUR 25.36 mln from the end of the previous month. This was mainly due to the increasing amount of both domestic and external debt, as well as valuation adjustments realized during the month. At the end of April the government debt-to-GDP ratio was 15.3%.

Table: Government Debt Amount, mln EUR

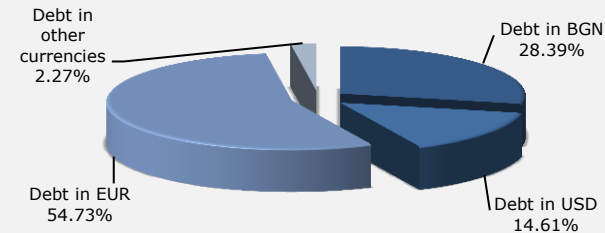
Structure	31.12. 2010	31.12. 2011	31.01. 2012	29.02. 2012	31.03. 2012	31.04. 2012
Domestic government debt	2 011.5	2 458.3	2 412.5	2 516.7	2 618.6	2616.06
External government debt	3 373.5	3 487.6	3 480.1	3 455.7	3 492.7	3 520.7
Government Debt, total	5 385.0	5 945.9	5 892.6	5 972.4	6 111.4	6 136.7
Government Debt /GDP, %	4.9	15.3	14.3	14.9	15.2	15.3

Government debt currency structure does not generate risks associated with its servicing

Debt currency structure reported a small change in April, as debt denominated in EUR, USD and other currencies posted an increase and amounted to 54.7, 14.6 and 2.3% respectively. The share of debt in BGN declined marginally to 28.4% against 28.6% at the end of March.

Government Debt Currency Structure

(as of 30 April)



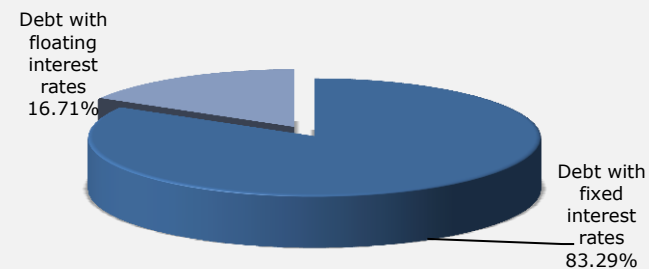
Source: MF

At the end of April, the share of debt with fixed interest recorded increase over March and reached 83.3%, while debt with floating interest posted a reduction, down to 16.7%, which resulted from the loan policy aimed at financing at fixed interest rates carried out during the period.

Government debt interest rate structure provides predictability of the resources required for its servicing

Government Debt Interest Rate Structure

(as of 30 April)



Source: MF

Government debt currency structure does not generate risks associated with its servicing

Debt structure by types of instruments and creditors showed no significant change in April. Liabilities related to domestic government debt amounted to 42.6% and had the largest relative share, followed by global bonds – 26.7%, government investment loans – 15.8%, commitments to the World Bank – 11.3%, the European Union – 2.2%, obligations to Paris Club – 1.3% and the enabled state guarantees – 0.04%.

Comprehensive information on Bulgarian Government Debt, including monthly bulletins and annual reviews, could be found at the website of Bulgarian Ministry of Finance.

<http://www.minfin.bg/en/statistics/?cat=2&from=0&year=0&to=0&year=0!dq=&pokaz=0>

For any further questions or comments, please contact:

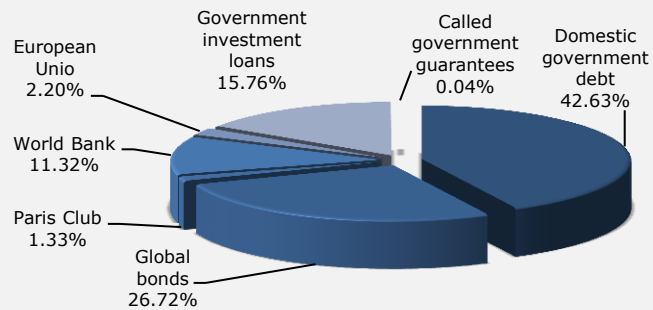
Mrs. Milena Boikova

Director of Government Debt and Financial Markets Directorate,
Ministry of Finance

Email: M.Boikova@minfin.bg, tel. +359 2 9859 2450.

Government Debt Structure by Creditor

(as of 30 April)



Source: MF