

BULGARIAN

ECONOMY

MONTHLY REPORT

Based on statistical data up to 19 July 2024

ISSN 2367-5020

Short-term Business Statistics

In May, short-term indicators lost momentum. Industrial production went down by 7.8% yoy with *manufacturing of wearing apparel* and *machinery and equipment* accounting the most. There was growth in the manufacturing of *chemical products* and *basic metals*. Industrial turnover fell by 0.6% due to decrease in *manufacturing of electricity* and *food products*. The growth of construction production slowed down to 0.2% mainly due to decrease in *building construction*. Retail trade turnover went up by 1.6%.

In June, a slight decrease in the business climate indicator was reported, while the consumer confidence continued to improve. The business climate declined by 0.9 points, mainly due to the retail trade sector, where no increase in sales is expected over the next three months. At

the same time, according to the respondent the current construction activity improved and expectations for industrial production were favourable. Consumer confidence rose by 3.8 points, mainly due to an improvement in assessments of households' financial situation.

Labour market

The number of registered unemployed reached 150 990 people at the end of June 2024, up by 6% compared to the end of the same month in 2023. During the three months of the second quarter, there was a gradual decrease in the number of registered unemployed, typical for this period of the year. This decrease is expected to continue in the summer months of the year, both due to the seasonally higher labour demand in the business sector and due to job openings under employment programmes, as in June the Employ-

ment Agency announced over 4.5 thousand vacancies under such programmes. The labour shortages continued to be a major impediment for business development and growth, which brings up the issue of attracting the out-of-labour-force persons back to the labour market or foreign labour resources to be integrated into the Bulgarian labour market.

Inflation

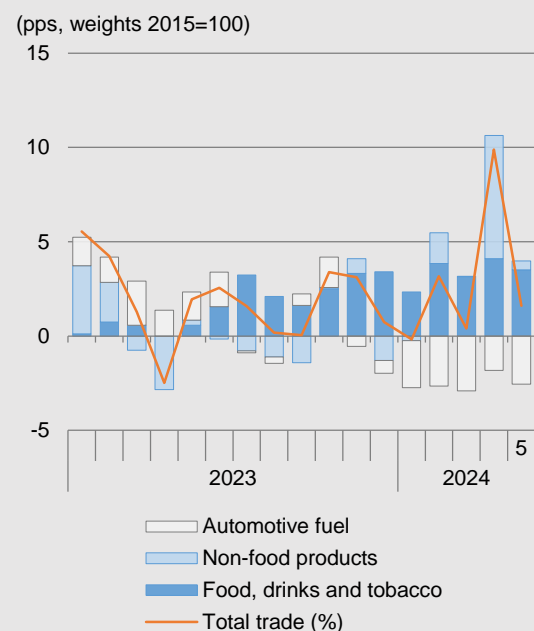
Consumer prices rose by 0.2% mom in June, as measured by the HICP. Only the prices of services increased, those of accommodation and package holidays in particular, up by 8.7% on average over May. Prices of the other main HICP components reported a decrease, the most noticeable being that for energy goods, down by 0.9% on average. In this consumer grouping, transport fuel prices reported the largest decline, down 2.1% mom on average.

The annual rate of inflation accelerated to 2.8% in June. This was mainly driven by services, in particular accommodation services and package holidays, as their price increases gained speed from 5.6% yoy in May to 12.1% yoy in June. Despite these developments, underlying inflation remained at 3% yoy, as it was in the previous month, due to base effects.

External sector

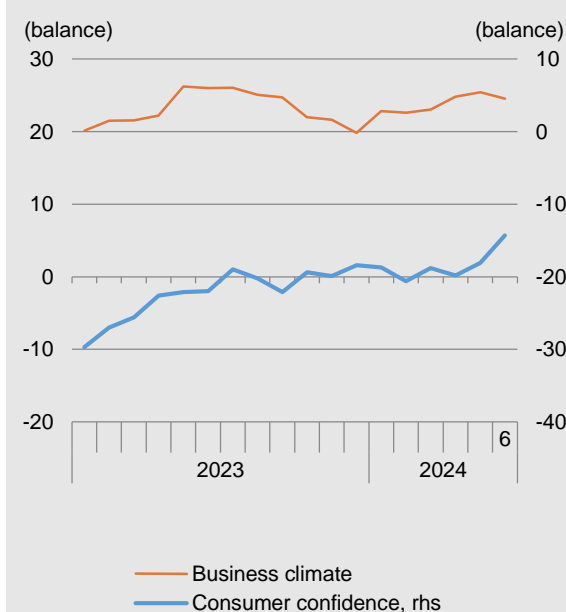
In April, the current account posted a small negative balance, thus reducing the surplus accumulated since the beginning of the year to 0.3% of projected GDP. The deficit in April (EUR 56.9 mln or 0.1% of projected GDP) was slightly larger than in the same month of 2023 and was entirely driven by widening trade deficit, as the balances on the other sub-accounts improved in yoy terms. Both export and import of goods increased in the month, re-

Graph 1 Contributions to retail trade turnover



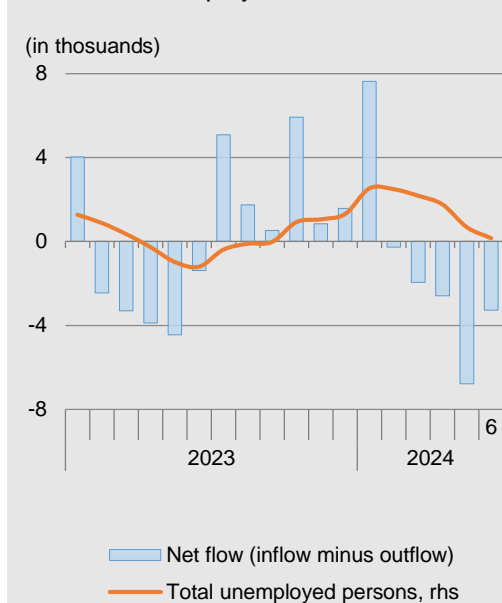
Source: NSI

Graph 2 Business climate and consumer confidence



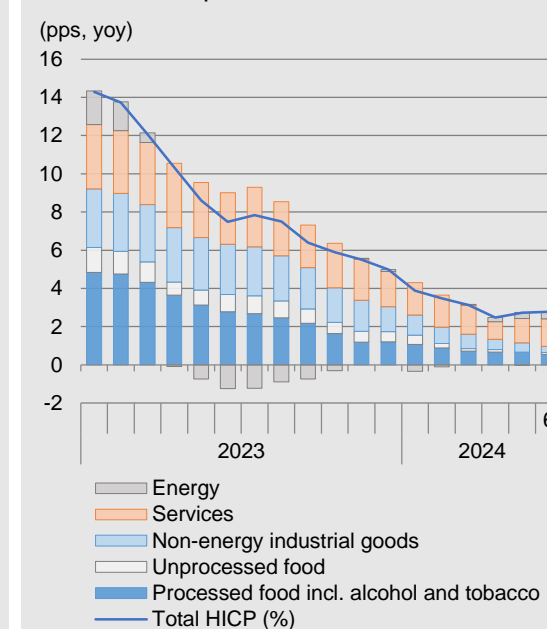
Source: NSI

Graph 3 Net flow and stock of unemployment



Source: NSI, MF

Graph 4 Contributions by main HICP components



Source: Eurostat, own calculations

ording the first positive rates since February 2023. Yet the growth in import, up by 18.8% yoy, outpaced that in export, up by 8.5% yoy. Import has been performing stronger than export since the beginning of the year, thus resulting in the gradual widening of the negative trade balance, up to 1.5% of projected GDP in January-April 2024, from 0.9% on the same period of 2023. At the same time, services export continued to increase, while import edged down, contributing to an increasing surplus in the four-month period. Both primary and secondary income balances improved in April compared to a year ago, thus continuing the trend of previous months.

Gross external debt stood at 42.2% of projected GDP at the end of April, decreasing both over a month and a year earlier. Among the institutional sectors, short-term bank indebtedness narrowed the most.

Financial Sector

Credit to the private sector in May stayed strong at 13.6% vs. 13.7% yoy a month earlier. All credit segments continued to increase steadily in line with the improvement of business climate and consumer confidence indicators. Corporate loans went up by 8.4% vs. 8.6% yoy in

April. During the month corporate overdraft continued slightly to accelerate, and its annual growth reached 10.3% vs. 8.7% a month earlier. Loans to households kept their upward trend, up by 18.8% yoy, coming from 18.6% yoy. The main drivers behind their dynamics were again both consumer and mortgage loans, which continued to accelerate, up by 13.9% and 24.4% yoy, respectively.

House prices growth accelerated to 16.0% yoy in Q1 2024, from 10.1% yoy in the previous quarter, again driven by both new and existing housing. Among the cities with population above 120 thousand, the most significant acceleration in property prices was observed in Sofia and Varna. For the first three months of the year, construction costs reported a 2.9% increase compared to the same period in 2023.

Weighted average interest rates on new consumer loans increased in May, up by 77 bps to 9%, driven by those in national currency, while the weighted price for those denominated in EUR decreased by 5 bps. The weighted price on new loans for house purchase slightly increased, up by 2 bps to 2.53%. At the same time, the average rate on loans to NFCs stayed close to their level from a month ago at

4.85%. The weighted average rate of return on new time deposits of NFCs and households went up by 22 bps to 2.26%. The increase came mainly from higher deposit rates for non-financial corporations, while those attracted from households went up only marginally by 1 bp.

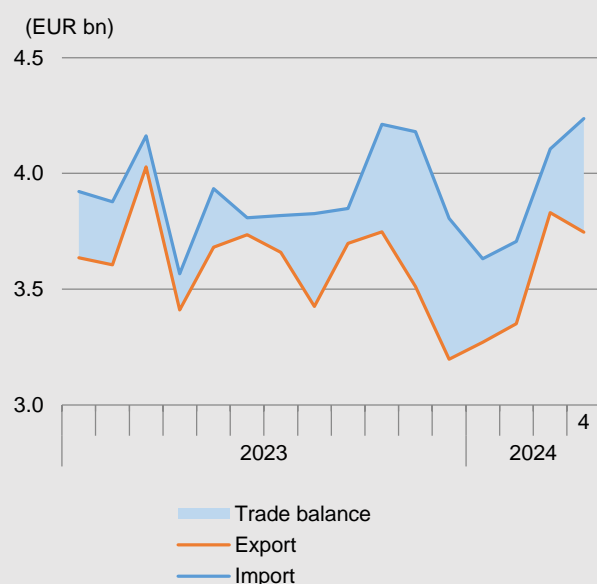
Fiscal sector

At the end of May 2024, the surplus of the Consolidated Fiscal Program decreased to 0.1% of GDP, amounting to BGN 146.9 mln. Budget receipts continued to show double-digit growth, increasing by 13.4% compared to May 2023. Tax revenues rose by 10.4%. Growth of indirect tax revenues accelerated reaching a double-digit rate of 11.9%, with the biggest contributor being VAT revenue. Excise duties receipts also increased, mainly due to revenues from fuel and tobacco products, while those from custom duties declined. The double-digit growth of revenues from direct taxes and social security contributions was also maintained compared to the previous year, at rates of 13% and 16.4%, respectively. Non-tax revenues and grants also maintained their positive contribution. The growth of budget expenditures accelerated to 7.7% at the end of May, with the largest contributions coming from social

and personnel expenditures. A decrease was reported in current maintenance, subsidies, the contribution to the EU budget and other.

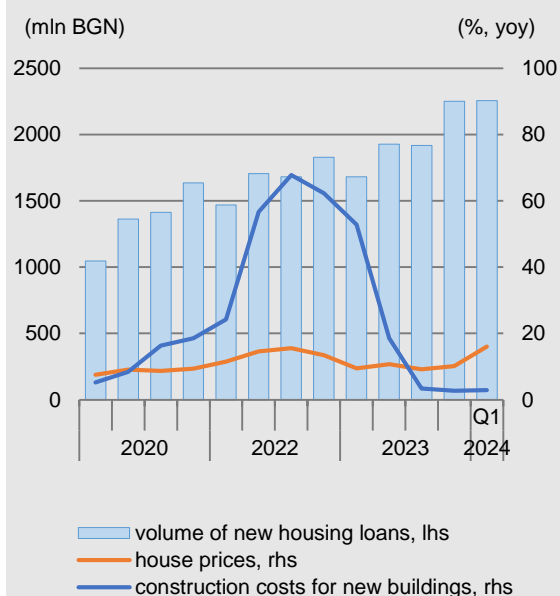
Government debt in May rose to 21.4% of projected GDP, being 20.9% of GDP in May 2023.

Graph 5 Export, import of goods and trade balance



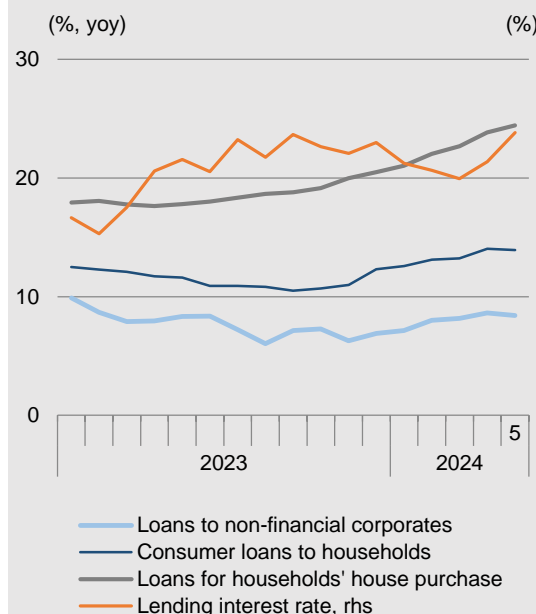
Source: BNB

Graph 6 House Price Index, construction costs and new housing loans



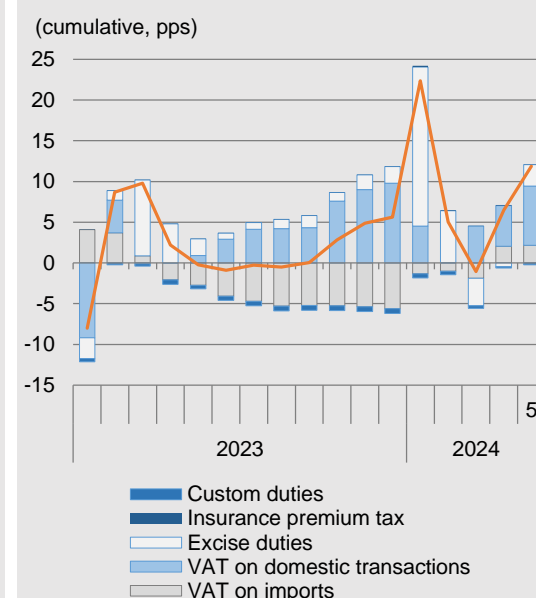
Source: BNB

Graph 7 Private sector credit



Source: BNB, own calculations

Graph 8 Contribution to growth of indirect tax revenues



Source: MF

Main economic indicators

Detailed data in .xlsx format are available [here](#).

MAIN ECONOMIC INDICATORS	unit*	ANNUAL DATA			QUARTERLY DATA					MONTHLY DATA												
		2021	2022	2023	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	06'23	07'23	08'23	09'23	10'23	11'23	12'23	01'24	02'24	03'24	04'24	05'24	06'24
—Gross Domestic Product¹																						
GDP	% , yoy	7.7	3.9	1.8	1.9	1.5	1.8	1.9														
Consumption	% , yoy	6.5	4.2	4.0	5.5	4.0	2.5	3.3														
Gross fixed capital formation	% , yoy	-8.3	6.5	3.3	-1.7	12.6	5.2	8.4														
Export	% , yoy	11.2	11.6	-1.9	-2.4	-2.8	-1.9	-2.5														
Import	% , yoy	10.7	15.0	-6.3	-10.4	-6.8	-4.3	-3.9														
Agriculture	% , yoy	28.8	-4.4	-3.9	-0.3	-7.4	-0.9	2.4														
Industry excl. construction	% , yoy	5.4	13.1	0.9	-0.1	3.6	-0.1	3.8														
Construction	% , yoy	-17.1	5.4	0.7	0.7	0.1	1.6	-0.1														
Services	% , yoy	9.3	3.8	1.0	1.3	0.7	0.9	2.5														
Adjustments	% , yoy	5.3	-5.9	10.5	8.0	8.6	16.7	-6.0														
—Short-term business statistics²																						
Industrial production	% , yoy	12.1	10.4	-8.4	-10.3	-11.1	-7.8	-7.8		-9.2	-11.7	-9.6	-12.0	-3.7	-12.0	-7.4	-7.7	-5.1	-10.8	6.5	-7.8	
Industrial turnover	% , yoy	32.4	56.8	-21.0	-25.0	-32.8	-18.6	-12.5		-28.5	-27.4	-36.4	-34.2	-16.4	-18.2	-21.1	-15.5	-13.3	-8.7	6.1	-0.6	
Domestic turnover	% , yoy	39.2	63.1	-25.6	-28.3	-39.6	-22.6	-16.0		-33.5	-31.2	-42.3	-44.0	-17.9	-21.1	-27.8	-17.6	-17.9	-12.4	0.2	0.3	
Foreign market turnover	% , yoy	23.2	47.0	-13.2	-20.1	-19.6	-11.7	-7.2		-21.0	-20.7	-23.7	-14.6	-14.1	-13.1	-7.5	-12.2	-6.1	-3.4	14.5	-1.7	
Retail trade turnover	% , yoy	10.4	4.3	1.8	0.7	0.6	2.4	1.1		2.6	1.6	0.2	0.0	3.4	3.1	0.7	-0.2	3.2	0.4	9.9	1.6	
Construction output	% , yoy	2.6	0.5	-1.4	-1.4	-2.2	-1.9	3.0		-2.1	-1.9	-0.5	-4.6	1.6	-3.2	-4.5	4.4	10.8	-5.0	22.6	0.2	
Production in services of the business economy	% , yoy		11.7	-1.0	-1.0	-3.9	-0.9	3.4		-1.2	-5.5	-3.4	-2.8	-0.9	-1.6	-0.3	5.2	4.7	0.9	10		
Total business climate	balance	17.5	17.8	23.1	24.8	25.3	21.2	22.8	24.9	26.0	26.1	25.1	24.7	22.0	21.6	19.8	22.8	22.6	23.0	24.8	25.4	24.5
Industry	balance	19.1	19.0	24.0	26.1	25.5	21.6	23.6	20.0	26.9	26.3	25.1	25.2	23.5	20.6	20.7	23.3	24.0	23.5	24.7	17.8	17.5
Retail trade	balance	27.1	26.1	31.0	33.1	35.3	25.7	25.3	36.2	36.2	36.9	34.0	35.2	27.7	27.5	21.9	24.8	24.9	26.1	29.7	40.6	38.3
Construction	balance	19.9	14.2	20.9	22.2	24.2	22.1	26.6	29.7	23.4	23.1	24.7	24.7	20.1	23.6	22.4	27.0	27.2	25.5	26.6	31.4	31.0
Services	balance	2.2	10.5	15.6	16.6	15.9	14.8	15.1	18.8	16.6	17.7	16.6	13.3	15.1	15.9	13.4	15.8	12.9	16.5	18.3	19.6	18.4
Consumer confidence	balance	-22.8	-27.4	-22.3	-22.2	-20.4	-19.2	-19.4	-17.4	-22.0	-19.0	-20.2	-22.1	-19.4	-19.9	-18.4	-18.7	-20.6	-18.8	-19.8	-18.1	-14.3
—Labour market																						
Participation rate (15+)	%	55.3	55.5	55.7	55.5	56.1	55.4	55.5														
Employment rate (15+)	%	52.3	53.2	53.3	52.9	53.9	53.1	52.8														
Employment (SNA)	% , yoy	0.2	-0.3	1.0	1.2	-0.6	1.2	0.7														
Unemployment rate (LFS, non-seasonally adjusted)	%	5.3	4.1	4.4	4.6	4.0	4.2	5.0		4.5	4.2	4.0	3.9	4.1	4.2	4.4	4.9	5.0	5.1	5.0	4.7	
Nominal wage	% , yoy	12.3	13.7	14.5	13.1	14.7	13.0	16.8		12.7	12.7	15.6	15.9	14.1	13.4	11.6	15.7	16.9	17.8			
Real wage ³	% , yoy	9.2	0.5	5.4	4.0	7.0	7.2	12.9		4.8	4.6	7.6	9.0	7.7	7.5	6.3	11.3	13.0	14.2			
Labour productivity (GDP per employed)	% , yoy	7.4	4.3	0.9	0.7	2.1	0.7	1.2														
Real ULC (GDP)	% , yoy	-3.3	-5.8	4.5	2.5	6.6	6.4	7.1														
Nominal ULC (GDP)	% , yoy	3.6	9.5	12.3	10.7	11.1	9.7	12.4														
—Prices																						
National index of consumer prices (CPI)	% , yoy	3.3	15.3	9.5	10.1	7.5	5.3	3.4	2.4	8.7	8.5	7.7	6.3	5.8	5.4	4.7	3.8	3.3	3.0	2.4	2.3	2.5
Harmonized index of consumer prices (HICP)	% , yoy	2.8	13.0	8.6	8.8	7.2	5.5	3.5	2.7	7.5	7.8	7.5	6.4	5.9	5.5	5.0	3.9	3.5	3.1	2.5	2.7	2.8
Producer price index, domestic market	% , yoy	14.9	48.4	-10.8	-7.7	-26.3	-20.1	-14.2		-11.4	-18.1	-27.2	-32.0	-25.9	-14.6	-19.8	-17.8	-12.1	-12.7	-10.6	-4.3	
Producer price index, non-domestic market	% , yoy	16.0	21.2	-2.6	-6.0	-5.9	-5.5	-4.4		-10.2	-5.2	-5.9	-6.7	-7.8	-4.7	-3.9	-7.1	-4.4	-1.6	0.4	4.1	
House price index	% , yoy	8.7	13.8	9.9	10.7	9.2	10.1	16.0														
Construction cost index	% , yoy	11.0	52.7	19.4	18.5	3.4	2.7	2.9														
—Consolidated fiscal program (cumulative)																						
Revenue and grants	BGN mln	52 369	64 789	67 042	31 405	47 654	67 042	15 758		31 404	37 512	42 475	47 637	53 440	60 118	67 058	5 233	9 963	15 757	22 770	28 256	
Total expenses	BGN mln	56 253	66 112	72 659	31 231	48 496	72 659	15 357		31 226	37 057	42 527	48 478	54 880	61 098	72 677	4 811	8 969	15 353	22 173	28 109	
Contribution to EU budget	BGN mln	1 681	1 705	1 850	848	1 252	1 850	339		848	990	1 113	1 252	1 390	1 529	1 850	19	161	339	457	575	
Cash deficit (-) / surplus (+)	BGN mln	-3 885	-1 323	-5 617	174	-843	-5 617	401		178	455	-52	-841	-1 440	-980	-5 620	423	994	404	597	147	
	% of GDP	-2.8	-0.8	-3.1	0.1	-0.5	-3.1	0.2		0.1	0.2	0.0	-0.5	-0.8	-0.5	-3.1	0.2	0.5	0.2	0.3	0.1	
Government and government guaranteed debt	BGN mln	33 157	37 827	42 122	38 279	37 898	42 122	42 204		38 279	38 279	37 914	37 898	37 889	42 327	42 097	42 201	42 274	42 204	42 392	42 811	
	% of GDP	23.9	22.5	22.9	20.8	20.6	22.9	21.1		20.8	20.8	20.6	20.6	20.6	23.0	22.9	21.1	21.2	21.1	21.2	21.4	
Fiscal reserve	BGN mln	10 750	13 417	13 397	12 940	11 349	13 397	11 878		12 940	13 075	12 363	11 349	12 462	17 437	13 397	13 726	12 910	11 878	11 806	11 624	
	% of GDP	7.7	8.0	7.3	7.0	6.2	7.3	5.9		7.0	7.1	6.7	6.2	6.8	9.5	7.3	6.9	6.5	5.9	5.9	5.8	

