

# **BULGARIAN NATIONAL BANK**

**REPORT • JANUARY – JUNE 1998**



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**Honorable Mr. Chairman  
of the National Assembly!  
Honorable members of Parliament!**

*In accordance with the provisions of the Law on the Bulgarian National Bank, Article 1, paragraph 2, the Bulgarian National Bank reports its activities before the National Assembly. Pursuant to Article 50 of this Law, I have the honor to submit the semiannual report of the Bulgarian National Bank for the period ending 30 June 1998.*

A handwritten signature in black ink, consisting of several fluid, connected strokes, positioned above the printed name.

**Svetoslav Gavriiski  
Governor of the Bulgarian  
National Bank**

# **BULGARIAN NATIONAL BANK MANAGEMENT**

## **MANAGING BOARD**

Svetoslav Gavriiski, Governor

Martin Zaimov, Deputy Governor

Rumen Avramov

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Garabed Minasyan

Valentin Tzvetanov, Deputy Governor

Georgi Petrov

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## Abbreviations

BGL (Lev)	<i>National Currency of the Republic of Bulgaria</i>
BISERA	<i>Banking Integrated System for Electronic Transfer</i>
BNB	<i>Bulgarian National Bank</i>
CB	<i>Commercial Banks</i>
CGB	<i>Central Government Budget</i>
CEFTA	<i>Central European Free Trade Association</i>
CIF	<i>Cost, Insurance, Freight</i>
CM	<i>Council of Ministers</i>
COMECON	<i>Council for Mutual Economic Assistance</i>
CSB	<i>Consolidated State Budget</i>
EBRD	<i>European Bank for Reconstruction and Development</i>
ECU	<i>European Currency Unit</i>
EFTA	<i>European Free Trade Association</i>
EIB	<i>European Investment Bank</i>
EU	<i>European Union</i>
FESAL	<i>Financial and Enterprise Sectoral Adjustment Loan</i>
FLIRBs	<i>Front-loaded Interest Reduction Bonds</i>
FOB	<i>Free on Board</i>
GDP	<i>Gross Domestic Product</i>
GFD	<i>Gross Foreign Debt</i>
IMF	<i>International Monetary Fund</i>
LSPDACB	<i>Law on State Protection of Deposits and Accounts with Commercial Banks</i>
MF	<i>Ministry of Finance</i>
NLO	<i>National Labor Office</i>
NSI	<i>National Statistical Institute</i>
OECD	<i>Organization for Economic Cooperation and Development</i>
SBL	<i>State Budget Law</i>
SDR	<i>Special Drawing Rights</i>
SFRD	<i>State Fund for Reconstruction and Development</i>
SII	<i>State Insurance Institute</i>
SSB	<i>State Savings Bank</i>
VAT	<i>Value Added Tax</i>
ZUNK	<i>Bulgarian Abbreviation of the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 (LSNC)</i>

# I. Developments in the World Economy and Finances

## 1. An Overview and Major Trends in the Development of the World Economy

During the first six months of 1998 global economic conditions deteriorated as a result of the deepening financial crisis in southeast Asian countries and Japan and the financial turmoil in Russia. Consequently, world output growth forecast<sup>1</sup> for 1998 was revised downward to 2%. Expectations are based on the assumption of a newly emerging trend toward slowdown in growth rates in global terms, particularly strong in the industrial sector.

Low inflation is projected for industrialized countries, and moderate inflation in developing countries and the transition economies. This is underpinned by the fall in international prices of basic commodities such as petrol, refined copper, wood, and natural rubber. Low inflation in combination with a slowdown in growth will help sustain low levels of nominal interest rates globally.

## 2. Developed Countries

According to forecasts, growth rates in developed countries will slow to 2%. This is attributable mainly to the fall in Japanese and South Korean growth. Inflation will average 1.7%. Unemployment is expected to decline. Budget deficit estimates of the seven industrialized countries point to an average of 1.3% of GDP. This would cause a reduction in the volume of government securities issued by these countries.

### European Union

After the May meeting of EU member countries central bank governors and ministers of finance in Brussels, bilateral exchange rates of the 11 currencies participating in the third stage of the European Monetary Union were set. This was the penultimate step before the introduction of the common currency, the euro, on 1 January 1999.

In contrast to the USA and Great Britain, which are at the peak of their business cycle, the EU economies slowed. Forecasts for 1998 point to a 2.8% growth in GDP, 2% inflation and unemployment reduced to 10.6%. Relatively higher growth is expected in France (2.9%), Greece (3.5%), Portugal (3.7%) and Ireland (8.2%). High EU unemployment still causes concern, despite its fall in some countries like Germany and France.

Due to the Asian crisis and volatile currencies of countries that are traditional trading partners of the EU, like Russia and Poland, exports from the EU declined. In these circumstances a shift in growth orientation occurred: away from exports as it had been by 1997 year-end, to growth driven by increasing domestic demand. This trend was underpinned by the quarterly figures of the indicator 'household confidence' in all EU countries which displayed the highest reported value since 1990. Retailing and construction companies exhibited steady growth across the euro zone<sup>2</sup>.

It is expected that the introduction of the common currency will have a beneficial effect on medium-term growth indicators in all countries within the monetary union (estimates<sup>3</sup> range from 1.5% to 2%). This may provide further incentives to

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<sup>1</sup> IMF forecast in *World Economic Outlook*, October 1998, IMF.

<sup>2</sup> With the exception of Germany.

<sup>3</sup> According to the Austrian Institute of Economic Research.

the economies of the countries exporting to the EU. Specifically for Bulgaria estimates<sup>4</sup> are for additional growth from 0.45% to 0.6%.

During the first half of 1998 the inflation climate in the EU was calm. Germany and France are still below the average inflation level, while Italy and the Netherlands are above it.

**Germany.** In contrast to the other EU countries, Germany's economic cycle experienced a certain slowdown. Since the beginning of 1998 an upward trend has evolved. Industry contributed most significantly to this growth; figures show the strongest growth occurring in the production of capital goods in the engineering sector. Construction performance indicators did not match forecasts.

The favorable outlook through year-end is based on ever-increasing reported household confidence and a significant fall in unemployment. Last but not least it reflects higher disposable incomes consistent with the newly introduced changes in income taxation.

All these factors support the forecast of 2.6% GDP growth in 1998.

## The USA

Despite a worsening global macroeconomic environment, the US economy sustained its steady growth. In the first quarter of 1998 GDP rose by 1% in real terms over the previous quarter, and by 3.5% over the same period of 1997. Although international trade inhibited growth (exports declined from the previous quarter and imports grew), the registered growth in domestic spending, investment, and construction offset the fall.

Despite higher labor costs compared with the same quarter of 1997 and continuously rising employment at 4.3%, inflation fell due to cheaper imports. The IMF forecasts for 1998 are for a 3.5% growth in GDP and 2.3% inflation.

## Japan

The Japanese economy is in deep recession. First quarter industrial output fell by 3% from the previous one, and 4.5% compared with the same period of 1997. Domestic demand shrank and exports to neighboring countries declined. Expectations for fast emergence from the crisis are associated with the government's program designed to boost domestic demand, which amounts to 3% of GDP. The effect of this program may come through no sooner than the last quarter of 1998.

However, consumers and investors are unlikely to change radically their expectations about the economy's potential, given the structural problems in the financial sector. In this setting forecasts<sup>5</sup> for 1998 are for a 2.5% fall in GDP and for 1.7% inflation.

## 3. The Transition Economies

According to forecasts<sup>6</sup> the transition economies are expected to post a 2.9% growth in 1998. This will be the second consecutive year of growth following eight years of decline. Expectations for central and eastern European countries are for 3.4% growth. The financial crisis in Russia may slow growth rates in these countries.

The average inflation figure for central and eastern European countries (except the Ukraine and Belarus) is estimated at 18.3%.

## Central European Countries

Central European countries continued to advance, though at a slower pace, on the road to sustainable economic growth, combined with moderate inflation.

As in previous years, *Hungary* and *Poland* exhibited high economic growth, combined with moderate inflation. Forecasts are respectively for a 4.8% and 5.7% GDP growth with 13% and 11% inflation. These forecasts are underpinned by semiannual statistics which indicate higher industrial output than the same period of 1997.

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<sup>4</sup> *World Economic Outlook*, October 1998, IMF.

<sup>5</sup> *Ibid.*

<sup>6</sup> *World Economic Outlook*, October 1998, IMF.



According to statistical data on the half-year, industrial output is continuously growing compared with the same period of 1997, and reported inflation is two digit. Forecasts<sup>7</sup> for the year are for 2.2% growth and 11% inflation.

### **Russia**

In 1998 Russia was expected to reverse the continued downward trend in GDP of the past seven years and achieve an insignificant growth. However, developments in the economy in recent months suggest fast deterioration. Semiannual data confirms this trend: a decline in industrial output on a year-on-year basis, a trade surplus reduction, a rise in consumer prices, a growing budget deficit and higher interest rates. The government's outstanding liabilities on public sector salaries rose steadily. All this provoked a confidence crisis among investors and a withdrawal of portfolio investments. Against this background, the short-term perspective seems unfavorable.

### **Countries with Currency Boards**

During the first half of 1998 *Estonia's* economy achieved steady growth in industrial sales, a lower inflation rate, a reduced budget deficit and stabilization of the current account deficit. Government forecasts<sup>8</sup> for 1998 are for a 5.5% growth, average annual inflation of 9.6 – 10% and a budget surplus.

Economic data for *Lithuania* show greater sales in the industrial sector, lowered inflation and reduced unemployment. Only the deficit on the balance of payments current account is estimated to increase. Government forecasts for 1998 are for 7% growth and 6% average annual inflation.

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<sup>7</sup> Ibid.

<sup>8</sup> Economic Indicators for Eastern Europe BIS, Basle, June 1998, Monetary and Economic Department.

## II. Developments in the Bulgarian Economy

### 1. Real Sector

Between January and June 1998 Bulgaria's economy felt the effects of the currency board. Developments in major economic indicators were similar to those of other countries with currency boards. The current and previous years are crucial for the transition of the Bulgarian economy from stability to sustainable growth<sup>9</sup>.

#### Gross Domestic Product

During the first six months of 1998 nominal gross domestic product reached BGL 9,514 billion. In real terms, gross added value increased by 11.9% compared with the first half of 1997. At the same time GDP grew by 18.9% in the first quarter and 6.4% in the second quarter of 1998 compared with the same periods of 1997. This marked the highest growth since the start of economic reform in the country. This trend in real GDP reflects low GDP levels in the first half of 1997: result of an unprecedented economic collapse. On the other hand, the currency board introduced in the second half of 1997 and the subsequent financial stabilization created fundamentals for a sustainable growth.

#### GDP by Component of Final Demand

Domestic demand appeared to be the major factor impacting GDP developments over the first half of 1998. Between January and June 1998 final consumption totaled BGL 8,077 billion, or 84.9% of GDP. It increased by 11.7% from a year earlier at constant prices. Households' consumer spending accounted for the largest share (71.4%) in the structure of total final consumption. In real terms households' consumer spending rose by 13.7% over the same period of 1997. This reflects increased households' real incomes and reduced consumption during the first half of 1997. Government final spending reached 6.6% of final consumption, increasing by 2.4% in real terms compared with the same period of 1997.

Gross investment reached BGL 1,294 billion between January and June 1998, or 13.6% of domestic demand. Gross fixed capital formation comprised 10.3% of gross added value, a 5.5% fall in real terms compared with the first half of 1997.

Exports were positive in the first half-year and netted 2.2% of GDP. Exports of goods and services totaled BGL 4,939 billion, or 51.9% of GDP and imports BGL 4,733 billion. Compared with the same period of 1997 imports of goods and services increased by 5.6% while exports fell by 5.1% in real terms.

#### Sectoral Structure of GDP

Financial stabilization, a result of the introduction of a currency board in the country, contributed to the real increase in the added value in all economic sectors. Gross added value in industrial sector totaled BGL 2,730 billion, an increase of 19.5% in real terms on the first half of 1997. Added value in agriculture and forestry rose by 8% in real terms, reaching BGL 1,273 billion between January and June 1998. Services totaled BGL 4,279 billion, increasing by 4.8% in real terms.

#### GDP by Origin of Ownership

Data for the first half of 1998 indicates a continuous increase in the share of private sector added value in GDP. At current prices private sector added value totaled BGL 4,997 billion, or 60.3% of whole-economy gross added value. The private sector had the largest share in agriculture and forestry: 96.1% in the first half of 1998. The big share of agriculture is related to a great extent to the inclusion of

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<sup>9</sup> A detailed analysis of the first year of currency board operation is presented in *The First Year of the Currency Board in Bulgaria*. BNB, Discussion Papers, DP/1/1998.

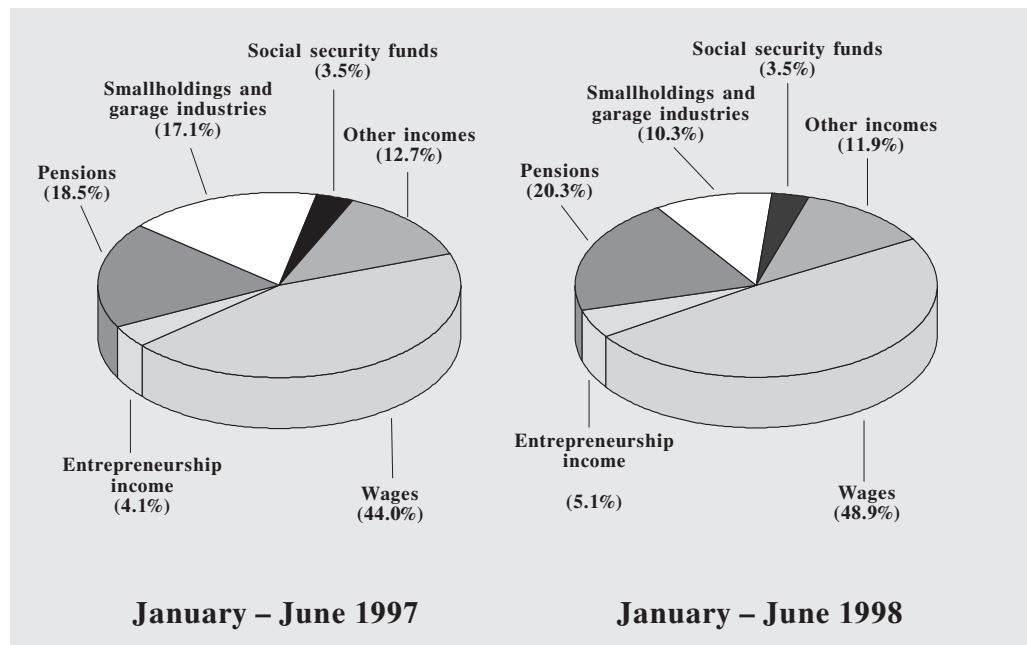
smallholdings and garage industries in the methodology of reporting for added value in agriculture. As in previous years services accounted for the largest share in the private sector added value, at 53.6%. Growth rates in the private sector added value in industry are slower since bigger investment in fixed capital is needed in these branches.

## Household Income and Expenditure

### Income

During the first half of 1998 public incomes saw a real growth. Since early 1998 gross incomes (monetary and nonmonetary) rose by 11.5%. Low inflation, a result of the introduction of a currency board, helped increase gross household incomes by 9% in real terms in the first half of 1998.

#### STRUCTURE OF GROSS HOUSEHOLD INCOME



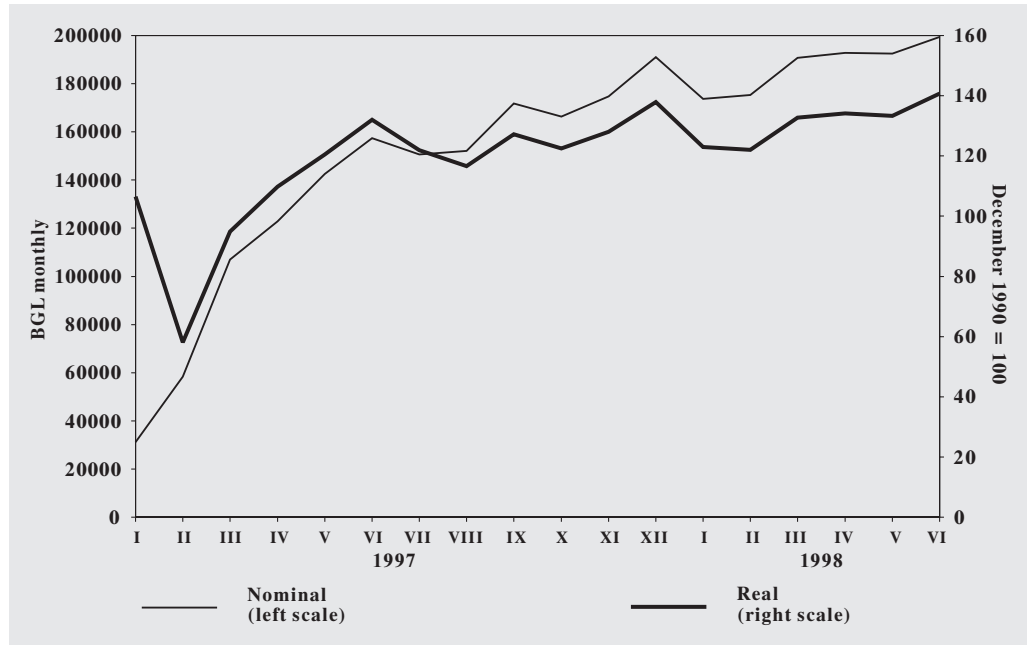
Source: NSI.

As in 1997 wages, pensions and income from smallholdings and garage industries accounted for the largest share (69%) in total cost of living, increasing their share by 0.4 percentage point in the first half of 1998. The significant share of income from smallholdings and garage industries in 1997 (14.7%) decreased to 9% during the first half of 1998 while the share of income from wages and pensions increased by 4.6 and 1.6 percentage points respectively.

Between January and June the share of the average monthly pay increased by 4.6 percentage points in gross household incomes, reaching 42.4% against 37.9% at the end of 1997. During the first half of 1998 the average public sector monthly pay reached BGL 199,400: an increase of 4.4% in nominal and 2% in real terms.

As in 1997 incomes from social funds accounted for an insignificant share in gross household income (3%) and matched their level of last year.

## AVERAGE PUBLIC SECTOR WAGE



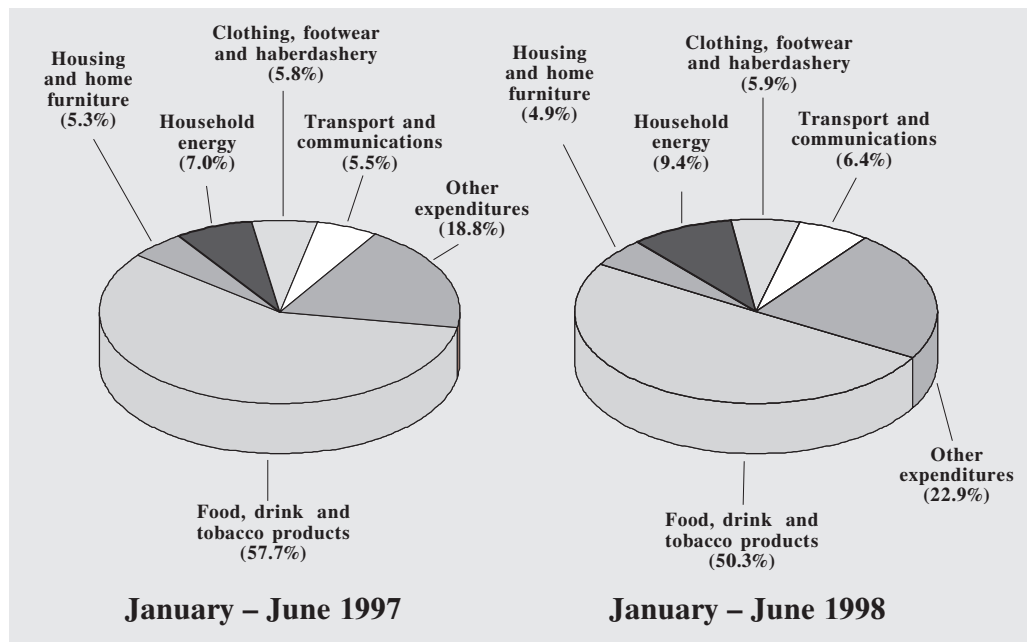
Source: NSI.

## Expenditure

During the first six months of 1998 gross household expenditure grew by 144% compared with the same period of 1997 and decreased by 3% nominally compared with the second half of 1997. In real terms, gross household expenditure fell by 9.6% compared with the second half of 1997.

Structurally, the share of expenditure on food, drink and tobacco products decreased by 7.4 percentage points to 50.3% of total expenditure. Household energy expenses rose by 2.4 percentage points and comprised 9.4% of gross household expenditure. At the same time expenditure on housing and home furniture continued to fall as in 1997. Household expenditure structure is characterized by a sizable share of low elasticity goods.

## STRUCTURE OF GROSS HOUSEHOLD EXPENDITURE



Source: NSI.

## Prices

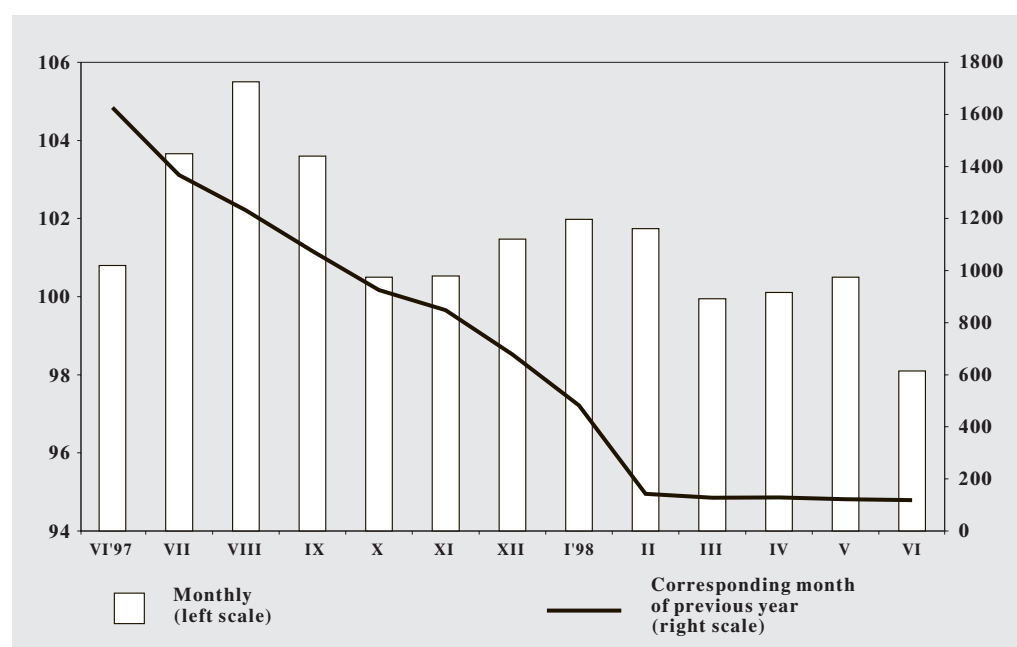
The currency board introduced in the country succeeded in achieving its major goal: price stabilization. The fixed exchange rate (the major factor determining price indices in the early stage of reform and changed inflationary expectations of the public) predetermined low inflation between January and June 1998. The balanced government budget and inability to monetize the budget deficit additionally helped curb the public's inflationary expectations. The downward trend in prices of raw materials in international markets which occurred in early 1997 played an important role in slowing down internal inflation. The strong dependence of Bulgaria's economy on imported energy resources coupled with their price fall in international markets helped avoid shocks in supply. As a result, the first six-month period of 1998 saw the lowest inflation rate since the start of economic reform.

### Consumer Price Index

In June 1998 the value of the consumer basket increased by 2.4% over December 1997. In January and February 1998 prices grew by 2% and 1.7% respectively. Low inflation rates in the following months and reported deflation in March and June resulted in a 2.4% inflation for the first six-month period of 1998. These low inflation levels are comparable with inflation levels in Germany which helped slow down the real appreciation of the lev under a fixed exchange rate.

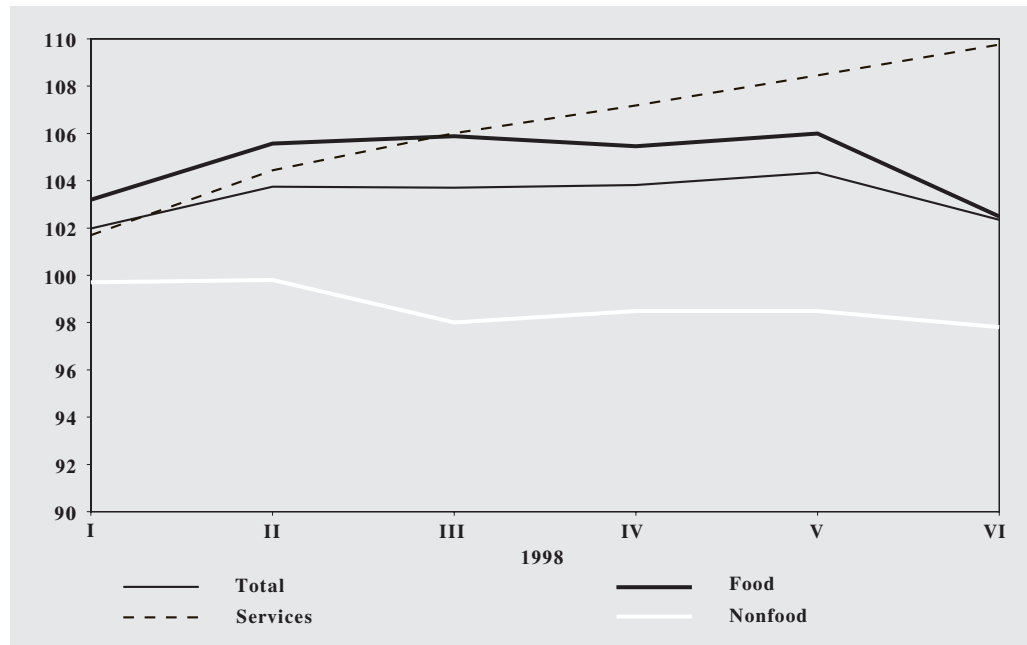
Compared with end-1997 food prices grew by 2.5%, nonfood prices decreased by 2.2% and services increased by 9.8%. The general consumer price index is impacted most significantly by the movements in consumer prices as they accounted for the largest share in the consumer basket: 55.1%. The stability of food prices reflects the lack of shocks in supply (prices of fuels, energy and some other goods and services supplied by monopolists remained unchanged), and sluggish public consumer demand. Nonfood prices decreased by 2.2% between January and June 1998 (the result of a glut of these goods in international markets). Over the period under review, prices of services increased faster than prices of foods and nonfoods. However, the smaller share of services in the consumer basket (15.5%) reflects their insignificant impact on the general consumer price index. These developments suggest that the bulk of them are nontradable with low elasticity of supply.

### CONSUMER PRICE INDICES



Source: NSI.

**CONSUMER PRICE INDICES BY COMMODITY GROUP**  
(December 1997 = 100)



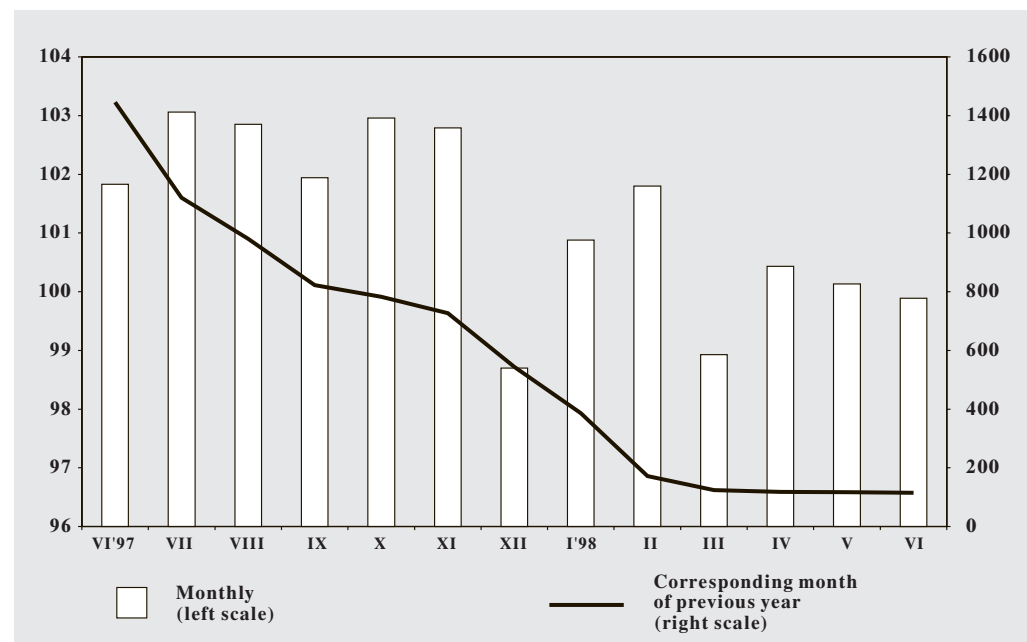
Source: NSI.

**Producer Price Index**

Between January and June 1998 monthly industrial producer price indices moved close to the level of consumer price indices. Between December 1997 and June 1998 producer prices rose by 2.1%, or 0.3 percentage points less than consumer price growth in the same period.

Factors responsible for the movements of producer prices: exchange rate developments, external and internal demand. The fixed exchange rate of the lev and the relatively stable USD/DEM exchange rate helped eliminate the exchange rate impact on producer price index. Price falls of some raw materials in international markets also contributed to the slower growth rates of producer prices. At the same time, between January and June internal demand was sluggish and did not significantly affect producer price movements.

**PRODUCER PRICE INDICES**

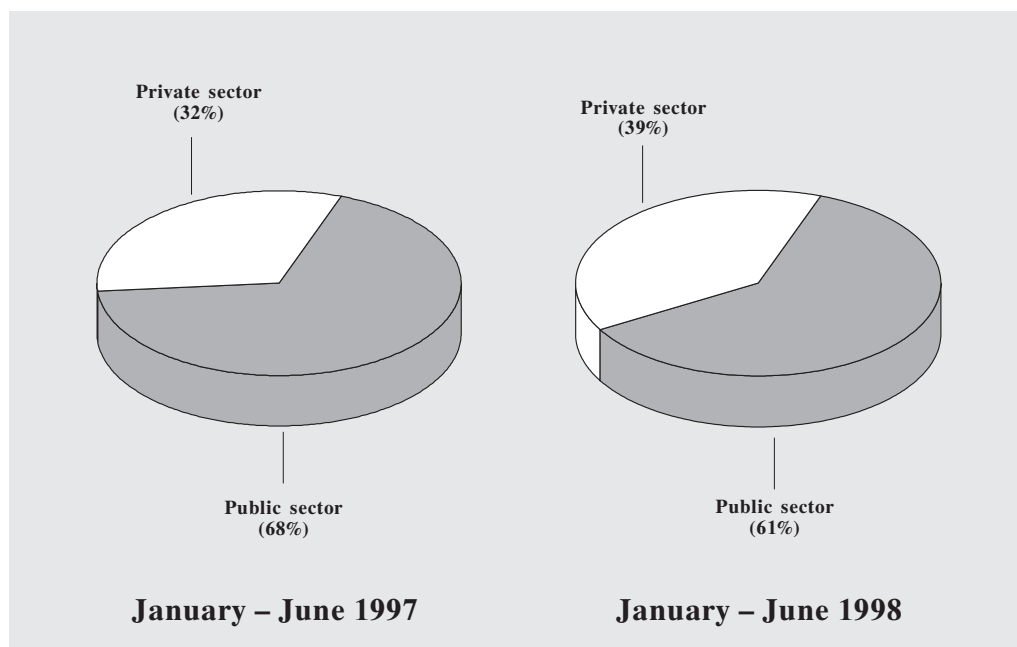


Source: NSI.

## Employment

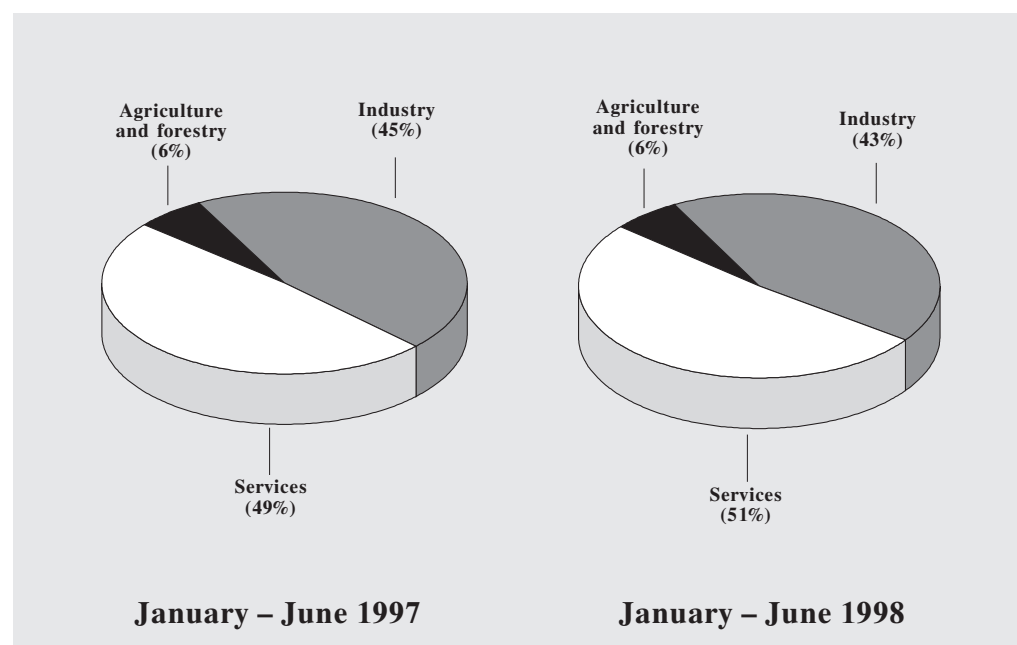
The macroeconomic stabilization and discontinued GDP decline impacted significantly employment. Data suggests that the number of employed grew by approximately 46,400 (2.3%) for the first six months of 1998 compared with 1997. At the same time, restructuring of employment continued. The number of public sector redundancies (111,500 persons) is less than the increase in the number of private sector employees (157,900 persons). This difference is offset by the 89,000 person decrease in the number of unemployed.

### EMPLOYMENT IN PUBLIC AND PRIVATE SECTORS (under labor contract)



Source: NSI.

### EMPLOYMENT BY SECTOR

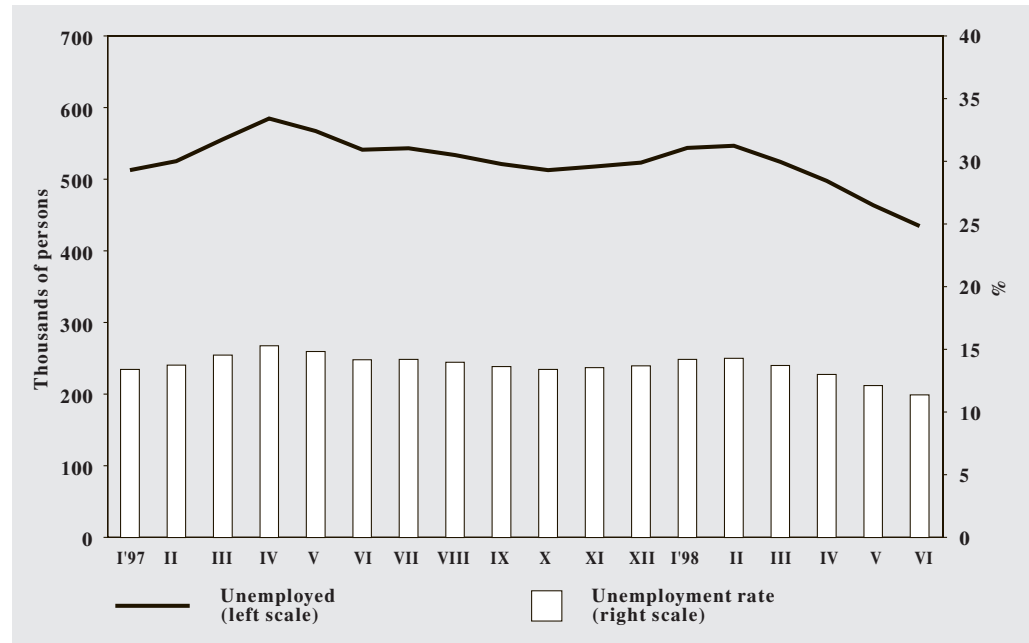


Source: NSI.

Public sector employment declined by 8%, with employed in the first half-year of 1998 numbering approximately 1,261,300 against 1,516,600 in 1997. This decline pertains to the continuous restructuring of the real sector. A great number of enterprises were privatized which resulted in a decline in the number of employed in the public sector.

Structurally, the share of employment in industry continued to fall, while the number of employed in services increased.

#### UNEMPLOYMENT



Source: NLO.

According to National Labor Office data in June 1998, the average number of registered unemployed totaled 435,000, or a decrease of 107,000 compared with June 1997. The share of unemployed in the total labor force fell from 14.2% to 11.4% between January and June 1998.

## 2. External Sector

### Balance of Payments<sup>10</sup>

#### Current Account

Between January and June 1998 the balance of payments current account showed a deficit: USD -14.5 million, against USD 235.3 million in the same period of 1997. The worsened balance on the current account during the first half of 1998 is mostly attributable to the smaller trade balance compared with the same period of 1997.

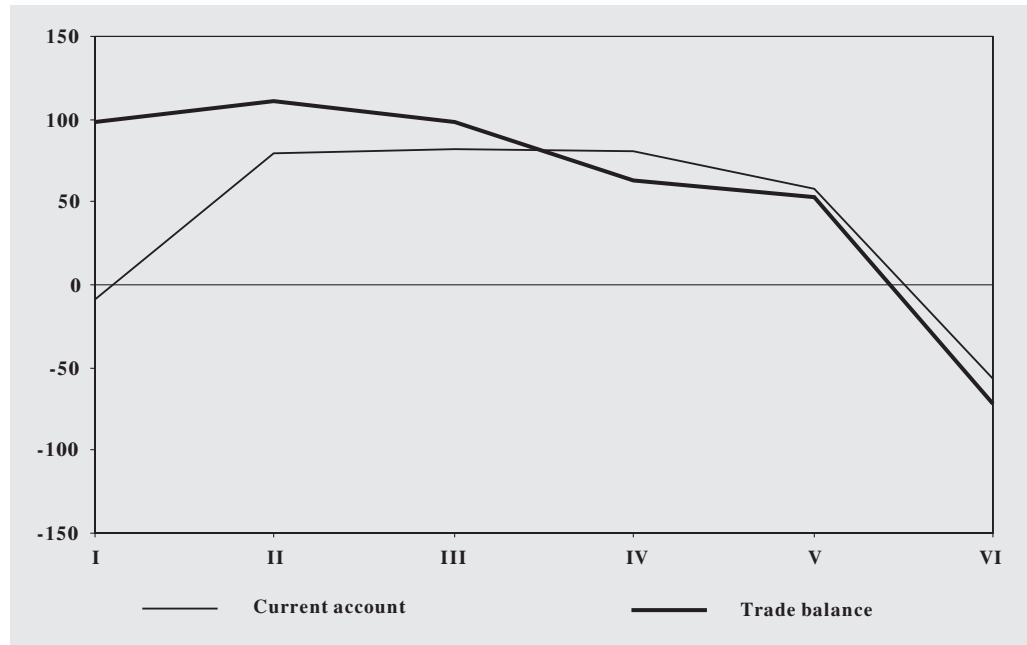
The trade balance between January and June reported a deficit of USD -11.4 million, a decrease of USD 362.6 million compared with the January to June 1997 period (USD 351.2 million). Greater imports contributed to the trade balance decline although it was mostly a result of reduced exports.

<sup>10</sup> The analysis is made in accordance with the balance of payments analytical table (IMF 4th edition of the *Balance of Payments Manual*). The BNB also designs and publishes a balance of payments according to the standard table of the 5th IMF edition of the *Balance of Payments Manual*.



**CURRENT ACCOUNT AND TRADE BALANCE, 1997**

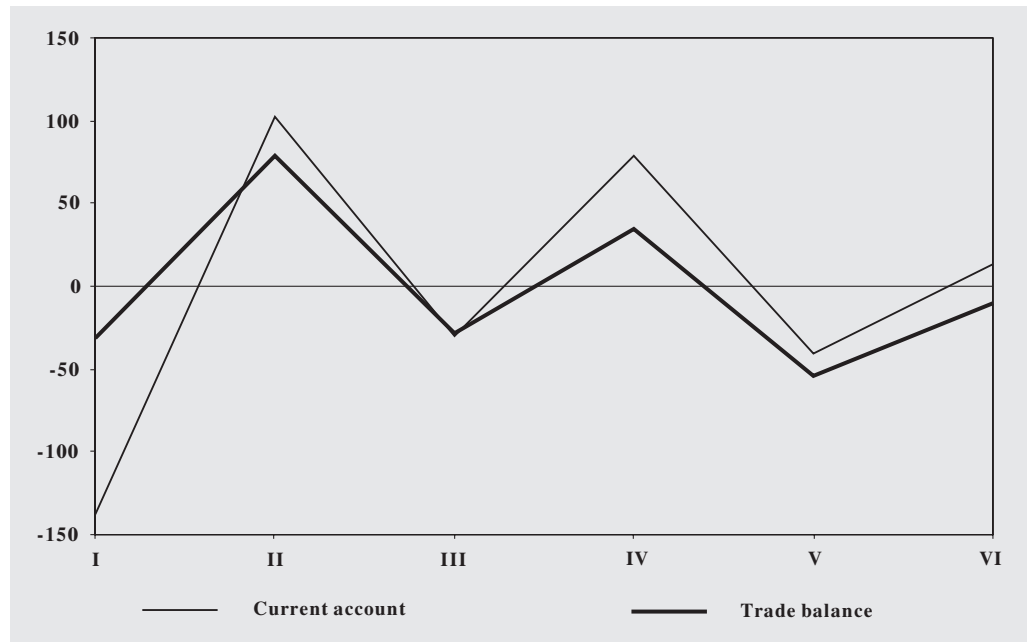
(million USD)



Source: BNB.

**CURRENT ACCOUNT AND TRADE BALANCE, 1998**

(million USD)



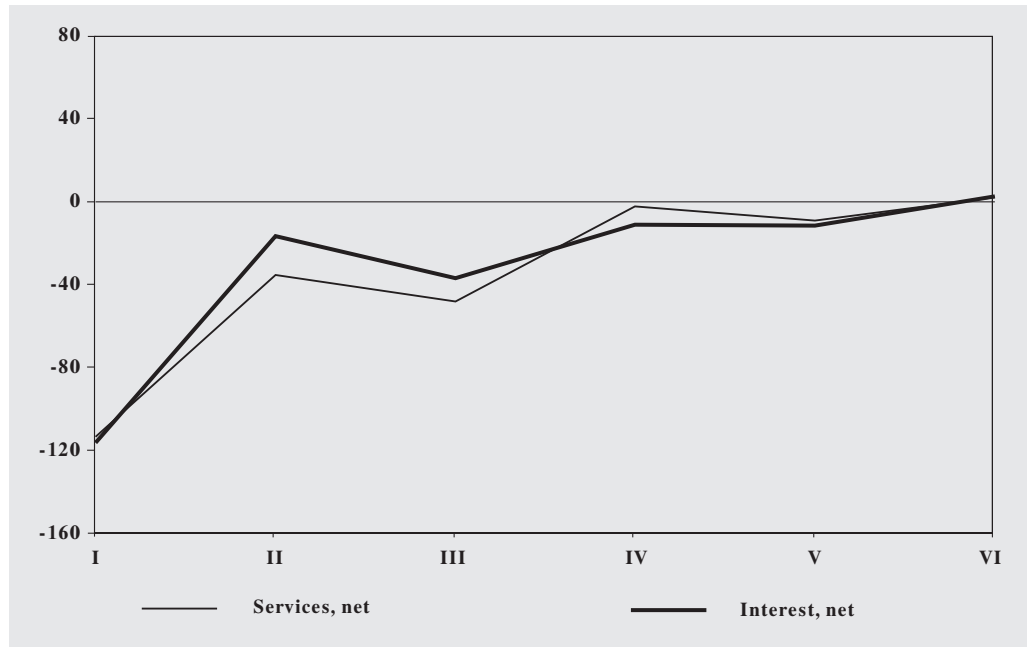
Source: BNB.

During the first half of 1998 the balance on services ended in deficit (USD -113.8 million). Nevertheless it improved by USD 91.6 million (44.6%) from a year ago when it was USD -205.3 million. The major factors behind the improvement are the greater revenue from travel and improved balance on interest.<sup>11</sup>

<sup>11</sup> The increase is mostly attributable to the improved system of reporting the number of foreign tourists visiting Bulgaria by Border Passport Control Offices. Currently a working party comprising experts from the Ministry of Tourism and Trade, the National Statistical Institute, the Ministry of Internal Affairs, and the BNB, is reviewing the methodology of valuing tourism revenues and expenses. Changes will probably occur both in credit and debit sides of the *Tourism* item after the party has reported.

**SERVICES (NET) AND INTEREST (NET), 1997**

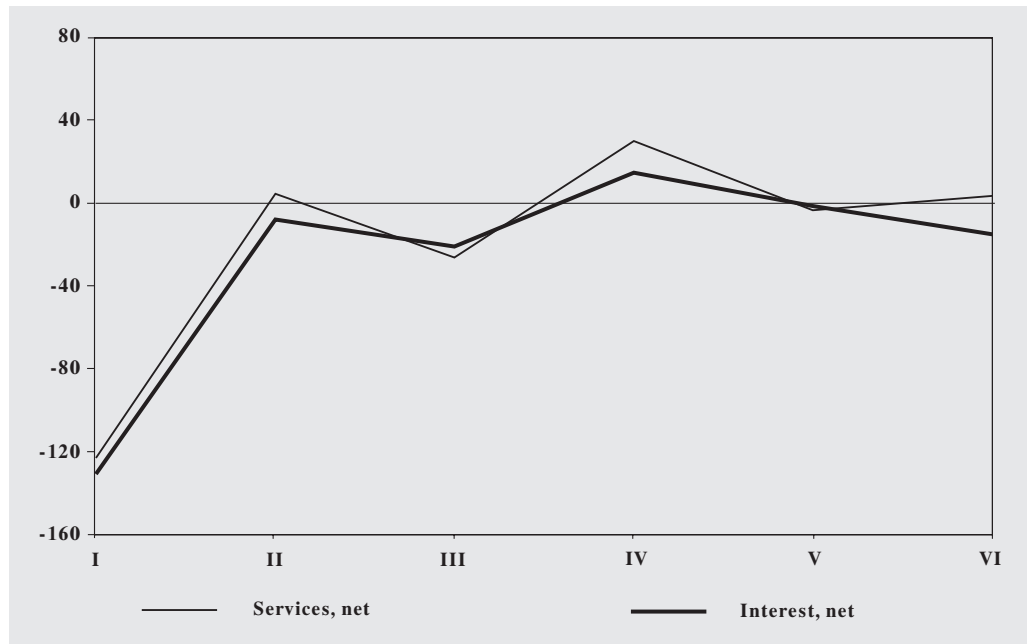
(million USD)



Source: NSI.

**SERVICES (NET) AND INTEREST (NET), 1998**

(million USD)



Source: NSI.

As a result of increased forex assets of commercial banks and the BNB, the amount of interest paid and interest due grew: USD 92.9 million, against USD 82.1 million in the same period of 1997. This, coupled with the smaller amount of interest paid and interest due (USD 253.7 million against USD 271.3 million in the first half of 1997), helped improve the balance on interest (by USD 28.4 million) between January and June 1998. Significant net interest payments continued to impact most seriously the movements in net services.

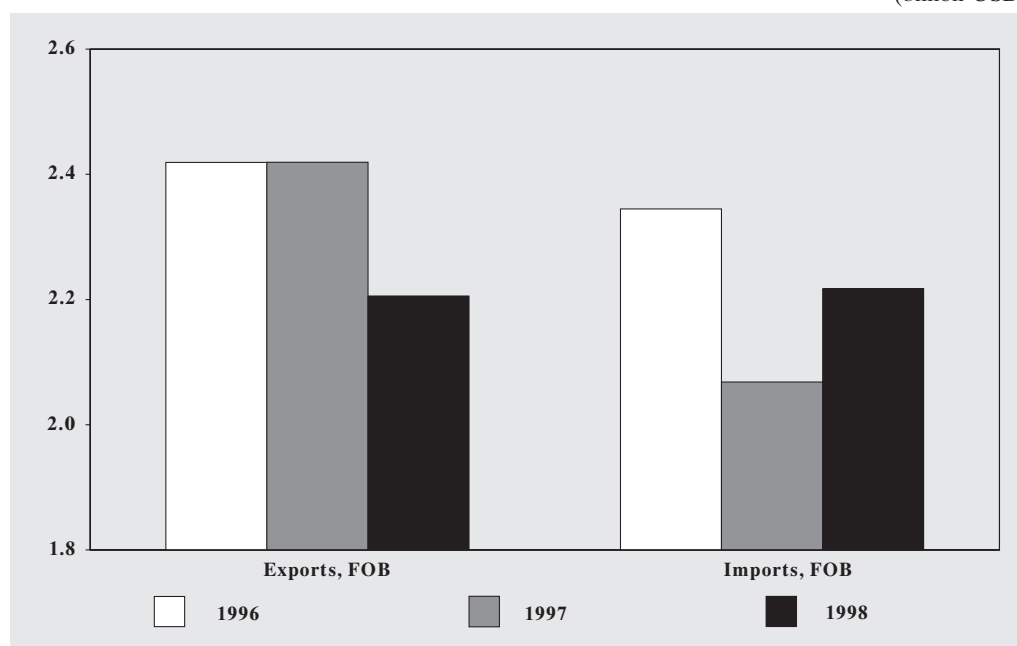
## Foreign Trade

Between January and June 1998 Bulgaria's foreign trade developed under the conditions of continuous fall in demand for raw material feedstocks in international markets. At the same time, import developments signal a revival of domestic demand, though at a slow pace. Despite the dramatic fall in crude oil prices, significant falls in prices of some goods which comprise a significant share of Bulgaria's exports worsened the conditions for Bulgaria's trade, resulting in lower net export revenue.

The trade balance between January and June showed a deficit of USD -11.4 million, a decrease of 362.6 million compared with January to June 1997 period. Greater imports contributed to the trade balance decline although it was mostly a result of reduced exports. According to preliminary data<sup>12</sup>, between January and June 1998 exports (FOB) totaled USD 2,205.6 million, or USD 213.8 million (8.8%) less than a year ago. Imports (FOB) amounted to USD 2,217 million<sup>13</sup>: an increase of USD 148.8 million (7.2%) compared with January – June 1997. Compared with the first half of 1996, exports and imports declined by USD 213.4 million (8.8%) and USD 127.7 million (5.4%).

### EXPORTS AND IMPORTS, JANUARY – JUNE

(billion USD)



Source: MF Computing Center, NSI and BNB.

**Exports.** Price falls in international commodity markets due to the Asian crisis and changed demand by Bulgaria's trading partners predetermined the adverse changes in exports between January and June 1998.

<sup>12</sup> Preliminary data from customs declarations obtained from the Ministry of Finance Computing Center (as of 10 September 1998), supplemented by the NSI and processed by the BNB.

<sup>13</sup> Due mostly to delays in presenting customs declarations for processing. After data revisions in the following months imports usually increase for the current period.

## INDICES OF MARKET PRICES FOR SOME COMMODITIES

Commodities	Indices 1990 = 100		Change, % June 1997 – June 1998
	1997	June 1998	
Cereals	116.2	90.5	-15.2
Wool	83.0	61.0	-32.3
Cotton	94.6	84.9	-10.7
Copper	84.3	63.3	-33.9
Zinc	85.4	67.5	-22.5
Crude oil	82.7	55.2	-27.8

Source: IMF. Indices of Market Prices for Non-fuel Commodities and Petroleum, 1995 – 1998.

Data in the table below indicates that the dramatic decline in revenue from exports during the first six months of 1998 is attributable mostly to the big share of exported raw material feedstocks requiring insignificant processing (55.9% of total exports). It is typical in periods of crisis for prices of raw materials to fall at a faster rate than the prices of goods with bigger added value in international markets. Export revenue from raw materials and energy resources declined by USD 184.6 million (13.4%) from one year ago. These products contributed most significantly (7.6 percentage points) to the overall decline in exports: 8.8%.

## CONTRIBUTION OF SOME COMMODITY GROUPS TO TOTAL EXPORT CHANGE

Commodity groups	Share in total 1997 exports, %	Contribution to total export change (percentage points)			
		1997	1998		
			I quarter	II quarter	January – June
Consumer goods	29.2	-0.8	-1.1	0.3	-0.4
Raw and other materials	48.2	1.0	-4.7	-5.3	-5.0
Investment goods	14.9	-0.6	-0.6	-1.1	-0.8
Energy resources	7.7	1.1	-0.7	-4.4	-2.6
EXPORTS, TOTAL (FOB)	100.0	0.7	-7.1	-10.5	-8.8

Source: MF Computing Center, NSI and BNB.

Exports of chemicals, plastics and rubber experienced the most significant drop (USD 128.2 million, or 25.7%), falling by USD 24.9 million (32.7%) in June alone. This was a result of the crisis in the fertilizers market which occurred in early 1997. The price slump of petroleum is the major factor behind the fall in exports in the mineral products and fuels aggregate commodity group both in value and physical volume<sup>14</sup>. During the first six-month period in 1998 exports dropped by USD 96.9 million (38.8%) compared with the same period of 1997.

Between January and June 1998 exports in the aggregate commodity group of textile, leather materials, clothing, footwear *et alia* significantly increased: USD 42 million, or 11.2%.

**Imports.** Enhanced domestic demand during the first half of 1998 coupled with liberalized trade of certain commodity groups in particular regions were the major factors behind increased imports. These two factors had a stronger effect than the price fall of crude oil in international markets irrespective of the significant share of mineral fuels in Bulgaria's imports (30.3% of total 1997 imports). Between January and June 1998 imports (CIF) increased by USD 343.6 million (imports of mineral fuels excluded), while imported mineral fuels compared with the same period of 1997 decreased by USD 170.5 million.

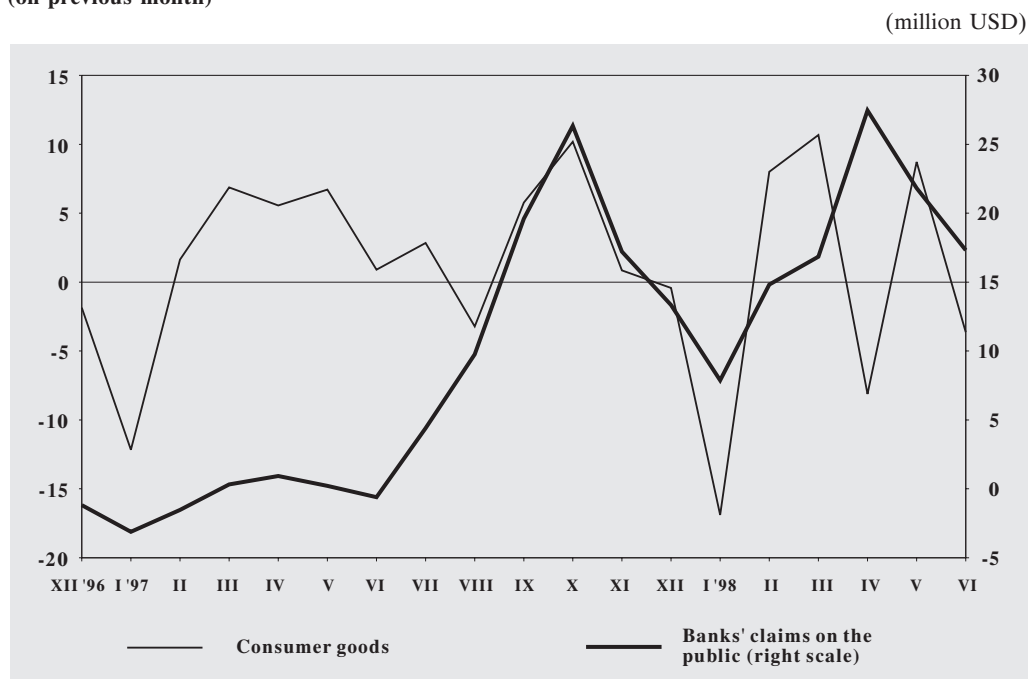
Reduced credit to nonfinancial public and private enterprises in real terms between January and June 1998 impeded import growth at the faster pace necessary

<sup>14</sup> The drop in oils other than crude oils commodity group is 297,900t (42.5%) in physical terms and USD 72.8 million (56.4%) in value terms. The average price of exported products based on customs declarations decreased by USD 44.5 per ton (24.2%) during the first half of 1998.

for the provision of raw materials for Bulgaria's exports and technological updating in industries.

Compared with the first half of 1997 the consumer goods group experienced the biggest growth in the structure of imports by use (USD 130.3 million, or 59.9%): a result of enhanced domestic demand. Increased domestic demand for consumer goods reflects greater credit extended to the public from June 1997 related to the introduction of the currency board. Consequently, imports of consumer goods contributed most significantly (5.8 percentage points) to the overall growth in imports (CIF) during the first half of 1998: 7.8%.

**CONSUMER GOODS IMPORT DYNAMICS AND BANKS' CLAIMS ON THE PUBLIC  
(on previous month)**



Source: MF Computing Center, NSI and BNB.

In addition, enhanced imports of food, drink and tobacco (USD 44.8 million, or 98.2%) reflects both the insufficient supply of some domestically produced foods and the lower quality of some Bulgarian goods (given comparable prices of Bulgarian and imported foods). The increased imports of clothing and footwear by 34.3% (USD 23.4 million) is attributable to the supply of price-competitive imported goods in the Bulgarian market.

Given the stronger demand for Bulgarian textile goods in international markets and intensive production of textile goods with materials supplied by the client, imports of textile materials (USD 25.7 million, or 11.9%) contributed most significantly to the growth in imports of raw materials (USD 105.9 million, or 11.7%). Imports of electrical machines and transportation facilities increased most significantly in the group of investment goods (USD 107.4 million, or 30.1%): by USD 51.9 million (130.4%) and USD 38.7 million (118.3%) respectively. This is a result of both liberalized trade, and investment into privatized enterprises.

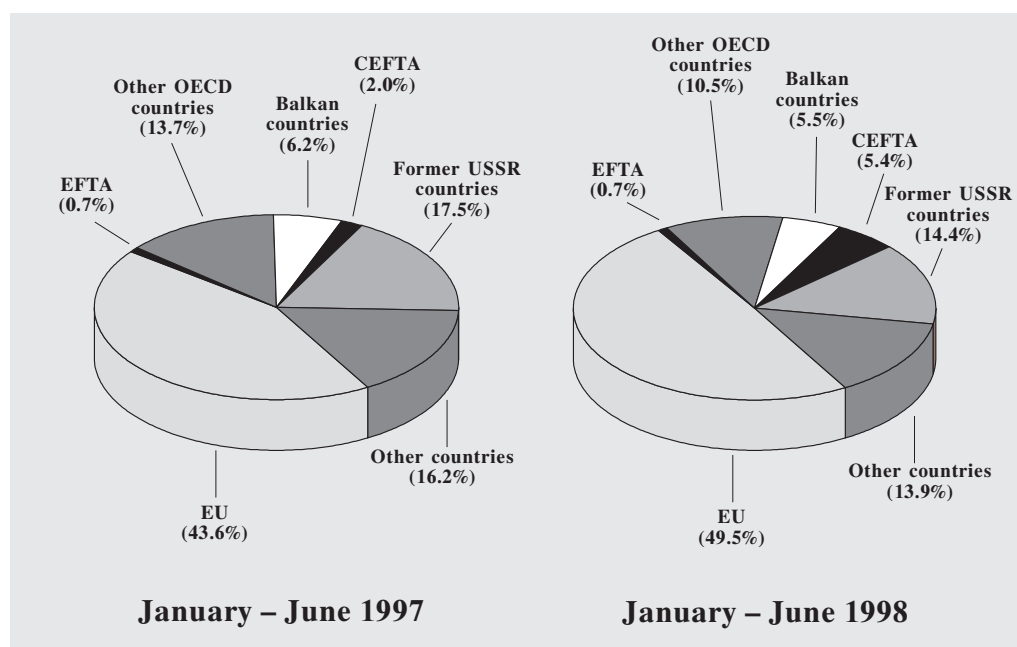
## CONTRIBUTION OF SOME COMMODITY GROUPS TO TOTAL IMPORT CHANGE

Commodity groups	Share in total 1997 imports, %	Contribution to total import change (percentage points)			
		1997	1998		
			I quarter	II quarter	January – June
Consumer goods	11.6	0.6	8.3	4.0	5.8
Raw and other materials	38.5	1.6	8.7	1.8	4.7
Investment goods	17.4	-1.3	8.4	2.2	4.8
Energy resources	32.5	-3.8	-1.2	-12.4	-7.6
IMPORTS, TOTAL (CIF)	100.0	-2.9	24.2	-4.4	7.8

Source: MF Computing Center, NSI and BNB.

**Geographic structure.** Compared with the January to June 1997 period, Bulgaria's exports to the EU in the first half of 1998 increased slightly (USD 37.4 million, or 3.5%) and reached USD 1,092.7 million, reflecting sustained economic growth in the EU. (Exports to the EU comprised the largest share in Bulgaria's exports for 1997.) Under the conditions of an overall export decline, this led to an increase in the share of exports to the EU, which reached 49.5% between January and June 1998, against 43.6% in the same period of 1997. The high share of Bulgaria's exports in GDP (48.4% in 1997) and the enhanced share of exports to the EU indicate a growing dependence of export and GDP growth rates on EU growth.

## EXPORTS



Source: MF Computing Center, NSI and BNB.

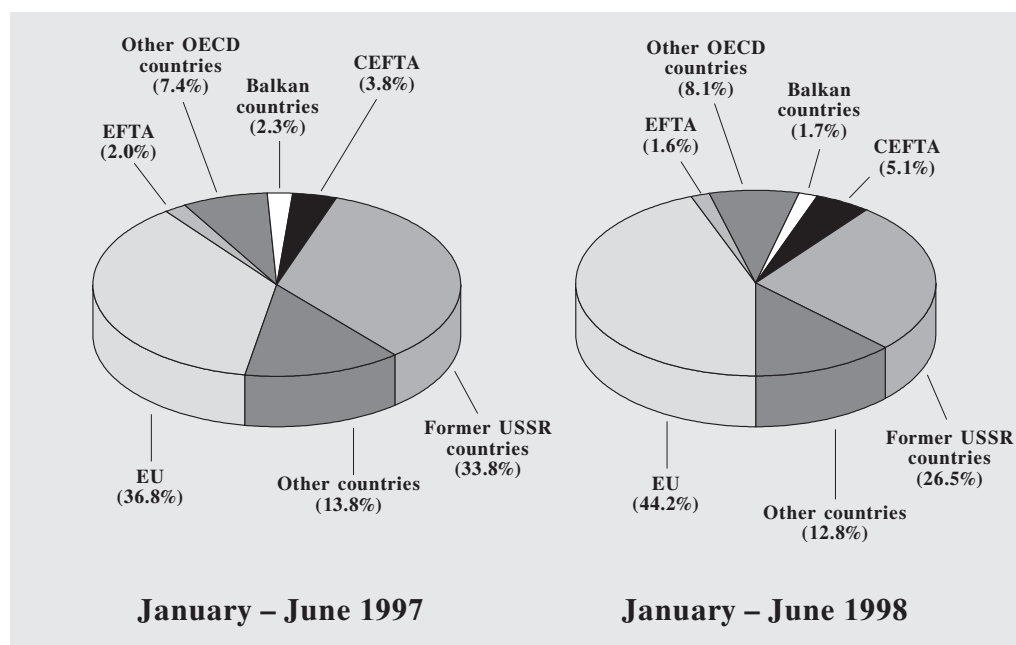
Exports to the former USSR countries declined by USD 107.2 million (25.3%), prompting a decrease in the share of exports to these countries in overall exports from 17.5% in 1997 to 14.4% in 1998. Reduced exports to Russia led this drop (USD 39.5 million or 21.4%), reflecting high import duties imposed on Bulgarian goods and Bulgarian exports' insufficient competitiveness. Reduced internal demand in the countries of southeast Asia<sup>15</sup> and Japan due to the economic crisis in that region resulted in a dramatic drop in exports to these countries: USD 43.4 million, or 56.6%.

Imports (CIF) from the EU significantly increased (by USD 240.6 million, or 29.3%), particularly those from Germany and Greece.

<sup>15</sup> Including Korea, Malaysia, Thailand, the Philippines and Indonesia.

Compared with the first half of 1997 imports from Russia sharply decreased: by USD 136.3 million (21%), with imports in mineral fuels and mineral oils group contracting most dramatically (by USD 154.1 million, or 27.7%). Given the dramatically devalued currencies of the southeast Asian countries and Japan, and the enhanced competitiveness of their output, imports from these countries grew by USD 22.5 million, or 62.5%.

#### IMPORTS



Source: MF Computing Center, NSI and BNB.

**Change in commodity prices in international markets and implications for Bulgaria.** Prices of a number goods and raw materials started falling in international markets from the second half of 1997. Price falls, continuing in the first half of 1998, are associated with deepening economic and financial crises in Asia. In 1997 Asia accounted for 38% of total world crude oil consumption. Five of the most strongly crisis-hit countries consumed 8.25% of total copper produced in 1996. Among exporting countries, most severely hit were those whose exports are dominated by raw materials and commodities requiring less processing. International markets became a channel for the transmission of adverse effects from the Asian crisis to other countries, including Bulgaria. Early 1997 saw the beginning of the crisis in the chemical fertilizers market: a result of reduced fertilizers demand in China. The Russian crisis and the devalued Russian rouble additionally complicated forecasts for development of these markets. Revival of prices in international commodity markets depends primarily on the rates of recovery in the Asian economies, the pace and methods of economic stabilization in Russia, and developments in the world economic crisis.

In contrast to other countries, Bulgaria's exports include more than one or two dominating goods. Since the crisis affected various goods and commodity groups (crude oil, copper, chemical fertilizers, steel, etc.), price drops had a significant effect on Bulgaria's exports. According to preliminary data, 50% of Bulgaria's exports (based on 1997 data) are affected by the drop in international prices. Further commodity price drops will result in a decline in exported physical volumes which will additionally reduce export revenue. According to BNB estimates based on customs declarations, the average export price of fertilizers between January and June 1998 fell by 22.2% and exported volume by 27.2%. Other adverse effects are associated with a decline in profitability, output contraction, incomes drops and employment correspondingly. Given the high share of exports in GDP (48.4% in 1997), it is

likely that 1998 GDP growth will also be affected.

The fall in prices of crude oil favored Bulgaria's exports (crude oil comprised 15.5% of imports in 1997). Nevertheless, given the seasonally enhanced demand (during the second half of the year) in international markets and exhausted reserves of oil, a slight increase in prices is expected which will offset the positive effect of reduced expenditure on fuel imports for Bulgaria. In general the portion of Bulgaria's exports affected by international price falls (in absolute and relative terms) is greater than that which is favored by the effects of decreased prices. As a result, the net effect on the trade balance is negative.

The serious structural changes that Asian economies have to make give no grounds for expecting a fast recovery, and of resulting price increases due to enhanced demand. It is likely that steel, copper, fertilizers and other goods supplies will increase in international markets due to the devalued rouble, and this will additionally depress the prices of goods, including those important for Bulgaria's exports. Similar behavior may be expected from other countries with depreciating currencies. These facts cause concerns: first, the deterioration in terms of trade will not be short-lived; and second, this will have an adverse effect on the country's balance of payments in the medium run.

## **Capital Account**

Despite the significant principal payments on Bulgaria's foreign debt, new loans disbursed by the European Union and the World Bank, and direct investment into the country during the first half of 1998 resulted in a surplus on the balance of payments capital account, totaling USD 184.3 million against USD 292.6 million a year ago.

Between January and June 1998 direct investment<sup>16</sup> into Bulgaria totaled USD 109 million, a decrease of USD 206.1 million compared with the same period of 1997 (USD 315 million).

Between January and June 1998 portfolio investment (net) decreased by USD 77.9 million (against a growth of USD 177.9 million in the same period of 1997), a result both of declined portfolio investment by nonresidents (by USD 16.4 million) and an increase in residents' investment abroad (USD 61.5 million). Dramatically declined investment of nonresidents in government securities reflects the sharply narrowed interest rate spread between the lev and the Deutschemark. The decline in portfolio investment on the one hand, and significantly increased forex reserves on the other, helped improve the ratio between the nominal value of government securities held by nonresidents and BNB foreign exchange reserves. This resulted in the strengthening of the balance of payments.

Long- and medium-term net obligations to foreign creditors, including loans in support of the balance of payments (IMF loans excluded) increased by USD 276.2 million (against a decrease of USD 35.6 million for the first half of 1997). This increase reflected primarily the World Bank's FESAL extended in March, in the amount of USD 100 million, and renegotiation of Bulgaria's debts to the former GDR, worth USD 192.8 million.<sup>17</sup> Between January and June 1998 Bulgarian obligations to the IMF increased by USD 111.5 million (net) due to the last two tranches of USD 166 million disbursed in May under the fifth standby agreement with the IMF.

During the first half of 1998 commercial banks' deposits abroad decreased by USD 46.4 million, while they grew by USD 304.6 million in the same period of 1997.

Commercial banks' assets abroad increased slightly: by USD 15.1 million. However, this is far less than in the same period of 1997 (USD 310.5 million). This reflects the change in the balance on the current account compared with the first half of 1997.

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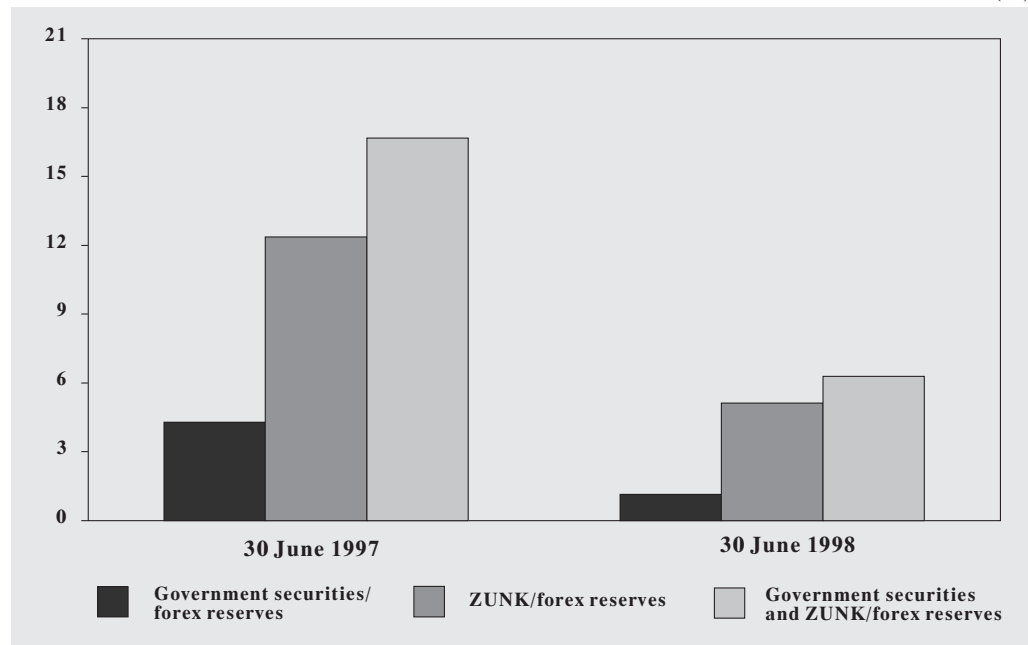
<sup>16</sup> Preliminary data. Direct investment is reported in accordance with the requirements of Chapter XVIII of the IMF fifth edition of the *Balance of Payments Manual*.

<sup>17</sup> Renegotiation of Bulgaria's debts to the former GDR in the amount of clearing roubles 507 million.



**RATIOS BETWEEN NOMINAL VALUE OF GOVERNMENT SECURITIES HELD BY NONRESIDENTS AND BNB FOREIGN EXCHANGE RESERVES**

(%)



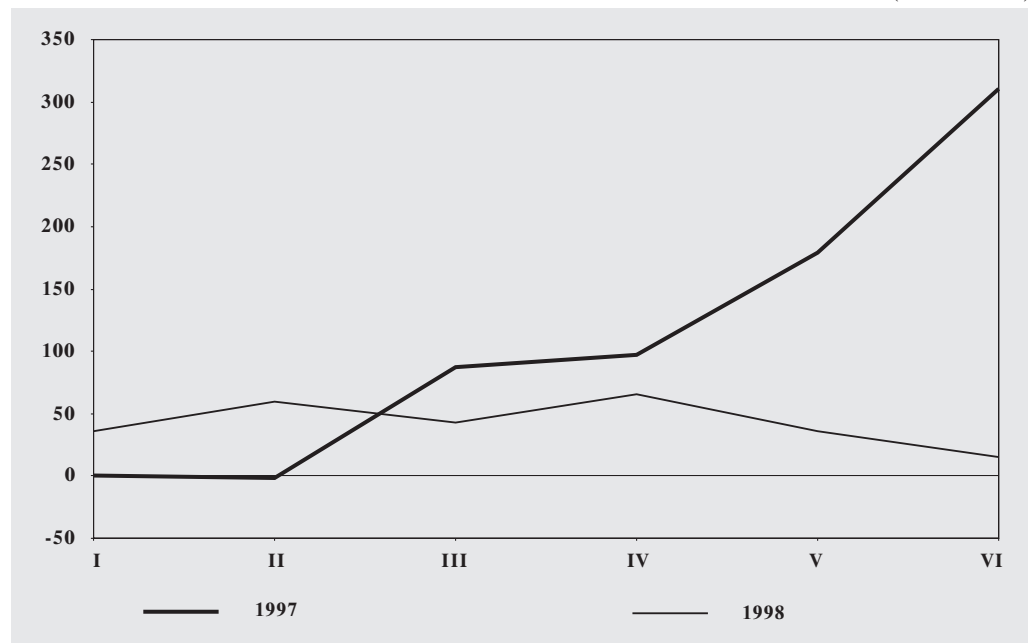
Source: BNB.

Between January and June BNB forex reserves grew by USD 423 million (17.1%), reaching USD 2,897.2 million. In the first half of 1997 this growth was USD 860.9 million.

The overall balance for the first six months of 1998 ran a surplus of USD 294.2 million, against USD 648.6 million in the same period of 1997.

**CHANGE IN COMMERCIAL BANKS' ASSETS ABROAD**  
(cumulative since early year)

(million USD)



Source: BNB.

## Foreign Debt

According to preliminary data, Bulgaria's *gross* foreign debt by end-June 1998 totaled USD 9,993.4 million, including *long-term* obligations of USD 8,856.6 million (88.6%) and *short-term* obligations of USD 1,136.8 million (11.4%). Compared with 31 December 1997 gross foreign debt increased by USD 236.9 million (2.4%).

During the first six months of 1998 the country's *long-term* foreign debt rose by USD 296.1 million (3.5%). Compared with December 1997, *short-term* obligations decreased by USD 59.2 million (5%) due primarily to the renegotiation of Bulgaria's debts to the former GDR.

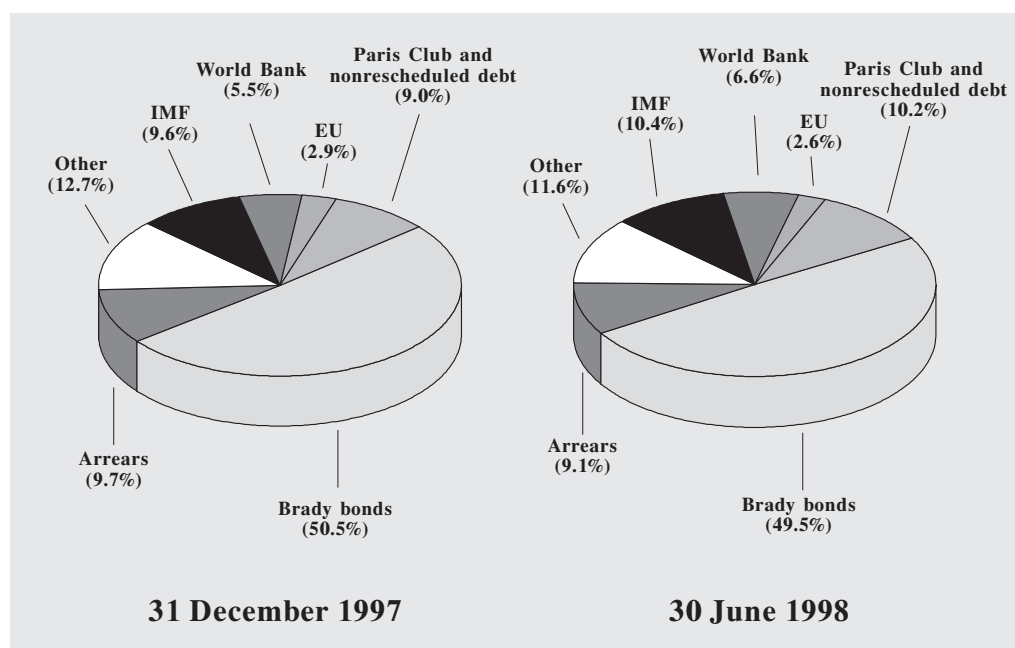
### MATURITY STRUCTURE OF GROSS FOREIGN DEBT

Indicators	December 1997		June 1998	
	million USD	% of GFD	million USD	% of GFD
Long-term foreign debt	8,560.5	87.7	8,856.6	88.6
Short-term foreign debt	1,196.1	12.3	1,136.8	11.4
Gross foreign debt	9,756.5	100.0	9,993.4	100.0

Source: MF and BNB.

In terms of debt structure by creditor, Bulgaria's long-term obligations to official creditors totaled USD 3,590.4 million, an increase of USD 318.7 million (9.7%) from end-1997 (USD 3,271.7 million). The country's debt to the IMF and official Paris Club creditors increased by USD 104.5 million (11.2%).

### GROSS FOREIGN DEBT BY CREDITOR



Source: BNB.

Bulgaria's obligations to private creditors totaled USD 5,266.2 million, a decrease of USD 22.5 million (0.4%) compared with 31 December 1997 (USD 5,288.7 million). This is attributable to reduced obligations on foreign currency-denominated bonds issued prior to 1991, and the smaller amount of government securities acquired by nonresidents. Obligations on Brady bonds accounted for the largest share of debts to private creditors: 93.8%.

According to preliminary data, payments on gross foreign debt between January and June 1998 totaled USD 533.4 million, including principal repayments of USD 302 million and interest repayments of USD 231.3 million. Between January

and June 1997 debt payments amounted to USD 348.9 million, including principal repayments of USD 131 million and interest repayments of USD 217.9 million).

#### GROSS FOREIGN DEBT REPAYMENTS

(million USD)

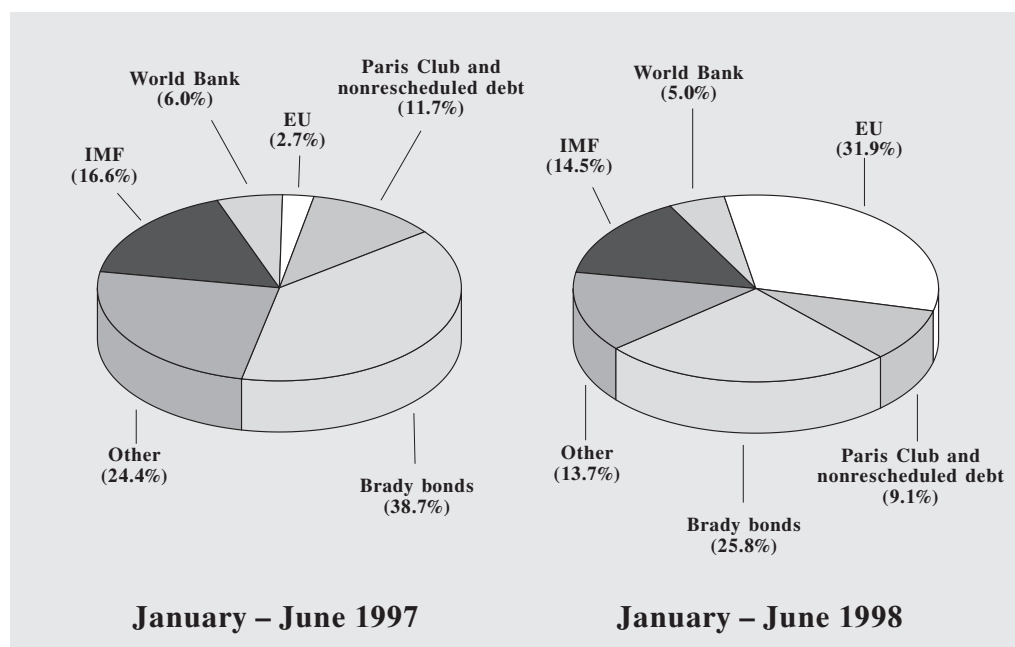
	I quarter	1998	
		II quarter	January – June
Principal	254.0	48.1	302.0
Interest	198.5	32.8	231.3
Total	452.5	80.9	533.4

Source: MF, Bulbank and BNB.

Repayments on the country's long-term debt totaled USD 513.7 million, against USD 320.3 million in 1997. Increased repayments from the first half of 1997 by USD 193.4 million (60.4%) reflect a loan repayment of USD 161.6 million in March to the European Union. Repayments of USD 19.7 million were made on the short-term foreign debt.

As regards creditors, repayments to the European Union accounted for the largest portion (USD 167.6 million), followed by repayments on Brady bonds (USD 135.5 million), repayments to the IMF (USD 76 million), those to Paris Club official creditors and on nonrescheduled debt (USD 48.1 million).

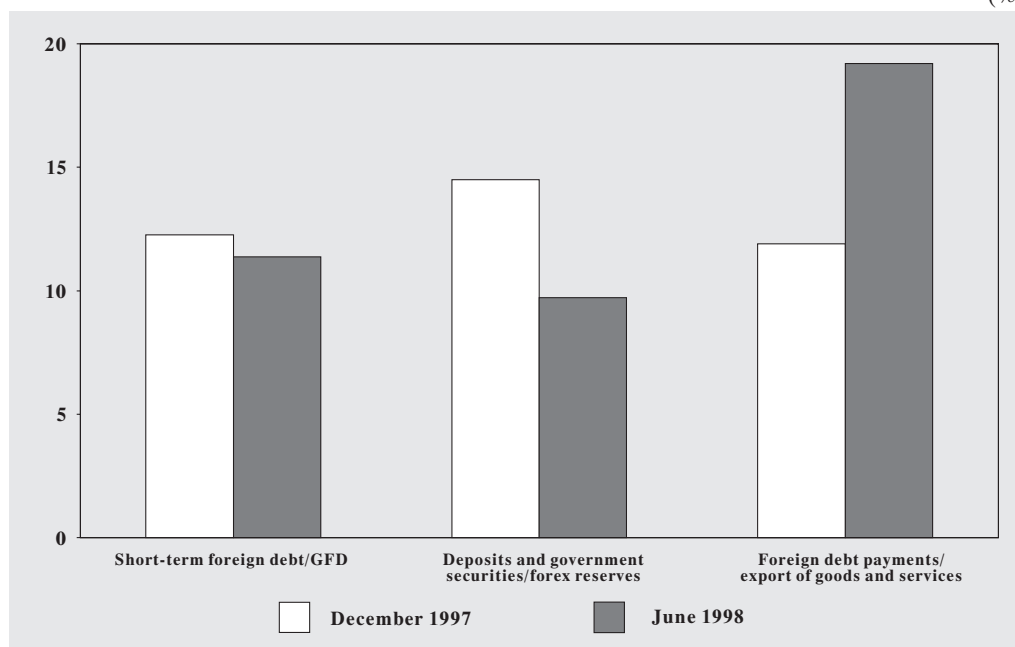
#### GROSS FOREIGN DEBT REPAYMENTS BY CREDITOR



Source: BNB.

## DEBT INDICATORS

(%)



Source: BNB.

### 3. Monetary Sector

During the first half of 1998 *monetary and credit aggregates* dynamics, characterizing monetary sector developments, slowed down considerably from the second half of 1997.

During the first half of 1998 effective methods of bank and monetary statistics were modified to reflect developments in the banking sector. As of end-1997 monetary survey indicators for all banks were supplemented with indicators for the 16 nonoperating banks in liquidation. This was instrumental in assessing their impact on the general dynamics and structure of monetary and credit aggregates.

#### Monetary Aggregates

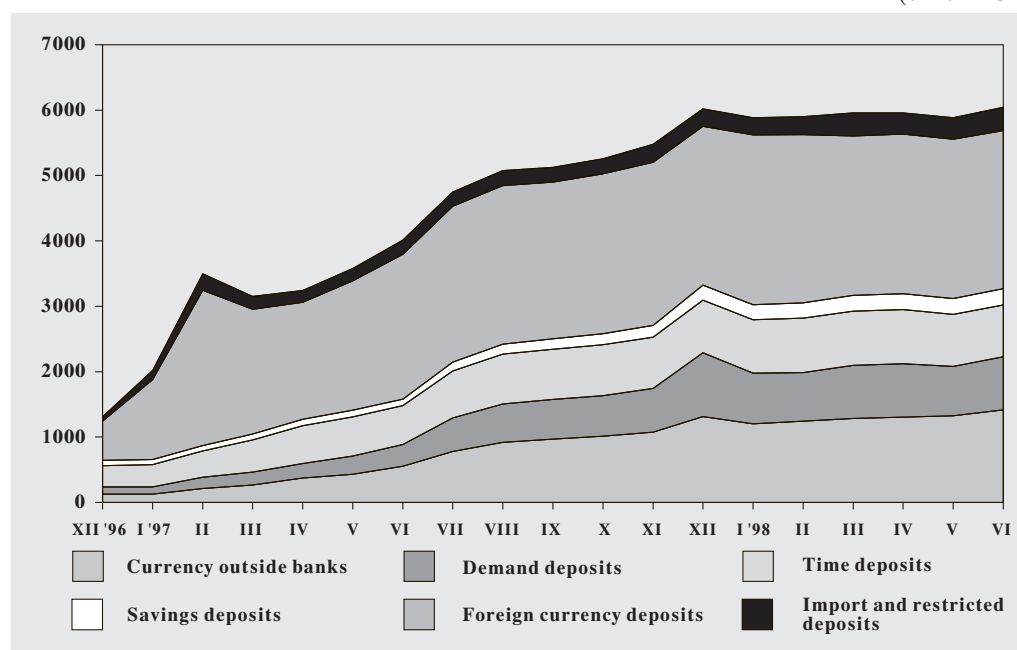
Under a currency board arrangement monetary aggregates dynamics is completely based on market principles whereas the central bank relinquishes discretionary monetary policy designed to regulate particular monetary aggregate, interest or foreign currency indicator<sup>18</sup>. The BNB did not employ the only monetary tool left at its disposal (minimum required reserves) and did not have to act as lender of last resort. Therefore the first six months of 1998 in the context of the currency board may be regarded as the beginning of sustainable trends after initially restoring of confidence in the lev and the banks.

During the first half of 1998 the *broadest monetary aggregate*, including currency outside banks and all types of deposits and accounts of state-owned and private companies, nonbank financial institutions and individuals, rose by BGL 28.8 billion, or 0.4%. Compared with inflation of 2.3% for the same period, money supply contracted in real terms, though insignificantly. This was combined with relatively low money demand in 1998 consistent with slow economic recovery. This is confirmed by unstable monthly dynamics of broad money: a fall in January and May and a rise over the other four months. This is attributable to seasonal factors which determine the dynamics of high-liquid monetary aggregates and hence that of money supply.

<sup>18</sup> Certain shocks on reserve money and hence on money supply stem from the movement of the government deposit with the Issue Department liabilities. This gives ground to assume existence of 'quasi-monetary policy'. For more detail, see *Financial Repression and Credit Rationing under Currency Board Arrangement for Bulgaria*. BNB. Discussion Papers, DP/2/1998.

MONETARY AGGREGATES DYNAMICS

(billion BGL)

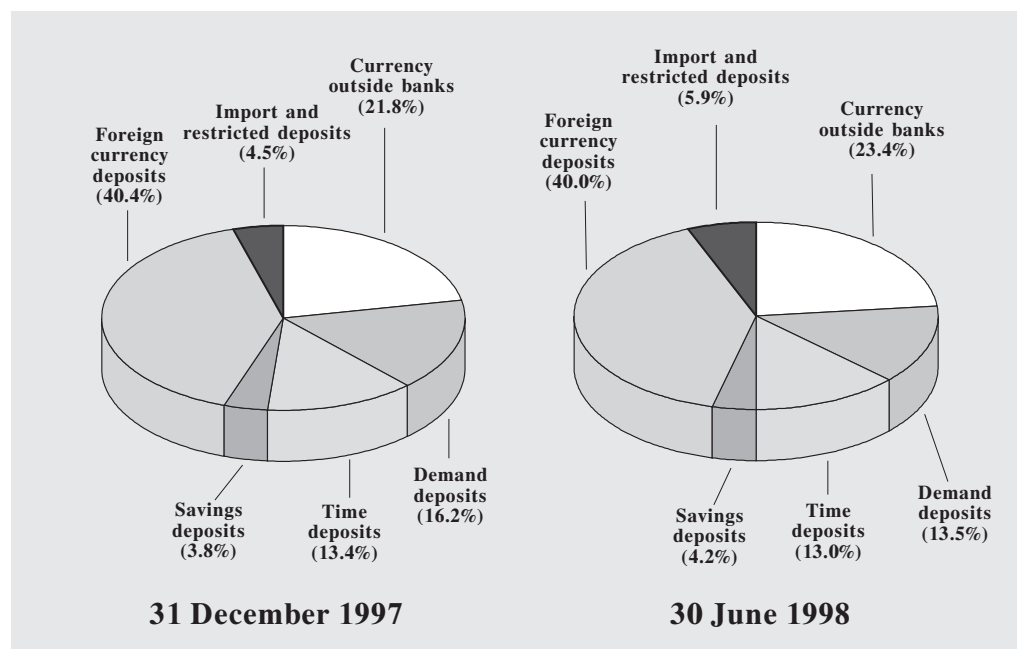


Source: BNB.

During the first six months of 1998 broad money dynamics reflected the dynamics of the most liquid monetary aggregates. Over the reporting period the *M1* monetary aggregate fell by BGL 60.5 billion: 2.6% in nominal terms and almost 5% in real terms. The latter resulted from two opposite effects: *currency outside banks* rose by BGL 102.1 billion, while *current accounts* fell by BGL 162.6 billion. Cash balances dynamics reflected seasonal factors: a considerable decrease in January, gradually offset by May and subsequent growth in June, consistent with increased money demand for cash payments. This increased the share of currency outside banks in broad money: from 21.8% in December 1997 to 23.4% six months later. During the period under review developments in demand deposits are attributable to the combined effect of seasonal factors and economic activity. The nominal decrease is due mainly to increased tax payments and other transfers to the exchequer considerably strengthening the government budget revenue side. A more sizeable decrease occurred in demand deposits of state-owned companies (over BGL 100 billion), and BGL 58 billion of private companies. In June 1998 private companies' demand deposits exceeded those of state-owned companies by BGL 33 billion, or 10%. This might be a signal of growing financial problems in a number of state-owned companies due to delayed restructuring and privatization.

During the first half of 1998 *quasi-money* decreased by BGL 1.5 billion. The *lev* component grew, but slightly: by BGL 10.5 billion, reflecting savings deposit growth of BGL 26.6 billion and time deposit decrease by BGL 16.2 billion. This is attributable to more favorable conditions for investors in savings deposits with the most sensitive ones quickly shifting their preference, given the low general interest rate level. The process did not involve effective withdrawal of funds and did not threaten the deposit base. It should be noted that despite low inflation in the first half-year real interest rates on one-month deposits stood slightly negative (-0.92%) and did not encourage savings growth. With sustained low inflation in 1998 and 1999 this could be overcome.

## STRUCTURE OF MONEY SUPPLY



Source: BNB.

During the reporting period *foreign currency deposits* decreased by USD 32 million. State-owned companies' foreign currency deposits fell considerably (USD 82 million, or 24%), providing yet another indication of their financial difficulties. Other sectors experienced growth in foreign currency deposits: USD 2 million (1%) for private companies, USD 37 million (5%) for individuals and USD 10 million (20%) for nonbank financial institutions. In June private companies' foreign currency deposits exceeded those of state-owned companies by USD 9 million. At the same time reported growth in foreign currency deposits of individuals and non-bank financial institutions reflected inertia in their preferences.

The greatest increase, by almost one third, was registered by the least liquid component of broad money: *import and restricted deposits*. The lev component grew by more than BGL 40 billion and the forex by USD 24 million. This may be a result of increased imports, typical of countries with a fixed exchange rate. Actually growth in these deposits completely offset the decrease in M2 monetary aggregate, including M1 monetary aggregate and quasi-money. Broad money's overall liquidity decreased, though slightly, thus contributing to the stability of the currency board and the banking system.

Under a currency board arrangement the dynamics of *reserve money*, including currency outside banks and bank reserves, followed movements of the central bank's foreign currency reserves. Although BNB ability to regulate this core monetary aggregate is subdued by law, the analysis of the process of money multiplication is critical to the assessment of currency board stability. Following a considerable growth in the first months after currency board adoption, particularly in December 1997, in the first half of 1998 reserve money fell by BGL 100 billion, or 5%. The fall is due to seasonal factors, tight fiscal policy consistent with maintenance of a significant budget surplus on government accounts with the BNB, and currency board rules<sup>19</sup>.

<sup>19</sup> See *Financial Repression and Credit Rationing under Currency Board Arrangement for Bulgaria*. BNB, Discussion Papers, DP/2/1998.

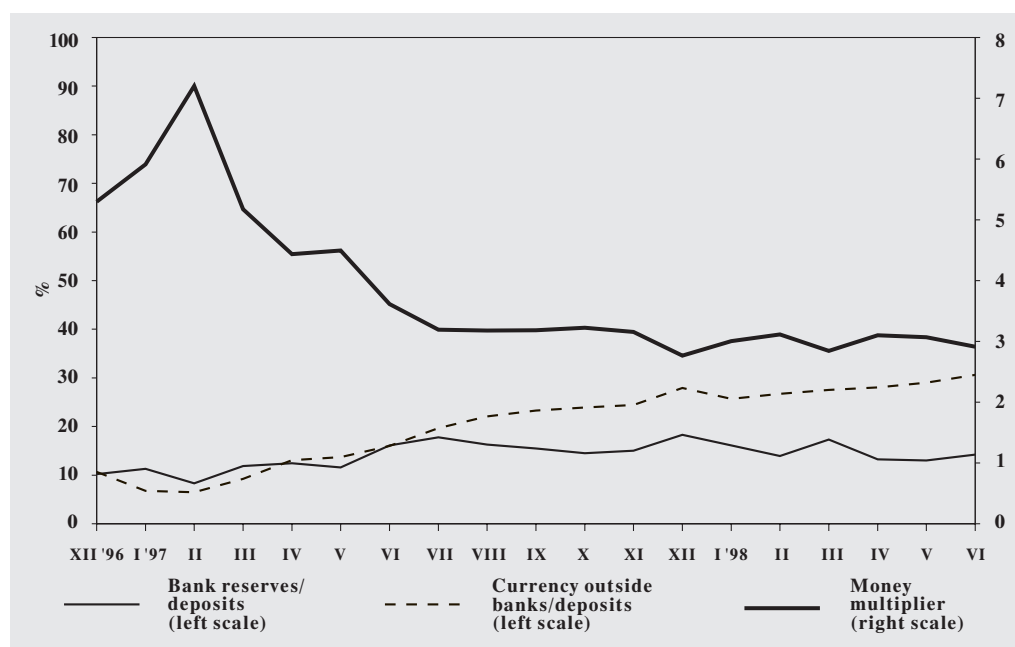
## RESERVE MONEY AND MONEY MULTIPLIER

Indicators	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98
Broad money, billion BGL	6,019	5,893	5,899	5,958	5,959	5,884	6,045
Reserve money, billion BGL	2,174	1,958	1,893	2,095	1,921	1,916	2,074
Money multiplier	2.77	3.01	3.12	2.84	3.10	3.07	2.91
Currency outside banks/deposits, %	27.9	25.7	26.7	27.5	28.0	29.0	30.7
Bank reserves/deposits, %	18.3	16.0	13.9	17.3	13.2	13.0	14.1

Source: BNB.

Between January and June 1998 *money multiplier*, measured by the proportion of broad money to reserve money, moved within the 2.91 – 3.12 range. A slight upward trend emerged. Though volatile, this was well below the levels attained prior to the introduction of the currency board. The rise in money multiplier reveals enhanced financial intermediation by commercial banks, though very slow so far. Money multiplier dynamics reflects changes in the two essential ratios (bank reserves/deposits and currency outside banks/deposits) which displayed divergent trends. The former is indicative of commercial banks' behavior. Its fall reflects a fall in commercial bank excess reserves with the BNB and is an indirect indication of commercial bank credit and investment expansion domestically and abroad. Contributing factors are: amended regulation on open foreign currency positions permitting unlimited investment in the reserve currency (Deutschemarks) and newly adopted BNB regulation on minimum required reserves authorizing their unlimited use and maintenance on an average monthly basis. In the first half-year (though fluctuating in the first quarter due to seasonal factors) the currency outside banks to deposits ratio continued rising and reached 30.7%, against 28.2% at the end of 1997. This suggests economic agents' preference for cash, given relatively low interest rates and their full cover by the reserve currency as well as the continuing desire by some economic agents to conceal part of their business with a view to tax evasion.

## MONEY MULTIPLIER



Source: BNB.

Changes both in reserve money and money multiplier affected broad money. In the first quarter money supply decrease was attributable to a considerable decrease in reserve money which entirely offset money multiplier rise. In the second

quarter developments in reserve money and money multiplier sustained but the latter had a stronger effect on the broadest monetary aggregate causing it to rise. For the entire half-year the effect of money multiplier rise was slightly stronger than the reserve money fall, contributing to nominal monetary expansion.

An analysis of broad money developments by reserve money source reveals BNB operation under currency board rules. Both net foreign assets and BNB foreign currency reserves rose in the first and second quarters. Reserve money decrease reflects a decrease in BNB domestic assets, the result of dramatic decline in net claims on the government. The latter is due to growth in government funds held at the BNB, reflecting strengthening of the budget revenue side and a sizeable cash surplus reported for the first time since recent years. Tight fiscal policy in the first half of 1998 generates monetary restriction and contributes to Bulgaria's sustained financial stability.

#### DEVELOPMENTS IN BROAD MONEY IN 1998

(billion BGL)

	January – March	April – June	January – June
Broad money change, due to:	-60.7	87.5	26.8
reserve money	-219.3	-59.3	-278.6
money multiplier	164.6	148.3	312.9
both factors	-6.0	-1.5	-7.5
Broad money developments by reserve money source			
net foreign assets	975.5	838.5	1,814.0
net domestic assets	-1,194.8	-897.8	-2,092.6
net claims on government	-879.1	-922.0	-1,801.1
other	-315.7	24.2	-291.5

Source: BNB.

Concurrently forex reserve growth moved faster than reserve money and money supply dynamics. Over the half-year the forex reserves to reserve money ratio rose from 201.6% in December 1997 to 252.8% in June 1998 and the forex reserves to broad money ratio grew from 72.8% to 86.8%. These figures suggest a smoothly functioning currency board and its enhanced resistance to internal and external shocks.

#### Credit Aggregates

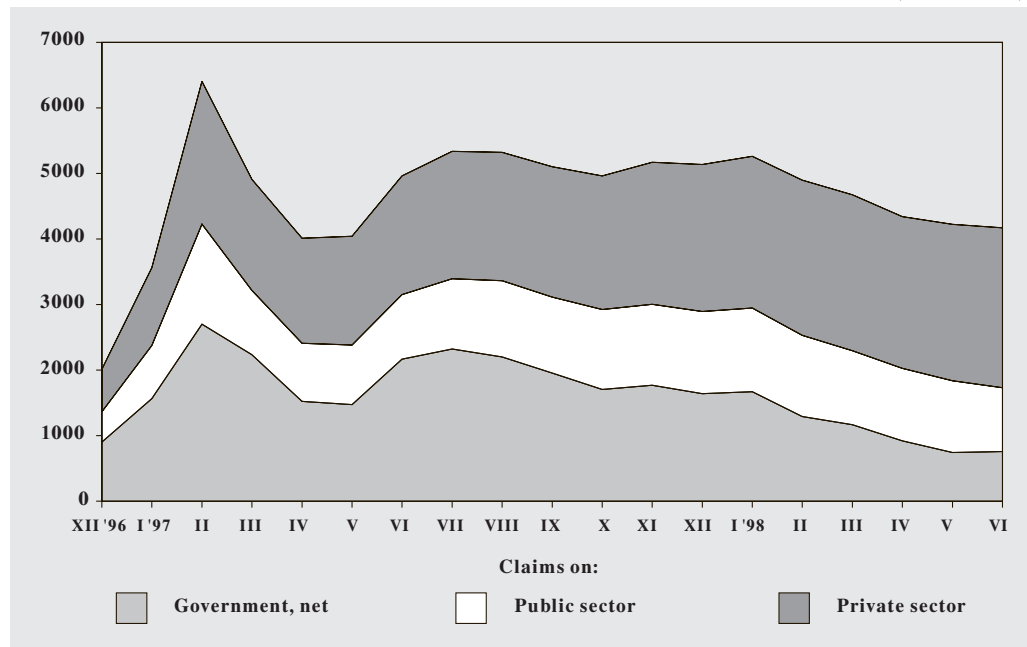
While broad money dynamics was rather low in the first half of 1998, credit aggregates experienced more significant changes. The fast growth in net foreign assets of the banking system was coupled with comparable decrease in net domestic assets, primarily domestic credit. A significant shift in credit allocation by sector occurred: the share of net claims on the government fell sharply at the expense of credit to the real economy: credit to the private sector grew on account of a fall in the credit to state-owned companies.

In the first six months of 1998 *net claims on the government* fell by almost BGL 880 billion, or 58%. The fall in BNB net claims on the government was even greater, by BGL 642 billion, resulting from increased government funds deposited with the central bank of BGL 539 billion. Commercial bank net claims fell by BGL 238 billion, including a BGL 238 billion fall for operating banks. This is due to growing government deposits with commercial banks and the negative net issue of government securities, particularly in June. The stronger financial position of the government is due to the strengthened revenue side of the budget, which led to a primary cash surplus and replacement of internal with external financing. In this setting, the government practically does not need net resources from the domestic credit market and this contributes, under the effective method of base interest rate setting, to subdued domestic credit market. The solution may be found in accelerated development of domestic financial markets and close binding of interest with freely set prices on these markets.



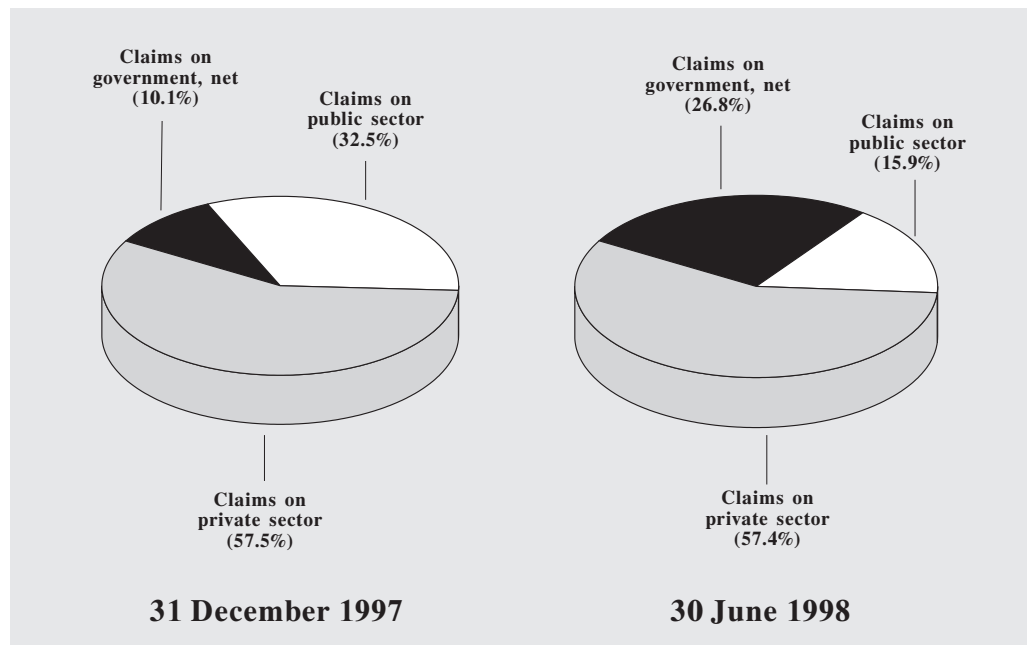
## DOMESTIC CREDIT DYNAMICS

(billion BGL)



Source: BNB.

## DOMESTIC CREDIT STRUCTURE



Source: BNB.

In the first half of the year claims on the nongovernment sector fell by BGL 83 billion, due mainly to nonoperating banks where the fall was over BGL 340 billion, consistent with their repayment or writing off as losses. Operating banks' claims on nongovernment sector rose by BGL 257.6 billion, or some 13% in real terms. Data suggests that conditions of lending to the real sector have improved and banks' conservative lending policy has relaxed, though slowly.

Significant changes occurred within the nongovernment sector by economic agent. The greatest fall occurred in *credit to state-owned companies*: BGL 280 billion, or over 22%. The lev component fell by 26% and the forex by 21%. In terms of operating banks alone, the fall is by BGL 147 billion (21%): the fall in the lev

component is 27% and 16% in the forex. The fall reflected repayment of certain credits (mainly for purchasing last year's crop), sustained high risk due to slow privatization and restructuring and the above-mentioned changes in bank accounting methods.

*Credit to private companies* rose by BGL 18 billion: the lev component rising by BGL 117 billion (some 28%) and the forex component falling by BGL 99 billion (over 6%). Credit to private companies rose by BGL 204 billion; of this, two-thirds is attributable to the lev component. In real terms, lev credits rose by more than 35% and forex credits by 15%, contributing to accelerated private sector development. At the end of the half-year claims on private companies were twice those on state-owned companies.

During the first six months of 1998 households' credits, mainly from the SSB, continued to grow at a comparatively fast pace: BGL 195 billion, or BGL 33 billion more than in the second half of 1997. Figures demonstrate the SSB sustained orientation toward extending consumer and investment (residential) household loans using net funds invested in maturing government securities.

## 4. Fiscal Sector

The conduct of a balanced fiscal policy is one of the prerequisites for currency board stability. Surveys indicate that government behavior not only affects monetary system stability in the medium term by means of budget deficits financing, but also reflects on money supply and credit activity<sup>20</sup>. Therefore fiscal policy becomes essential since it impacts directly (through tax policy) and indirectly (through money supply – quasi-monetary policy) the country's economy.

### State Budget

In the first half of 1998 net revenue on the consolidated state budget accounted for 17.2% of projected GDP<sup>21</sup>, and net expenditure was 16.4%. Compared with the same period of 1997 data shows a greater fiscal share in GDP.

#### Revenue

As of 30 June 1998 total revenue in the central government budget accounted for 60.8% of SBL estimates and 9.3% of projected GDP. Analysis of data on cash basis reporting of the state budget by month indicates that revenues in the central government budget in the first half of 1998 were more evenly allocated and much more sizeable compared with previous years. Average monthly revenue totaled BGL 346 billion, against BGL 152.7 billion in the same period of 1997.

Tax revenues made up 93.3% of total revenue and 8.6% of projected GDP, or 58% of SBL estimates. VAT revenues accounted for the largest share. VAT collectibility was 54.2% of SBL estimates. Financial institutions' corporate tax and nontax revenues were well above SBL estimates: 112.9% and 177%.

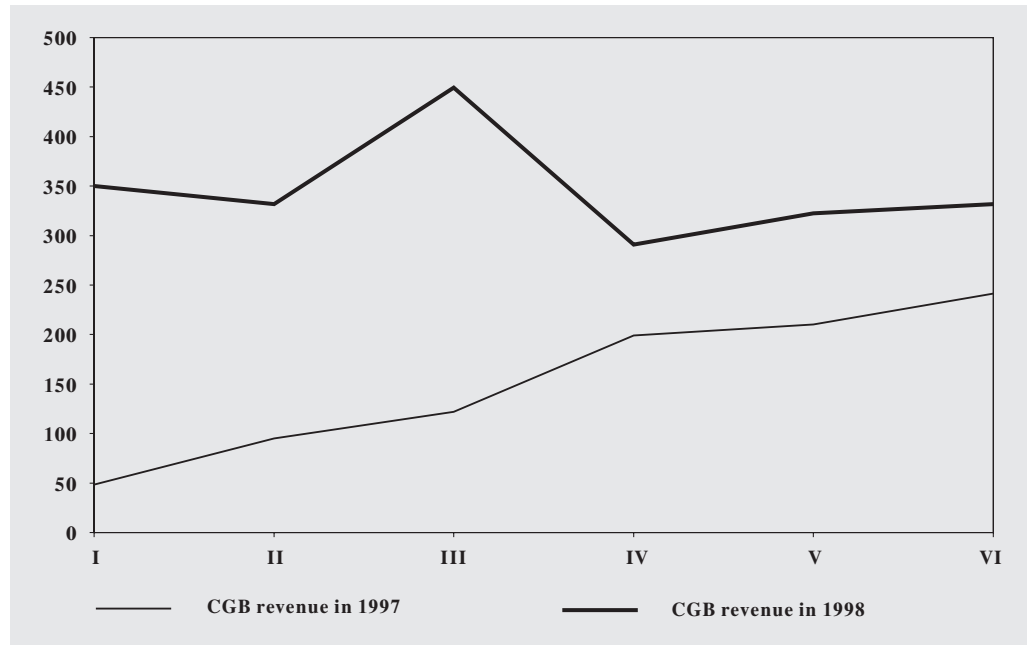
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<sup>20</sup> See *Financial Repression and Credit Rationing under Currency Board Arrangement for Bulgaria*. BNB, Discussion Papers, DP/2/1998.

<sup>21</sup> Projected GDP is BGL 22,430 billion.

## CENTRAL GOVERNMENT BUDGET REVENUE

(billion BGL)



Source: BNB.

### Expenditure

Expenditure in the first half of 1998 accounted for 52.3% of SBL estimates, including BGL 376 billion not actually spent but allocated to central government budget special accounts as budget reserves to cover future payments on government debt service.

Although *current expenditures* decreased significantly during the reporting period (due to dramatically shrunk interest payments), they still accounted for the largest share (44.4%) of total expenses.

Another sizeable expense of the central government budget are *transfers* to cover deficits on other budgets and replenish extrabudgetary funds and accounts. During the first half-year their share in total expenditure rose to 54.9%, indicative of the central government budget's enhanced allocating function.

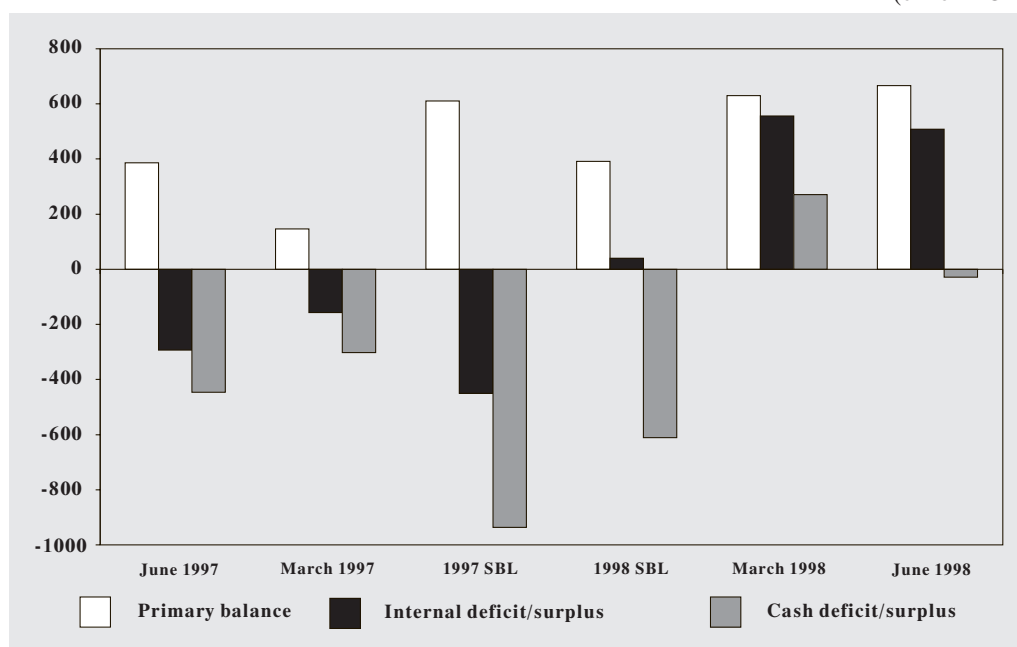
### Budget Deficit

As a result of positive changes in the amount and structure of central government budget revenues and expenditures, as of 30 June 1998 a significant primary surplus was reported, accounting for 170.4% of SBL estimates and 3% of projected GDP.

The primary surplus on the central government budget generated during the reporting period was sufficient to cover internal interest payments and form a relatively big internal surplus of BGL 508,224.3 million.

## CENTRAL GOVERNMENT BUDGET DEFICITS

(billion BGL)



Source: BNB.

As of 30 June 1998 the cash deficit of the central government budget was BGL 29,193 million, or 4.8% of SBL estimates.

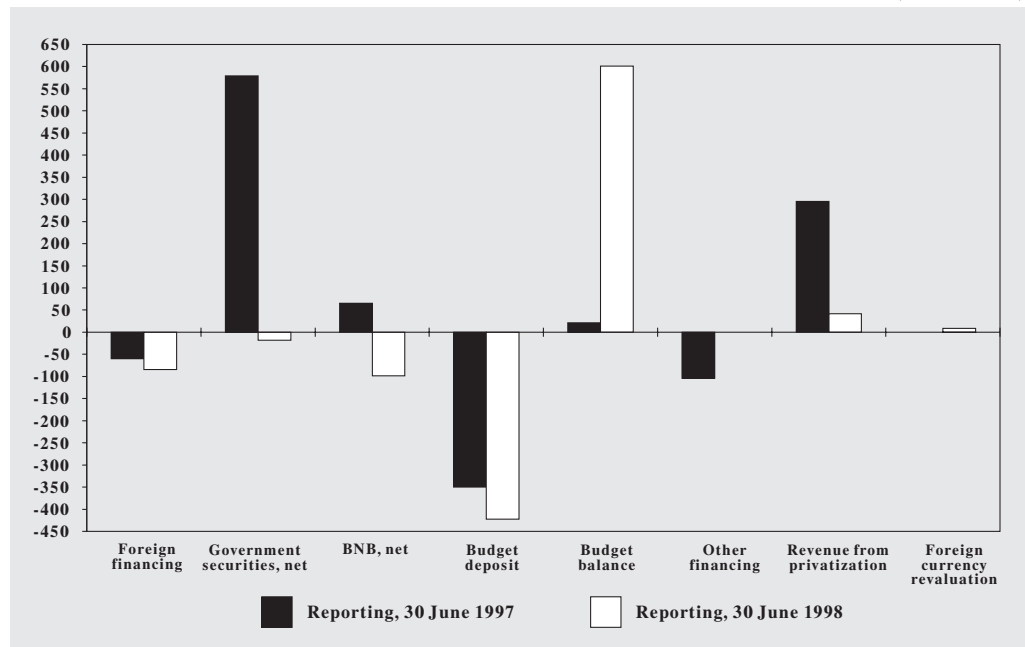
For the first time in the past five or six years a cash surplus on the consolidated state budget was reported, totaling BGL 161,481.5 million.

Positive trends in the cash reporting of the central government budget evolving during the first half of the year contributed to a significant reduction of general borrowing requirements. Compared with the same period of 1997 general borrowing requirements declined fourfold. This led to changes in their structure. During the reporting period 36% of central government budget general borrowing requirements was accounted for by the budget deposit (in levs and foreign currency), against 8.4% for the same period of 1997.

**Budget deficit financing.** During the period under review the budget did not use new long-term credits under Article 45 of the Law on the BNB and made regular payments on existing obligations to the BNB. As a result, net long-term financing from the BNB was negative at the end of the reporting period: BGL -98,433.6 million.

## CASH DEFICIT FINANCING OF THE CENTRAL GOVERNMENT BUDGET

(billion BGL)



Source: BNB.

### Fiscal Reserves

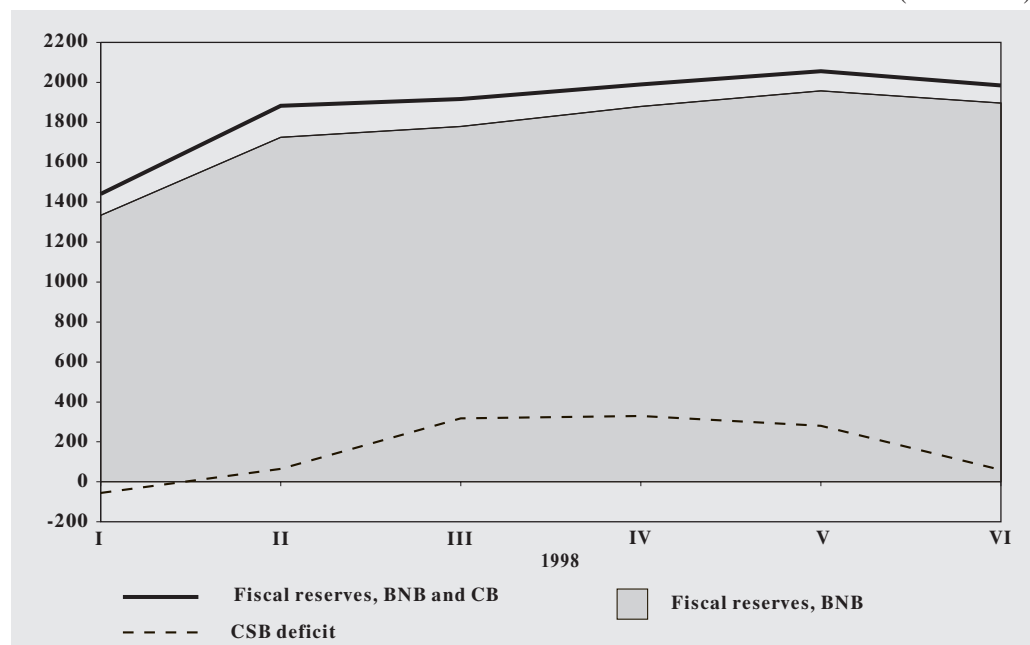
Analysis of data on fiscal reserves dynamics indicates that during the first quarter of 1998 the most significant factor behind fiscal reserves growth were changes in the amount of funds drawn by the budget from external sources. Over the second quarter fiscal reserves grew further.

Deposits of the central government budget accounted for the largest share (about and above 50%) in the first half-year, being relatively stable.

The second component of fiscal reserves are SFRD funds where all external loans are transferred with the exception of those earmarked for the country's balance of payments support.

### DYNAMICS OF FISCAL RESERVES AND CASH DEFICIT OF THE CONSOLIDATED STATE BUDGET

(billion BGL)



Source: BNB.

Extrabudgetary accounts and funds are another component of fiscal reserves. During the first half of 1998 they were relatively unchanged with the exception of June when the total amount of extrabudgetary accounts reached BGL 284.5 billion. This was due primarily to the substantial increase on the Dividend State Fund.

As a resultant variable, fiscal reserves depend on budget revenue, the government securities market, external loans and aid, as well as budget expenditure.

Between December and June fiscal reserves rose by over 41% and reached BGL 1,984,598.3 million.

### Amount and Structure of Government Debt<sup>22</sup>

Government budget debt totaled BGL 18,971,951.4 million as of 30 June 1998. Its share in GDP<sup>23</sup> decreased: from 106.83% at end-1997 to 84.6% by the end of the first half of 1998.

#### GOVERNMENT DEBT STRUCTURE

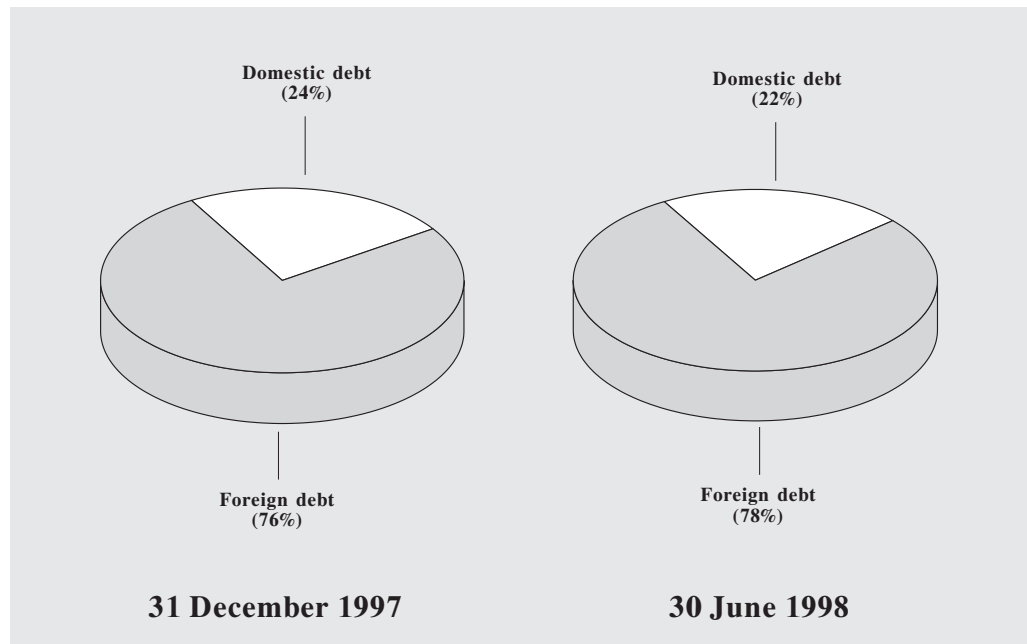
	Amount as of 31 Dec. 1997 (million BGL)	% of GDP projections for 1997	Amount as of 30 June 1998 (million BGL)	% of GDP projections for 1998
Domestic debt	4,399,694.30	25.7	4,183,254.20	18.7
Foreign debt	13,871,190.21	81.1	14,788,697.23	65.9
Debt, total	18,270,884.51	106.8	18,971,951.43	84.6

1. The lev equivalent of the foreign debt is calculated on the basis of the US dollar central exchange rate quoted by the BNB on 31 December 1997, 30 June 1998 respectively.

2. Government guarantees excluded.

Source: MF and BNB.

#### GOVERNMENT DEBT STRUCTURE



Source: MF and BNB.

No essential change occurred in the ratio of two major debt structure components: domestic debt<sup>24</sup> (BGL 4,183,254.2 million) with a share of 22% of total debt

<sup>22</sup> Debt serviced directly from the general government budget and the SFRD.

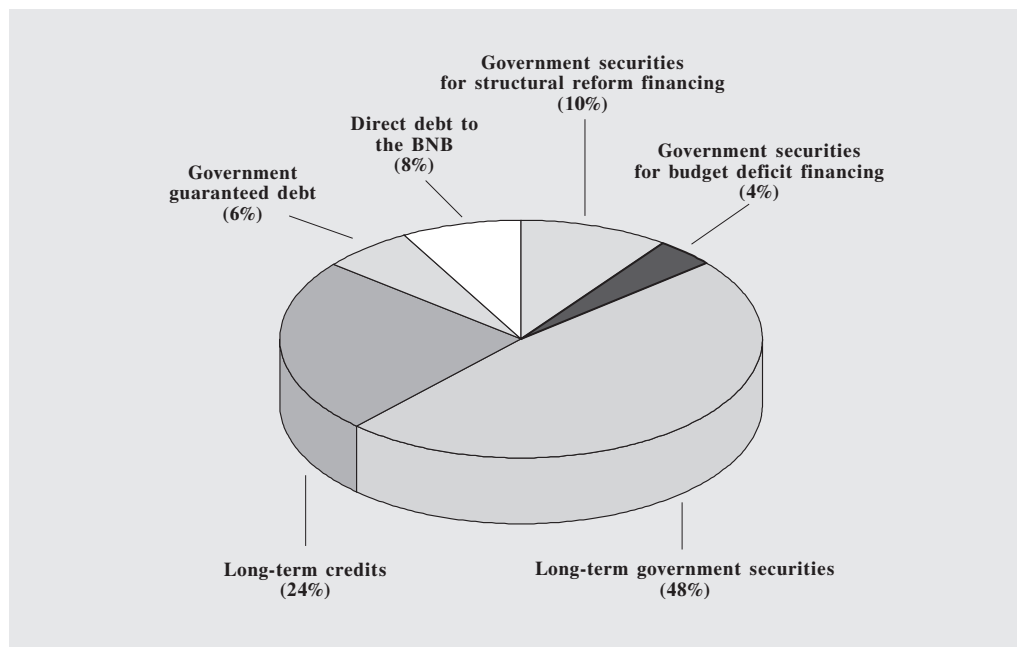
<sup>23</sup> GDP for 1997 is BGL 17,103,400 million and the 1998 estimate is BGL 22,430,000 million.

<sup>24</sup> Domestic debt does not include government internal guarantees under the Law on the SSB of 1967, Law on SSB Transformation of 1998 and those from the SFRD.

(24.1% at end-1997) and foreign debt (including public and publicly guaranteed debts): BGL 14,788,697.23 million<sup>25</sup>, or 78% (75.9% at end-1997).

An analysis of its dynamics during the first half of 1998 indicates that domestic debt has decreased both in absolute value and as a share in GDP: an increase in the absolute amount and a decrease in its share in GDP.

#### GOVERNMENT DEBT STRUCTURE BY DEBT INSTRUMENT AS OF 30 JUNE 1998



Source: MF and BNB.

Within the foreign currency structure of government debt including credits guaranteed by the Bulgarian government, obligations in US dollars made up the largest share: 70.2%, those in SDR: 7.9%, and Deutschemarks: 5.2%.

#### Government Budget Domestic Debt

Government domestic debt decreased by 4.9% during the first half of 1998. Its share in the 1998 GDP forecast fell from 25.7% at end-1997 to 18.7%. General government expenditures on interest payments totaled BGL 157,850.3 million as of 30 June 1998, or 0.7% of projected GDP.

Major factor behind government domestic debt fall are reduced interest rates and hence smaller interest payments. In addition, GDP rallied by 11% in real terms during the reviewed period.

During the first six months of 1998 debt on government securities issued for budget deficit financing rose nominally by 3.7% against end-1997. Simultaneously, its share in the 1998 projected GDP fell to 3.7%, against 4.7% at end-1997.

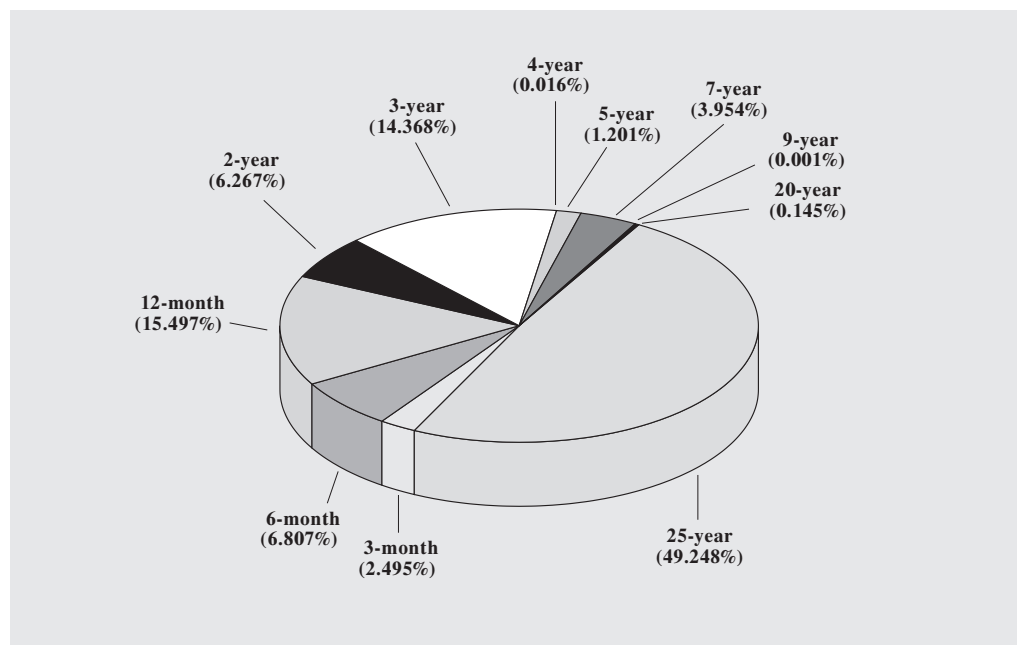
**Maturity structure of government debt on government securities.** As of 30 June 1998 direct debt to the BNB fell by 5.7% against end-1997. Direct debt to the BNB accounted for 36.5% of the total debt amount, against 36.8% at end-1997.

Debt on long-term government bonds issued to assume state-owned companies' nonperforming debts to banks, municipal outstanding debt on residential loans extended from the SSB, as well as that under the Law on State Protection of Deposits and Accounts with Commercial Banks (government securities for the structural reform) fell by 7.8% as of 30 June 1998 relative to end-1997. This component continues to hold the largest share in government debt structure and by the end of the first half of 1998 it comprised 43.4% of total government domestic debt, against 44.8% at the beginning of this year.

<sup>25</sup> Government foreign debt does not include credits extended to the MF under Article 45 of the Law on the BNB.

The proportion of debt on government securities with fixed and variable yield changed. As a result of achieved financial stabilization after currency board introduction the share of government securities with fixed yield reached 26.9% of total outstanding government securities as of 30 June 1998, against 20.6% in 1997.

#### MATURITY STRUCTURE OF OUTSTANDING GOVERNMENT SECURITIES AS OF 30 JUNE 1998



Source: BNB.

### Government Budget Foreign Debt<sup>26</sup>

As of 30 June 1998 government foreign and publicly guaranteed debt on agreements and treaties ratified by the National Assembly, restated in US dollars, amounted to USD 8,169.6 million.<sup>27</sup> The lev equivalent of foreign debt is BGL 14,788,697.23 million.<sup>28</sup> The share of foreign debt in the 1998 projected GDP was 65.9%. Government direct debt totaled USD 7,562.9 million at the end of the first half-year, or 93% of total government foreign debt, and debt on publicly guaranteed credits accounted for USD 606.7 million, or 7% of total debt<sup>29</sup>.

Between 1 January and 30 June 1998<sup>30</sup> payments on obligations to foreign creditors, including on publicly guaranteed credits, amounted to USD 428.1 million, including USD 226.5 million principal repayments and USD 201.6 million interest payments. Payments made from budget funds comprised 49% of total payments, those from the SFRD 45%, and payments from final borrowers provided with public guarantee: 6%.

<sup>26</sup> Gross foreign debt does not include public, publicly guaranteed and private foreign debt. Public and publicly guaranteed debts include government budget debt and monetary authorities debt. Government budget foreign debt does not include Bulgaria's claims and receivables in transferable roubles, interest arrears on liabilities to former Comecon creditors, and internal debt instruments bought by nonresidents.

<sup>27</sup> The US dollar equivalent amount is calculated at the BNB central exchange rate of respective currencies to the Bulgarian lev effective on 30 June 1998.

<sup>28</sup> The lev equivalent amount is calculated at the BNB central exchange rate of respective foreign currencies to the Bulgarian lev effective on 30 June 1998.

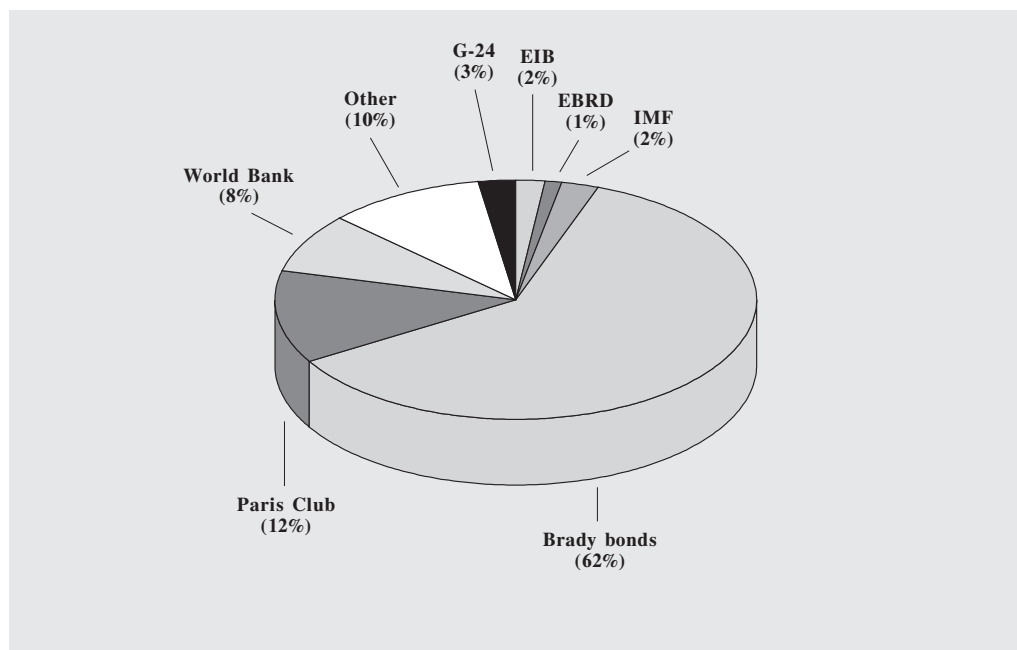
Above-mentioned amount does not include obligations to the IMF in SDRs at the expense of which MF used direct credits from the BNB under Article 45 of the Law on the BNB which are included in domestic government debt.

<sup>29</sup> Data complies with the BNB automated register of public and publicly guaranteed debts based on official MF information on loan agreements ratified by the National Assembly.

<sup>30</sup> The US dollar equivalent amount is calculated using the BNB central exchange rate of respective currencies to the Bulgarian lev effective on an end-of-month basis.



**STRUCTURE OF GOVERNMENT FOREIGN DEBT BY CREDITOR AS OF 30 JUNE 1998**



Source: BNB.

**STRUCTURE OF GOVERNMENT DEBT PAYMENTS TO FOREIGN CREDITORS AS OF 30 JUNE 1998**

	(million USD)		
	Principal	Interest	Total
I. Government debt	211.95	190.04	401.99
1. Long-term government securities	18.93	137.8	156.7
1.1. Brady bonds		135.54	135.54
1.2. Other	18.93	2.24	21.17
2. Long-term credits	193.02	52.26	245.27
2.1. Paris Club	19.9	28.2	48.1
2.2. World Bank	7.0	14.20	21.17
2.3. G-24	162.4	8.15	170.59
2.4. Other	3.70	1.72	5.43
II. Publicly guaranteed debt	14.52	11.55	26.1
Payments, total	226.5	201.6	428.1

Source: MF and BNB.

**GOVERNMENT DEBT PAYMENTS TO FOREIGN CREDITORS**

Source	(million USD)								
	I quarter			II quarter			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1. General budget	30.1	159.8	190.0	9.3	8.5	17.9	39.5	168.4	207.9
2. SFRD	172.5	13.4	185.9	0.0	8.2	8.2	172.5	21.7	194.2
3. Final borrowers (publicly guaranteed debt)	11.83	7.99	19.82	2.69	3.56	6.26	14.52	11.55	26.1
Total	214.5	181.3	395.7	12.0	20.3	32.3	226.5	201.6	428.1

Source: MF and BNB.

New foreign financing totaled USD 454.6 million.

Despite slight government debt increase, the major debt indicator, i.e. foreign debt/GDP ratio decreased from 81.1% at end-1997 to 65.9% at 30 June 1998.

# III. Foreign Exchange Reserve Management and Issuing Activities

## 1. Structure and Management of Foreign Exchange Reserves

Between January and June 1998 BNB gross foreign exchange reserves measured by Issue Department assets grew by 18.57%. The major sources of this increase were: loans disbursed by the IMF, loans from other official creditors, direct investment in the country, purchase of foreign exchange from commercial banks, and the public. The standard deviation<sup>31</sup> of BNB gross foreign exchange reserves by the end of each week in the January to June period was 19.7. Volatility decreased significantly from the previous six-month period when it was 48.39. This reflects a comparative smoothing of balance of payments developments.

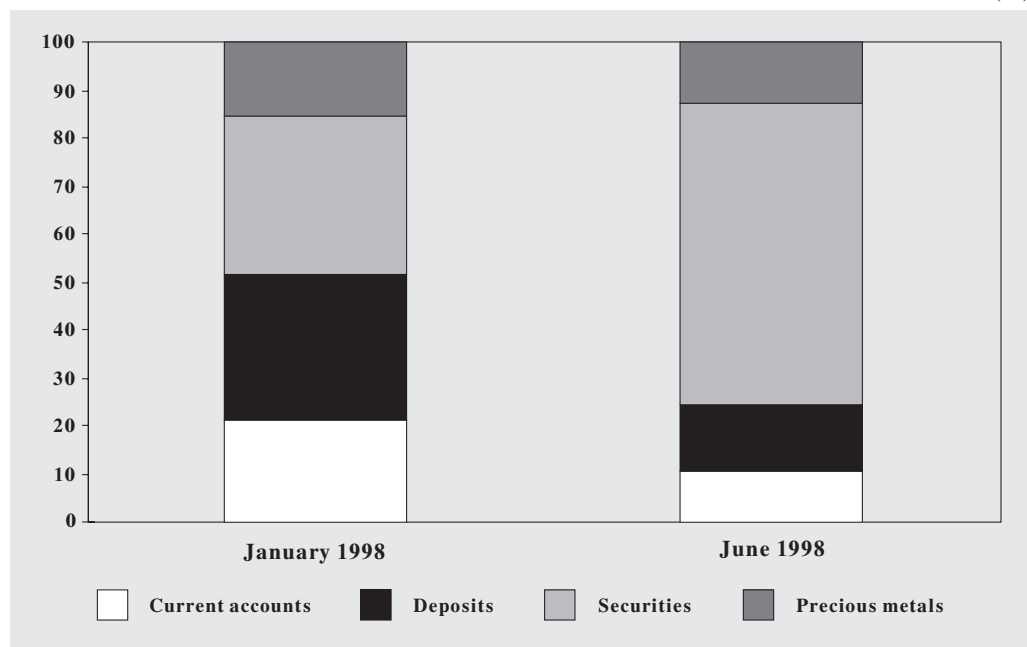
The amount of the Banking Department deposit increased by 82% due to unused credits from the IMF by the government.

During the first half of 1998 restructuring of BNB foreign exchange reserves was completed. As a result the structure of assets and liabilities was balanced which helps protect the net value of forex reserves from movements in exchange rates.

Assets were restructured in compliance with the instruments employed. The share of current accounts was reduced from 21.02% to 10.74% and that of deposits from 30.33% to 13.48%. Released funds were invested in prime-rate short-term securities whose share rose from 33.40% to 62.92%. This step was intended to increase yield and preserve the liquidity level.

STRUCTURE OF ISSUE DEPARTMENT ASSETS BY INSTRUMENT

(%)

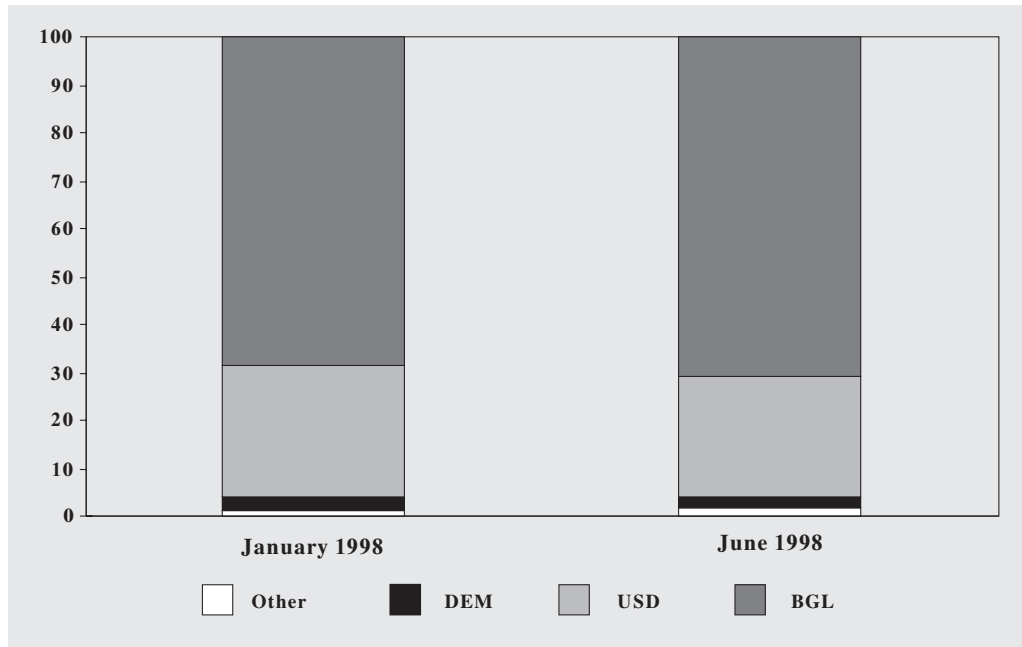


Source: BNB.

<sup>31</sup> Standard deviation indicates the degree of dispersion of the values of an individual quantity to its average value in the period under review.

**STRUCTURE OF ISSUE DEPARTMENT LIABILITIES BY CURRENCY**

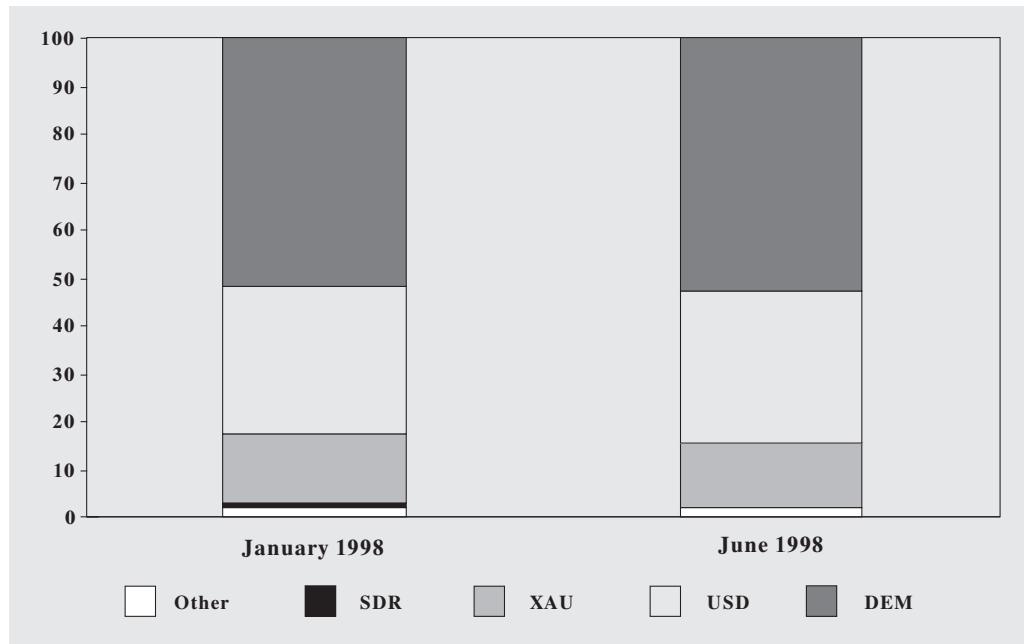
(%)



Source: BNB.

**STRUCTURE OF ISSUE DEPARTMENT ASSETS**

(%)



Source: BNB.

Given the targeted low risk and high liquidity in managing BNB forex reserves, the results for the first half of 1998 are satisfactory.

Gross revenue totals BGL 90 billion which corresponds to approximately 4% yield on an annual basis.

## REVENUE FROM MANAGING BNB FOREX RESERVES

	Revenue, million BGL	Share, %
Securities in DEM	40,050.2835	45.43
Securities in USD	23,637.4944	26.81
Deposits in DEM	15,247.1780	17.29
Deposits in USD	2,402.8667	2.73
Other currency deposits	241.3559	0.27
Current accounts in DEM*	2,997.4020	3.40
Current accounts in USD*	3,296.3794	3.74
Operations in precious metals	288.6986	0.33
Total revenue	88,161.66	100.00

\* Including demand and overnight deposits.

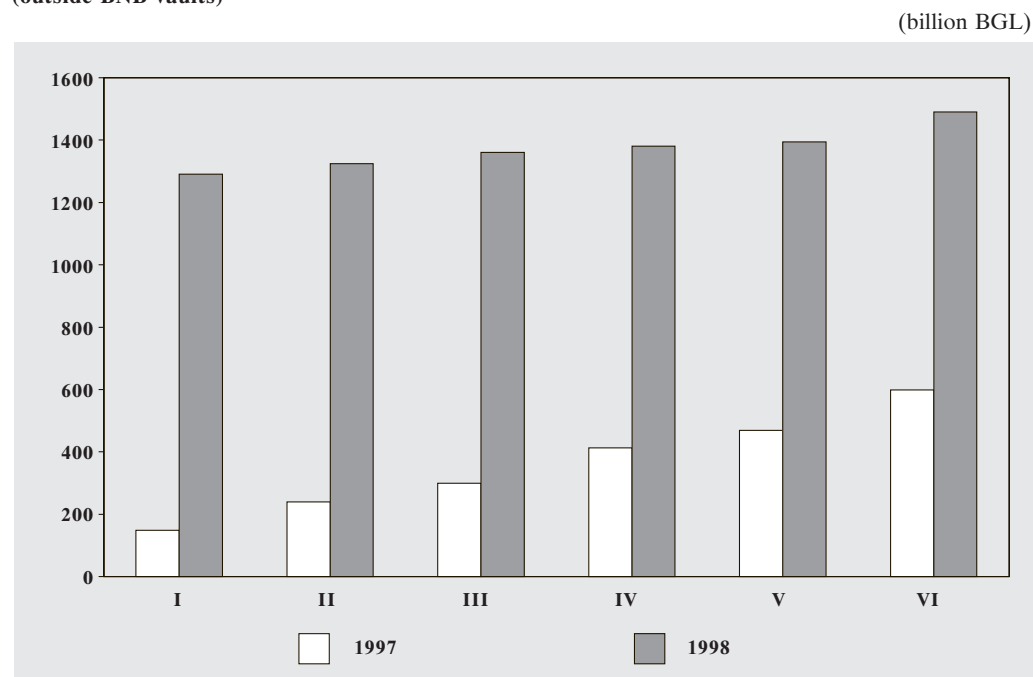
Source: BNB.

## 2. Issuing Activity

### Volume of Issues

By the end of the first half of 1998 currency in circulation in commercial banks' vaults and outside them reached BGL 1,490.2 billion. It rose by BGL 70.4 billion compared with end-1997, or 5%. Money in circulation grew 4.6 percentage points faster than broad money. The share of currency in circulation relative to broad money rose from 23.6% by end-1997 to 24.7% by the end of the first half of 1998.

### CURRENCY IN CIRCULATION (outside BNB vaults)



Source: BNB.

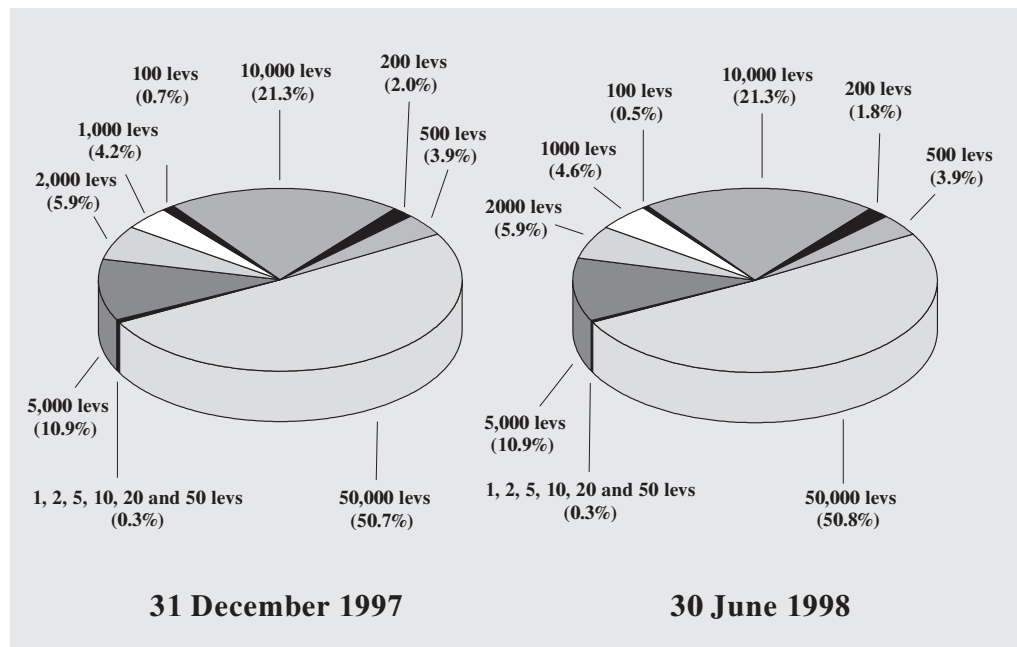
Cash balances in the commercial banks' vaults decreased from BGL 105.7 billion by end-1997 to BGL 74 billion: a decrease of BGL 31.7 billion. Currency outside banks reached BGL 1,416.2 billion, an increase of BGL 102.1 billion, or 7.8% from end-1997.

### Denomination Composition

Currency turnover dynamics in the first half-year prompted changes in the denomination composition of issues. The 'average' banknote in circulation by end-June was BGL 2,346, against BGL 1,763 by end-1997.

Compared with the end of 1997, banknotes of higher denomination (BGL 2,000, 5,000, 10,000 and 50,000) proved more convenient. By the end of June 1998 high-denomination banknotes accounted for 88.9% of the total value of denominations. The share of these denominations in the total number of banknotes remained relatively small, at 16%.

**DENOMINATION COMPOSITION IN THE BANKNOTE ISSUE\***



\* The share of denominations is based on values.

Source: BNB.

By the end of the first half of 1998 the number of banknotes in circulation totaled 634 million, against 804 million at the end of 1997. The decrease in the number of banknotes by 170 million largely reflects the withdrawal of low denomination banknotes from circulation due to their faster degree of wear.

**Commemorative Coin Issues**

On 9 February 1998 the Bulgarian National Bank put into circulation a silver commemorative coin EURO, St. Sofia Church, issue 1998.

On 13 February 1998 the BNB put into circulation a CU/Ni commemorative coin, 100 Years of the Bulgarian Telegraph Agency, issue 1998, and on 27 February 1998 a silver coin commemorating the 120th anniversary from the Liberation of Bulgaria from the Ottoman Yoke, issue 1998.

**Reserve Currency Bought and Sold at BNB Tills**

During the first six months of 1998 central bank operations in Deutschmarks at its cash tills repeated the 1997 trend of greater purchases by the BNB over sales. Enhanced demand for Deutschmarks at the end of 1997 further intensified in January when monthly sales at BNB *cash tills* reached DEM 17.7 million. This was the only sector where market pressure reflected on increased sales by the central bank. Forex supply by commercial banks in the noncash market diminished but this did not push demand. In February BNB purchases of banknotes exceeded sales. In May sales and purchases of banknotes were equalized for the first time since early 1998. By the end of June 1998 purchases approximated DEM 34 million (USD 18.8 million) and sales DEM 20.8 million (USD 11.4 million). The amount of BNB purchases was four times less than in the previous half-year, and that of sales several times more which was offset by the excess, a result of progressively growing purchases from February.

**RESERVE CURRENCY SOLD AND BOUGHT AT BNB TILLS**

(thousands of DEM)

Month	Sold	Bought
January	17,653	648
February	1,033	3,769
March	540	6,199
April	595	6,461
May	476	7,551
June	531	9,328
Total for the period	20,828	33,956

Source: BNB.

**Precious Metals**

By the end of the first half of 1998 gold reserves in BNB vaults totaled 1,031,222 troy ounces.

**PRECIOUS METAL STOCK IN THE BNB**(in troy ounces)<sup>1</sup>

	31 December 1997	30 June 1998
Gold reserves of the BNB <sup>2</sup>	1,031,222	1,031,222
Circulating precious metals <sup>3</sup>		
Gold	94,490	110,679
Silver	1,227,841	1,513,752
Platinum	12,328	12,477

1. One troy ounce is equal to 31.10348 g.

2. The gold reserves are in bullions, stock market standard.

3. The circulating precious metals include gold, silver and platinum of standard type (bullion, strip and officially minted coins).

Source: BNB.

# IV. Financial Markets and Liquidity

## 1. Interbank Money Market

Financial stabilization as a result of the introduction of a currency board boosted the development of the interbank money market both as regards the scope of financial institutions involved and the volume and maturity structure of transactions. During the first half of 1998 traded funds tended to increase.

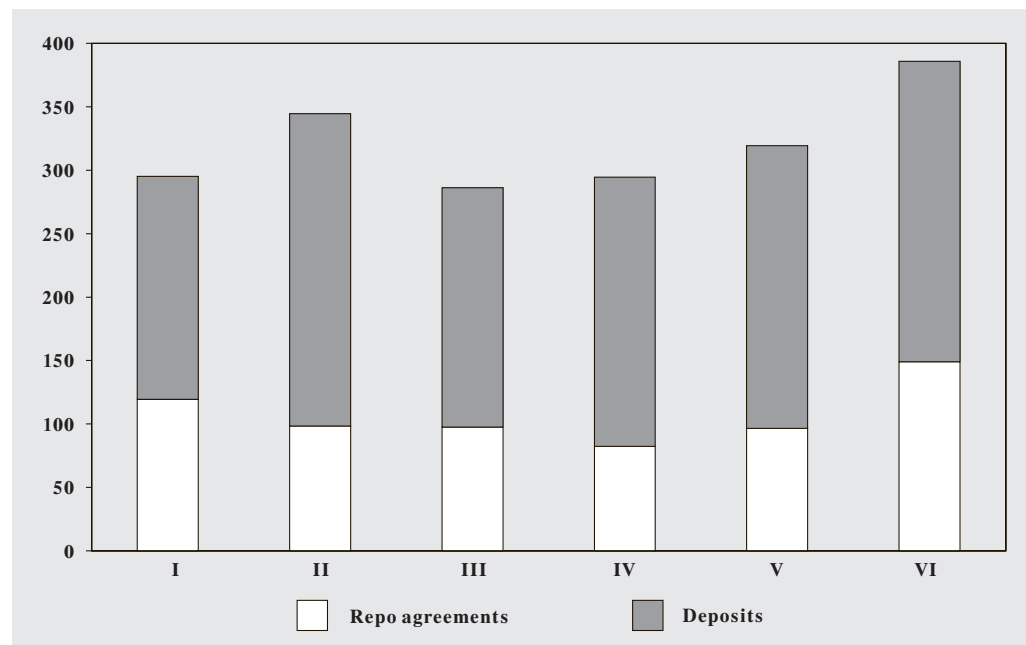
### INDICES OF INTERBANK MONEY MARKET DEVELOPMENT

	Linear			Chain		
	traded funds on term transactions, total	deposits	repo agreements	traded funds on term transactions, total	deposits	repo agreements
1997						
December	100.00	100.00	100.00	100.00	100.00	100.00
1998						
January	109.20	92.33	242.42	109.20	92.33	242.42
February	116.74	140.01	82.48	127.49	129.27	199.96
March	83.05	76.59	99.19	105.87	99.00	198.33
April	102.94	112.62	84.27	108.99	111.50	167.13
May	108.46	105.01	117.35	108.24	117.08	196.13
June	120.77	106.26	154.25	142.75	124.41	302.54

Source: BNB.

### STRUCTURE OF INTERBANK MONEY MARKET, 1998

(billion BGL)



Source: BNB.

A reverse of the upward trend occurred in March and April due to changes made in the system of maintaining and reporting minimum required reserves. The changes made allowed for freer operation with commercial bank resources which positively impacted the interbank market. Changes in minimum required reserves resulted in a decrease in average daily excess reserves, reflecting improved forecasting and management of cash flows.

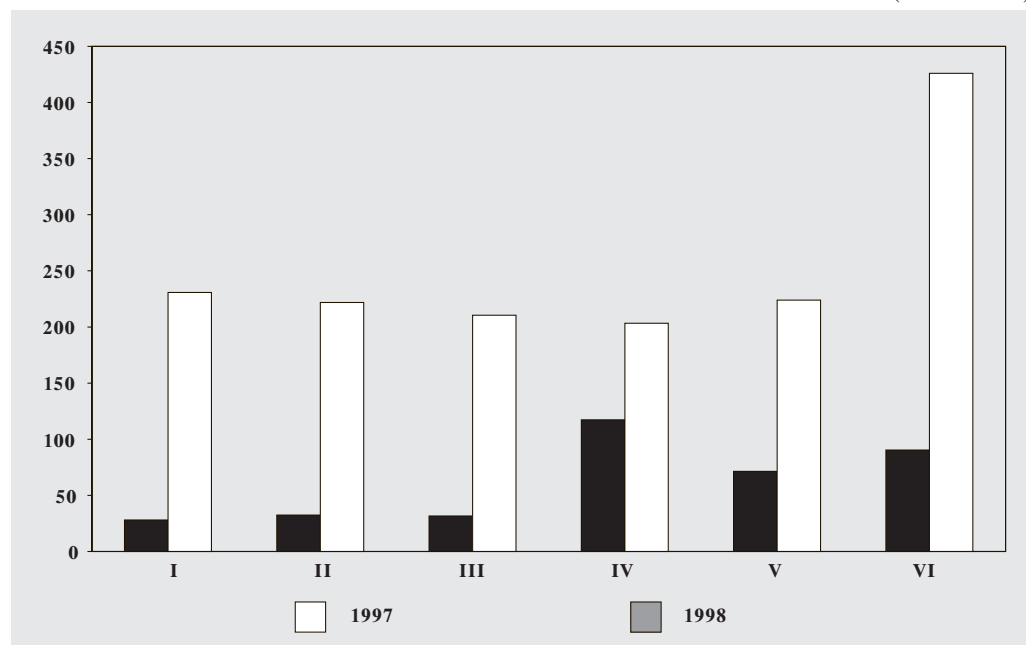
The volume of traded funds in the reviewed period totaled BGL 2,022,160 million, including 95% of resources on time deposits and repo agreements. As regards the term, funds exchanged for a term of four to seven days had the largest share (36%), followed by overnight transactions (24%) and those from eight to 30 days (20%).

## 2. The Government Securities Market

The low base interest rate, limited amounts of government securities offered, high liquidity and reluctance to invest in the real sector forced banks to keep government securities purchased until maturity. This resulted in a dramatic decrease in the number and volume of government securities transactions in the secondary market. A recovery in the secondary market occurred only in periods of temporary liquidity deficiencies associated with the regulation of minimum required reserves of commercial banks and tax payments to the budget. Since early 1998 financial institutions' government securities transactions in the secondary market numbered 2,294, totaling BGL 1,524,120.2 million and USD 581 million. Of this 1,740 government securities transactions totaling BGL 1,516,378.3 million were issued to finance the budget deficit.

### SECONDARY MARKET TRANSACTIONS

(million BGL)

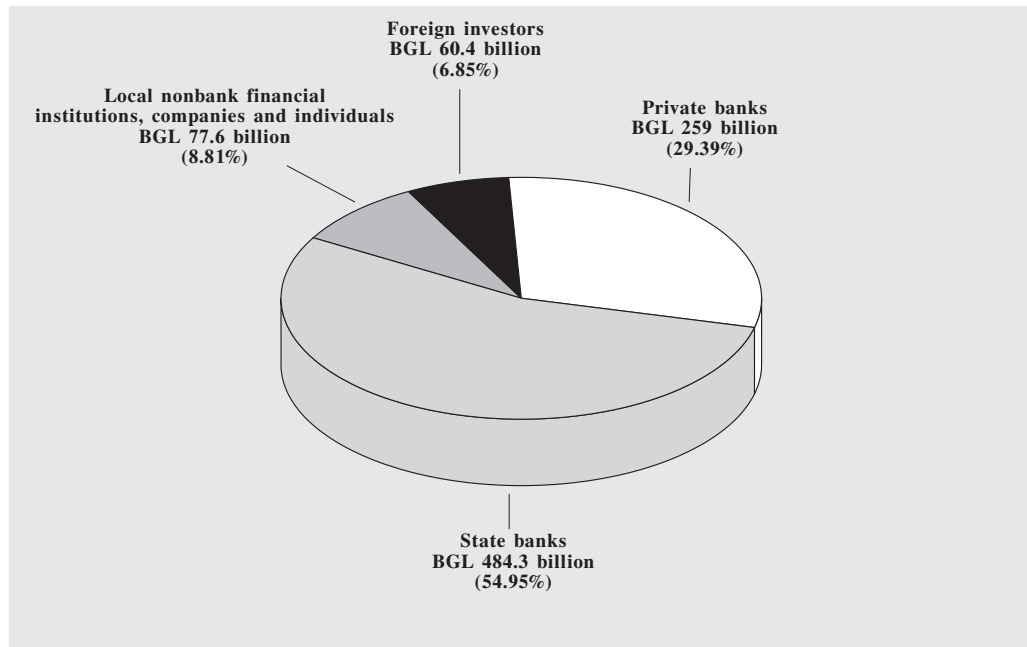


Source: BNB.

According to the BNB register, as of 30 June 1998 government securities issued to finance the budget deficit and those from target issues are distributed as follows: BGL 77,636.8 million to local nonfinancial institutions, companies and individuals, BGL 60,405.2 million to foreign investors, BGL 259,038.8 million to private banks and BGL 484,306.6 million to state-owned banks. The share of government securities acquired by private banks tended to increase in contrast to others. A similar trend occurred with regard to government securities issues as a result of structural reform. As of 30 June 1998 ZUNK bonds denominated in US dollars in private banks' portfolios totaled USD 148.6 million nominal value.



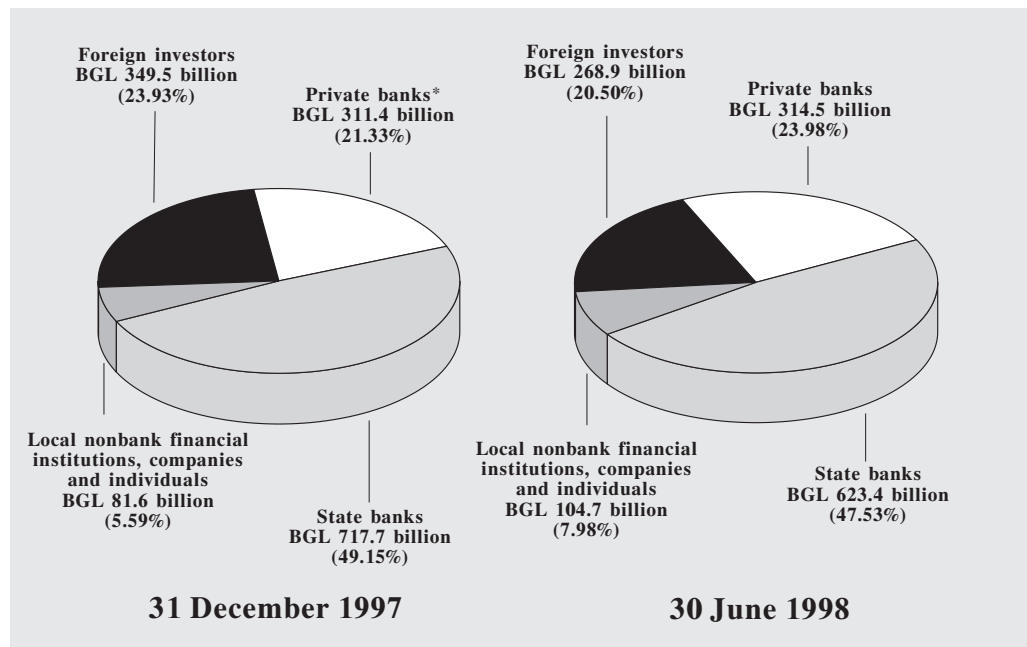
**HOLDERS OF GOVERNMENT SECURITIES ISSUED UNDER REGULATION No. 5 OF 1996 AND OF TARGET ISSUES AS OF 30 JUNE 1998**



**Notes:** 1. Including frozen government securities by financial institutions.  
2. Guaranty government securities issued under LSPDACB excluded.

Source: BNB.

**HOLDERS OF USD- AND LEV-DENOMINATED GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM**



\* UBB is included in private banks.

**Notes:** 1. Including frozen government securities by financial institutions.  
2. Data on government securities denominated in US dollars is in lev equivalent at the US dollar exchange rate on 31 December 1997 and 30 June 1998 respectively.  
3. Guaranty government securities issued under LSPDACB excluded.

Source: BNB.

### 3. Interest Rates on Commercial Bank Operations

Commercial bank interest rate policy continued to be directly affected by the movements in the base interest rate. However, during the first half of 1998 it was more strongly impacted by other market factors.

Between January and June 1998 the fall in the base interest rate, started in the second quarter of 1997, continued. The average monthly interest rate decreased from 6.79% in December 1997 to 5.15% in June 1998.

The base rate continued to be set on the basis of yield attained at primary auctions for three-month discount issues of government securities. Consequently, the progressively declining base rate reflected the falling income from direct investment of banks in government debt instruments which in the last two years were the major income-generating investment instrument.

Interest rates on time deposits followed the general trend of the base rate, though more slowly: in December 1997 their average value on a simple annual basis was 3%, or 44% of the base rate, while in June 1998 this fell to 2.71%, or more than 52% of base rate.

Banks lending interest rate policy proved to be the only instrument employed for improvement of banks' profitability.

The average interest rates on new short-term loans stood around the level attained at the end of 1997: 13.05% in December. The high was reached in May: 14.42% on an annual basis. In June 1998 they fell to 13.44%. This resulted in a continuously growing positive interest rate spread relative to the base rate: from 6.25 percentage points in December 1997 to 9.17 percentage points in May and 8.29 percentage points in June 1998.

Average interest rates on long-term loans remained unchanged which also resulted in higher positive interest rate spreads compared with the base rate.

The greater volume of the interbank money market prompted an increase in average interbank interest rates. Early in the year the average interbank interest rate was 1.61%, while in June it reached 2.60%. The average interbank interest rate exhibited a trend opposite to that in the base rate which led to a decrease in the difference between the base rate and the average interbank interest rate.

### 4. Exchange Rate and the Forex Market

#### General Characteristics of the Forex Market

The *volume* of forex market spot operations and operations with shorter value date between domestic participants registered by the BNB (prior to deleting possible double entries) totaled DEM 4.2 billion (USD 2.3 billion) in purchases and DEM 4 billion (USD 2.2 billion) in sales. In contrast with the previous year when the amount of purchases exceeded sales significantly, in the first half of 1998 the amounts of purchases and sales were almost equal. Compared with the first half of 1997 the amount of purchases was unchanged, while the amount of sales increased by some 17%. Compared with the second half of 1997 the forex market volume decreased due to reduced purchases (by almost 20%), while sales remained almost unchanged<sup>32</sup>.

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<sup>32</sup> Major suppliers of foreign currency to the banking system were: metallurgy and metal processing, chemicals and pharmaceuticals, engineering, textiles, clothing, footwear, foods, cereal exports, finance and construction materials, universities, holdings, foundations, religious organizations, and foreign embassies.

## Market Sectors

Operations by *fully licensed banks* (banks included in computing the volume of the forex market in the country) *with domestic customers* comprise the biggest market sector. Fully licensed banks' purchases from domestic customers (companies, exchequer-supported organizations, domestically licensed banks, financial houses, etc.) between January and June 1998 exceeded purchases in the first half of 1997 by 14% but were less than in the second half of 1997. Sales exhibited a progressive growth: more than 50% greater than in the first half of 1997 and slightly higher than sales in the second half of 1997. Forex purchases continued to grow faster than sales. As a result, a positive balance of DEM 508.1 million (USD 281.1 million) was reported by banks which is almost 40% less than in the first half of 1997 and approximately 30% less than in the second half of 1997.

### SPOT OPERATIONS WITH CUSTOMERS

January – June 1998 (125 days)	million DEM (million USD)		
	Bought	Sold	Balance
Banks with domestic customers, incl.:			
BNB	2,375.5 (1,322.1)	2,139.6 (1,192.8)	235.9 (129.3)
fully licensed commercial banks	119.7 (66.2)	391.9 (218.0)	-272.2 (-151.8)
Commercial banks with foreign financial investors	2,255.8 (1,255.9)	1,747.7 (974.8)	508.1 (281.1)
	20.7 (11.4)	45.4 (25.0)	-24.7 (-13.6)

Source: BNB.

According to the data reported to the BNB, the downward trend which emerged in 1997 in *domestic commercial banks' forex transactions with foreign investors* was sustained. Starting from the second half of 1997, banks' forex sales exceeded forex purchases.

### INTERBANK SPOT MARKET

January – June 1998 (125 days)	million DEM (million USD)		
	Bought	Sold	Balance
Fully licensed commercial banks	1,188.8 (663.2)	1,224.8 (682.8)	<sup>-33</sup> (-) <sup>33</sup>
BNB with fully licensed CB	607.4 (335.1)	- (-)	607.4 (335.1)

Source: BNB.

*Interbank market* volume, including forex transactions against levs between fully licensed banks, totaled DEM 1,224.8 million (USD 682.8 million). The volume of interbank market saw a 12% decline from the second half of 1997 and a 50% increase from the first half of 1997. There was no foreign currency exchanged between the BNB and commercial banks in the forex market during the first half of 1998. Central bank gross and net purchases were equal.

**BNB operations.** As in the two previous half-years, in the first half of 1998 fully licensed commercial banks sold foreign currency to the BNB to the amount exceeding their net purchases from customers. Likewise, commercial bank forex sales to the BNB declined, being about half the amount sold both in the first half of 1997 and in second half of the same year.

In contrast to BNB operations with fully licensed commercial banks, the volume of BNB spot transactions with other domestic commercial banks remained unchanged from a year ago (slightly exceeding the first half-year's volume and slightly behind that of the second half). These were exclusively BNB purchases.

<sup>33</sup> Some imperfections in reporting lead to a minimum difference between purchases and sales which are identical for transactions between fully licensed commercial banks.

**BNB SPOT TRANSACTIONS**

million DEM (million USD)

January – June 1998 (125 days)	Bought	Sold	Balance
BNB, total:	727.1 (401.3)	391.9 (218.0)	335.2 (183.3)
BNB with fully licensed CB	607.4 (335.1)	- (-)	607.4 (335.1)
BNB with customers, incl.:	119.7 (66.2)	391.9 (218.0)	-272.2(-151.8)
with limited license banks	64.7 (35.7)	- (-)	64.7 (35.7)
with companies	13.7 (7.6)	- (-)	13.7 (7.6)
with budget organizations	6.6 (3.7)	17.4 (9.6)	-10.8 (-5.9)
with MF for the foreign debt	- (-)	320.9 (178.9)	-320.9(-178.9)
with state funds	- (-)	32.8 (18.1)	-32.8 (-18.1)
with Privatization Agency	0.4 (0.2)	0.0 (0.0)	0.4 (0.2)
other	0.4 (0.2)	- (-)	0.4 (0.2)
cash operations at tills	33.9 (18.8)	20.8 (11.4)	13.1 (7.4)

Source: BNB.

Intensive BNB forex purchases from corporate customers stopped in the second half of 1997 and in the first half of 1998 BNB purchases of foreign currency were limited to budget organizations engaged in economic activity (the volume of these transactions rose from the previous year).

BNB forex purchases on the account of the Ministry of Finance for foreign debt payments to foreign bank and government creditors and to international financial institutions (government budget lev balances which provide the lev source of transactions are immediately covered by the reserve currency – the Deutschemark on their deposition with the BNB) totaled USD 178.9 million (DEM 320.9 million), a slight decrease compared with the amount sold by the BNB to service foreign debt in the first half of 1997.

Generally, during the half-year the BNB was a net buyer of foreign currency and the positive balance on forex purchases in the interbank market (Deutschemarks) offset the forex sales for foreign debt service (US dollars and other currencies).

**Market Structure by Currency**

Changes in the market structure of currencies traded against levs matched those in 1997, consistent with the introduction of the currency board. The share of the US dollar accounted for 53.7%, that of the Deutschemark was 42.4% (against 81.2% and 14.7% respectively in the first half of 1997, and 51.3% and 45.8% in the second half of 1997). In fully licensed commercial bank operations the US dollar accounted for 53.6%, and the Deutschemark for 45.6% (against 91.2% and 7.6% in the first half of 1997 and 59.6% and 39.2% in the second half). When fully licensed commercial bank spot transactions with the BNB are included, the share of the US dollar in the interbank market structure breaks down at 35.7% for the US dollar and 63.8% for the Deutschemark (against 79.3% and 19.1% in the first half of 1997 and 33.4% and 65.9% in the second half). The US dollar occupied a more sizeable share in bank (BNB and fully licensed commercial banks) transactions with customers. In terms of bank purchases from customers, the US dollar accounted for 70.7% and 22% for the Deutschemark (against 80% and 12.7% in the first half of 1997 and 66.7% and 26.2% in the second half). In terms of bank sales to customers, the US dollar accounted for 65.2% and the Deutschemark for 29.1% (against 87.3% and 7.7% in the first half of 1997, and 77.3% and 19.8% in the second half).

## 5. Minimum Required Reserves

During the first half of 1998 two different systems of minimum required reserve setting and accounting were used.

Until March the old system was in effect: the level of required reserves was formed as a static value on the basis of end-of-month balance-sheet data and was obligatory for maintenance by banks on each day of the following month. Banks' access to required reserves was limited to 15%, the remaining 85% being blocked on bank current accounts with the BNB. This system led to occasional queues in settlement payments, mainly reflecting inadequate liquidity management, delayed payments or unexpected expenses for individual commercial banks.

Since April Regulation No. 21 has introduced a new system of organization for minimum required reserves. Minimum required reserves are set on the basis of the average daily amount of the deposit base for a base period corresponding to a calendar month. Reserve accounting is effected for the reserve maintenance period which begins three days after the beginning of the base period and is of similar duration. The reserve percentage was retained at 11% of the deposit base. Some benefits of the old system were preserved: 60% of vault cash and ATM terminals are exempt from the minimum reserve requirement, and banks are permitted to maintain up to 100% of required minimum reserves on attracted funds in foreign currency in such currency. Accounting is effected on an average monthly basis and the banks have unlimited access to current use of reserve accounts with the BNB in levs and foreign currency.

## 6. Payment System and Settlement

The introduction of the new system of reserve setting and accounting on an average monthly basis abolished the possibility of commercial banks' manipulating the amount of attracted funds as at the last day of the month through repo agreements or excessive cash availability. The right to unlimited use of funds on current accounts with the BNB considerably reduced the risk of payment queues and contributed to more efficient liquidity management. This reflected favorably on developments in the interbank money market. For noncompliance with minimum required reserves at the end of the maintenance period, as well as for use of funds on current accounts with the BNB in excess of 50% on each particular day, banks are subject to penalties.

The organization of submitting information on movements in attracted funds and in minimum required reserves on a daily basis forced banks to strictly manage liquidity which depends both on their resource-providing policies and cash flows to the Ministry of Finance, particularly for banks acting as correspondents for government budget cash execution.

Overall change in attracted funds, respectively required reserves, is not significant due to financial stabilization and the relatively stable base interest rate since end-1997. Some fluctuation in the maintained reserve assets was evident in the maintenance periods, reflecting banks' fund management policies. Maximum deviations of these assets within particular reserve maintenance periods moved within the range of 3.08% in May to 4.04% in April, comprising 38.74% for the lev equivalent of foreign currency reserves, and 27.16% for lev reserves. The significant changes in the structure of reserves in levs and foreign currency resulted from banks' frequent use of lev and foreign currency current accounts with the BNB depending on market conditions. Nevertheless, on an average daily basis for a given month the proportion between levs and foreign currency on banks' accounts with the BNB remained stable. Effectively deposited foreign currency continued to move within 44.87% – 47.83% of required reserves on attracted funds in foreign currency and the share of deposited Deutschemarks is the largest.

Effectiveness of the new system of minimum required reserve accounting and

banks' flexible policies reflected on excess reserves on current accounts with the BNB where a steady downward trend evolved toward negative balances in the middle of the maintenance period and maximum level at the end of the maintenance period to attain the level on minimum required reserves, when banks intensify their activity. During the review period only one bank had payment queues on one day due to a delay in a planned transfer.

Generally over the first half of 1998 banks did not experience serious difficulties in maintaining minimum required reserves.

After introduction of the new system only a few banks failed to comply with requirements due mainly to inadequate liquidity planning. Noncomplying banks were penalized in accordance with Regulation No. 21.

In 1998 bankrupt banks continued closing branches directly participating in the payment system. The number of closed input points considerably exceeded the number of newly opened input points; as a result at the end of the half-year these fell to 744 from 831 at end-1997. As branches of closed banks are nonoperational, the number of those actively participating in the payment process was 628.

During the first half-year 5,517,713 interbank settlements were cleared through the BISERA electronic interbank transfers system which is normal for the country. The total amount of settlements over the reporting period was BGL 17,766 billion (average daily BGL 132.585 billion). A slight decline (2.2%) occurred compared with the second quarter of 1997, due mainly to the increase in intrabank transfers being effected through the branches of a number of big banks.

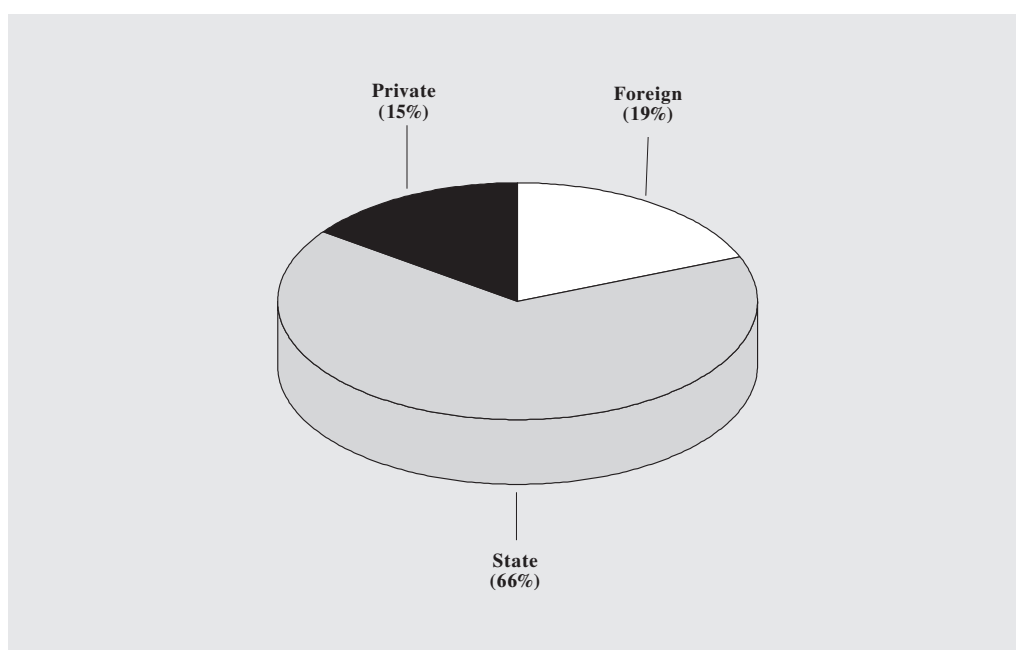
# V. The Banking Sector and Banking Supervision

## 1. Development of the Banking Sector

### Structure and Major Trends

During the process of transition from a centrally planned economy to a market-oriented economy the leading role of commercial banks in financial intermediation did not change. They are still a major source of credit and addressees of free funds, given the nascent capital market. Despite licensing of new banks, including several banks with international participation, opening of foreign bank branches and privatization of state banks at the end of 1997, 67% of assets remain in state-owned commercial banks.

STRUCTURE OF BANK ASSETS BY TYPE OF OWNERSHIP AS OF 30 JUNE 1998



Source: BNB.

The share of the state as a majority owner accounted for 66% as of 30 June 1998. The five biggest banks with assets of BGL 400 – 2,500 billion (one of these is foreign) hold over 65% of consolidated assets, and 16 banks have less than BGL 50 billion in assets.

DISTRIBUTION OF BANK ASSETS

Number of banks according to balance-sheet asset figure <sup>34</sup>	DISTRIBUTION OF BANK ASSETS (%)		
	June 1997	December 1997	June 1998
1	55	33	31
1 – 2	64	44	44
1 – 5	78	67	65
1 – 10	87	82	82
11 – 34	13	18	18

Source: BNB.

<sup>34</sup> Based on cumulative calculations.



Stabilization of the financial sector after currency board introduction provided an adequate environment for the progress of structural reform and further development of market principles in business. Despite initial stabilization, banks continue to invest the bulk of their funds in government securities, deposits and other accounts abroad. The 7% credit increase to the nonfinancial sector in the first half of 1998 was insufficient to compensate for the credit contraction in the second half of 1997. At the end of the reporting period credit to the nonfinancial sector accounted for 80% of the credit amount upon the introduction of the currency board.

#### BANK CREDITS TO THE NONFINANCIAL SECTOR

	(million BGL)		
	June 1997	December 1997	June 1998
Carrying value	2,885,223	2,137,641	2,292,066
Balance-sheet value	2,363,098	1,641,263	1,820,139

Source: BNB.

Banking sector investment potential is not adequate in national (population, output) or comparative international terms. The ratio of total banking system assets to GDP was a mere 35% (in industrially developed countries it exceeds 100%). Quantity and quality of provided bank services is still low.

	billion BGL	share of GDP, %
Average total banking system assets, June 1997 – June 1998	7,378	35.2
Average value of credits to the nonfinancial sector, June 1997 – June 1998	1,941	9.3
GDP produced between June 1997 and June 1998	20,939	

Source: BNB.

	(%)	
	Bank assets/GDP	Credits/GDP
Bulgaria	35	9
Poland	39	15
Slovenia	69	52
Czech Republic	182	79
Israel	123	86

Source: BNB.

### Banking Sector Financial State

By the end of the first half-year the banking sector<sup>35</sup> included 34 banks, of which 33 with full license. For the purposes of supervision commercial banks are classified into groups according to asset size and share in the banking system<sup>36</sup>. Foreign banks' branches are included in a separate group.

*Group I* includes the seven biggest banks by balance-sheet assets (major banks). Six of these have majority state capital and one (UBB) has majority foreign shareholder capital. Bulbank and the SSB are the biggest. The State Savings Bank has a specific legal status. This group makes up 73.7% of the banking system in terms of asset size.

<sup>35</sup> The analysis covers only operating banks.

<sup>36</sup> Group I includes the following banks: Bulbank, SSB, UBB, Bulgarian Post Bank, Biochim Commercial Bank, Expressbank and Hebros Bank; Group II includes: Central Cooperative Bank, Bulgarian-Russian Investment Bank, Credit Bank, First Investment Bank, Municipal Bank, First East International Bank, Neftinvestbank, Unionbank, International Bank for Trade and Development, Private Entrepreneurial Bank Texim, Eurobank, Creditexpress Commercial Bank, Bulgaria-Invest Commercial Bank, Balkan Universal Bank, Corporate Commercial Bank, Bulgarian Investment Bank, Bulgarian Trade and Industrial Bank and Rosseximbank, BNP – Dresdnerbank, Raiffeisenbank, Bulgarian-American Credit Bank; Group III includes: ING Bank – Sofia Branch, Ionian Bank – Sofia Branch, Bayerisch-Bulgarische Handelsbank – Sofia Branch, Xios Commercial Bank – Sofia Branch, National Bank of Greece – Sofia Branch, Societe Generale – Sofia Branch.



**Commercial  
Banks'  
Consolidated  
Balance Sheet**

*Group II* includes 21 small and medium banks with majority private shareholder capital (one with state capital, one with municipal capital, and five with foreign capital). The group makes up 22.6% of the banking system.

*Group III* includes branches of foreign financial institutions. It comprises six banks' branches and makes up 3.7% of the banking system.

*Licenses.* During the first half of 1998 one new license was granted: to T.C. Ziraat Bankasi – Sofia Branch. Two existing licenses were modified: the name and head office of Trakia Bank Ltd., Plovdiv, changed to Rosseximbank Ltd., Sofia; Metropolitan Municipal Bank Ltd., Sofia, was renamed Municipal Bank Ltd., Sofia.

*Consolidated assets (balance-sheet value)* of the banking system totaled BGL 7.8 trillion by end-June 1998, against BGL 7.4 trillion by end-December 1997. The balance-sheet value of consolidated assets rose by 5.5% in nominal terms.

**CONSOLIDATED ASSETS**

	Carrying value	Adjustment	Balance-sheet value (million BGL)
June 1997	8,458,202	1,548,727	6,909,475
December 1997	8,869,117	1,459,408	7,409,708
June 1998	8,900,574	1,085,125	7,815,449

Source: BNB.

The *carrying value* of consolidated assets rose by a mere 0.4% in nominal terms, reaching BGL 8.9 trillion by the end of the reporting period.

**CHANGE IN CONSOLIDATED ASSETS**

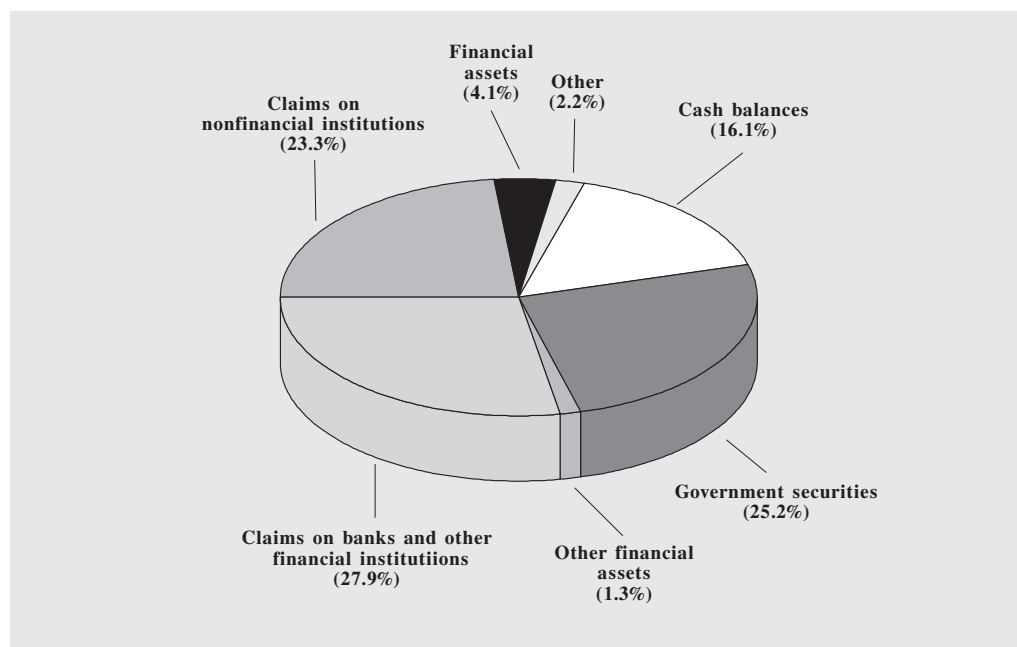
	Carrying value	Balance-sheet value	Inflation for the period (%)
December 1997 – June 1998	0.4	5.5	2.3
June 1997 – June 1998	5.2	13.1	18.9

Source: BNB.

**Asset structure.** *Financial assets* in the consolidated balance sheet of commercial banks comprised 93.7% of total assets (93.5% at the end of 1997). The trends in the structure of financial assets evolving after currency board introduction were sustained.

The share of *liquid assets* was high, a result of strengthened financial discipline and legal restrictions on refinancing. By the end of the half-year *cash balances* comprised 16% of banking system assets, with fluctuation of ±1.5 percentage points. Since early 1998 the balance-sheet value of cash balances has declined by 7% due to a 28% decline in the lev component and a 13% increase in the forex component. These changes reflected directly on the foreign currency structure of assets.

## STRUCTURE OF ASSETS AS OF 30 JUNE 1998



Source: BNB.

## LEV/FOREX COMPONENT OF CASH BALANCES

	June 1997	December 1997	June 1998
Cash balances, million BGL	1,063,483	1,354,421	1,258,424
in levs, %	34	49	38
in foreign currencies, %	66	51	62

Source: BNB.

Cash balances of Group II banks comprised the biggest share: 20% of their total assets.

The amount of *government securities* in the consolidated balance sheet of commercial banks totaled BGL 1.97 trillion at balance-sheet value. Their share remained almost unchanged and by the end of the first half these comprised 25% of consolidated assets (24% at the end of 1997). Lev government securities made up 43%. The practice of the bulk of government securities issues being purchased by commercial banks was sustained. Group II banks considerably increased the share of government securities in their portfolio, an increase of 49% being reported, with lev government securities rising threefold (by 193%) over the first half-year.

*Claims on banks and other financial institutions* rose by 3.5% and reached BGL 2.2 trillion at balance-sheet figure. Meanwhile, their carrying value declined by 6% due to release of over 55% of the adjustment/provision against currency risk (reduced currency risk as a result of fixing the lev to the Deutschemark). The forex component of this item was 97%. Claims on banks and other financial institutions comprised the largest share (28%) of total assets. Banks continued holding sizeable funds on account with nonresident banks which exceeded the amount of lending to the real sector.

*Credits extended to nonfinancial institutions* rose nominally by 11% during the first half-year, and reached BGL 1.82 trillion (at balance-sheet value). Compared with the first half of 1997 they declined by 23%. The increase in the first half-year of 1998 is entirely attributable to increased credits in national currency which accounted for 68%. Credits extended in foreign currency to the nonfinancial sector halved from the first six months of 1997. Conservative commercial bank lending policy helped improve liquidity but had adverse implications for growth in the economy.

(million BGL)

Balance-sheet value	June 1997	December 1997	June 1998
Claims on banks and other financial institutions	1,697,571	2,102,709	2,177,150
in levs	48,465	93,082	56,638
in foreign currencies (lev equivalent)	1,649,105	2,009,627	2,120,512
Claims on nonfinancial institutions	2,363,098	1,641,263	1,820,139
in levs	1,183,660	1,063,438	1,239,606
in foreign currencies (lev equivalent)	1,179,437	577,825	580,533

Source: BNB.

**Liability Structure.** *Attracted funds from nonfinancial institutions* are the major source of financing for Bulgarian commercial banks, totaling BGL 5 trillion in the first half of 1998. The share of these deposits in the total liabilities was 64% at the end of the first half-year (67% at the end of 1997). Nonfinancial institutions' deposits rose by 0.7% in the period under review but compared with the same period of 1997 the increase is 31.4%. The forex component of attracted funds from nonfinancial institutions constituted 56.6% at the end of the first half of 1998, against 69.3% upon currency board introduction in July 1997.

#### ATTRACTED RESOURCES FROM NONFINANCIAL INSTITUTIONS

	June 1997	December 1997	June 1998
Attracted resources from nonfinancial institutions, million BGL	3,809,116	4,971,647	5,004,438
in levs, %	31	44	43
in foreign currencies, %	69	56	57

Source: BNB.

Deposits of nonfinancial institutions were distributed relatively evenly in terms of their share in the banking system. Commercial banks displayed preference for maintaining a steady deposit base. Smaller expenses on attracted funds from nonfinancial institutions had a positive effect on banks' financial performance. The sizeable increase in deposited funds since currency board introduction (the second half of 1997) directly reflected the stabilization in the financial system and the lack of investment alternatives due to an underdeveloped financial market.

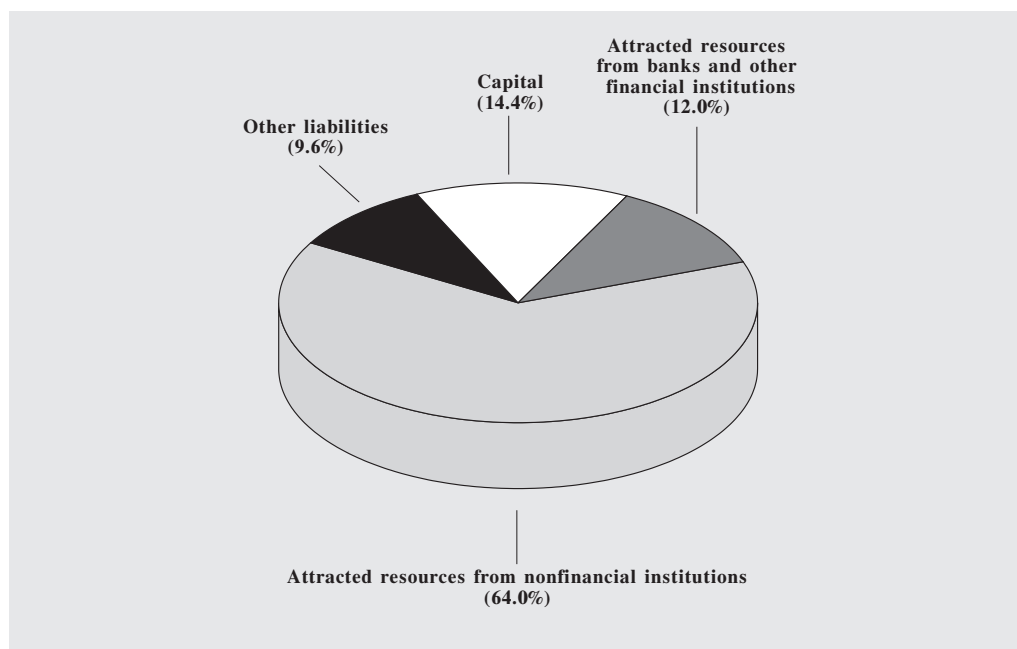
#### SHARE OF ATTRACTED RESOURCES FROM NONFINANCIAL INSTITUTIONS IN TOTAL LIABILITIES BY BANK GROUP

(%)

	June 1997	December 1997	June 1998
Group I	55.4	69.4	65.2
Group II	51.7	61.2	60.2
Group III	63.2	54.1	63.9
Total	55.1	67.1	64.0

Source: BNB.

## STRUCTURE OF LIABILITIES AS OF 30 JUNE 1998



Source: BNB.

*Equity.* Banking system equity rose by 23.5% to BGL 1.125 trillion. The share of equity accounted for 14.4% (12.3% at the end of 1997 and 5.6% on currency board introduction). This growth is attributable mainly to fixed capital. Increased minimum capital requirements are the major reason for raising new shareholder capital. Fixed capital rose by 75% to BGL 576 billion in the reporting period. The share of unpaid capital is BGL 70 billion, attributable entirely to Group II banks. In practice one-fourth of this group's capital is due to be paid up. The unpaid portion declined by 38% in the first half of 1998.

### OWN FUNDS

	(million BGL)		
	June 1997	December 1997	June 1998
Profit	84,859	364,103	147,108
Capital	249,851	345,413	603,767
incl. fixed	234,627	338,408	576,268
Reserves	53,117	201,254	374,240
Equity	387,828	910,770	1,125,116

Source: BNB.

### Consolidated Income Statement

*Banking system consolidated revenues* total BGL 2.95 trillion, and expenditures stand at BGL 2.78 trillion. *Reported profit* is BGL 172 billion and *tax payments* total BGL 61 billion. Key factors behind this result were the fixing of the lev to the Deutschemark, low inflation, low interest on deposits, low yield on lev government securities. These influence transformation of the major income and expense items for banks. Profits from valuation adjustments declined considerably, in contrast with previous years. A positive *net interest income* was reported. The latter is due to lower interest on attracted funds (interest expenses accounted for 1.3% (for six months) of attracted funds), as well as to prudent lending.

**NET INTEREST INCOME**

(billion BGL)

	January – June 1998
Interest income	231.5
Interest expense	74.7
Net interest income	156.8

Source: BNB.

The banking system reported a net result from *financial activity* of BGL 369 billion after deduction of BGL 120 billion allocated for *provisioning*. Overhead expenses (*expenses by economic element*) totaled BGL 159 billion.

**SELECTED INDICATORS FROM THE CONSOLIDATED INCOME STATEMENT OF COMMERCIAL BANKS**

(billion BGL)

	Group I	Group II	Group III	Total
Net interest income	117.9	32.6	6.2	156.8
Net income from valuation adjustments	49.9	4.5	2.5	56.8
Net income from fees and commissions	25.4	12.2	3.4	41.1
Net income from government securities operations	-14.1	8.4	0.8	-4.9
Other financial net income	196.4	32.7	10.4	239.5
Income from partnerships	0.3	0.1	0	0.4
Provision expenses	84.6	31.9	3.6	120.3
Financial activity result	291.2	58.5	19.3	369.5
Expenses by economic element	103.4	47.1	8.7	159.3
Taxes	55.4	4.9	0.4	60.7
Result	139.7	22.3	10.6	172.6

Source: BNB.

**PROFITABILITY RATIOS**

(%)

	Group I	Group II	Group III	Total
Return on assets	2.4	1.3	3.7	2.2
Return on equity	47.2	8.0		29.9

Source: BNB.

**The State of Banks in Liquidation**

Pursuant to the Law on Banks the BNB monitors *the process of liquidation of the 15 banks declared bankrupt by Courts of Law*. Most of these banks stopped operating as early as 1996 after their placement under conservatorship. For the period of insolvency these banks' revenue totaled BGL 91.9 billion, with property sales comprising a mere 0.56%.

**BANKRUPT BANKS**

Cash balances and government securities, million BGL	212,536
Claims on financial institutions, million BGL	88,499
Claims on nonfinancial institutions, million BGL	1,391,837
Income from repayments, million BGL	89,351
Percentage of repayments on claims on nonfinancial institutions, %	6.4
Total income, million BGL	91,857
Expenses by economic element since insolvency (depreciation excluded), million BGL	43,724
Percentage of EEE <sup>37</sup> to income, %	47.6

Source: BNB.

The percentage of repayments on claims on nonfinancial institutions for the 15 failed banks moved from 0.1 to 24.4%. For five banks in bankruptcy overhead expenses exceeded income.

<sup>37</sup> Expenses by economic element.

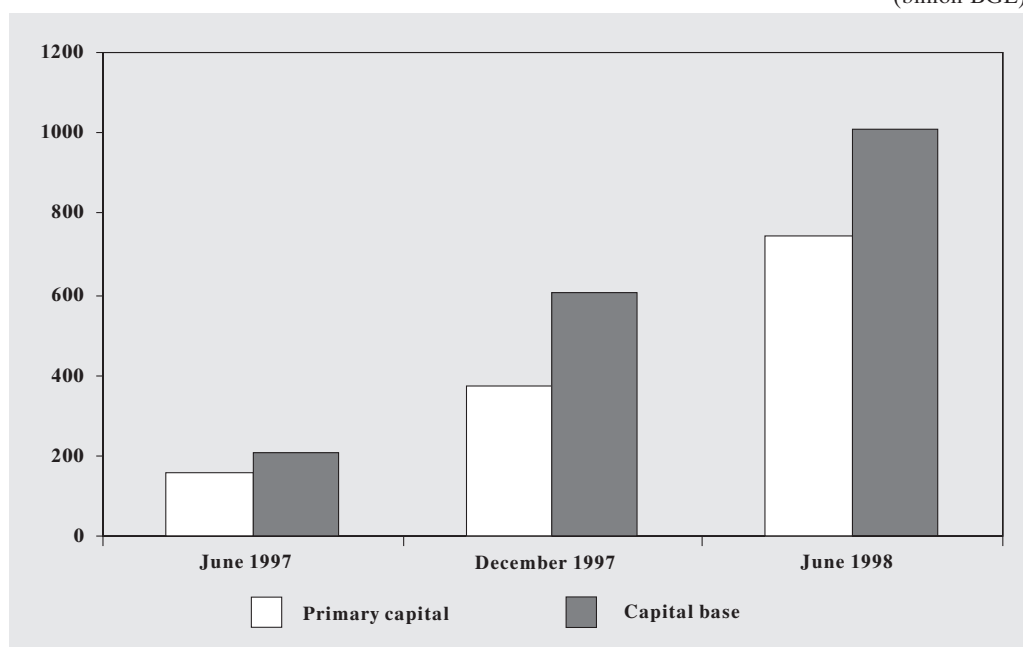
## 2. Fulfillment of Supervisory Requirements

### Capital Adequacy

The *capital adequacy* ratio of the banking system between January and June 1998 was 36.8% against 23.4% at end-1997. This is attributable to faster capital base growth: 68% against a 6.5% growth in *total risk component*. All banks reported capital adequacy ratios over 10% (the minimum required for end-1998). There was only one bank with capital adequacy ratio below 12% (the minimum required for end-1999). Group I banks increased their capital base on the account of undistributed profit from 1997. Increased capital of Group II banks was mostly the result of effective monetary contributions. Three banks do not meet the requirement of Regulation No. 8 of the BNB for a capital base of BGL 10 billion to be attained by 30 June 1998. Two of the banks attained the required minimum by the end of August, and the shareholders of the third bank approved its takeover.

#### CAPITAL BASE AND PRIMARY CAPITAL

(billion BGL)



Source: BNB.

The 6.5% rise in total risk component, compared with 2% assets decrease degraded the *Extent of assets risk* indicator (31% by end-1997 against 34% by end-June 1998). This indicator improved in Group II banks, showing a decline of five percentage points.

#### EXTENT OF ASSETS RISK AND EXTENT OF ASSETS COVERAGE

(%)

	June 1997	December 1997	June 1998
<b>Extent of assets risk</b>			
Group I	21.3	28.2	31.6
Group II	47.0	44.0	42.4
Total	24.5	31.2	33.9
<b>Extent of assets coverage</b>			
Group I	2.0	6.4	11.8
Group II	8.1	11.1	15.1
Total	2.8	7.3	12.5

Source: BNB.

Improved solvency (capital adequacy) of the banking system proved to be one of the most important factors in banking system stabilization and strengthening public confidence in the system. Increased own funds of banks strengthened both the direct investment potential of the economy and the stability of banking business.

## Credit Risk

Between January and June 1998 banks pursued a conservative lending policy. As a result, the share of *credits extended to nonfinancial institutions* in banks' consolidated balance sheets was under 25%. In general the credit risk of the banking system diminished.

Claims classified under BNB Regulation No. 9 had the following structure:

### EXPOSURE CLASSIFICATION UNDER REGULATION No. 9

	Group I	Group II	Group III	Total
Total exposure, million BGL	4,361,402	954,135	520,075	5,835,613
standard exposures, %	85.7	91.1	87.5	86.7
watch exposures, %	1.6	4.9	1.1	2.1
substandard exposures, %	1.7	0.3	8.1	2.0
doubtful exposures, %	0.3	0.4	1.8	0.4
loss, %	10.9	3.2	1.5	8.8

Source: BNB.

### CLASSIFICATIONS OF CLAIMS ON NONFINANCIAL INSTITUTIONS AND OTHER CLIENTS

	Group I	Group II	Group III	Total
Total exposure, million BGL	1,270,096	509,282	138,765	1,917,143
standard exposures, %	64.0	79.5	70.9	68.6
watch exposures, %	5.1	10.3	0.0	6.1
substandard exposures, %	4.9	0.7	29.1	5.6
doubtful exposures, %	0.9	2.5	0.0	1.3
loss, %	25.1	7.0	0.0	18.5

Source: BNB.

## Credit Concentration

Big loans within the meaning of Article 29 of the Law on Banks amounted to BGL 812 billion. The requirement that big loans shall not exceed eight times the capital base was met as a result of sizeably increased capital base rather than limited extension of big exposures.

### BIG LOANS

	Big loans (million BGL)	Capital base (million BGL)	Big loans/ capital base (%)
Group I	343,817	749,101	46
Group II	380,032	263,156	144
Group III	88,591	0	
Total	812,440	1,012,258	80

Source: BNB.

Banking supervision efforts were focused on controlling aggregate as well as single exposures where bigger violations were found. By June 1998 ten commercial banks violated the maximum admissible amount of exposure to an individual client.

## Liquidity

Between January and June 1998 banks maintained high liquidity: long-term investment was limited, while banks maintained sizeable high liquid assets as cash balances, government securities and deposits abroad.

The share of liquid assets in total assets accounted for 69%.

## ESTIMATED NET ASSET/LIABILITY CASH FLOWS

(million BGL)

	For the period	Cumulative
0 – 7 days	400,546	400,546
8 – 30 days	51,506	452,052
2 months (31 – 60 days)	-114,929	337,123
3 months (61 – 90 days)	-237,857	63,266
6 months (91 – 180 days)	-325,218	-261,952
1 year (181 – 365 days)	-92,293	-354,245
over 1 year	874,075	519,830

Source: BNB.

Although the liquidity in the banking system causes no concern as a whole, there is a difference between maturities of assets and liabilities in certain periods. This entails maintenance of high liquid assets for covering possible monetary outflows. Banking supervision aimed to influence banks' policy in creating more balanced maturity structure.

### Currency Risk

Banks' open foreign currency position totaled BGL 558 billion and the open foreign currency position to capital base ratio was 53.3%. As of June 1998 ten banks exceeded the 60% limit to be attained by year-end.

#### FOREIGN CURRENCY POSITIONS

	Group I	Group II	Group III	Total
Open balance-sheet position, million BGL	740,571	26,033	-21,794	744,810
Open position, million BGL	572,936	16,959	-32,023	557,873
Capital base, million BGL	749,101	263,094	34,257	1,046,453
Open position/capital base, %	76.5	6.5	-93.5	53.3

Source: BNB.

Imbalances in terms of individual currencies were sustained with the US dollar having a dominating position.

## 3. Banking Supervision Activity

Banking Supervision Department activity was organized in line with internationally recognized banking standards and in compliance with regulations and the established practice in the European Union. Consistency with the major principles of efficient banking supervision designed by the Basle Banking Supervision Committee at the Bank for International Settlements was a major prerequisite.

Major goals, priorities and methods of achieving these goals are described in the development plan of the Banking Supervision Department. Procedural Manuals for both off-site and on-site examinations are being prepared aimed at improving the thoroughness, standardization of bank assessments and efficiency. With finance from the American Agency for International Cooperation, a manual on on-site inspections policy procedures (including the CAMELS bank assessment system), planning of inspections dependent on priorities and banking supervision strategy for individual banks, foreclosure intended to remove violations, and supervision of trouble banks, is being developed.

An analysis of the legal framework and supervisory practice shows that the Law on Banks needs to be improved. To this end, by the end of the first half of 1998 preparation work for amendment of the Law on Banks was initiated and currently this work is almost completed.



## **On-site Inspection**

Between January and June 1988 ten full examinations were carried out, including one bank of systemic importance (Group I) and nine small and medium-scale banks. In addition, 17 target examinations on the compliance of banks' own funds with minimum required capital were carried out in 15 Group II banks and two foreign banks.

### *Major findings of on-site examinations:*

- Reclassification of risk exposure from a lower to a higher risk group requiring bigger provisions were established in all inspected banks. Mismatches in the enactment of asset assessment criteria were found.

- Preliminary and ongoing assessment of client creditworthiness, client current and forecast performance and cash flow were insufficient. There were no business plans and economic statements showing the grounds and efficiency of financing made in almost all inspected banks.

- Violations of the Law on Banks in respect of big and internal loans extended by banks were found.

- In a number of banks investment in long-term tangible assets exceeded the admissible 50% of banks' own funds.

- Violations of Article 19 of the Law on Banks, particularly in stake acquisition, were found.

- The maturity structure of liabilities and assets is unfavorable in respect of liquidity.

Target examinations showed that own funds of three banks did not comply with the minimum required capital within the term set by law (30 June 1998).

## **Off-site Supervision**

During the first half of 1998 the Off-site Supervision and Analysis Directorate continued working along these lines:

- Periodical monthly and quarterly control of banks' financial performance and compliance with bank supervision regulations. The efforts of the Directorate were focused both on processes within individual banks and groups of banks. More profound analyses of trends, risk areas and specific problems within individual banks and groups of banks were made.

- Especial attention was paid to the Directorate's and the Banking Supervision Department's data provision needs. A new system for obtaining, managing and summarizing data from commercial banks was introduced.

- Analyses on particular problems of commercial bank activity were made: assessment of the effect of revaluation of long-term tangible assets on the indicators of the banking system; movements in banks' capital and sources for meeting the requirements of Regulation No. 8; preliminary analysis of efficiency resulting from changes in particular supervisory regulations.

- Data submitted by commercial banks under the Law on Information about Nonperforming Loans was aggregated.

- Work on developing a system for early risk identification in the banking system or within an individual bank. The first version of the early warning system was tested in banks of systemic importance.

All Directorate experts took part in various specialized training courses on banking supervision, including ones on risk assessment and assets quality, international accounting standards, and specific techniques of off-site supervision.

## **Special Supervision**

During the first half of 1998 the Special Supervision Directorate carried out 37 examinations of nonbank financial institutions for compliance with the Law on Transactions in Foreign Exchange Valuables and Currency Control. Examinations associated with the structure of shareholders' capital, trade in government securities (ZUNK) were carried out in 11 commercial banks. The activity of eight banks as investment intermediaries was inspected. Examination findings included:

### *in commercial banks*

- shareholders' registers not kept in compliance with the provisions of the Law on Commerce;

- the provisions of Article 3 of the Regulation on Terms and Procedure for

Acquisition and Redemption of Long-term Government Bonds issued under Structural Reform violated;

- breaches of the Accounting Law;

*in nonbank financial institutions*

- a lack of required foreign exchange operations (forex sales, transfers abroad) documentation;

- the taking of deposits and extension of loans in the form of agreements for cooperation, financial services, issue and acceptance of promissory notes and bills of exchange;

- the conduct of noncash discount and guaranty transactions in foreign instruments of payment.

## **Supervisory Measures**

In compliance with the established supervisory practice for the eradication of bank violations of supervisory requirements, informal measures were paid special attention: meetings with the banks' management, discussions and jointly agreed measures. Based on examination findings a memorandum of understanding was prepared with one commercial bank and its ratification is pending. In addition to informal measures, formal ones were also taken. Conservators were appointed in one commercial bank. As a result, the bank rapidly stabilized and the powers of the conservators were terminated. Mandatory prescriptions for the removal of violations in one commercial bank were made, and another commercial bank was sent a written warning. Given the results, it may be concluded that the effect of enacted formal and informal measures is satisfactory. By the end of the period in review, steps establishing administrative violations in banks were initiated. As a result, administrative penalties were imposed.

The Managing Board of the BNB revoked the licenses of 156 nonbank financial institutions to conduct transactions in foreign instruments of payment due to legal violations. The Prosecutor's Office was notified about the findings which were deemed to constitute a crime, and preliminary proceedings were initiated.

## VI. Financial Results of BNB Activities

As of 30 June 1998 the excess of BNB income over expense amounted to BGL 60,627,761,000.<sup>38</sup>

Incomes from interest, fees and commissions and valuation adjustments are the major types of income from BNB activities. BNB income under a currency board arrangement depends primarily on the bank's forex reserves management, consistent with Articles 28 and 31 of the Law on the BNB.

With the introduction of a currency board, the BNB stopped refinancing of commercial banks and direct funding of the government budget which resulted in a decrease in lev revenue from interest. By 30 June 1998 interest income totaled BGL 93,559 million: BGL 93,551 million interest income from forex operations and BGL 8 million from penalty interest paid by commercial banks. The share of interest on forex operations accounted for over 99% and was the major source of interest income. Between January and June 1997 the share of interest income from forex operations was 18%.

Expenditure associated with BNB activities include expenses on interest, fees, commissions, expenses on BNB activities and on provisions. BNB interest expense in the first half of 1998 totaled BGL 45,647 million and is split into BGL 3,351 million in interest paid on lev deposits, and BGL 43,296 million in interest paid on forex operations. Interest expense on forex operations includes interest paid on securities and interest paid on foreign currency deposits of prime-rate budget entities. Interest expense on forex operations accounted for 92.82% of total interest expense.

Expenses on fees and commissions includes fees on BNB commitment to the IMF under the standby loan. Income from fees and commissions is insignificant for the bank due mostly to the free of charge service of the prime-rate budget entities and commercial banks' accounts.

Forex-denominated securities in the central bank's portfolio are tradable and rose by BGL 9,477 million for the first six months of 1998.

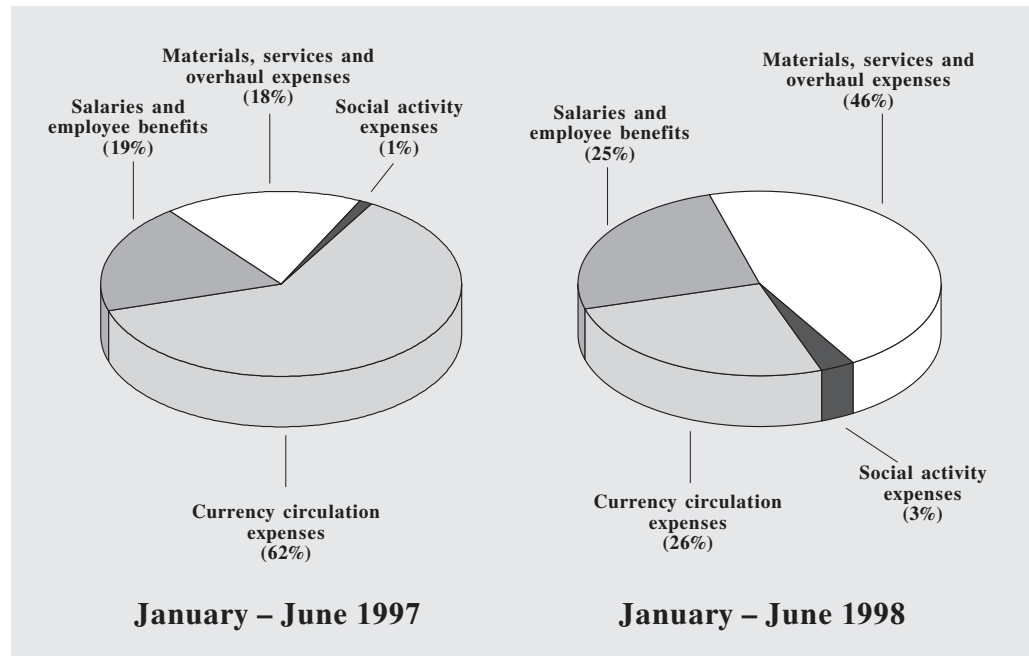
Profits and losses from purchase and sale of foreign currency netted BGL 5,243 million. The effect of revaluation of assets and liabilities denominated in foreign currency is referred to a special reserve account in compliance with Article 36 of the Law on the BNB.

Expenses on BNB activities showed a decline from the first half of 1997. Under the conditions of a currency board, the central bank pursued a restrictive policy in respect of bank operating expenses.

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<sup>38</sup> BNB financial reports are made in conformity with accounting principles set out in Article 5 of the Accounting Law and International Accounting Standards.

## INDICATORS OF BNB OPERATING EXPENSES



Source: BNB.

Any extra expenses or incomes by or into the BNB by 30 June 1998 are due to events or transactions beyond the scope of normal BNB operations and would not occur in future.

## BNB INCOME STATEMENT

(thousands of BGL)

	As of 30 June 1997	As of 30 June 1998
Interest income and related income	327,346,775	93,559,383
Interest expense and related expense	124,884,611	46,646,910
Net interest income	202,462,164	46,912,473
Fees and commissions incomes	208,294	422,057
Fees and commissions expenses	2,821,089	1,127,328
Net gains (losses) arising from securities in trading portfolio	-1,789,061	9,493,103
Net gains (losses) arising from securities in investment portfolio	0	0
Net foreign exchange gains (losses)	-17,763,544	5,243,823
Net gains (losses) arising from bank operations	0	0
Noninterest income from bank operations, total	-22,165,400	14,031,655
Operating expenses	14,018,843	13,653,261
Expenses (incomes) on provision	87,300,419	23,213,146
Expenses on revaluation of fixed assets and investments	0	0
Other income	4,685,508	1,658,250
Other expense	18,065,753	0
Excess of income over expense prior to extra expense inclusion	65,597,257	72,162,263
Extra income	174,544,076	1,435,707
Extra expense	0	12,970,209
Excess of income over expense after including extra income (expense)	240,141,333	60,627,761

Source: BNB.

## **Appendix**

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*The methodology and scope of the respective indicators are comprehensively presented in BNB 1998 Monthly Bulletin issues.*

## GROSS DOMESTIC PRODUCT

	1997 <sup>1</sup>	January – June 1998	Growth rate on first half of 1997, %
	(at current prices, billion BGL)		
GDP	17103.433	9514.237	11.9
Agriculture and forestry	3987.312	1273.991	8.0
Industry	4482.908	2730.833	19.5
Services	6765.982	4279.207	4.8
Sectors at base prices, total	15236.202	8284.031	10.0
Adjustments <sup>2</sup>	1867.231	1230.206	-
FINAL DEMAND	17103.433	9514.237	11.9
Final consumption	14389.824	8077.248	11.7
Household final consumption	12208.663	6793.072	13.7
Final consumption of nontrade organizations serving households	65.422	43.675	9.6
Government final consumption	1067.713	626.901	1.4
Gross capital formation	2025.004	1294.664	-
Gross formation of fixed capital	1931.561	982.408	-5.5
Physical inventory change	93.443	312.256	-
Foreign trade balance <sup>3</sup>	948.814	206	5.6
Statistical discrepancy	-260.209	-63.404	-

<sup>1</sup> NSI preliminary data.

<sup>2</sup> Including excises, value added tax, import duties and financial intermediaries' services indirectly measured.

<sup>3</sup> Net exports of goods and services, travel services excluded.

Source: NSI.

**CONSUMER PRICE INDICES**  
**(previous month = 100)**

Commodity (services) groups	1997						1998					
	I	II	III	IV	V	VI	I	II	III	IV	V	VI
Consumer price index	143.50	342.70	112.3	99.30	105.60	100.80	102.0	101.7	99.9	100.1	100.5	98.1
Food	145.90	377.30	106.00	96.10	109.10	98.80	103.2	102.3	100.3	99.6	100.5	96.7
Nonfood	144.90	367.50	102.00	94.40	99.60	102.00	99.7	100.1	98.2	100.5	100.0	99.3
Services	133.50	170.90	200.40	124.70	105.70	104.40	101.7	102.7	101.5	101.1	101.2	101.2
Food*	145.80	371.30	107.20	96.60	109.30	99.00	103.3	102.3	100.3	99.6	100.4	96.7
Drink	136.50	413.60	111.40	96.20	104.60	109.80	99.7	100.8	100.7	103.2	103.4	101.2
Tobacco products	152.40	423.80	102.00	86.50	97.70	103.90	100.6	100.0	100.0	99.7	100.6	100.7
Housing	154.50	345.00	112.10	101.20	99.50	104.80	101.9	108.1	102.7	100.8	100.3	102.0
Household energy	131.10	132.10	254.40	133.60	103.90	102.00	100.2	100.2	99.9	100.0	100.1	100.2
Home furniture	152.70	391.00	84.80	94.30	96.30	102.30	100.7	100.9	100.7	100.1	99.4	99.7
Clothing and footwear	143.60	388.90	90.90	94.30	99.70	102.40	98.2	99.1	100.7	101.3	100.7	98.9
Hygiene and health care	140.40	431.10	102.90	96.20	102.70	103.10	100.7	101.1	100.4	101.3	99.8	98.9
Education and leisure	140.00	233.00	100.80	120.30	109.10	105.30	104.3	102.2	103.3	99.5	100.6	101.1
Transport and communications	136.10	255.90	158.00	96.30	101.60	101.80	100.7	101.1	93.6	101.5	101.4	100.4
Other	131.10	206.70	126.40	165.90	120.60	109.80	104.4	110.4	101.7	103.4	100.9	107.4

Source: NSI.

**CONSUMER PRICE INDICES**

Commodity (services) groups	1997						1998					
	I	II	III	IV	V	VI	I	II	III	IV	V	VI
Consumer price index	143.50	491.77	552.26	548.40	579.11	583.74	102.00	103.73	103.63	103.73	104.25	102.27
Food	145.90	550.48	583.51	560.75	611.78	604.44	103.20	105.57	105.89	105.47	105.99	102.50
Nonfood	144.90	532.51	547.95	517.27	515.20	525.50	99.70	99.80	98.00	98.49	98.49	97.80
Services	133.50	228.15	457.22	570.15	602.65	629.16	101.70	104.45	106.01	107.18	108.46	109.77
Food*	145.80	541.36	580.33	560.60	612.74	606.61	103.30	105.68	105.99	105.57	105.99	102.49
Drink	136.50	564.56	628.92	605.03	632.86	694.88	99.70	100.50	101.20	104.44	107.99	109.29
Tobacco products	152.40	645.87	658.79	569.85	556.75	578.46	100.60	100.60	100.60	100.30	100.90	101.61
Housing	154.50	533.03	597.52	604.69	601.67	630.55	101.90	110.15	113.13	114.03	114.38	116.66
Household energy	131.10	173.18	440.58	588.61	611.57	623.80	100.20	100.40	100.30	100.30	100.40	100.60
Home furniture	152.70	597.06	506.30	477.44	459.78	470.35	100.70	101.61	102.32	102.42	101.81	101.50
Clothing and footwear	143.60	558.46	507.64	478.70	477.27	488.72	98.20	97.32	98.00	99.27	99.97	98.87
Hygiene and health care	140.40	605.26	622.82	599.15	615.33	634.40	100.70	101.81	102.21	103.54	103.34	102.20
Education and leisure	140.00	326.20	328.81	395.56	431.55	454.43	104.30	106.59	110.11	109.56	110.22	111.43
Transport and communications	136.10	348.28	550.28	529.92	538.40	548.09	100.70	101.81	95.29	96.72	98.08	98.47
Other	131.10	270.98	342.52	568.25	685.31	752.46	104.40	115.26	117.22	121.20	122.29	131.34

\* Including prices in catering establishments.

Source: NSI.



**BALANCE OF PAYMENTS FOR 1997\***

	(million USD)																	
	I	II	III	I quarter	IV	V	VI	II quarter	I - VI	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
<b>CURRENT ACCOUNT<sup>1</sup></b>	-9.1	79.6	82.4	152.8	80.4	58.4	-56.3	82.5	235.3	0.3	57.0	69.6	126.9	49.7	-15.2	19.1	53.7	415.9
Trade balance <sup>2</sup>	97.9	110.7	98.1	306.7	63.1	53.4	-72.1	44.5	351.2	67.6	-2.3	18.8	84.1	2.5	-44.6	-24.4	-66.4	368.8
Exports, FOB	399.7	381.4	406.1	1187.2	411.3	439.2	381.6	1232.1	2419.3	452.1	405.3	408.8	1266.2	417.7	403.3	420.3	1241.3	4926.8
Imports, FOB	301.8	270.6	308.1	880.5	348.2	385.8	453.7	1187.6	2068.1	384.5	407.6	390.0	1182.1	415.2	447.9	444.6	1307.7	4558.0
Services, net	-113.2	-35.2	-48.1	-196.5	-2.1	-9.0	2.2	-8.9	-205.3	-85.1	44.7	8.6	-31.8	25.1	8.2	14.1	47.3	-189.8
Receipts	118.8	82.8	97.7	299.3	108.0	115.6	112.6	336.2	635.5	165.2	187.0	142.5	494.8	136.1	137.9	143.3	417.2	1547.5
transport <sup>3</sup>	31.2	27.3	30.4	88.9	30.5	33.5	31.0	95.0	184.0	51.0	54.2	43.8	149.0	39.2	37.2	38.9	115.2	448.2
travel <sup>4</sup>	16.5	10.9	12.5	40.0	13.1	17.4	18.3	48.8	88.8	61.2	74.1	47.3	182.7	33.9	30.3	33.4	97.6	369.0
interest <sup>5</sup>	29.2	6.3	7.9	43.4	7.1	5.0	26.6	38.6	82.1	4.4	10.0	12.1	26.5	17.5	11.4	20.5	49.5	158.1
other income	8.2	5.0	9.4	22.5	3.2	3.6	3.1	9.9	32.5	3.3	2.6	3.2	9.1	3.5	3.3	4.2	11.0	52.6
other services	33.7	33.2	37.5	104.4	54.0	56.1	33.6	143.7	248.1	45.3	46.1	36.2	127.5	42.0	55.7	46.3	144.0	519.6
Payments	232.0	118.0	145.8	495.8	110.2	124.5	110.4	345.1	840.8	250.2	142.3	134.0	526.5	111.0	129.7	129.2	369.9	1737.3
transport <sup>3</sup>	32.1	33.0	33.3	98.3	32.7	38.8	46.1	117.7	216.0	46.5	47.8	48.0	142.4	48.4	48.9	48.6	145.9	504.3
travel <sup>4</sup>	15.8	21.3	17.0	54.1	9.4	12.7	13.0	35.1	89.2	23.9	23.0	25.8	72.7	22.5	18.6	18.5	59.7	221.6
interest <sup>5</sup>	145.2	22.8	44.8	212.8	18.1	16.5	23.9	58.5	271.3	150.3	26.7	33.4	210.4	6.9	14.8	17.4	39.1	520.8
other income	3.8	4.1	2.4	10.2	0.6	3.9	5.0	9.5	19.7	2.4	0.9	1.4	4.6	0.6	19.8	2.0	22.4	46.7
other services	35.2	36.8	48.4	120.4	49.2	52.7	22.3	124.2	244.6	27.1	44.0	25.3	96.5	32.6	27.5	42.6	102.8	443.9
Transfers (private), net	-0.9	2.2	4.4	5.6	11.5	10.9	10.5	33.0	38.6	11.1	9.1	10.5	30.8	10.8	14.6	13.2	38.6	108.0
Receipts	9.0	6.7	8.4	24.1	13.0	12.4	11.9	37.3	61.4	13.0	10.7	12.5	36.2	13.7	18.6	16.2	48.6	146.1
Payments	9.9	4.5	4.0	18.4	1.4	1.5	1.4	4.3	22.7	1.9	1.5	2.0	5.4	2.9	4.0	3.0	10.0	38.1
Unrequited transfers, net <sup>6</sup>	7.1	1.8	28.0	36.9	7.9	3.0	3.0	13.9	50.8	6.6	5.5	31.7	43.8	11.3	6.7	16.2	34.2	128.8
<b>CAPITAL ACCOUNT<sup>17</sup></b>	-41.3	-34.6	-16.4	-92.4	294.9	86.4	3.7	385.0	292.6	130.7	-15.3	-4.8	110.5	76.5	-21.5	-60.9	-5.9	397.2
Direct investment in Bulgaria <sup>8</sup>	14.6	5.6	21.4	41.5	152.3	63.6	57.6	273.5	315.0	48.4	22.3	19.0	89.6	51.9	6.3	26.0	84.2	488.8
Direct investment abroad	-0.2	0.2	-0.1	0.0	0.7	0.0	0.0	0.7	0.7	0.4	0.0	0.3	0.7	0.1	0.0	0.2	0.3	1.7
Portfolio investment, net	3.9	10.4	14.8	29.2	82.7	19.1	46.9	148.7	177.9	57.3	-34.8	-13.3	9.3	-7.1	-48.6	-48.4	-104.0	83.2
Assets	2.4	1.1	-8.4	-4.8	-0.7	-0.4	0.1	-1.1	-5.9	8.5	-11.7	-0.1	-3.3	-6.1	2.5	-0.7	-4.3	-13.6
Liabilities	1.5	9.3	23.2	34.0	83.4	19.6	46.8	149.8	183.8	48.9	-23.0	-13.2	12.7	-1.0	-51.0	-47.7	-99.7	96.7
Medium- and long-term loans, net	-16.7	-7.9	-10.6	-35.2	-8.3	1.4	6.5	-0.4	-35.6	2.0	43.5	-1.6	43.8	-10.7	11.0	-159.9	-159.6	-151.4
Drawings	5.1	1.9	7.2	14.2	6.6	10.9	11.3	28.8	43.0	7.4	56.1	10.8	74.2	5.9	15.1	25.6	46.6	163.8
Official	5.1	1.7	4.4	11.1	6.6	10.9	11.1	28.6	39.8	7.1	53.7	10.3	71.1	5.9	15.1	25.6	46.6	157.5
Private	0.0	0.2	2.9	3.1	0.0	0.0	0.1	0.1	3.2	0.3	2.3	0.5	3.1	0.0	0.0	0.0	0.1	6.4
Repayments	21.8	9.8	17.8	49.5	14.9	9.5	4.8	29.2	78.6	5.4	12.6	12.4	30.4	16.6	4.1	185.5	206.2	315.2
Balance of payments support	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(continued)

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	I - VI	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
Loans extended, net	29.7	26.7	34.0	90.4	15.0	24.3	-0.2	39.2	129.5	0.8	0.2	3.0	4.0	2.6	1.4	1.5	5.5	139.0
Drawings	0.1	0.0	0.0	0.1	9.5	0.0	0.3	9.8	9.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.9
Repayments <sup>9</sup>	29.8	26.7	34.0	90.5	24.6	24.3	0.1	48.9	139.4	0.8	0.2	3.0	4.0	2.6	1.4	1.5	5.5	148.9
Short-term debt, net	-4.2	-6.0	-1.2	-11.4	26.3	2.9	-11.4	17.8	6.4	11.0	0.4	-8.4	3.0	1.4	-11.2	22.1	12.3	21.7
Trade credits, net	1.3	-0.9	3.0	3.4	11.7	1.9	0.8	14.3	17.6	1.3	0.9	-1.2	1.0	-0.2	-1.0	-1.2	-2.4	16.2
Short-term loans, net	-5.2	-4.8	-4.0	-14.1	14.7	1.2	-12.2	3.7	-10.4	10.0	-0.4	-5.9	3.7	4.5	-10.2	-6.7	-12.4	-19.0
Drawings	16.0	15.9	18.9	50.8	29.2	29.5	10.5	69.2	119.9	30.0	30.5	28.3	88.8	27.3	19.1	16.7	63.2	271.9
Repayments	21.2	20.7	23.0	64.9	14.5	28.3	22.6	65.5	130.3	20.0	30.9	34.2	85.1	22.8	29.3	23.4	75.5	290.9
Clearing accounts	-0.3	-0.2	-0.1	-0.6	-0.1	-0.2	0.0	-0.2	-0.8	-0.3	-0.1	-1.4	-1.8	-2.9	0.0	29.9	27.1	24.5
Other capital	-28.0	-42.2	-59.7	-129.9	-1.7	-34.3	-90.5	-126.5	-256.4	5.4	-44.5	-6.2	-45.2	15.5	30.0	91.0	136.4	-165.2
Domestic banks forex deposits	-3.0	0.8	-80.1	-82.4	-8.9	-82.0	-131.3	-222.2	-304.6	-58.5	-88.0	-33.1	-179.7	-25.8	26.0	48.2	48.3	-435.9
Corporate forex deposits	6.0	-1.7	-1.7	2.7	1.1	0.3	3.4	4.8	7.5	-3.7	0.4	3.2	-0.2	-0.9	3.8	4.4	7.3	14.6
Other short-term capital (net)	-30.9	-41.3	22.2	-50.1	6.1	47.3	37.4	90.8	40.7	67.7	43.2	23.8	134.6	42.2	0.2	38.4	80.8	256.1
Other forex deposits <sup>10</sup>	-30.9	-41.3	22.2	-50.1	6.1	47.3	37.4	90.8	40.7	67.7	43.2	23.8	134.6	42.2	0.2	38.4	80.8	256.1
Other investment	-40.4	-21.4	-15.1	-77.0	27.8	9.4	-5.2	32.0	-44.9	5.3	-2.4	2.4	5.3	22.8	-10.4	6.7	19.1	-20.6
Other assets	-35.3	-16.7	-9.1	-61.1	23.3	10.5	-8.5	25.3	-35.8	10.4	-3.1	-3.3	4.1	15.0	-11.5	0.4	4.0	-27.8
Other liabilities	-5.2	-4.7	-6.0	-15.9	4.5	-1.1	3.3	6.8	-9.1	-5.1	0.7	5.6	1.2	7.8	1.1	6.2	15.1	7.2
Errors and omissions	-52.5	-12.6	38.1	-27.1	17.9	-18.2	148.1	147.8	120.7	-5.7	72.9	89.4	156.7	11.9	50.3	45.5	107.7	385.1
OVERALL BALANCE	-103.0	32.4	104.0	33.4	393.2	126.6	95.5	615.3	648.6	125.3	114.6	154.3	394.2	138.1	13.6	3.7	155.4	1198.2
FINANCING <sup>11</sup>	103.0	-32.4	-104.0	-33.4	-393.2	-126.6	-95.5	-615.3	-648.6	-125.3	-114.6	-154.3	-394.2	-138.1	-13.6	-3.7	-155.4	-1198.2
BNB reserves (increase:-)	102.8	-27.0	-109.4	-33.5	-588.7	-135.0	-103.7	-827.3	-860.9	-225.6	-194.5	-159.2	-579.3	-139.8	-13.8	-96.9	-250.5	-1690.7
Monetary gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-38.1	-6.7	-11.1	-55.9	-9.3	8.9	3.1	2.7	-53.2
Holdings in SDR	-2.4	6.4	-2.2	1.8	8.9	1.0	-15.3	-5.4	-3.6	15.0	-0.7	0.3	14.7	-0.7	1.5	-10.8	-10.0	1.1
Reserve position with the IMF	1.3	0.4	-0.1	1.6	0.8	-0.9	0.1	0.0	1.5	1.0	-0.2	-0.1	0.7	-0.6	0.9	0.0	0.3	2.6
Use of Fund credit, net	-12.6	-5.4	-18.6	-36.6	171.3	-1.8	0.0	169.5	133.0	121.4	79.2	0.0	200.6	-7.6	0.0	68.2	60.6	394.2

\* Analytical reporting of the balance of payments in accordance with IMF 4th edition of the Balance of Payments Manual.

<sup>1</sup> Data for 1997 is preliminary.

<sup>2</sup> Preliminary data on imports and exports for 1998 is revised. Data is provided by the MF Computing Center and is adjusted by the BNB.

<sup>3</sup> BNB estimates.

<sup>4</sup> NSI data and BNB estimates.

<sup>5</sup> Interest due.

<sup>6</sup> Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.

<sup>7</sup> A minus sign denotes flight of capital (increase in assets or decrease in liabilities).

<sup>8</sup> Data is provided by the MF, Privatization Agency, NSI, Central Depository, specialized ministries and the BNB.

<sup>9</sup> Includes gas deliveries under the Yamburg Agreement.

<sup>10</sup> Includes change in forex deposits of individuals and private companies.

<sup>11</sup> Includes rescheduled payments and arrears.

**BALANCE OF PAYMENTS FOR 1998\***

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	I - VI
<b>CURRENT ACCOUNT<sup>1</sup></b>	-137.9	102.3	-30.2	-65.7	78.8	-40.7	13.2	51.3	-14.5
Trade balance <sup>2</sup>	-31.5	78.7	-28.5	18.8	34.5	-54.3	-10.3	-30.1	-11.4
Exports, FOB	335.2	408.6	358.7	1102.5	360.4	356.6	386.1	1103.1	2205.6
Imports, FOB	366.6	329.9	387.2	1083.8	325.9	410.9	396.4	1133.2	2217.0
Services, net	-123.0	4.8	-26.2	-144.4	30.2	-3.3	3.7	30.6	-113.8
Receipts	117.0	107.0	109.2	333.2	119.9	107.2	127.4	354.5	687.8
transport <sup>3</sup>	28.5	30.7	38.8	98.0	36.5	35.0	40.4	111.9	209.8
travel <sup>4</sup>	29.3	25.7	28.5	83.5	28.2	31.5	41.5	101.3	184.7
interest <sup>5</sup>	17.7	21.4	8.4	47.5	20.9	12.4	12.1	45.4	92.9
other income	3.7	5.3	6.6	15.7	3.7	3.8	4.2	11.7	27.4
other services	37.9	23.8	27.0	88.7	30.6	24.4	29.2	84.3	172.9
Payments	240.0	102.2	135.4	477.6	89.7	110.5	123.7	323.9	801.5
transport <sup>3</sup>	40.9	37.3	43.5	121.7	38.3	46.4	44.5	129.2	250.9
travel <sup>4</sup>	15.9	15.2	18.6	49.7	19.0	19.6	18.5	57.1	106.9
interest <sup>5</sup>	148.5	29.1	29.3	206.9	6.0	13.6	27.0	46.7	253.7
other income	4.5	1.4	5.5	11.4	1.7	2.5	1.9	6.1	17.5
other services	30.2	19.1	38.5	87.8	24.7	28.3	31.7	84.8	172.6
Transfers (private), net	15.6	9.9	13.0	38.5	11.3	11.3	19.3	42.0	80.5
Receipts	17.4	11.2	14.6	43.1	13.4	13.2	21.0	47.6	90.8
Payments	1.8	1.3	1.5	4.7	2.1	1.8	1.7	5.6	10.3
Unrequited transfers, net <sup>6</sup>	1.0	9.0	11.4	21.4	2.8	5.6	0.4	8.8	30.2
<b>CAPITAL ACCOUNT<sup>1,7</sup></b>	0.5	119.4	31.4	151.3	-22.5	50.8	4.6	33.0	184.3
Direct investment in Bulgaria <sup>8</sup>	30.9	26.4	16.7	74.0	11.1	17.2	6.6	34.9	109.0
Direct investment abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio investment, net	-10.3	-18.2	38.7	10.2	-27.4	-32.2	-28.5	-88.1	-77.9
Assets	0.9	-18.0	-15.2	-32.4	-22.6	-7.4	0.8	-29.2	-61.5
Liabilities	-11.2	-0.1	53.9	42.5	-4.8	-24.7	-29.3	-58.9	-16.4
Medium- and long-term loans, net	8.7	-2.7	101.4	107.4	186.2	4.4	3.4	194.0	301.4
Drawings	15.2	10.2	116.1	141.5	203.4	8.1	7.2	218.7	360.2
Official	10.0	9.5	114.7	134.2	198.8	7.0	2.1	207.9	342.1
Private	5.2	0.7	1.4	7.3	4.5	1.1	5.1	10.7	18.1
Repayments	6.5	12.8	14.7	34.1	17.2	3.7	3.8	24.7	58.8
Balance of payments support	0.0	136.4	-161.6	-25.2	0.0	0.0	0.0	0.0	-25.2
EU loans	0.0	136.4	-161.6	-25.2	0.0	0.0	0.0	0.0	-25.2
Loans extended, net	-13.3	0.2	0.1	-13.0	0.1	1.1	2.1	3.3	-9.6
Drawings	20.5	3.2	0.0	23.7	0.0	0.0	0.0	0.0	23.7
Repayments <sup>9</sup>	7.2	3.5	0.1	10.7	0.1	1.1	2.1	3.3	14.1
Short-term debt, net	-3.5	6.9	14.3	17.8	-206.1	-9.7	12.4	-203.3	-185.6
Trade credits, net	0.4	1.8	-2.0	0.1	-0.6	0.3	1.0	0.7	0.9
Short-term loans, net	-3.1	5.4	17.1	19.4	-12.0	-11.1	11.7	-11.4	8.0
Drawings	16.5	17.7	38.1	72.4	5.2	0.6	28.3	34.1	106.5
Repayments	19.6	12.3	21.1	53.0	17.2	11.7	16.7	45.6	98.5
Clearing accounts	-0.7	-0.3	-0.8	-1.8	-193.5	1.1	-0.2	-192.6	-194.4
Other capital	19.0	-26.1	28.9	21.7	18.5	63.5	13.4	95.5	117.2
Domestic banks forex deposits	-36.5	-6.1	32.4	-10.2	-0.6	37.5	19.7	56.6	46.4
Corporate forex deposits	-5.7	-4.2	8.0	-2.0	0.1	-1.0	0.9	0.0	-1.9
Other short-term capital (net)	61.2	-15.7	-11.5	33.9	19.0	27.0	-7.2	38.8	72.7
Other forex deposits <sup>10</sup>	61.2	-15.7	-11.5	33.9	19.0	27.0	-7.2	38.8	72.7
Other investment	-31.0	-3.7	-6.9	-41.6	-4.9	6.4	-4.9	-3.4	-45.0
Other assets	-2.3	-0.4	-6.5	-9.3	-7.8	8.5	1.8	2.5	-6.8
Other liabilities	-28.7	-3.3	-0.4	-32.3	2.9	-2.1	-6.7	-5.9	-38.2
Errors and omissions	-18.2	-20.0	77.0	38.8	-16.0	87.7	13.9	85.6	124.4
<b>OVERALL BALANCE</b>	-155.6	201.7	78.3	124.4	40.3	97.8	31.7	169.8	294.2
<b>FINANCING<sup>11</sup></b>	155.6	-201.7	-78.3	-124.4	-40.3	-97.8	-31.7	-169.8	-294.2
BNB reserves (increase:-)	168.1	-198.5	-65.6	-96.0	-44.4	-263.8	-18.7	-327.0	-423.0
Monetary gold	5.2	1.7	2.1	9.1	-5.6	-2.5	4.4	-3.7	5.4
Holdings in SDR	-5.0	14.0	-1.8	7.3	-9.3	10.8	-11.5	-10.1	-2.8
Reserve position with the IMF	0.2	-0.2	0.5	0.5	-0.4	0.4	0.1	0.1	0.6
Use of Fund credit, net	-12.6	-3.5	-15.6	-31.6	-7.4	166.0	-15.5	143.1	111.5

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<sup>3</sup> BNB estimates.

<sup>4</sup> NSI data and BNB estimates.

<sup>5</sup> Interest due.

<sup>6</sup> Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.

<sup>7</sup> A minus sign denotes flight of capital (increase in assets or decrease in liabilities).

<sup>8</sup> Data is provided by the MF, Privatization Agency, NSI, Central Depository, specialized ministries and the BNB.

<sup>9</sup> Includes gas deliveries under the Yamburg Agreement.

<sup>10</sup> Includes change in forex deposits of individuals and private companies.

<sup>11</sup> Includes rescheduled payments and arrears.

## BALANCE OF PAYMENTS FOR 1997\*

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	I - VI	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
Current account <sup>1</sup>	-9.1	79.6	82.4	152.8	80.4	58.4	-56.3	82.5	235.3	0.3	57.0	69.6	126.9	49.7	-15.2	19.1	53.7	415.9
Goods, services and income, net	-15.3	75.6	50.0	110.3	61.0	44.4	-69.8	35.6	145.9	-17.4	42.4	27.4	52.3	27.6	-36.4	-10.3	-19.1	179.1
credit	518.5	464.2	503.9	1486.5	519.3	554.8	494.2	1568.3	3054.8	617.3	592.3	551.3	1760.9	553.8	541.2	563.6	1658.6	6474.3
debit	-533.8	-388.6	-453.9	-1376.3	-458.3	-510.4	-564.0	-1532.7	-2909.0	-634.8	-549.9	-523.9	-1708.6	-526.2	-577.6	-573.8	-1677.6	-6295.2
Goods, net <sup>2</sup>	97.9	110.7	98.1	306.7	63.1	53.4	-72.1	44.5	351.2	67.6	-2.3	18.8	84.1	2.5	-44.6	-24.4	-66.4	368.8
credit	399.7	381.4	406.1	1187.2	411.3	439.2	381.6	1232.1	2419.3	452.1	405.3	408.8	1266.2	417.7	403.3	420.3	1241.3	4926.8
debit	-301.8	-270.6	-308.1	-880.5	-348.2	-385.8	-453.7	-1187.6	-2068.1	-384.5	-407.6	-390.0	-1182.1	-415.2	-447.9	-444.6	-1307.7	-4558.0
Services, net	-1.6	-19.6	-18.3	-39.5	6.3	2.9	1.4	10.6	-28.9	59.9	59.6	28.1	147.6	11.6	28.0	8.8	48.4	167.1
credit	81.4	71.5	80.4	233.3	97.7	107.0	82.9	287.6	520.9	157.5	174.4	127.3	459.2	115.1	123.1	118.5	356.8	1336.8
Transportation <sup>3</sup>	31.2	27.3	30.4	88.9	30.5	33.5	31.0	95.0	184.0	51.0	54.2	43.8	149.0	39.2	37.2	38.9	115.2	448.2
Travel <sup>4</sup>	16.5	10.9	12.5	40.0	13.1	17.4	18.3	48.8	88.8	61.2	74.1	47.3	182.7	33.9	30.3	33.4	97.6	369.0
Other services	33.7	33.2	37.5	104.4	54.0	56.1	33.6	143.7	248.1	45.3	46.1	36.2	127.5	42.0	55.7	46.3	144.0	519.6
debit	-83.0	-91.1	-98.7	-272.8	-91.4	-104.2	-81.5	-277.0	-549.9	-97.6	-114.8	-99.2	-311.6	-103.5	-95.1	-109.8	-308.4	-1169.8
Transportation <sup>3</sup>	-32.1	-33.0	-33.3	-98.3	-32.7	-38.8	-46.1	-117.7	-216.0	-46.5	-47.8	-48.0	-142.4	-48.4	-48.9	-48.6	-145.9	-504.3
Travel <sup>4</sup>	-15.8	-21.3	-17.0	-54.1	-9.4	-12.7	-13.0	-35.1	-89.2	-23.9	-23.0	-25.8	-72.7	-22.5	-18.6	-18.5	-59.7	-221.6
Other services	-35.2	-36.8	-48.4	-120.4	-49.2	-52.7	-22.3	-124.2	-244.6	-27.1	-44.0	-25.3	-96.5	-32.6	-27.5	-42.6	-102.8	-443.9
Income, net	-111.6	-15.5	-29.8	-157.0	-8.4	-11.8	0.8	-19.4	-176.4	-145.0	-14.9	-19.5	-179.4	13.5	-19.9	5.3	-1.1	-356.8
credit	37.3	11.3	17.3	66.0	10.3	8.5	29.7	48.6	114.5	7.7	12.6	15.3	35.6	21.0	14.7	24.8	60.5	210.6
Monetary authorities	3.7	3.9	5.0	12.6	3.9	1.1	14.5	19.5	32.1	0.9	5.1	6.2	12.3	9.6	5.8	1.7	17.1	61.5
General government	22.7	0.0	0.0	22.7	0.0	0.0	0.0	0.0	22.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.7
Banks	2.8	2.4	2.9	8.1	3.2	3.9	12.0	19.2	27.3	3.6	4.9	5.8	14.3	7.8	5.6	18.8	32.3	73.9
Other sectors	8.2	5.0	9.4	22.5	3.2	3.6	3.1	9.9	32.5	3.3	2.6	3.2	9.1	3.5	3.3	4.2	11.0	52.6
debit	-149.0	-26.8	-47.1	-222.9	-18.8	-20.4	-28.9	-68.0	-291.0	-152.7	-27.6	-34.8	-215.0	-7.5	-34.6	-19.4	-61.5	-567.5
Monetary authorities	0.0	-6.3	0.0	-6.3	0.0	-6.1	0.0	-6.1	-12.3	0.0	-8.0	0.0	-8.0	0.0	-10.2	0.0	-10.2	-30.6
General government	-142.1	-16.3	-42.9	-201.2	-16.8	-10.2	-23.0	-50.0	-251.2	-138.1	-18.4	-31.5	-188.0	-6.1	-4.1	-17.2	-27.3	-466.5
Banks	-3.1	-0.3	-1.9	-5.2	-1.3	-0.3	-0.9	-2.5	-7.8	-12.2	-0.2	-1.9	-14.4	-0.8	-0.5	-0.3	-1.5	-23.7
Other sectors	-3.8	-4.1	-2.4	-10.2	-0.6	-3.9	-5.0	-9.5	-19.7	-2.4	-0.9	-1.4	-4.6	-0.6	-19.8	-2.0	-22.4	-46.7
Current transfers, net	6.1	4.0	32.4	42.5	19.4	13.9	13.5	46.9	89.4	17.8	14.6	42.2	74.7	22.1	21.3	29.4	72.8	236.8
credit	16.0	8.6	36.4	61.0	20.9	15.9	15.0	51.7	112.7	19.7	16.2	44.2	80.0	25.0	25.3	32.4	82.7	275.5
General government <sup>5</sup>	7.1	1.9	28.0	36.9	7.9	3.5	3.0	14.4	51.4	6.6	5.5	31.7	43.8	11.3	6.7	16.2	34.2	129.4
Other sectors	9.0	6.7	8.4	24.1	13.0	12.4	11.9	37.3	61.4	13.0	10.7	12.5	36.2	13.7	18.6	16.2	48.6	146.1
debit	-9.9	-4.5	-4.1	-18.5	-1.4	-2.0	-1.4	-4.8	-23.3	-1.9	-1.5	-2.0	-5.4	-2.9	-4.0	-3.0	-10.0	-38.7
General government	0.0	0.0	0.0	-0.1	0.0	-0.5	0.0	-0.5	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Other sectors	-9.9	-4.5	-4.0	-18.4	-1.4	-1.5	-1.4	-4.3	-22.7	-1.9	-1.5	-2.0	-5.4	-2.9	-4.0	-3.0	-10.0	-38.1

(continued)

	(million USD)																	
	I	II	III	I quarter	IV	V	VI	II quarter	I – VI	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
Capital and financial account <sup>1,6</sup>	60.4	-67.3	-120.3	-127.3	-99.0	-39.3	-91.9	-230.2	-357.5	42.5	-123.1	-147.9	-228.4	-51.6	-44.9	-67.8	-164.4	-750.4
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	60.4	-67.3	-120.3	-127.3	-99.0	-39.3	-91.9	-230.2	-357.5	42.5	-123.1	-147.9	-228.4	-51.6	-44.9	-67.8	-164.4	-750.4
Direct investment, net	14.4	5.8	21.3	41.5	153.0	63.6	57.6	274.2	315.7	48.8	22.3	19.3	90.4	52.0	6.3	26.2	84.5	490.5
Abroad	-0.2	0.2	-0.1	0.0	0.7	0.0	0.0	0.7	0.7	0.4	0.0	0.3	0.7	0.1	0.0	0.2	0.3	1.7
In reporting country <sup>7</sup>	14.6	5.6	21.4	41.5	152.3	63.6	57.6	273.5	315.0	48.4	22.3	19.0	89.6	51.9	6.3	26.0	84.2	488.8
Portfolio investment	3.9	10.4	14.8	29.2	82.7	19.1	46.9	148.7	177.9	57.3	-34.8	-13.3	9.3	-7.1	-48.6	-48.4	-104.0	83.2
Assets	2.4	1.1	-8.4	-4.8	-0.7	-0.4	0.1	-1.1	-5.9	8.5	-11.7	-0.1	-3.3	-6.1	2.5	-0.7	-4.3	-13.6
Liabilities	1.5	9.3	23.2	34.0	83.4	19.6	46.8	149.8	183.8	48.9	-23.0	-13.2	12.7	-1.0	-51.0	-47.7	-99.7	96.7
Other investments	-59.5	-56.2	-47.2	-162.9	254.7	12.0	-92.6	174.1	11.2	124.9	77.1	-5.9	196.0	33.3	21.0	54.4	108.8	316.0
Assets	-33.6	-32.3	-34.8	-100.6	36.6	0.5	-99.2	-62.1	-162.7	16.7	-47.3	-6.4	-37.1	33.1	19.9	92.9	145.9	-54.0
Trade credits, net	-0.1	0.0	0.0	-0.1	-9.5	9.6	0.1	0.2	0.1	-0.3	0.2	0.0	-0.2	-0.1	0.0	0.0	-0.1	-0.2
Loans	29.8	26.7	34.0	90.5	24.6	14.7	-0.3	39.0	129.5	1.1	0.0	3.0	4.2	2.7	1.4	1.5	5.6	139.3
General government <sup>8</sup>	29.6	26.7	33.8	90.1	24.5	14.6	0.0	39.1	129.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	129.2
Long-term	29.6	26.7	33.8	90.1	24.5	14.6	0.0	39.1	129.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	129.2
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.5
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.5
Other sectors	0.2	0.0	0.2	0.4	0.0	0.1	-0.3	-0.1	0.3	0.7	0.0	3.0	3.8	2.7	1.4	1.5	5.6	9.6
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.6	0.2	0.1	1.3	1.5	3.1
Short-term	0.2	0.0	0.2	0.4	0.0	0.1	-0.3	-0.1	0.3	0.7	0.0	1.5	2.2	2.5	1.3	0.3	4.1	6.5
Currency and deposits	3.0	-0.9	-81.8	-79.8	-7.8	-81.6	-127.9	-217.4	-297.1	-62.3	-87.7	-29.9	-179.9	-26.8	29.8	52.6	55.6	-421.4
Banks	-3.0	0.8	-80.1	-82.4	-8.9	-82.0	-131.3	-222.2	-304.6	-58.5	-88.0	-33.1	-179.7	-25.8	26.0	48.2	48.3	-435.9
Other sectors	6.0	-1.7	-1.7	2.7	1.1	0.3	3.4	4.8	7.5	-3.7	0.4	3.2	-0.2	-0.9	3.8	4.4	7.3	14.6
Other assets	-35.3	-16.7	-9.1	-61.1	23.3	10.5	-8.5	25.3	-35.8	10.4	-3.1	-3.3	4.1	15.0	-11.5	0.4	4.0	-27.8
General government	-22.7	0.0	0.0	-22.7	0.0	0.0	0.0	0.0	-22.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-22.7
Banks	-12.6	-16.7	-9.1	-38.4	23.3	10.5	-8.5	25.3	-13.1	10.4	-3.1	-3.3	4.1	15.0	-11.5	0.4	4.0	-5.1
Short-term	-12.6	-16.7	-9.1	-38.4	23.3	10.5	-8.5	25.3	-13.1	10.4	-3.1	-3.3	4.1	15.0	-11.5	0.4	4.0	-5.1
Other	-30.9	-41.3	22.2	-50.1	6.1	47.3	37.4	90.8	40.7	67.7	43.2	23.8	134.6	42.2	0.2	38.4	80.8	256.1
Other currency and deposits <sup>9</sup>	-30.9	-41.3	22.2	-50.1	6.1	47.3	37.4	90.8	40.7	67.7	43.2	23.8	134.6	42.2	0.2	38.4	80.8	256.1
Liabilities	-25.9	-23.9	-12.4	-62.3	218.0	11.6	6.6	236.2	174.0	108.2	124.4	0.5	233.1	0.2	1.1	-38.4	-37.1	370.0
Trade credits, net	1.3	-0.9	3.0	3.4	11.7	1.9	0.8	14.3	17.6	1.3	0.9	-1.2	1.0	-0.2	-1.0	-1.2	-2.4	16.2
Loans	-33.9	-18.3	-32.7	-85.0	177.7	1.4	-5.7	173.4	88.4	133.8	122.2	-8.5	247.5	-16.7	0.8	-68.5	-84.4	251.6
Monetary authorities	-12.6	-5.4	-18.6	-36.6	171.3	-1.8	0.0	169.5	133.0	121.4	79.2	0.0	200.6	-7.6	0.0	68.2	60.6	394.2
Use of IMF credits	-12.6	-5.4	-18.6	-36.6	171.3	-1.8	0.0	169.5	133.0	121.4	79.2	0.0	200.6	-7.6	0.0	68.2	60.6	394.2
Drawings	0.0	0.0	0.0	0.0	178.4	0.0	0.0	178.4	178.4	135.9	84.5	0.0	220.4	0.0	0.0	83.3	83.3	482.1
Repayments	-12.6	-5.4	-18.6	-36.6	-7.0	-1.8	0.0	-8.8	-45.4	-14.5	-5.3	0.0	-19.7	-7.6	0.0	-15.2	-22.8	-87.9
General government	-3.8	-8.3	-11.7	-23.8	-7.8	2.7	7.9	2.8	-20.9	2.0	41.7	-2.2	41.4	-12.2	11.5	-101.9	-102.6	-82.1
Long-term loans	-3.8	-8.3	-11.7	-23.8	-7.8	2.7	7.9	2.8	-20.9	2.0	41.7	-2.2	41.4	-12.2	11.5	-101.9	-102.6	-82.1

(continued)

(continued)

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	I - VI	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
Drawings	5.1	1.7	4.4	11.1	6.6	10.9	11.1	28.6	39.8	7.1	53.7	10.3	71.1	5.9	15.1	25.6	46.6	157.5
Repayments	-8.9	-10.0	-16.0	-34.9	-14.5	-8.1	-3.2	-25.8	-60.7	-5.1	-12.1	-12.5	-29.7	-18.0	-3.6	-127.5	-149.1	-239.5
Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	-12.3	0.0	-2.2	-14.5	-0.9	-3.8	-1.5	-6.2	-20.7	-1.8	-0.7	-1.1	-3.5	-1.4	-1.8	-27.6	-30.9	-55.1
Long-term loans	-12.3	0.0	-1.9	-14.2	0.0	-1.5	-1.5	-3.0	-17.2	-0.5	-0.7	-0.8	-2.0	-0.5	0.0	-27.5	-28.0	-47.2
Drawings <sup>10</sup>	0.9	0.0	0.0	0.9	0.0	0.0	0.0	0.9	0.9	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0	1.3
Repayments	-13.2	0.0	-1.9	-15.1	0.0	-1.5	-1.5	-3.0	-18.1	-0.6	-0.7	-1.2	-2.4	-0.5	0.0	-27.5	-28.0	-48.5
Short-term loans, net	0.0	0.0	-0.3	-0.3	-0.9	-2.3	0.0	-3.2	-3.5	-1.2	0.0	-0.2	-1.5	-0.9	-1.8	-0.1	-2.9	-7.9
Other sectors, net	-5.2	-4.6	-0.3	-10.1	15.0	4.2	-12.1	7.2	-2.9	12.2	2.0	-5.2	9.0	4.5	-8.9	-7.1	-11.5	-5.4
Long-term loans, net	0.0	0.2	2.9	3.1	-0.5	0.0	0.1	-0.5	2.6	0.2	2.3	0.1	2.7	-0.9	-0.5	-0.6	-2.0	3.3
Short-term loans, net	-5.2	-4.8	-3.1	-13.2	15.6	4.2	-12.2	7.7	-5.5	12.0	-0.4	-5.3	6.3	5.4	-8.4	-6.5	-9.5	-8.7
Currency and deposits	-5.2	-4.7	3.1	-6.8	4.5	-1.1	3.3	6.8	0.0	-5.1	0.7	5.6	1.2	7.8	1.1	6.2	15.1	16.3
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	-5.2	-4.7	3.1	-6.8	4.5	-1.1	3.3	6.8	0.0	-5.1	0.7	5.6	1.2	7.8	1.1	6.2	15.1	16.3
Other liabilities	11.9	0.0	14.3	26.1	24.1	9.4	8.2	41.8	67.9	-21.8	0.7	4.5	-16.6	9.4	0.2	25.0	34.6	85.9
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	21.1	21.1	23.2	10.1	5.9	39.2	60.3	-23.3	0.0	2.5	-20.8	11.8	0.0	2.5	14.3	53.8
Banks	11.9	0.0	-6.8	5.0	0.9	-0.7	2.3	2.5	7.6	1.5	0.7	2.0	4.2	-2.4	0.2	22.5	20.3	32.1
Short-term <sup>10</sup>	11.9	0.0	-6.8	5.0	0.9	-0.7	2.3	2.5	7.6	1.5	0.7	2.0	4.2	-2.4	0.2	22.5	20.3	32.1
Other sectors, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BNB reserves (increase:-)	101.5	-27.4	-109.3	-35.1	-589.4	-134.1	-103.8	-827.3	-862.4	-188.5	-187.6	-148.0	-524.1	-129.9	-23.7	-100.0	-253.6	-1640.1
Monetary gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special drawing rights	-2.4	6.4	-2.2	1.8	8.9	1.0	-15.3	-5.4	-3.6	15.0	-0.7	0.3	14.7	-0.7	1.5	-10.8	-10.0	1.1
Reserve position with the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange reserves	103.9	-33.8	-107.1	-36.9	-598.3	-135.1	-88.5	-821.9	-858.8	-203.5	-186.9	-148.3	-538.8	-129.2	-25.1	-89.3	-243.6	-1641.2
Errors and omissions	-51.2	-12.2	38.0	-25.5	18.6	-19.1	148.2	147.8	122.3	-42.8	66.1	78.3	101.5	1.9	60.1	48.7	110.7	334.5

\* Standard reporting of the balance of payments in accordance with IMF 5th edition of the Balance of Payments Manual.

<sup>1</sup> Data for 1997 is preliminary.<sup>2</sup> Preliminary data on imports and exports for 1998 is revised. Data is provided by the MF Computing Center and is adjusted by the BNB.<sup>3</sup> BNB estimates.<sup>4</sup> NSI data and BNB estimates.<sup>5</sup> Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.<sup>6</sup> A minus sign denotes flight of capital (increase in assets or decrease in liabilities).<sup>7</sup> Data is provided by the MF, Privatization Agency, NSI, Central Depository, specialized ministries and the BNB.<sup>8</sup> Includes gas deliveries under the Yamburg Agreement.<sup>9</sup> Includes change in forex deposits of individuals and private companies.<sup>10</sup> Includes rescheduled payments and arrears of commercial banks to nonresidents.

**BALANCE OF PAYMENTS FOR 1998\***

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	I – VI
Current account <sup>1</sup>	-137.9	102.3	-30.2	-65.7	78.8	-40.7	13.2	51.3	-14.5
Goods, services and income, net	-154.4	83.5	-54.6	-125.6	64.7	-57.7	-6.6	0.5	-125.1
credit	452.2	515.6	467.9	1435.7	480.3	463.8	513.5	1457.6	2893.3
debit	-606.6	-432.2	-522.6	-1561.3	-415.6	-521.4	-520.1	-1457.1	-3018.5
Goods, net <sup>2</sup>	-31.5	78.7	-28.5	18.8	34.5	-54.3	-10.3	-30.1	-11.4
credit	335.2	408.6	358.7	1102.5	360.4	356.6	386.1	1103.1	2205.6
debit	-366.6	-329.9	-387.2	-1083.8	-325.9	-410.9	-396.4	-1133.2	-2217.0
Services, net	8.6	8.6	-6.4	10.9	13.3	-3.4	16.4	26.3	37.2
credit	95.6	80.3	94.2	270.1	95.3	91.0	111.1	297.4	567.5
Transportation <sup>3</sup>	28.5	30.7	38.8	98.0	36.5	35.0	40.4	111.9	209.8
Travel <sup>4</sup>	29.3	25.7	28.5	83.5	28.2	31.5	41.5	101.3	184.7
Other services	37.9	23.8	27.0	88.7	30.6	24.4	29.2	84.3	172.9
debit	-87.0	-71.7	-100.6	-259.3	-82.0	-94.3	-94.7	-271.1	-530.3
Transportation <sup>3</sup>	-40.9	-37.3	-43.5	-121.7	-38.3	-46.4	-44.5	-129.2	-250.9
Travel <sup>4</sup>	-15.9	-15.2	-18.6	-49.7	-19.0	-19.6	-18.5	-57.1	-106.9
Other services	-30.2	-19.1	-38.5	-87.8	-24.7	-28.3	-31.7	-84.8	-172.6
Income, net	-131.6	-3.8	-19.8	-155.2	16.9	0.0	-12.6	4.3	-150.9
credit	21.4	26.7	15.0	63.1	24.6	16.2	16.4	57.1	120.3
Monetary authorities	9.6	16.0	1.0	26.6	12.5	6.5	6.0	25.1	51.7
General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	5.9	5.1	6.8	17.7	7.5	5.2	5.1	17.8	35.5
Other sectors	5.9	5.6	7.3	18.8	4.5	4.5	5.2	14.2	33.1
debit	-153.0	-30.6	-34.8	-218.3	-7.7	-16.2	-29.0	-52.9	-271.2
Monetary authorities	0.0	-11.1	0.0	-11.1	0.0	-10.4	0.0	-10.4	-21.5
General government	-142.0	-14.9	-29.9	-186.8	-5.6	-3.0	-19.2	-27.8	-214.6
Banks	-7.2	-4.0	0.0	-11.2	-0.9	-1.5	-6.9	-9.3	-20.5
Other sectors	-3.7	-0.6	-4.8	-9.2	-1.2	-1.3	-2.9	-5.4	-14.6
Current transfers, net	16.6	18.9	24.4	59.9	14.1	17.0	19.8	50.8	110.7
credit	19.6	20.7	27.4	67.7	17.8	19.9	22.9	60.6	128.4
General government <sup>5</sup>	2.2	9.5	12.9	24.6	4.4	6.7	1.9	13.0	37.6
Other sectors	17.4	11.2	14.6	43.1	13.4	13.2	21.0	47.6	90.8
debit	-3.0	-1.9	-3.0	-7.9	-3.7	-3.0	-3.2	-9.8	-17.7
General government	-1.2	-0.5	-1.5	-3.2	-1.6	-1.1	-1.5	-4.2	-7.4
Other sectors	-1.8	-1.3	-1.5	-4.7	-2.1	-1.8	-1.7	-5.6	-10.3
Capital and financial account <sup>1,6</sup>	150.6	-83.8	-49.5	17.3	-56.8	-44.9	-31.6	-133.3	-116.0
<i>Capital account</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	150.6	-83.8	-49.5	17.3	-56.8	-44.9	-31.6	-133.3	-116.0
Direct investment, net	30.8	26.5	16.7	74.0	11.1	17.3	6.6	35.0	109.0
Abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In reporting country <sup>7</sup>	30.9	26.4	16.7	74.0	11.1	17.2	6.6	34.9	109.0
Portfolio investment	-10.3	-18.2	38.7	10.2	-27.4	-32.2	-28.5	-88.1	-77.9
Assets	0.9	-18.0	-15.2	-32.4	-22.6	-7.4	0.8	-29.2	-61.5
Liabilities	-11.2	-0.1	53.9	42.5	-4.8	-24.7	-29.3	-58.9	-16.4
Other investment	-32.6	107.9	-36.6	38.7	-2.0	231.7	13.5	243.2	282.0
Assets	3.3	-26.3	22.4	-0.5	10.8	73.2	17.4	101.3	100.8
Trade credits, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-13.3	0.2	0.1	-13.0	0.1	1.1	2.1	3.3	-9.6
General government <sup>8</sup>	-20.4	-3.2	0.0	-23.6	0.0	1.1	0.0	1.1	-22.5
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	-20.4	-3.2	0.0	-23.6	0.0	1.1	0.0	1.1	-22.5
Banks	0.0	0.8	0.0	0.8	0.0	0.0	2.0	2.0	2.8
Short-term	0.0	0.8	0.0	0.8	0.0	0.0	0.0	0.0	0.8
Other sectors	7.1	2.7	0.1	9.9	0.1	0.0	0.1	0.2	10.1

(continued)

(continued)

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	I – VI
Long-term	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.2	0.2
Short-term	7.1	2.7	0.1	9.9	0.0	0.0	0.0	0.0	9.9
Currency and deposits	-42.2	-10.4	40.4	-12.2	-0.5	36.6	20.6	56.7	44.5
Banks	-36.5	-6.1	32.4	-10.2	-0.6	37.5	19.7	56.6	46.4
Other sectors	-5.7	-4.2	8.0	-2.0	0.1	-1.0	0.9	0.0	-1.9
Other assets	-2.3	-0.4	-6.5	-9.3	-7.8	8.5	1.8	2.5	-6.8
General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	-2.3	-0.4	-6.5	-9.3	-7.8	8.5	1.8	2.5	-6.8
Short-term	-2.3	-0.4	-6.5	-9.3	-7.8	8.5	1.8	2.5	-6.8
Other	61.2	-15.7	-11.5	33.9	19.0	27.0	-7.2	38.8	72.7
Other currency and deposits <sup>9</sup>	61.2	-15.7	-11.5	33.9	19.0	27.0	-7.2	38.8	72.7
<i>Liabilities</i>	-36.0	134.2	-59.0	39.3	-12.8	158.6	-3.8	141.9	181.2
Trade credits, net	0.4	1.8	-2.0	0.1	-0.6	0.3	1.0	0.7	0.9
Loans	-7.7	135.4	-59.5	68.2	-26.7	160.4	-0.7	133.0	201.3
Monetary authorities	-12.6	-3.5	-15.6	-31.6	-7.4	166.0	-15.5	143.1	111.5
Use of IMF credits	-12.6	-3.5	-15.6	-31.6	-7.4	166.0	-15.5	143.1	111.5
Drawings	0.0	0.0	0.0	0.0	0.0	166.0	0.0	166.0	166.0
Repayments	-12.6	-3.5	-15.6	-31.6	-7.4	0.0	-15.5	-22.9	-54.5
General government	3.2	132.8	-61.5	74.5	-9.4	3.4	-1.3	-7.3	67.2
Long-term loans	3.9	133.1	-60.7	76.3	184.1	3.4	-1.1	186.4	262.7
Drawings	10.0	145.8	114.7	270.6	198.8	7.0	2.1	207.9	478.5
Repayments	-6.2	-12.7	-175.4	-194.3	-14.8	-3.5	-3.2	-21.5	-215.8
Short-term loans	-0.7	-0.3	-0.8	-1.8	-193.5	0.0	-0.2	-193.7	-195.5
Banks	0.0	0.0	0.0	0.0	0.0	-0.2	-0.1	-0.3	-0.3
Long-term loans	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Drawings <sup>10</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Short-term loans, net	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1
Other sectors, net	1.7	6.1	17.5	25.4	-9.9	-8.8	16.2	-2.5	22.8
Long-term loans, net	4.8	0.6	0.5	5.9	2.1	1.0	4.5	7.7	13.6
Short-term loans, net	-3.1	5.4	17.1	19.4	-12.0	-9.8	11.7	-10.2	9.2
Currency and deposits	-28.7	-3.3	-0.4	-32.3	2.9	-2.1	-6.7	-5.9	-38.2
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	-28.7	-3.3	-0.4	-32.3	2.9	-2.1	-6.7	-5.9	-38.2
Other liabilities	0.0	0.3	2.9	3.2	11.5	0.0	2.5	14.0	17.3
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.0	0.0	2.5	2.5	11.5	0.0	2.5	14.0	16.5
Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term <sup>10</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors, net	0.0	0.3	0.4	0.7	0.0	0.0	0.0	0.0	0.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BNB reserves (increase:-)	162.7	-200.1	-68.2	-105.6	-38.5	-261.7	-23.3	-323.4	-429.0
Monetary gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special drawing rights	-5.0	14.0	-1.8	7.3	-9.3	10.8	-11.5	-10.1	-2.8
Reserve position with the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange reserves	167.7	-214.1	-66.4	-112.9	-29.1	-272.5	-11.8	-313.4	-426.2
Errors and omissions	-12.8	-18.5	79.6	48.4	-21.9	85.6	18.4	82.0	130.4

\* Standard reporting of the balance of payments in accordance with IMF 5th edition of the Balance of Payments Manual.

<sup>1</sup> Data for 1997 is preliminary.<sup>2</sup> Preliminary data on imports and exports for 1998 is revised. Data is provided by the MF Computing Center and is adjusted by the BNB.<sup>3</sup> BNB estimates.<sup>4</sup> NSI data and BNB estimates.<sup>5</sup> Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.<sup>6</sup> A minus sign denotes flight of capital (increase in assets or decrease in liabilities).<sup>7</sup> Data is provided by the MF, Privatization Agency, NSI, Central Depository, specialized ministries and the BNB.<sup>8</sup> Includes gas deliveries under the Yamburg Agreement.<sup>9</sup> Includes change in forex deposits of individuals and private companies.<sup>10</sup> Includes rescheduled payments and arrears of commercial banks to nonresidents.



## EXPORTS BY COMMODITY GROUP

No.	Commodity groups*	I quarter				II quarter				January – June				Change on corresponding period of previous year			
		million USD		Change		million USD		Change		1997		1998		million USD		share %	
		1997	1998	million USD	%	1997	1998	million USD	%	million USD	share %	million USD	share %	million USD	share %	million USD	%
1.	Base metals and their products, incl.:	245.2	231.8	-13.4	-5.5	261.7	261.2	-0.4	-0.2	506.9	21.0	493.1	22.4	-13.8	-2.7		
	Chapter 72. Cast-iron, iron and steel	112.5	124.2	11.7	10.4	136.1	135.9	-0.2	-0.1	248.6	10.3	260.0	11.8	11.5	4.6		
	Chapter 74. Copper and its products	72.7	57.1	-15.6	-21.5	64.2	66.6	2.5	3.8	136.9	5.7	123.7	5.6	-13.2	-9.6		
	Chapter 79. Zinc and its products	15.5	17.9	2.4	15.5	20.3	19.5	-0.8	-3.9	35.8	1.5	37.5	1.7	1.6	4.5		
	Chapter 73. Cast-iron, iron and steel products	13.6	13.1	-0.5	-3.8	16.0	17.2	1.2	7.4	29.6	1.2	30.3	1.4	0.7	2.3		
2.	Textile, leather materials, clothing, footwear and other consumer goods, incl.:	180.4	204.7	24.3	13.5	196.0	213.7	17.7	9.0	376.4	15.6	418.4	19.0	42.0	11.2		
	Chapter 62. Clothing and accessories to clothing other than knitwear	52.0	69.0	17.0	32.8	49.0	62.8	13.8	28.2	101.0	4.2	131.9	6.0	30.9	30.6		
	Chapter 61. Clothing and accessories to clothing from knitwear	26.7	34.0	7.3	27.2	29.0	40.3	11.3	39.0	55.7	2.3	74.3	3.4	18.6	33.3		
	Chapter 64. Shoes, gaiters and similar articles; their components	25.1	29.0	3.8	15.3	29.3	27.0	-2.3	-7.9	54.5	2.3	56.0	2.5	1.5	2.8		
3.	Chemical products, plastics and rubber, incl.:	254.8	197.9	-56.9	-22.3	244.6	173.3	-71.2	-29.1	499.4	20.6	371.2	16.8	-128.2	-25.7		
	Chapter 29. Organic chemical products	46.2	36.9	-9.4	-20.2	50.2	25.8	-24.4	-48.5	96.4	4.0	62.7	2.8	-33.7	-35.0		
	Chapter 28. Inorganic chemical products	30.6	26.7	-3.9	-12.8	30.5	30.0	-0.5	-1.6	61.2	2.5	56.8	2.6	-4.4	-7.2		
	Chapter 31. Fertilizers	70.1	34.3	-35.9	-51.1	47.7	25.4	-22.3	-46.7	117.9	4.9	59.7	2.7	-58.2	-49.4		
	Chapter 39. Plastics and plastic products	35.4	29.1	-6.3	-17.8	33.4	21.5	-11.9	-35.6	68.8	2.8	50.6	2.3	-18.2	-26.5		
	Chapter 30. Pharmaceutical products	24.7	27.9	3.2	12.8	29.6	25.2	-4.5	-15.1	54.4	2.2	53.1	2.4	-1.3	-2.4		
	Chapter 33. Essential oils, perfumes and toiletries	25.0	19.1	-5.9	-23.5	27.8	21.7	-6.1	-22.0	52.8	2.2	40.8	1.9	-12.0	-22.7		
	Chapter 40. Rubber and rubber products	13.8	13.6	-0.2	-1.3	11.5	12.5	1.0	8.7	25.3	1.0	26.1	1.2	0.8	3.2		
4.	Machines, transport facilities, appliances, tools and weapons, incl.:	178.7	172.6	-6.0	-3.4	182.6	170.9	-11.8	-6.4	361.3	14.9	343.5	15.6	-17.8	-4.9		
	Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery, spare parts	60.4	65.2	4.8	8.0	66.7	70.8	4.1	6.1	127.1	5.3	136.0	6.2	8.9	7.0		
	Chapter 85. Electrical machines and appliances	41.7	38.1	-3.6	-8.6	44.6	39.3	-5.4	-12.1	86.4	3.6	77.4	3.5	-9.0	-10.4		
	Chapter 89. Sea and river shipping	32.3	28.1	-4.2	-13.1	14.4	26.9	12.6	87.3	46.7	1.9	55.0	2.5	8.3	17.8		
5.	Animal and vegetable products, food, drink and tobacco, incl.:	165.9	151.0	-14.9	-9.0	144.1	162.9	18.8	13.1	309.9	12.8	313.8	14.2	3.9	1.3		
	Chapter 22. Soft and alcoholic drinks and vinegars	29.5	34.5	5.0	17.1	40.1	43.9	3.7	9.3	69.6	2.9	78.4	3.6	8.8	12.6		
	Chapter 24. Tobacco and processed substitutes	35.7	26.3	-9.4	-26.3	30.6	31.4	0.7	2.4	66.3	2.7	57.6	2.6	-8.7	-13.1		
	Chapter 10. Cereals	1.1	18.5	17.4	1593.0	0.8	16.3	15.5	1861.4	1.9	0.1	34.7	1.6	32.8	1709.0		
6.	Mineral products and fuels, incl.:	109.6	91.2	-18.4	-16.7	139.8	61.3	-78.5	-56.1	249.4	10.3	152.6	6.9	-96.9	-38.8		
	Chapter 27. Mineral fuels, mineral oils and distilled products	84.4	76.5	-7.9	-9.4	89.8	36.5	-53.3	-59.4	174.3	7.2	113.0	5.1	-61.3	-35.2		
	Chapter 25. Salt, sulphur; soil and stones; plaster, lime and cement	15.5	9.0	-6.5	-42.2	21.6	15.1	-6.4	-29.9	37.1	1.5	24.1	1.1	-13.0	-35.0		
7.	Wood, paper, earthenware and glass products, incl.:	52.7	53.3	0.6	1.1	63.3	59.7	-3.7	-5.8	116.0	4.8	112.9	5.1	-3.1	-2.7		
	Chapter 44. Wood and wood products; wood coal	18.5	18.0	-0.5	-2.6	21.9	22.9	1.0	4.4	40.4	1.7	40.9	1.9	0.5	1.2		
	EXPORTS, TOTAL (FOB)	1187.2	1102.5	-84.7	-7.1	1232.1	1103.1	-129.0	-10.5	2419.3	100.0	2205.6	100.0	-213.8	-8.8		

\* Commodity groups include chapters from the Harmonized System for Commodity Description and Coding.

Sources: Customs declarations data received from the MF Computing Center and NSI and adjusted by the BNB. For 1997 – preliminary data as of 10 July 1998; for 1998 – preliminary data as of 10 September 1998.

## IMPORTS BY COMMODITY GROUP

No.	Commodity groups*	I quarter			II quarter			January – June			Change on corresponding period of previous year				
		million USD		Change	million USD		Change	1997		1998		million USD	%		
		1997	1998	million USD	%	1997	1998	million USD	share %	million USD	share %				
1.	Mineral products and fuels, incl.: Chapter 27. Mineral fuels, mineral oils and distilled products Chapter 26. Ores, slags and ashes	396.4	396.8	0.3	0.1	451.7	302.8	-148.9	-33.0	848.2	38.0	699.6	29.1	-148.6	-17.5
		330.1	323.7	-6.4	-1.9	373.1	212.4	-160.7	-43.1	703.2	31.5	536.1	22.3	-167.1	-23.8
		34.6	46.8	12.3	35.4	43.8	53.6	9.8	22.4	78.3	3.5	100.4	4.2	22.1	28.2
2.	Machines, transport facilities, appliances, tools and weapons, incl.: Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts Chapter 85. Electrical machines and appliances Chapter 87. Automobile transport Chapter 90. Optical instruments and appliances	146.1	241.3	95.2	65.1	219.8	259.2	39.3	17.9	365.9	16.4	500.4	20.8	134.5	36.8
		74.8	90.0	15.2	20.3	121.9	113.1	-8.9	-7.3	196.7	8.8	203.0	8.4	6.3	3.2
		33.6	62.8	29.2	86.9	42.0	63.1	21.1	50.3	75.6	3.4	125.9	5.2	50.3	66.6
		15.9	42.5	26.6	166.8	28.7	47.5	18.8	65.7	44.6	2.0	90.0	3.7	45.4	101.8
		13.8	21.2	7.4	54.0	15.2	21.4	6.3	41.2	28.9	1.3	42.6	1.8	13.7	47.3
3.	Textile, leather materials, clothing, footwear and other consumer goods, incl.: Chapter 52. Cotton Chapter 55. Staple synthetic and artificial fibres Chapter 61. Clothing and accessories to clothing from knitwear Chapter 51. Wool, shear and coarse filaments; yarns and fabrics from manes and tails Chapter 54. Synthetic and artificial fibres	132.7	173.6	40.9	30.8	203.9	220.2	16.3	8.0	336.6	15.1	393.8	16.4	57.2	17.0
		28.1	37.6	9.5	33.6	34.6	29.1	-5.5	-15.9	62.7	2.8	66.7	2.8	3.9	6.3
		22.8	27.6	0.9	4.0	27.7	29.9	2.2	8.0	50.5	2.3	53.7	2.2	3.1	6.2
		9.3	17.6	8.3	88.7	14.1	21.3	7.2	51.5	23.4	1.0	38.9	1.6	15.5	66.3
		10.2	13.3	3.1	30.6	22.6	21.5	-1.1	-4.8	32.8	1.5	34.8	1.4	2.0	6.2
		9.5	13.5	4.0	42.6	14.7	19.2	4.6	31.1	24.1	1.1	32.7	1.4	8.6	35.6
4.	Chemical products, plastics and rubber, incl.: Chapter 39. Plastics and plastic products Chapter 28. Inorganic chemical products Chapter 30. Pharmaceutical products Chapter 38. Miscellaneous products of chemical industry Chapter 29. Organic chemical products Chapter 40. Rubber and rubber products	107.0	145.0	38.0	35.5	171.1	209.2	38.1	22.3	278.1	12.5	354.2	14.7	76.1	27.4
		19.8	28.5	8.6	43.5	24.0	32.9	8.9	36.9	43.8	2.0	61.3	2.6	17.5	39.9
		6.8	6.1	-0.7	-9.9	37.9	53.2	15.3	40.5	44.7	2.0	59.3	2.5	14.6	32.8
		11.9	21.4	9.5	79.5	23.8	24.9	1.1	4.6	35.7	1.6	46.2	1.9	10.6	29.6
		17.3	23.4	6.1	35.0	24.3	25.6	1.3	5.5	41.6	1.9	49.0	2.0	7.4	17.8
		22.5	22.7	0.2	0.7	24.8	21.0	-3.8	-15.4	47.3	2.1	43.7	1.8	-3.6	-7.7
		8.9	13.9	5.0	55.8	11.3	15.9	4.6	40.7	20.2	0.9	29.8	1.2	9.6	47.4
5.	Animal and vegetable products, food, drink and tobacco, incl.: Chapter 17. Sugar and sugar products	73.0	94.0	21.0	28.8	112.2	102.1	-10.1	-9.0	185.2	8.3	196.1	8.2	10.9	5.9
		17.1	11.8	-5.3	-31.3	18.5	24.5	6.0	32.3	35.6	1.6	36.3	1.5	0.6	1.8
6.	Base metals and their products, incl.: Chapter 72. Cast-iron, iron and steel Chapter 76. Aluminium and aluminium products	50.4	72.3	21.9	43.4	80.3	79.1	-1.2	-1.5	130.7	5.9	151.4	6.3	20.7	15.8
		17.6	32.5	14.9	84.8	32.2	33.5	1.2	3.8	49.8	2.2	66.0	2.7	16.1	32.4
		10.5	13.4	3.0	28.4	18.8	15.6	-3.1	-16.6	29.2	1.3	29.1	1.2	-0.1	-0.5
7.	Wood, paper, earthenware and glass products, incl.: Chapter 48. Paper and cardboard; products of cellulose, paper and cardboard	40.7	52.7	12.0	29.5	45.2	55.5	10.3	22.9	85.9	3.9	108.2	4.5	22.3	26.0
		21.8	28.1	6.3	28.8	22.1	29.8	7.7	34.8	43.9	2.0	57.9	2.4	14.0	31.8
	IMPORTS, TOTAL (CIF)	946.4	1175.6	229.2	24.2	1284.2	1228.1	-56.1	-4.4	2230.6	100.0	2403.7	100.0	173.1	7.8
	(-) Freight expenditure	65.9	91.9			96.6	94.9			162.5		186.8			
	IMPORTS, TOTAL (FOB)	880.5	1083.8	203.3	23.1	1187.6	1133.2	-54.4	-4.6	2068.1		2217.0		148.8	7.2

\* Commodity groups include chapters from the Harmonized System for Commodity Description and Coding.

Sources: Customs declarations data received from the MF Computing Center and NSI and adjusted by the BNB.

For 1997 – preliminary data as of 10 July 1998; for 1998 – preliminary data as of 10 September 1998.

## EXPORTS BY USE

No.	Commodity groups	I quarter				II quarter				January - June				Change on corresponding period of previous year	
		million USD		Change		million USD		Change		1997		1998		million USD	%
		1997	1998	million USD	%	1997	1998	million USD	%	million USD	share %	million USD	share %	million USD	%
I.	Consumer goods	335.7	323.2	-12.6	-3.7	339.8	343.4	3.7	1.1	675.5	27.9	666.6	30.2	-8.9	-1.3
1.	Food	83.6	51.6	-32.0	-38.3	63.4	59.6	-3.7	-5.9	147.0	6.1	111.3	5.0	-35.7	-24.3
2.	Drink	28.8	33.3	4.5	15.6	38.9	43.6	4.6	11.8	67.8	2.8	76.9	3.5	9.1	13.5
3.	Tobacco	28.1	16.8	-11.2	-40.0	26.0	18.5	-7.5	-28.7	54.1	2.2	35.4	1.6	-18.7	-34.5
4.	Clothing and footwear	109.4	137.5	28.2	25.8	113.8	135.8	22.0	19.3	223.2	9.2	273.3	12.4	50.2	22.5
5.	Medical goods and cosmetics	44.1	43.4	-0.7	-1.6	52.3	42.9	-9.4	-18.0	96.4	4.0	86.3	3.9	-10.1	-10.5
6.	Housing and home furniture	18.8	18.9	0.2	0.9	21.3	21.2	-0.1	-0.6	40.1	1.7	40.1	1.8	0.0	0.1
7.	Other	23.0	21.5	-1.5	-6.4	24.0	21.8	-2.2	-9.3	47.0	1.9	43.3	2.0	-3.7	-7.9
II.	Raw and other materials	586.0	529.6	-56.4	-9.6	613.5	547.8	-65.7	-10.7	1199.5	49.6	1077.4	48.9	-122.1	-10.2
1.	Cast-iron, iron and steel	112.5	124.2	11.7	10.4	136.1	135.9	-0.2	-0.1	248.6	10.3	260.0	11.8	11.5	4.6
2.	Nonferrous metals	110.4	81.4	-28.9	-26.2	96.6	94.1	-2.5	-2.6	207.0	8.6	175.5	8.0	-31.4	-15.2
3.	Chemical products	76.9	60.3	-16.6	-21.5	80.5	55.1	-25.5	-31.6	157.5	6.5	115.4	5.2	-42.1	-26.7
4.	Fertilizers	70.1	34.3	-35.9	-51.1	47.7	25.4	-22.3	-46.7	117.9	4.9	59.7	2.7	-58.2	-49.4
5.	Textiles	42.8	40.4	-2.4	-5.5	47.9	43.9	-4.0	-8.3	90.6	3.7	84.3	3.8	-6.3	-7.0
6.	Plastics and rubber	48.2	41.7	-6.5	-13.4	43.6	32.8	-10.8	-24.7	91.8	3.8	74.5	3.4	-17.2	-18.8
7.	Food feedstocks	28.1	46.1	18.0	64.1	23.6	41.2	17.7	75.1	51.6	2.1	87.3	4.0	35.7	69.1
8.	Wood and paper, cardboard	27.0	30.1	3.2	11.7	32.9	35.5	2.6	8.1	59.8	2.5	65.6	3.0	5.8	9.7
9.	Other	70.1	71.1	1.0	1.5	104.7	83.9	-20.8	-19.9	174.8	7.2	155.0	7.0	-19.8	-11.3
III.	Investment goods	179.4	172.2	-7.2	-4.0	187.4	174.4	-13.0	-6.9	366.8	15.2	346.6	15.7	-20.2	-5.5
1.	Machines, tools and appliances	47.1	48.0	0.9	2.0	51.8	52.5	0.7	1.4	98.9	4.1	100.6	4.6	1.7	1.7
2.	Electrical machines	19.0	18.7	-0.4	-2.0	20.5	19.3	-1.2	-6.0	39.5	1.6	37.9	1.7	-1.6	-4.1
3.	Transportation facilities	35.7	32.0	-3.7	-10.3	17.7	30.9	13.2	74.7	53.3	2.2	62.8	2.8	9.5	17.8
4.	Spare parts and equipment	26.1	28.6	2.5	9.7	27.0	28.2	1.3	4.7	53.1	2.2	56.9	2.6	3.8	7.2
5.	Other	51.5	44.8	-6.6	-12.9	70.5	43.6	-27.0	-38.2	122.0	5.0	88.4	4.0	-33.6	-27.5
IV.	Energy resources	86.1	77.6	-8.6	-9.9	91.4	37.4	-54.0	-59.1	177.6	7.3	115.0	5.2	-62.6	-35.2
1.	Oil products	66.4	44.5	-21.9	-33.0	62.8	11.7	-51.1	-81.3	129.2	5.3	56.2	2.5	-73.0	-56.5
2.	Electricity	16.8	31.3	14.5	86.0	26.3	24.1	-2.2	-8.4	43.2	1.8	55.5	2.5	12.3	28.4
3.	Other	2.8	1.7	-1.1	-39.3	2.3	1.6	-0.7	-31.9	5.1	0.2	3.3	0.1	-1.8	-35.9
	IMPORTS, TOTAL (FOB)	1187.2	1102.5	-84.7	-7.1	1232.1	1103.1	-129.0	-10.5	2419.3	100.0	2205.6	100.0	-213.8	-8.8

Sources: Customs declarations data received from the MF Computing Center and NSI and adjusted by the BNB.  
For 1997 - preliminary data as of 10 July 1998; for 1998 - preliminary data as of 10 September 1998.

## IMPORTS BY USE

No.	Commodity groups	I quarter				II quarter				January – June				Change on corresponding period of previous year			
		million USD		Change		million USD		Change		1997		1998		million USD		share %	
		1997	1998	million USD	%	1997	1998	million USD	%	million USD	share %	million USD	share %	million USD	share %	million USD	%
I.	Consumer goods	85.6	164.5	78.9	92.2	131.9	183.3	51.4	38.9	217.5	9.8	347.8	14.5	130.3	59.9		
	1. Food, drink and tobacco	17.2	48.1	30.9	179.9	28.5	42.4	13.9	48.9	45.7	2.0	90.5	3.8	44.8	98.2		
	2. Clothing and footwear	26.2	40.2	14.0	53.5	42.0	51.3	9.4	22.3	68.1	3.1	91.5	3.8	23.4	34.3		
	3. Housing and home furniture	9.4	19.0	9.5	100.7	12.6	20.1	7.5	59.1	22.1	1.0	39.0	1.6	17.0	76.9		
	4. Medical goods and cosmetics	15.3	28.8	13.5	88.5	25.3	32.6	7.3	28.9	40.5	1.8	61.3	2.6	20.8	51.3		
	5. Automobiles	3.6	7.7	4.1	113.7	7.9	10.7	2.8	34.8	11.5	0.5	18.4	0.8	6.9	59.6		
	6. Other	13.9	20.8	6.9	49.3	15.7	26.2	10.6	67.4	29.6	1.3	47.0	2.0	17.4	58.9		
II.	Raw and other materials	363.5	446.0	82.6	22.7	542.5	565.9	23.4	4.3	906.0	40.6	1011.9	42.1	105.9	11.7		
	1. Ores	34.6	46.8	12.3	35.4	43.8	53.6	9.8	22.4	78.3	3.5	100.4	4.2	22.1	28.2		
	2. Cast-iron, iron and steel	17.6	32.5	14.9	84.8	32.2	33.5	1.2	3.8	49.8	2.2	66.0	2.7	16.1	32.4		
	3. Nonferrous metals	5.8	10.8	5.1	88.2	12.3	10.2	-2.0	-16.6	18.0	0.8	21.1	0.9	3.0	16.8		
	4. Textiles	87.7	109.1	21.4	24.4	128.9	133.2	4.3	3.4	216.5	9.7	242.3	10.1	25.7	11.9		
	5. Chemicals	45.4	50.7	5.3	11.6	85.8	98.6	12.8	14.9	131.2	5.9	149.3	6.2	18.1	13.8		
	6. Plastics, rubber	28.5	41.3	12.9	45.2	34.7	47.4	12.7	36.7	63.1	2.8	88.7	3.7	25.6	40.5		
	7. Wood, paper and cardboard	24.1	35.1	11.0	45.5	28.1	34.4	6.3	22.5	52.2	2.3	69.5	2.9	17.3	33.1		
	8. Food feedstocks	51.6	40.1	-11.5	-22.3	82.9	53.6	-29.3	-35.4	134.5	6.0	93.7	3.9	-40.9	-30.4		
	9. Other	68.3	79.6	11.3	16.6	93.9	101.4	7.5	8.0	162.2	7.3	181.0	7.5	18.9	11.6		
III.	Investment goods	144.2	223.6	79.4	55.1	212.7	240.7	28.0	13.2	357.0	16.0	464.4	19.3	107.4	30.1		
	1. Machines, tools and appliances	62.0	67.3	5.3	8.6	98.5	87.6	-10.9	-11.0	160.5	7.2	154.9	6.4	-5.5	-3.5		
	2. Electrical machines	18.4	50.3	31.9	173.5	21.4	41.4	20.0	93.4	39.8	1.8	91.7	3.8	51.9	130.4		
	3. Transportation facilities	9.9	37.0	27.0	272.6	22.8	34.5	11.7	51.2	32.7	1.5	71.4	3.0	38.7	118.3		
	4. Spare parts and equipment	20.7	36.2	15.5	74.6	32.3	39.7	7.5	23.1	53.0	2.4	75.9	3.2	22.9	43.3		
	5. Other	33.2	32.9	-0.3	-0.9	37.8	37.5	-0.3	-0.8	71.0	3.2	70.4	2.9	-0.6	-0.8		
IV.	Energy resources	353.1	341.5	-11.7	-3.3	397.0	238.2	-158.8	-40.0	750.2	33.6	579.6	24.1	-170.5	-22.7		
	Fuels	341.7	330.9	-10.9	-3.2	374.4	223.0	-151.4	-40.4	716.2	32.1	553.9	23.0	-162.2	-22.7		
	1. Crude oil	136.3	128.8	-7.5	-5.5	192.6	92.9	-99.7	-51.8	328.9	14.7	221.7	9.2	-107.2	-32.6		
	2. Coal	26.7	86.7	60.0	225.0	42.8	48.9	6.2	14.4	69.5	3.1	135.7	5.6	66.2	95.3		
	3. Natural gas	152.0	110.9	-41.0	-27.0	111.2	76.6	-34.5	-31.0	263.1	11.8	187.6	7.8	-75.5	-28.7		
	4. Other	26.8	4.4	-22.4	-83.6	27.9	4.6	-23.3	-83.6	54.7	2.5	9.0	0.4	-45.7	-83.6		
	Other	11.4	10.6	-0.8	-7.3	22.6	15.1	-7.5	-33.0	34.0	1.5	25.7	1.1	-8.3	-24.4		
	1. Oils	11.4	10.6	-0.8	-7.3	22.6	15.1	-7.5	-33.0	34.0	1.5	25.7	1.1	-8.3	-24.4		
	IMPORTS, TOTAL (CIF)	946.4	1175.6	229.2	24.2	1284.2	1228.1	-56.1	-4.4	2230.6	100.0	2403.7	100.0	173.1	7.8		

Sources: Customs declarations data received from the MF Computing Center and NSI and adjusted by the BNB.  
For 1997 – preliminary data as of 10 July 1998; for 1998 – preliminary data as of 10 September 1998.

**EXPORTS BY MAJOR TRADING PARTNER AND REGION**

No.	Countries	I quarter				II quarter				January – June				Change on corresponding period of previous year	
		million USD		Change		million USD		Change		1997		1998		million USD	%
		1997	1998	million USD	%	1997	1998	million USD	%	million USD	share %	million USD	share %		
1.	European union, incl:														
	Italy	533.2	534.3	1.2	0.2	522.1	558.3	36.2	6.9	1055.3	43.6	1092.7	49.5	37.4	3.5
	Germany	159.0	139.8	-19.2	-12.1	146.0	150.9	4.8	3.3	305.1	12.6	290.7	13.2	-14.4	-4.7
	Greece	121.2	105.2	-16.0	-13.2	96.5	106.9	10.4	10.7	217.7	9.0	212.1	9.6	-5.6	-2.6
	Belgium	94.0	96.7	2.7	2.9	102.1	102.1	0.0	0.0	196.1	8.1	198.8	9.0	2.7	1.4
	France	26.7	36.8	10.1	37.6	17.3	50.8	33.5	193.3	44.0	1.8	87.6	4.0	43.5	98.8
	Spain	31.7	34.6	2.9	9.1	31.8	34.0	2.3	7.1	63.5	2.6	68.6	3.1	5.1	8.1
	United Kingdom	26.8	37.6	10.8	40.5	33.7	31.2	-2.5	-7.4	60.5	2.5	68.9	3.1	8.4	13.8
	Netherlands	23.3	26.7	3.4	14.4	47.6	29.9	-17.7	-37.1	70.9	2.9	56.6	2.6	-14.3	-20.2
	Austria	16.4	21.9	5.6	33.9	16.6	16.8	0.2	0.9	33.0	1.4	38.7	1.8	5.7	17.3
		10.7	16.9	6.1	57.1	12.7	16.3	3.6	28.0	23.4	1.0	33.1	1.5	9.7	41.3
2.	EFTA	9.3	7.6	-1.7	-18.3	7.7	8.0	0.4	5.0	17.0	0.7	15.6	0.7	-1.3	-7.8
3.	Other OECD countries, incl.: <sup>1</sup>														
	Turkey	153.4	113.8	-39.7	-25.9	178.5	117.6	-60.9	-34.1	331.9	13.7	231.4	10.5	-100.5	-30.3
	USA	99.7	75.7	-24.0	-24.1	113.7	70.1	-43.6	-38.4	213.4	8.8	145.8	6.6	-67.6	-31.7
	Japan	25.4	20.9	-4.4	-17.5	37.2	30.0	-7.2	-19.4	62.6	2.6	50.9	2.3	-11.6	-18.6
		8.7	9.7	0.9	10.4	12.6	9.9	-2.7	-21.8	21.3	0.9	19.5	0.9	-1.8	-8.6
4.	Balkan countries, incl.: <sup>2</sup>														
	Yugoslavia	68.4	64.9	-3.4	-5.0	81.8	56.2	-25.7	-31.4	150.2	6.2	121.1	5.5	-29.1	-19.4
	Macedonia	24.8	32.3	7.4	30.0	31.7	23.4	-8.3	-26.2	56.5	2.3	55.7	2.5	-0.9	-1.5
		21.1	24.6	3.4	16.2	23.1	22.7	-0.4	-1.9	44.2	1.8	47.2	2.1	3.0	6.7
5.	CEFTA, incl.: <sup>3</sup>														
	Poland	27.8	64.1	36.3	131.0	20.3	56.0	35.7	175.7	48.1	2.0	120.1	5.4	72.0	149.9
		7.4	21.7	14.3	193.8	6.2	19.1	13.0	211.2	13.5	0.6	40.9	1.9	27.3	201.7
6.	Former USSR countries, incl.:														
	Russia	204.7	166.5	-38.2	-18.7	219.8	150.8	-69.0	-31.4	424.5	17.5	317.3	14.4	-107.2	-25.3
	Ukraine	89.6	73.8	-15.8	-17.7	94.8	71.1	-23.7	-25.0	184.4	7.6	144.9	6.6	-39.5	-21.4
	Georgia	34.2	29.8	-4.4	-13.0	40.1	29.7	-10.4	-25.9	74.3	3.1	59.5	2.7	-14.8	-20.0
	Moldova	32.4	22.5	-9.9	-30.6	33.0	12.3	-20.6	-62.6	65.4	2.7	34.8	1.6	-30.5	-46.7
		18.4	17.1	-1.3	-6.8	21.7	14.6	-7.1	-32.8	40.1	1.7	31.7	1.4	-8.4	-20.9
7.	Other countries, incl.:														
	Southeast Asian countries <sup>4</sup>	190.5	151.3	-39.2	-20.6	201.9	156.1	-45.8	-22.7	392.4	16.2	307.4	13.9	-85.0	-21.7
		29.0	10.9	-18.1	-62.4	26.3	2.9	-23.5	-89.1	55.3	2.3	13.8	0.6	-41.5	-75.1
	EXPORTS, TOTAL (FOB)	1187.2	1102.5	-84.7	-7.1	1232.1	1103.1	-129.0	-10.5	2419.3	100.0	2205.6	100.0	-213.8	-8.8

<sup>1</sup> Australia, Canada, New Zealand, USA, Turkey and Japan are included.

<sup>2</sup> Albania, Bosnia and Herzegovina, Macedonia, Croatia and Yugoslavia are included.

<sup>3</sup> As of 1 July 1997 Romania is included. For that reason CEFTA and Balkan countries groups could not be directly compared. Exports to Romania totaled USD 34.3 million for 1997 and USD 33.6 million for 1998.

<sup>4</sup> Korea, Malaysia, Thailand, Philippines and Indonesia are included.

Sources: Customs declarations data received from the MF Computing Center and NSI and adjusted by the BNB.

For 1997 – preliminary data as of 10 July 1998; for 1998 – preliminary data as of 10 September 1998.

## IMPORTS BY MAJOR TRADING PARTNER AND REGION

No.	Countries	I quarter				II quarter				January – June				Change on corresponding period of previous year	
		million USD		Change		million USD		Change		1997		1998		million USD	%
		1997	1998	million USD	%	1997	1998	million USD	%	million USD	share %	million USD	share %		
1.	European union, incl.:	335.8	490.2	154.4	46.0	485.9	572.1	86.2	17.7	821.6	36.8	1062.3	44.2	240.6	29.3
	Germany	98.3	149.8	51.4	52.3	154.2	165.7	11.5	7.5	252.5	11.3	315.5	13.1	62.9	24.9
	Italy	61.3	77.1	15.8	25.7	97.1	105.2	8.0	8.3	158.4	7.1	182.2	7.6	23.8	15.0
	Greece	40.1	66.1	26.0	64.9	51.8	74.7	22.9	44.1	91.9	4.1	140.8	5.9	48.9	53.2
	France	30.2	48.7	18.4	61.0	47.6	63.0	15.5	32.5	77.8	3.5	111.7	4.6	33.9	43.6
	Austria	24.6	34.5	9.9	40.4	32.0	33.2	1.2	3.7	56.6	2.5	67.7	2.8	11.1	19.7
	United Kingdom	29.7	28.3	-1.4	-4.6	30.6	28.5	-2.1	-6.8	60.2	2.7	56.8	2.4	-3.5	-5.7
	Netherlands	15.6	22.3	6.8	43.4	25.3	27.1	1.8	6.9	40.9	1.8	49.4	2.1	8.5	20.8
	Belgium	10.4	20.2	9.8	94.1	16.0	25.5	9.5	59.6	26.3	1.2	45.6	1.9	19.3	73.2
2.	EFTA, incl.:	16.4	16.8	0.4	2.5	28.7	20.5	-8.1	-28.3	45.0	2.0	37.3	1.6	-7.7	-17.1
	Switzerland	14.5	14.8	0.3	2.1	27.5	19.1	-8.4	-30.5	42.1	1.9	34.0	1.4	-8.1	-19.2
3.	Other OECD countries, incl.:	59.9	110.6	50.7	84.6	105.9	84.1	-21.8	-20.6	165.8	7.4	194.7	8.1	28.9	17.4
	USA	30.0	71.2	41.2	137.4	52.8	36.4	-16.4	-31.1	82.8	3.7	107.6	4.5	24.8	29.9
	Turkey	18.2	22.5	4.3	23.8	30.6	31.2	0.6	2.1	48.7	2.2	53.7	2.2	5.0	10.2
	Japan	5.5	9.6	4.1	75.3	14.7	9.7	-5.0	-34.1	20.2	0.9	19.3	0.8	-0.8	-4.2
4.	Balkan countries, incl.:	20.2	19.3	-0.9	-4.6	31.3	22.7	-8.6	-27.4	51.5	2.3	42.0	1.7	-9.5	-18.5
5.	CEFTA, incl.:	29.7	55.8	26.2	88.1	56.0	66.5	10.5	18.8	85.7	3.8	122.4	5.1	36.7	42.8
	Czech Republic	9.2	17.9	8.6	93.1	13.0	23.6	10.6	81.7	22.2	1.0	41.5	1.7	19.2	86.4
6.	Former USSR countries, incl.:	335.7	341.6	5.9	1.8	417.3	295.0	-122.3	-29.3	752.9	33.8	636.6	26.5	-116.4	-15.5
	Russia	299.4	272.0	-27.4	-9.1	350.2	241.3	-108.9	-31.1	649.7	29.1	513.3	21.4	-136.3	-21.0
	Ukraine	25.5	51.1	25.7	100.8	54.3	46.3	-8.0	-14.8	79.8	3.6	97.4	4.1	17.6	22.1
7.	Other countries, incl.:	148.8	141.4	-7.4	-5.0	159.2	167.1	7.9	5.0	308.0	13.8	308.5	12.8	0.5	0.2
	Southeast Asian countries <sup>4</sup>	6.8	19.2	12.3	181.1	9.0	19.9	11.0	122.4	15.8	0.7	39.1	1.6	23.3	147.8
	IMPORTS, TOTAL (CIF)	946.4	1175.6	229.2	24.2	1284.2	1228.1	-56.1	-4.4	2230.6	100.0	2403.7	100.0	173.1	7.8

<sup>1</sup> Australia, Canada, New Zealand, USA, Turkey and Japan are included.

<sup>2</sup> Albania, Bosnia and Herzegovina, Macedonia, Croatia and Yugoslavia are included.

<sup>3</sup> As of 1 July 1997 Romania is included. For that reason CEFTA and Balkan countries groups could not be directly compared. Imports from Romania totaled USD 25.4 million for 1997 and USD 32.9 million for 1998.

<sup>4</sup> Korea, Malaysia, Thailand, Philippines and Indonesia are included.

Sources: Customs declarations data received from the MF Computing Center and NSI and adjusted by the BNB.

For 1997 – final data; for 1998 – preliminary data as of 10 August 1998.

**CONSOLIDATED STATE BUDGET**

(million BGL)

	Consolidated State Budget				General Government Budget				Legal Institutions						
	30.VI.1997		30.VI.1998		30.VI.1997		30.VI.1998		30.VI.1997		30.VI.1998				
	Reporting	% of GDP	Reporting	% of GDP	Reporting	% of GDP	Reporting	% of GDP	Reporting	% of GDP	Reporting	% of GDP			
Net revenue	1 783 758.2	10.4	3 849 177.4	17.2	930 705.3	52.2	5.4	2 149 284.2	55.8	9.6	5 643.3	0.3	22 186.4	0.6	0.1
Net expenditure	2 069 713.4	12.1	3 687 695.9	16.4	1 231 030.9	59.5	7.2	1 788 616.7	48.5	8.0	10 682.6	0.5	25 538.5	0.7	0.1
Transfers from GGB to extrabudgetary accounts			0.0					64 177.5							
Government transfers			0.0		135 429.9		0.8	250 390.0		1.1	-5 536.0		-19 147.0		0.1
Budget deficit	-285 955.2	1.7	161 481.5	0.7	-435 755.5		2.5	46 100.0		0.2	496.7		15 794.9		0.1
Financing, net	285 955.2	1.7	-161 481.5	0.7	435 755.5		2.5	-46 100.0		0.2	-496.7		-15 794.9		0.1
Foreign financing, net	155 930.1	0.9	28 445.8	0.1	-59 593.4		0.3	-84 325.8		0.4					0.0
Domestic financing, net	130 025.1	0.8	-189 927.5	0.8	495 349.0		2.9	38 225.7		0.2	-496.7		-15 794.9		0.1
Operations in government securities, net	579 154.8		-64 957.0		579 154.8			-18 015.6							
Bank, net	-773 982.3		-272 006.1		-275 138.7			5 310.3			-496.7		-15 794.9		
BNB, net	-315 870.6		-203 572.2		-267 911.2			37 150.0			-70.1		-15 146.5		
Long-term loans	66 800.0		0.0		66 800.0			0.0			0.0		0.0		
Repayments	-1 495.3		-98 433.6		-1 495.3			-98 433.6			0.0		0.0		
Temporary loans	60 000.0		0.0		60 000.0			0.0			0.0		0.0		
Repayments	-60 000.0		0.0		-60 000.0			0.0			0.0		0.0		
Balances on lev accounts	-102 144.7		-1 087 354.4		-53 002.7			-104 662.5			-194.5		-16 123.2		
Balances on forex accounts – lev equivalent	-272 077.8		-358 538.1		-272 077.8			-358 538.1			0.0		0.0		
Time deposit in levs	-29 000.0		-26 000.0		-29 000.0			-26 000.0			0.0		0.0		
Balances from past periods	22 047.2		1 366 753.9		20 864.6			624 784.2			124.4		976.7		
Other banks and financial institutions, net	-458 111.7		-68 433.9		-7 227.5			-31 839.7			-426.6		-648.4		
Credits extended	0.0		0.0		0.0			0.0			0.0		0.0		
Repayments	-126.5		-63.2		-126.5			-63.2			0.0		0.0		
Loans repaid from regional municipal councils	0.0														
Resources on accounts, net	-457 985.2		-68 370.7		-7 101.0			-31 776.5			-426.6		-648.4		
Balances from past periods	166 006.2		20 984.2		73.8			7 106.6			207.9		151.0		
Balances on accounts	-623 991.4		-89 354.9		-7 174.8			-38 883.1			-634.5		-799.4		
Other financing	-380.5		0.0		-103 809.1			0.0			0.0		0.0		
Other repayments	0.0		-56.0					0.0							
Temporary noninterest-bearing loans from extrabudgetary accounts			199.5					199.5							
Revenue from privatization	325 233.1		131 629.4		295 142.0			41 972.9							
Foreign currency revaluation	0.0		15 262.7					8758.6							

(continued)

	Social Security						Municipal Councils						Extrabudgetary Accounts					
	30.VI.1997			30.VI.1998			30.VI.1997			30.VI.1998			30.VI.1997			30.VI.1998		
	Reporting	Share	% of GDP	Reporting	Share	% of GDP	Reporting	Share	% of GDP	Reporting	Share	% of GDP	Reporting	Share	% of GDP	Reporting	Share	% of GDP
Net revenue	425 515.2	23.9	2.5	881 883.8	22.9	3.9	224 489.8	12.6	1.3	489 524.3	12.7	2.2	197 404.6	11.1	1.2	306 298.7	8.0	1.4
Net expenditure	398 769.2	19.3	2.3	944 924.6	25.6	4.2	297 611.2	14.4	1.7	661 394.9	17.9	2.9	131 619.5	6.4	0.8	267 221.2	7.2	1.2
Transfers from GGB to extrabudgetary accounts				-1 049.3														
Government transfers	-21 171.8		0.1	-26 776.6		0.1	-89 917.6		0.5	-204 466.5		0.9	-18 804.5		0.1			0.0
Budget deficit	47 917.8		0.3	-35 214.9		0.2	16 796.2		0.1	32 595.8		0.1	84 589.6		0.5	102 205.7		0.5
Financing, net	-47 917.8		0.3	35 214.9		0.2	-16 796.2		0.1	-32 595.8		0.1	-84 589.6		0.5	-102 205.7		4.6
Foreign financing, net			0.0			0.0			0.0			0.0			1.3	112 771.6		0.5
Domestic financing, net	-47 917.8		0.3	35 214.9		0.2	-16 796.2		0.1	-32 595.8		0.1	-300 113.2		1.8	-214 977.4		1.0
Operations in government securities, net																-46 941.4		
Bank, net	-47 917.8			35 214.9			-16 796.2			-32 595.8			-433 632.9			-264 140.6		
BNB, net	-47 889.3			38 564.9			0.0			0.0			0.0			-264 140.6		
Long-term loans	0.0			0.0			0.0			0.0			0.0			0.0		
Repayments	0.0			0.0			0.0			0.0			0.0			0.0		
Temporary loans	0.0			0.0			0.0			0.0			0.0			0.0		
Repayments	0.0			0.0			0.0			0.0			0.0			0.0		
Balances on lev accounts	-48 947.5			-74 461.6			0.0			0.0						-892 107.1		
Balances on forex accounts – lev equivalent	0.0			0.0			0.0			0.0			0.0			0.0		
Time deposit in levs	0.0			0.0			0.0			0.0			0.0			0.0		
Balances from past periods	1 058.2			113 026.5			0.0			0.0			0.0			627 966.5		
Other banks and financial institutions, net	-28.5			-3 350.0			-16 796.2			-32 595.8			-433 632.9			0.0		
Credits extended	0.0			0.0			0.0			0.0			0.0			0.0		
Repayments	0.0			0.0			0.0			0.0			0.0			0.0		
Loans repaid from regional municipal councils	0			0.0			0.0			0			0			0		
Resources on accounts, net	-28.5			-3 350.0			-16 796.2			-32 595.8			-433 632.9			0.0		
Balances from past periods	0.0			0.0			651.9			13 726.6			165 072.6					
Balances on accounts	-28.5			-3 350.0			-17 448.1			-46 322.4			-598 705.5					
Other financing	0.0			0.0			0.0			0.0			103 428.6					
Other repayments							0.0			0.0						-56.0		
Temporary noninterest-bearing loans from extrabudgetary accounts																		
Revenue from privatization													30091.1			89656.5		
Foreign currency revaluation																6504.1		

Notes: 1. GDP for 1997 used in the table is BGL 17,103.4 billion.

2. GDP for 1998 used in the table is BGL 22 430 billion.

3. General government budget includes central government budget, budgets of ministries and agencies, budgets of regional municipal councils, budgets of institutes of higher education and Bulgarian Academy of Sciences, and the budget of the National Audit Chamber.

4. Data on transfers from GGB to extrabudgetary accounts and funds includes only CSB funds.

Source: BNB and MF.



CASH BASIS REPORTING OF THE CENTRAL GOVERNMENT BUDGET

(million BGL)

	1997				1998			
	SBL	Reporting as of 30 June	% of SBL	% of GDP	SBL	Reporting as of 30 June	% of SBL	% of GDP
I. Total revenue	2560288.3	915898.0	35.8	5.4	3417126.9	2076244.1	60.8	9.3
I.1. Current revenues	2560288.3	915097.0	35.7	5.4	3417126.9	2076244.1	60.8	9.3
I.1.1. Tax revenues	2265849.2	833606.4	36.8	4.9	3338051.5	1936277.0	58.0	8.6
corporate tax from financial institutions	108986.1	38733.5	35.5	0.2	103410.3	116700.2	112.9	0.5
corporate tax from nonfinancial enterprises	343389.0	194041.6	56.5	1.1	201469.6	170814.6	84.8	0.8
customs duties and fees	344156.8	113581.4	33.0	0.7	401500.0	216935.6	54.0	1.0
VAT	1037400.0	321399.7	31.0	1.9	1622200.0	879379.4	54.2	3.9
I.1.2. Nontax revenues	294439.1	81490.6	27.7	0.5	79075.4	139967.1	177.0	0.6
including:								
BNB – excess of revenue over expenditure	34000.0	0.0	0.0	0.0		6237.6		0.0
interest revenue	10720.0	18422.2	171.8	0.1	4720.0	19606.7	415.4	0.1
Other nontax revenue		800.8			37326.3	14265.8		0.0
I.2. Revenue from sale of state property	3496873.2	1362489.0	39.0	8.0	4027952.7	2105437.1	52.3	9.4
II. Total expenditure	1736877.4	872742.7	50.2	5.1	1382921.6	935791.1	67.7	4.2
I. Current expenditures								
including:								
other expenditures	55104.1	7186.2	13.0	0.0	181832.0	165929.7	91.3	0.7
subsidies	79641.0	25987.7	32.6	0.2	124716.0	64154.6	51.4	0.3
interest – total	1547320.5	833058.3	53.8	4.9	1001746.7	695267.6	69.4	3.1
interest on external loans	486456.0	152909.9	31.4	0.9	650650.0	537417.3	82.6	2.4
interest on internal loans	1060864.5	680148.4	64.1	4.0	351096.7	157850.3	45.0	0.7
including:								
on government securities issued for deficit financing (interest and discounts)	787938.8	504623.2	64.0	3.0	111856.8	33432.8	29.9	0.1
on government securities – noncash issues	141061.0	80656.7	57.2	0.5	98497.2	87659.0	89.0	0.4
on loans from BNB	129520.0	93397.2	72.1	0.5	87386.2	36715.0	42.0	0.2
Capital expenditures and state reserve growth	11723.0	652.0	5.6	0.0	11662.3	7446.1	63.8	0.0
3. Structural reform and rehabilitation program	138900.0	250.6	0.2	0.0	275399.2	7124.1	2.6	0.0
4. For elimination of elemental calamities consequences	6500.0				0.0			
5. Transfers from CGB to other budgets	1525316.0	446168.7	29.3	2.6	221728.7	1075267.1	48.5	4.8
5.1. Subsidies	1534099.4	445955.8	29.1	2.6	2260318.2	1091019.2	48.3	4.9
5.2. Temporary loans from general government budget to municipal councils		1090.7		0.0		0.0		
regional municipal councils		-409.3		0.0		0.0		
ministries and other government institutions		0.0		0.0		0.0		
Social Security		1500.0		0.0		0.0		
extrabudgetary accounts and funds		0.0		0.0		0.0		
legal authorities		0.0		0.0		0.0		
special agencies		0.0		0.0		0.0		
state higher schools		0.0		0.0		0.0		
5.3. General government budget contributions	-8783.4	-877.8	10.0	0.0	-43089.5	-15752.1	36.6	0.7
6. Transfers from CGB to extrabudgetary accounts	77556.8	46375.0	59.8	0.3	140740.8	79808.7	56.7	0.4
7. Temporary noninterest-bearing loans from extrabudgetary accounts and funds		-37000.0		0.0				0.0
III. Deficit (-) / Surplus (+)								
1. Primary deficit/surplus	610735.6	386467.3	63.3	2.3	390920.9	666074.6	170.4	3.0

(continued)

	1997			1998				
	SBL	Reporting as of 30 June	% of SBL	% of GDP	SBL	Reporting as of 30 June	% of SBL	% of GDP
Interest paid on internal loans	1060864.5	680148.4	64.1	4.0	351096.7	157850.3	45.0	0.7
2. Internal deficit	-450128.9	-293681.1	65.2	1.7	39824.2	508224.3	1276.2	2.3
Interest paid on external loans	486456.0	152909.9	31.4	0.9	650650.0	537417.3	82.6	2.4
3. Cash deficit	-936585.0	-446591.2	47.7	2.6	-610825.9	-29193.0	4.8	0.1
IV. Cash deficit financing	936585.0	446591.2	47.7	2.6	610825.9	29193.0	4.8	0.1
1. Foreign financing (operations abroad)	133247.8	-59593.5	-44.7	0.3		-84325.7		0.4
1.1. Loans received and Eurobonds	373660.0	0.0				0.0		
1.2. Repayments on credits extended to other countries	14.0	199.2	1422.9			2.7		
1.3. Repayments on external loans	-208346.2	-49939.0	24.0			-76510.7		
1.4. Overdue payments	-16930.0	-8429.7	49.8					
1.5. Repayments on trade deficit in transferable roubles with former Comecon countries	-15000.0	-1424.0	9.5			-7667.7		
1.6. Lev bills	-150.0	0.0				-150.0		
2. Domestic financing	803337.2	506184.7	63.0	3.0		113518.7		0.5
2.1. Operations in government securities (net)	474724.4	579154.8	122.0			-18015.7		
Issue of government securities in the current year, net		777488.7				437609.1		
Issue of treasury bills		3574425.6				471200.1		
Issue of bonds		62550.0				48481.1		
Repayment of government securities in the current year – total		-3057820.8				-537696.9		
Repayment of government securities issued in the current year		-2859486.9				-82072.1		
Repayment of government securities issued in previous years		-198333.9				-435624.8		
2.2. Bank financing, net								
BNB, net	-8985.5	65304.7	726.8			-98433.6		
Long-term loans	66800.0	66800.0						
Repayments on long-term loans	-75785.5	-1495.3	2.0			-98433.6		
Temporary loans		60000.0						
Repayments on temporary loans		-60000.0						
Loans from BNB under Article 45 of LBNB								
Repayments on credits from SSB (SII)								
2.3. Deposits, net	-253.0	-126.5				-63.2		
balances from past periods	-98368.1	-329429.2				179299.7		
balances on accounts by end of period	20803.5	20864.6				601416.6		
budget deposit in levs	-119171.6	-350293.8				-422116.9		
time deposit in levs		-49216.0				-37578.8		
forex budget deposit (lev equivalent)		-29000.0				-26000.0		
2.4. Other financing		-272077.8				-358538.1		
Loans to budget from SFRD, net	-103922.6	-103861.1				0.0		
Loans to budget from SFRD		-103861.1						
Repayments on loans from SFRD		98877.4						
Loans repaid by municipal councils from previous years		-202738.6						
2.5. Foreign currency revaluation								
2.6. Revenue from privatization	540142.0	295142.0			540000.0	8758.6		
						41972.9		

Notes: 1. The information on cash basis reporting of the central government budget is based on the cable accountability received by commercial banks and is classified according to the method applied by the MF.

2. Allocation of revenue and expenditure projected by the Law is based on MF data.

Source: BNB.

**MONETARY SURVEY FOR 1998**

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98
				all banks	incl. banks in liquidation		all banks	incl. banks in liquidation		all incl. banks in banks liquidation
Exchange rate: BGL/1 USD	1588.7	1718.6	1762.8	1776.5	1809.2	1820.2	1834.0	1834.0	1798.0	1810.2
BGL/1 DEM	947.63	992.66	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00
<b>FOREIGN ASSETS (net)</b>	170952	2430469	3464264	4950218	4865301	5289002	5518586	-344621	5374302	5426207
Foreign assets	4469525	6134743	7532477	7803024	7673946	8160190	8240300	140646	8072461	8400490
BNB international reserves	1312822	2794294	3936242	4395322	4172053	4558856	4713688	0	4701067	5130536
Other foreign assets	3156702	3340449	3596235	3407702	3501893	3601334	3526612	140646	3371394	3269954
Less: foreign liabilities	4298573	3704274	4068213	2852806	2808645	2871188	2721714	485267	2698159	2974283
<b>NET DOMESTIC ASSETS</b>	2978938	1580498	1659893	1068369	1017632	610382	439289	516670	584713	457966
<b>DOMESTIC CREDIT</b>	4908431	4960650	5101699	5136474	5262162	4898765	4672939	1413353	4339261	4224532
BGL	869439	595325	693989	1035600	815019	721695	665188	-119033	560860	607792
Foreign currencies	4038992	4365325	4407710	4100874	4447143	4177070	4007751	1532386	3778401	3616740
<b>CLAIMS ON GOVERNMENT SECTOR (net)</b>	2235716	2167599	1955763	1641560	1671826	1290354	1165965	-285472	919156	740919
BGL	634750	330131	56979	104055	-151306	-289967	-372830	-223218	-545963	-420100
Foreign currencies	1600966	1837467	1898784	1537505	1823132	1580321	1538795	-62254	1465119	1286989
<b>CLAIMS ON STATE BUDGET (net)</b>	2396367	2831935	2790295	2493051	2250202	1772618	1589504	-280001	1403451	1303211
BGL	701587	423913	240384	424471	119733	-8375	-139259	-221005	-224694	-152063
Foreign currencies	1694779	2408021	2549911	2068580	2130469	1780993	1728763	-58996	1628145	1455274
<b>CLAIMS ON GOVERNMENT (net)</b>	2413024	2868079	2850810	2560441	2325231	1841209	1685793	-279194	1503533	1410862
BGL	716844	458364	298381	489129	191661	57397	-46170	-220535	-127911	-47551
Foreign currencies	1696180	2409715	2552429	2071312	2133570	1783812	1731963	-58659	1631444	1458413
Claims on government	4887661	9590523	12136551	4142728	4816671	5510162	5709754	113219	6379874	7137492
BGL	2701932	6320371	8788328	872653	1561507	2239499	2614334	9667	3333107	4105913
Foreign currencies	2185729	3270152	3348223	3270075	3255164	3270663	3095420	103552	3046767	3031579
Government securities	2133622	2016785	2099238	2271523	2378586	2397162	2280642	107853	2303949	2310791
Short-term (up to 12 months)	510461	528449	475564	570509	621609	642102	649895	5833	662682	663630
Medium-term (up to 5 years)	122247	279139	372812	498406	526072	531922	549556	0	556824	557005
BGL	60019	96654	129849	134834	143707	147232	152163	0	161757	165332
Foreign currencies	62228	182485	242963	363572	382365	384690	397393	0	395067	391673
Long-term (over 5 years)	1500914	1209197	1250862	1202608	1230905	1223138	1081191	102020	1084443	1090156
BGL	113714	52302	60299	90040	125827	118259	120580	1476	123749	117297
Foreign currencies	1387200	1156895	1190563	1112568	1105078	1104879	960611	100544	960694	972859
Credits	138515	1167264	1139269	1633140	1633906	1643412	1608840	0	1576684	1549889
BGL	138515	1138	1075	1012	991	970	0	0	0	0
Foreign currencies	0	1166126	1138194	1632128	1632915	1642442	1608840	0	1576684	1549889
Other claims	2615524	6406474	8898044	238065	804179	1469588	1820272	5366	2499241	3276812
BGL	1879223	5641828	8121541	76258	669373	1330936	1691696	2358	2384919	3159654
Foreign currencies	736301	764646	776503	161807	134806	138652	128576	3008	114322	117158

(million BGL)

(continued)

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98	
Less: government deposits	-2474637	-6722444	-9285741	-1582287	-2491440	-3668953	-4023961	-392413	-4876341	-5726630	-6829738
BGL	-1985088	-5862007	-8489947	-383524	-1369846	-2182102	-2660504	-230202	-3461018	-4153464	-5115474
Foreign currencies	-489549	-860437	-795794	-266389	-1121594	-1486851	-1363457	-162211	-1415323	-1573166	-1714264
CLAIMS ON LOCAL BUDGETS (net)											
BGL	-16657	-36144	-60515	-773	-75029	-68591	-96289	-807	-100082	-107651	-109667
Foreign currencies	-15257	-34451	-57997	-449	-71928	-65772	-93089	-470	-96783	-104512	-107622
Claims on local budgets	85871	339872	649670	32	80282	197636	335614	22	503283	650559	806359
BGL	85793	339849	649670	32	80282	197636	335614	22	503283	650559	806359
Foreign currencies	78	23	0	0	0	0	0	0	0	0	1175
Less: deposits of local budgets	-102528	-376016	-710185	-803	-155311	-266227	-431903	-829	-603365	-758210	-916026
BGL	-101050	-374300	-707667	-479	-152210	-263408	-428703	-492	-600066	-755071	-912806
Foreign currencies	-1478	-1716	-2518	-324	-3101	-2819	-3200	-337	-3299	-3139	-3220
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY ACCOUNTS (net)											
BGL	-160651	-664336	-834532	-5341	-578376	-482264	-423539	-5471	-484295	-562292	-557885
Foreign currencies	-6837	-93782	-183405	-2208	-271039	-281592	-233571	-2213	-321269	-394007	-374334
Claims on state funds and extrabudgetary accounts	90062	318703	567466	6	78519	177740	267639	1	350158	431476	589178
BGL	90062	318703	567466	6	78519	177740	267639	1	350158	431476	589178
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0
Less: deposits of state funds and extrabudgetary accounts	-250713	-983039	-1401998	-5347	-656895	-660004	-691178	-5472	-834453	-993768	-1147063
BGL	-156899	-412485	-750871	-2214	-349558	-459332	-501210	-2214	-671427	-825483	-963512
Foreign currencies	-93814	-570554	-651127	-3133	-307337	-200672	-189968	-3258	-163026	-168285	-183551
CLAIMS ON NONGOVERNMENT SECTOR											
BGL	2672715	2793052	3145936	1818464	3590336	3608411	3506974	1698825	3420105	3483613	3411561
Foreign currencies	234689	265194	637010	117548	966325	1011662	1038018	104185	1106823	1153862	1148441
Claims on nonfinancial state-owned enterprises	2438026	2527858	2508926	1700916	2624011	2596749	2468956	1594640	2313282	2329751	2263120
BGL	75835	84309	1158408	554420	1276389	1238927	1128083	475457	1107189	1096023	974372
Foreign currencies	902929	901080	874023	28566	336883	326411	306286	26681	314968	309399	248865
Claims on private enterprises	1621446	1721263	1825714	1982195	2036633	2066689	2056713	1156972	1947343	1986605	2000210
BGL	153700	166907	277905	78132	436493	463787	488051	75768	504062	520164	537066
Foreign currencies	1467746	1554357	1547809	1102866	1600140	1602902	1568662	1081204	1443281	1466441	1463144
Claims on the public	6823	8312	68045	2184	186998	215118	247630	2229	292129	328475	364951
BGL	2694	3326	62825	221	180812	208854	241302	160	285725	322221	359333
Foreign currencies	4128	4986	5220	1963	6186	6264	6328	2069	6404	6254	5618
Claims on nonbank financial institutions	65683	78088	93769	80862	90316	87677	74548	64167	73444	72510	72028
BGL	2460	10652	11895	10629	12137	12610	2379	1576	2068	2078	3177
Foreign currencies	63223	67436	81874	70233	78179	75067	72169	62591	71376	70432	68851
OTHER ITEMS (net)											
BGL	-1929493	-3380153	-3441806	-988076	-4244520	-4288383	-4233650	-896683	-3754548	-3766566	-3782319
Foreign currencies	-2643301	-2869477	-2966860	-943024	-4051356	-4097104	-4042309	-3574348	-3557260	-3562834	-735223
Capital and reserves	713823	-510657	-474919	-45045	-193201	-191257	-191319	34844	-180179	-209268	-219448
	-1407560	-1246288	-1074629	484816	-1319354	-1393275	-1492137	479912	-1249042	-1252476	-884892

(continued)

(continued)

(million BGL)

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98			
				all banks	incl. banks in liquidation		all banks	incl. banks in liquidation		all incl. banks in banks liquidation			
Net income	-15486	-88603	12858	1910	3764	-46428	-79298	-131579	38896	-206842	-207291	-266566	36006
Other assets and liabilities (net)	-506432	-2045243	-2380008	-2799482	-1476649	-2878775	-2815788	-2609912	-1415497	-2298643	-2306761	-2630824	-1568792
<b>BROAD MONEY M3</b>	3149890	4010967	5124157	6018587	220061	5882933	5899384	5957875	172049	5959015	5884173	6045395	164454
BGL	1060700	1605984	2545101	3394500	34668	3096380	3125224	3271642	54953	3285784	3217202	3385976	80279
Foreign currencies	2089191	2404983	2579056	2624087	185393	2786553	2774160	2686233	117096	2673231	2666971	2659419	84175
<b>MONEY M1</b>	462938	884416	1573833	2290316	23429	1977498	1985491	2097489	43484	2119751	2082274	2229810	70120
Money outside banks	265586	553211	966832	1314106	0	1203366	1243725	1285373	0	1305105	1323723	1416209	0
Demand deposits (in BGL)	197352	331205	607001	976210	23429	774132	741766	812116	43484	814646	758551	813601	70120
State-owned enterprises	96019	160268	245126	451456	8015	340573	346683	376951	25342	391890	359477	359605	47958
Private enterprises	86477	144271	319245	440604	15006	359133	331082	363346	17022	351470	330339	380823	18926
Public	9561	15341	31117	44089	120	42245	43893	44718	797	44710	47677	50689	806
Nonbank financial institutions	5295	11325	11513	40061	288	32181	20108	27101	323	26576	21058	22484	2430
<b>MONEY M2 (M1 + quasi-money)</b>	2954500	3796921	4899113	5750728	211954	5622464	5626632	5605593	164405	5635697	5554316	5688708	157093
Quasi-money	2491562	2912505	3325280	3460412	188525	3644966	3641141	3508104	120921	3515946	3472042	3458898	86973
Time deposits (in BGL)	491532	594903	769331	804923	8776	818027	832207	829887	10224	831950	792605	788770	9473
State-owned enterprises	18095	33156	36444	43600	892	35407	40213	45071	783	61277	35995	32177	575
Private enterprises	24089	26913	29787	37622	3206	41553	40846	44883	5042	43364	40492	35118	6328
Public	446185	530447	690882	691386	4519	703869	709133	712412	4239	701316	692078	693614	2414
Nonbank financial institutions	3164	4387	12218	32315	159	37198	42015	27521	160	25993	24040	27861	156
Savings deposits (in BGL)	91161	99915	161517	226923	2090	228600	234333	238431	576	241087	243673	253545	92
Foreign currency deposits	1908869	2217687	2394432	2428566	177659	2598339	2574601	2439786	110121	2442909	2435764	2416583	77408
State-owned enterprises	730116	789529	740565	603207	99625	647079	608600	496093	68334	500346	481145	466619	40575
Private enterprises	323652	417510	474612	469270	28780	519844	482407	462519	19411	478018	511256	482303	18684
Public	766015	906092	1110525	1267165	34128	1323657	1337532	1349102	7054	1336685	1331341	1358961	5377
Nonbank financial institutions	89086	104556	68730	88924	15126	107759	146062	132072	15322	127860	112022	108700	12772
<b>MONEY M3 (M2 + Money market instruments and restricted deposits)</b>	3149890	4010967	5124157	6018587	220061	5882933	5899384	5957875	172049	5959015	5884173	6045395	164454
Money market instruments	942	1211	1888	4476	149	4537	4702	4661	149	4723	4646	4527	159
BGL	191	399	1867	4446	149	4509	4677	4638	149	4682	4589	4421	159
Foreign currencies	751	812	21	30	0	28	25	23	0	41	57	106	0
Import and restricted deposits	194448	212835	223156	263383	7958	255932	268050	347621	7495	318595	325211	352160	7202
BGL	14878	26351	38553	67892	224	67746	68516	101197	520	88314	94061	109430	435
Foreign currencies	179570	186484	184603	195491	7734	188186	199534	246424	6975	230281	231150	242730	6767

Source: BNB.

ANALYTICAL REPORTING OF THE BNB

(million BGL)

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98
<b>FOREIGN ASSETS</b>										
BNB international reserves	2337581	3474722	4498636	4954900	4742290	5128291	5282869	5117139	5536175	5659665
incl. gold	1312822	2794294	3936242	4395322	4172053	4558856	4713688	4701067	5130536	5244427
Other foreign assets	572587	515611	515611	515611	515611	515611	515611	515611	515611	515611
	1024759	680428	562394	559578	570237	569435	569181	416072	405639	415238
<b>CLAIMS ON GOVERNMENT</b>										
BGL	2326054	6119364	7898766	1632128	2072485	2491578	2545482	2945371	3440646	4225508
incl. loans	1942091	4953238	6760572	0	439570	849136	936642	1368687	1890757	2697017
Foreign currencies	137313	0	0	0	0	0	0	0	0	0
incl. loans	383963	1166126	1138194	1632128	1632915	1642442	1608840	1576684	1549889	1528491
incl. loans	0	1166126	1138194	1632128	1632915	1642442	1608840	1576684	1549889	1528491
<b>CLAIMS ON STATE FUNDS AND EXTRABUDGETARY ACCOUNTS</b>										
BGL	43528	141025	253643	0	45909	110655	164469	219002	272718	374824
Foreign currencies	43528	141025	253643	0	45909	110655	164469	219002	272718	374824
<b>CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES</b>										
BGL	643	643	643	643	660	660	661	661	661	661
Foreign currencies	643	643	643	643	660	660	661	661	661	661
<b>CLAIMS ON NONBANK FINANCIAL INSTITUTIONS</b>										
BGL	22	22	22	22	22	22	22	22	22	22
Foreign currencies	22	22	22	22	22	22	22	22	22	22
<b>CLAIMS ON COMMERCIAL BANKS</b>										
BGL	487317	311604	315059	334617	287626	283261	283910	271250	267562	265459
Deposits	139085	152547	155437	152729	152167	152218	154490	152052	152049	148307
Credits	12	12	18	20	20	23	23	23	23	25
Secured credits	56172	53827	53757	53404	53404	53404	53404	53404	53404	53404
Overdraft	1000	0	0	0	0	0	0	0	0	0
Other credits	374	378	353	0	0	0	0	0	0	0
Overdue credits	0	0	0	0	0	0	0	0	0	0
Foreign currencies	54798	53449	53404	53404	53404	53404	53404	53404	53404	53404
Deposits	82901	98708	101662	99305	98743	98791	101063	98625	98622	94878
Credits	348232	159057	159622	181888	135459	131043	129420	119198	115513	117152
Secured credits	226561	24562	24856	49954	9645	11697	9379	2946	2912	2963
Overdraft	120718	114652	111150	110483	105953	100680	101201	97777	94138	95410
Other credits	7361	0	0	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0	0	0	0
Overdue credits	0	0	0	0	0	0	0	0	0	0
Other claims	113357	114652	111150	110483	105953	100680	101201	97777	94138	95410
	953	19843	23616	21451	19861	18666	18840	18475	18463	18779
<b>OTHER ITEMS (net)</b>										
BGL	423080	-554074	-685616	-389894	-412283	-431692	-388794	-399306	-399827	-374798
Foreign currencies	-177218	-356841	-487108	-191826	-211293	-228800	-186375	-199361	-203110	-190550
	600298	-197233	-198508	-198068	-200990	-202892	-202419	-199945	-196717	-184248

(continued)

(million BGL)

(continued)

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98
<b>RESERVE MONEY</b>										
Currency outside banks	608602	1110135	1610451	2174241	1957995	1892905	2095001	1920731	1916288	2074151
Bank reserves	265586	553211	966832	1314106	1203366	1243725	1285373	1305105	1323723	1416209
BGL	342865	553281	642321	852095	750750	648721	808694	615111	592506	654847
Minimum required reserves	203626	395273	504699	717699	610584	510062	670230	483083	397742	513679
Excess reserves	130524	191782	273469	319364	314132	319364	327647	347308	288265	353900
Commercial banks' cash	39756	157715	165567	292631	209561	110600	267937	60888	39246	85809
Foreign currencies	33346	45776	65663	105704	86891	80098	74646	74887	70231	73970
Minimum required reserves	139239	158008	137622	134396	140166	138659	138464	132028	194764	141168
Excess reserves	112681	104270	122744	124303	130236	132718	132310	125819	188426	133904
Other deposits of nonbank financial institutions in BGL	26558	53738	14878	10093	9930	5941	6154	6209	6338	7264
	151	3643	1298	8040	3879	459	934	515	59	3095
<b>TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS</b>	14765	24527	712	715	718	362	338	337	333	335
<b>MONEY MARKET INSTRUMENTS AND RESTRICTED DEPOSITS</b>	137	75	12653	16174	16174	16174	16557	16607	16622	17648
<b>FOREIGN LIABILITIES</b>	1879186	1214353	1572265	1675827	1677479	1686471	1652950	1622701	1891536	1888850
<b>GOVERNMENT DEPOSITS</b>	1840799	5494352	7368554	981551	1625603	2547761	2623287	3150280	3738586	4502138
BGL	1783132	5112826	7062241	236947	895501	1451850	1615863	2088486	2521136	3152848
Foreign currencies	57667	381526	306313	744604	730102	1095911	1007424	1061794	1217450	1349290
<b>DEPOSITS OF STATE FUNDS AND EXTRABUDGETARY ACCOUNTS</b>	163267	758123	1019707	722165	495119	470135	475829	590414	710199	811566
BGL	86857	205699	392238	273548	269432	344083	354305	492148	610805	689725
Foreign currencies	76410	552424	627469	448617	225687	126052	121524	98266	99394	121841
<b>CAPITAL AND RESERVES</b>	1111463	891743	696809	961744	963620	968963	1024659	853072	844389	856654

Source: BNB.



## ANALYTICAL REPORTING OF COMMERCIAL BANKS AND THE SSB

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98	(million BGL)	
				all banks	incl. banks in liquidation		all banks	incl. banks in liquidation		all incl. banks in banks liquidation		
RESERVES	332447	508270	611817	818446	16349	691982	610373	738462	580365	564240	617378	13303
FOREIGN ASSETS	2131943	2660021	3033841	2848124	138884	2931656	3031899	2957431	2955322	2864315	2952057	113168
CLAIMS ON GOVERNMENT	2561607	3471159	4237785	2510600	119518	2744186	3018584	3164272	3434503	3696846	4029253	111561
BGL	759841	1367133	2027756	872653	9993	1121937	1390363	1677692	1904420	2215156	2480313	9352
Foreign currencies	1801766	2104026	2210029	1637947	109525	1622249	1628221	1486580	1470083	1481690	1548940	102209
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	46534	177678	313823	52	6	32610	67085	103170	131156	158758	214354	1
BGL	46534	177678	313823	52	6	32610	67085	103170	131156	158758	214354	1
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON LOCAL BUDGETS	85871	339872	649670	32	30	80282	197636	335614	503283	650559	806359	22
BGL	85793	339849	649670	32	30	80282	197636	335614	503283	650559	805184	22
Foreign currencies	78	23	0	0	0	0	0	0	0	0	1175	0
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES	978121	984746	1157765	1253408	554420	1275729	1238267	1127422	1106528	1095362	973711	421425
BGL	75192	83666	283742	335561	285666	336223	325751	305625	314307	308738	248204	23516
Foreign currencies	902929	901080	874023	917847	525854	939506	912516	821797	792221	786624	725507	397909
CLAIMS ON PRIVATE ENTERPRISES	1621446	1721263	1825714	1982195	1180998	2036633	2066689	2056713	1947343	1986605	2000210	994688
BGL	153700	166907	277905	419962	78132	436493	463787	488051	504062	520164	537066	62355
Foreign currencies	1467746	1554357	1547809	1562233	1102866	1600140	1602902	1568662	1443281	1466441	1463144	932333
CLAIMS ON THE PUBLIC	6823	8312	68045	169620	2184	186998	215118	247630	292129	328475	364951	967
BGL	2694	3326	62825	163405	221	180812	208854	241302	285725	322221	359333	119
Foreign currencies	4128	4986	5220	6215	1963	6186	6264	6328	6404	6254	5618	848
CLAIMS ON NONBANK FINANCIAL INSTITUTIONS	65661	78066	93747	89026	80862	90294	87655	74526	73422	72488	72006	60486
BGL	2438	10630	11873	11952	10629	12115	12588	2357	2046	2056	3155	1429
Foreign currencies	63223	67436	81874	77074	70233	78179	75067	72169	71376	70432	68851	59057
OTHER ITEMS (net)	-1421897	-1846365	-1966089	-2708646	-1489234	-2741778	-2708307	-2566375	-2342683	-2353521	-2750582	-1546089
BGL	-1243351	-1460522	-1575344	-2464324	-1461968	-2656616	-2629891	-2490913	-2280435	-2261048	-2646853	-1644412
Foreign currencies	-178547	-385843	-390745	-244322	-272666	-85162	-78416	-75462	-62248	-92473	-103729	98323
DEMAND DEPOSITS (in BGL)	197201	327562	605703	968170	23429	770253	741307	811182	814131	758492	810506	70120
State-owned enterprises	96019	160268	245126	451456	8015	340573	346683	376951	391890	359477	359605	47958
Private enterprises	86477	144271	319245	440604	15006	359133	331082	363346	351470	330339	380823	18926
Public	9413	15341	31117	44089	120	42245	43893	44718	44710	47677	50689	806
Nonbank financial institutions	5292	7682	10215	32021	288	28302	19049	26167	26061	20999	19389	2430

(continued)



(continued)

(million BGL)

	III'97	VI'97	IX'97	XII'97	I'98	II'98	III'98	IV'98	V'98	VI'98			
				all banks	incl. banks in liquidation		all banks	incl. banks in liquidation		all incl. banks in banks liquidation			
<b>TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS</b>	2476797	2887978	3324568	3459697	188525	3644248	3640779	3507766	120921	3515609	3471709	3458563	86973
<b>TIME DEPOSITS (in BGL)</b>	491404	594545	768973	804565	8776	817669	832207	829887	10224	831950	792605	788770	9473
State-owned enterprises	18095	33156	36444	43600	892	35407	40213	45071	783	61277	35995	32177	575
Private enterprises	24087	26913	29787	37622	3206	41553	40846	44883	5042	43364	40492	35118	6328
Public	446185	530447	690882	691386	4519	703869	709133	712412	4239	701316	692078	693614	2414
Nonbank financial institutions	3038	4029	11860	31957	159	36840	42015	27521	160	25993	24040	27861	156
<b>SAVINGS DEPOSITS (in BGL)</b>	91161	99915	161517	226923	2090	228600	234333	238431	576	241087	243673	253545	92
<b>FOREIGN CURRENCY DEPOSITS</b>	1894232	2193518	2394078	2428209	177659	2597979	2574239	2439448	110121	2442572	2435431	2416248	77408
State-owned enterprises	729753	789182	740211	602850	99625	646719	608238	495755	68334	500009	480812	466284	40575
Private enterprises	323652	417510	474612	469270	28780	519844	482407	462519	19411	478018	511256	482303	18684
Public	766009	906092	1110525	1267165	34128	1323657	1337532	1349102	7054	1336685	1331341	1358961	5377
Nonbank financial institutions	74818	80734	68730	88924	15126	107759	146062	132072	15322	127860	112022	108700	12772
<b>MONEY MARKET INSTRUMENTS AND RESTRICTED DEPOSITS</b>	195253	213971	212391	251685	8107	244295	256578	335725	7644	306711	313235	339039	7361
<b>RECEIVED LOANS AND PARTICIPATIONS</b>													
<b>BGL</b>	942	1211	1888	4476	149	4537	4702	4661	149	4723	4646	4527	159
State-owned enterprises	191	399	1867	4446	149	4509	4677	4638	149	4682	4589	4421	159
Private enterprises	128	240	1672	4297	0	4360	4479	4440	0	4476	4385	4211	0
Public	5	101	137	99	99	99	148	148	99	146	144	150	99
Nonbank financial institutions	0	0	0	0	0	0	0	0	0	10	10	10	10
Foreign currencies	58	58	58	50	50	50	50	50	50	50	50	50	50
State-owned enterprises	751	812	21	30	0	28	25	23	0	41	57	106	0
Private enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0
Public	751	809	21	30	0	28	25	23	0	20	18	52	0
Nonbank financial institutions	0	0	0	0	0	0	0	0	0	0	0	0	0
Public	0	3	0	0	0	0	0	0	0	21	39	54	0
<b>IMPORT AND RESTRICTED DEPOSITS</b>	194311	212760	210503	247209	7958	239758	251876	331064	7495	301988	308589	334512	7202
<b>BGL</b>	14741	26310	25900	51718	224	51572	52342	84640	520	71707	77439	91782	435
State-owned enterprises	5144	10903	14793	14710	71	15241	14530	23539	110	17228	18411	19002	92
Private enterprises	1853	2923	6931	22201	62	17644	17251	19295	231	20684	25233	32392	218
Public	7701	12234	3491	4170	76	7628	9059	11777	164	7528	8218	13561	121
Nonbank financial institutions	43	250	685	10637	15	11059	11502	30029	15	26267	25577	26827	4
Foreign currencies	179570	186450	184603	195491	7734	188186	199534	246424	6975	230281	231150	242730	6767
State-owned enterprises	152358	151083	153374	147022	5275	132790	133435	152675	5194	148810	139384	138458	5184
Private enterprises	21770	28556	24186	40150	2055	46387	57101	79092	1606	70612	77405	89795	1580
Public	4531	6059	6424	6034	255	5865	5426	5333	20	5371	5467	5627	2
Nonbank financial institutions	911	752	619	2285	149	3144	3572	9324	155	5488	8894	8850	1

(continued)



**NOMINAL INTEREST RATES ON SHORT-TERM CREDITS IN 1998**

Months	I	II	III	IV	V	VI
January	1.17					
February	2.31	1.13				
March	3.41	2.22	1.08			
April	4.59	3.39	2.24	1.14		
May	5.85	4.63	3.46	2.36	1.20	
June	7.04	5.80	4.62	3.50	2.33	1.12

Source: BNB.

**REAL INTEREST RATES ON SHORT-TERM CREDITS IN 1998\***

Months	I	II	III	IV	V	VI
January	-0.80					
February	-1.40	-0.60				
March	-0.28	0.52	1.13			
April	0.75	1.56	2.17	1.03		
May	1.49	2.31	2.93	1.78	0.74	
June	4.58	5.43	6.07	4.88	3.81	3.05

\* Interest rates are deflated by the consumer price index.

Source: BNB and NSI.

**NOMINAL INTEREST RATES ON ONE-MONTH DEPOSITS IN 1998**

Months	I	II	III	IV	V	VI
January	0.25					
February	0.49	0.24				
March	0.72	0.47	0.23			
April	0.95	0.70	0.46	0.23		
May	1.18	0.92	0.68	0.45	0.23	
June	1.40	1.15	0.91	0.68	0.45	0.23

Source: BNB.

**REAL INTEREST RATES ON ONE-MONTH DEPOSITS IN 1998\***

Months	I	II	III	IV	V	VI
January	-1.70					
February	-3.15	-1.48				
March	-2.88	-1.20	0.28			
April	-2.76	-1.09	0.40	0.12		
May	-2.99	-1.32	0.16	-0.12	-0.23	
June	-0.92	0.79	2.30	2.02	1.90	2.14

\* Interest rates are deflated by the consumer price index.

Source: BNB and NSI.

**DENOMINATION COMPOSITION IN NOTES AND COINS**

(BGL)

	30 June 1997	31 December 1997	30 June 1998
Notes, total	896 662 289 718	1 875 722 358 472	1 875 527 815 417
50 000 levs	351 500 000 000	951 500 000 000	952 435 000 000
10 000 levs	100 000 000 000	399 999 980 000	400 034 985 000
5 000 levs	120 100 000 000	204 994 925 000	204 828 925 000
2 000 levs	110 748 920 000	110 503 471 000	110 059 047 000
1 000 levs	78 466 981 000	78 282 550 500	85 395 780 000
500 levs	74 245 417 250	73 762 730 750	73 041 565 250
200 levs	39 968 495 800	38 083 224 900	33 856 039 900
100 levs	14 550 067 800	12 320 315 250	10 248 469 600
50 levs	4 361 436 125	3 880 878 525	3 385 900 900
20 levs	1 991 735 167	1 852 931 187	1 731 942 407
10 levs	372 074 472	240 541 172	223 461 172
5 levs	207 272 092	162 200 276	151 250 276
2 levs	72 171 061	66 399 089	64 903 089
1 lev	77 718 951	72 210 823	70 545 823
Coins, total	2 007 086 717	5 147 623 049	6 818 657 649
50 levs	11 260 000	2 540 087 500	3 114 387 500
20 levs	4 714 960	491 869 980	1 059 507 780
10 levs	636 770 000	750 630 000	1 084 480 000
5 levs	332 663 950	332 646 450	332 646 450
2 levs	160 545 000	160 180 000	159 148 000
1 lev	137 230 651	136 608 651	136 273 051
50 stotinkas	55 588 358	42 074 358	41 133 358
20 stotinkas	47 644 061	46 755 061	44 289 861
10 stotinkas	33 336 493	32 955 993	31 692 993
5 stotinkas	12 083 009	-	-
2 stotinkas	10 862 659	-	-
1 stotinka	8 644 520	-	-
Commemorative	555 743 056	613 815 056	815 098 656
Notes and coins, total	898 669 376 435	1 880 869 981 521	1 882 346 473 066

Source: BNB.

**CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS AND THE SSB AS OF 30 JUNE 1998**

(million BGL)

	Code	Group I			Group II			Group III			Total for the banking system		
		Carrying value	Adjustment	Balance-sheet value	Carrying value	Adjustment	Balance-sheet value	Carrying value	Adjustment	Balance-sheet value	Carrying value	Adjustment	Balance-sheet value
FINANCIAL ASSETS	10001	6 343 397	845 847	5 497 550	1 670 288	120 222	1 550 066	298 268	22 897	275 371	8 311 952	988 966	7 322 987
CASH BALANCES	10000	899 609	39 355	860 254	364 462	7 005	357 458	40 754	41	40 713	1 304 825	46 401	1 258 424
BGL	10100	381 341	4 576	376 765	89 313	6	89 308	8 341	0	8 341	478 995	4 581	474 414
Foreign currencies	10200	518 269	34 780	483 489	275 149	6 999	268 150	32 412	41	32 372	825 830	41 820	784 010
GOVERNMENT SECURITIES	11000	1 792 929	204 453	1 588 476	373 472	23 842	349 629	27 627	0	27 627	2 194 028	228 296	1 965 732
BGL	11100	684 620	5 767	678 853	166 935	635	166 300	8 498	0	8 498	860 052	6 401	853 651
Foreign currencies	11200	1 108 309	198 687	909 622	206 537	23 207	183 330	19 129	0	19 129	1 333 976	221 894	1 112 082
CLAIMS ON BANKS AND OTHER FINANCIAL INSTITUTIONS	12000	1 900 803	165 143	1 735 660	365 142	15 425	349 717	91 849	76	91 773	2 357 794	180 644	2 177 150
BGL	12100	52 290	26 017	26 273	29 798	919	28 879	1 561	75	1 486	83 649	27 011	56 638
Foreign currencies	12200	1 848 513	139 126	1 709 387	335 344	14 506	320 838	90 288	1	90 287	2 274 145	153 633	2 120 512
CLAIMS ON NONFINANCIAL INSTITUTIONS AND OTHER CLIENTS	13000	1 641 095	385 947	1 255 148	513 206	63 256	449 950	137 765	22 724	115 041	2 292 066	471 926	1 820 139
BGL	13100	1 045 460	53 516	991 944	225 053	18 428	206 625	41 817	780	41 038	1 312 330	72 724	1 239 606
Foreign currencies	13200	595 634	332 431	263 204	288 154	44 828	243 326	95 948	21 944	74 004	979 736	399 202	580 533
BONDS AND OTHER SECURITIES WITH FIXED YIELD IN TRADING PORTFOLIO	14000	28 474	0	28 474	6 785	800	5 985	195	8	188	35 454	808	34 647
BGL	14100	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currencies	14200	28 474	0	28 474	6 785	800	5 985	195	8	188	35 454	808	34 647
SHARES AND OTHER SECURITIES WITH VARIABLE YIELD IN TRADING PORTFOLIO	15000	227	227	0	38 697	6 498	32 200	0	0	0	38 925	6 725	32 200
BGL	15100	227	227	0	37 089	6 498	30 591	0	0	0	37 317	6 725	30 591
Foreign currencies	15200	0	0	0	1 608	0	1 608	0	0	0	1 608	0	1 608
LONG-TERM FINANCIAL ASSETS	16000	80 260	50 721	29 539	8 523	3 396	5 127	78	49	29	88 861	54 166	34 695
Partnerships	16100	12	12	0	200	185	15	0	0	0	212	198	15
Equity	16200	500	500	0	59	2	57	0	0	0	559	502	57
Shares	16300	47 878	46 886	992	8 264	3 209	5 055	78	49	29	56 219	50 143	6 076
Bonds	16400	31 870	3 323	28 547	0	0	0	0	0	0	31 870	3 323	28 547
NONFINANCIAL ASSETS	17000	261 943	61 159	200 784	135 918	19 610	116 308	7 719	2 130	5 589	405 580	82 898	322 682
Short-term nonfinancial assets	17100	3 223	0	3 223	7 150	0	7 150	0	0	0	10 373	0	10 373
Long-term nonfinancial assets	17200	258 720	61 159	197 561	128 768	19 610	109 158	7 719	2 130	5 589	395 207	82 898	312 308
Intangible	17210	2 688	627	2 061	2 547	401	2 146	1 748	268	1 479	6 983	1 297	5 686
Tangible	17250	256 032	60 532	195 500	126 221	19 209	107 013	5 971	1 861	4 110	388 224	81 602	306 623
FUTURE EXPENDITURE	18000	5 934	0	5 934	9 403	19	9 385	1 017	0	1 017	16 355	19	16 336
RIGHTS TO EQUITY SUBSCRIPTION	19000	0	0	0	70 055	0	70 055	0	0	0	70 055	0	70 055
OTHER ASSETS	20000	71 514	11 928	59 585	19 317	836	18 481	5 800	478	5 323	96 631	13 242	83 389
ASSETS, TOTAL	91000	6 682 788	918 934	5 763 854	1 904 982	140 687	1 764 295	3 128 004	25 504	287 300	8 900 574	1 085 125	7 815 449
OFF-BALANCE ASSETS	93000	10 886 845	1 013	10 885 832	2 185 209	1 069	2 184 140	527 778	218	527 561	13 599 832	2 300	13 597 532

(continued)

(continued)

(million BGL)

	Code	Group I			Group II			Group III			Total for the banking system		
		Carrying value	Adjustment	Balance-sheet value	Carrying value	Adjustment	Balance-sheet value	Carrying value	Adjustment	Balance-sheet value	Carrying value	Adjustment	Balance-sheet value
ATTRACTED RESOURCES	30001			4 371 977			1 316 982			256 880			5 945 838
ATTRACTED RESOURCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	30000			612 235			255 753			73 413			941 400
BGL	30100			57 999			79 183			15 619			152 802
Foreign currencies	30200			554 235			176 570			57 794			788 599
ATTRACTED RESOURCES FROM NONFINANCIAL INSTITUTIONS AND OTHER CLIENTS	31000			3 759 742			1 061 229			183 467			5 004 438
BGL	31100			1 738 351			405 531			26 698			2 170 580
Foreign currencies	31200			2 021 391			655 698			156 768			2 833 858
FUTURE REVENUE	32000			326 599			20 402			5 010			352 010
OTHER LIABILITIES	33000			281 416			80 118			30 952			392 485
OWN FUNDS	37000			783 863			346 793			-5 541			1 125 116
PROFIT	34000			139 691			13 801			-6 384			147 108
Retained earnings from previous years	34100			0			1 883			1 488			3 371
Profit for the current year	34200			139 691			24 759			11 826			176 277
Uncovered losses from past periods	34300			0			-10 383			-18 455			-28 839
Losses in the current year	34400			0			-2 458			-1 242			-3 700
CAPITAL	35000			321 684			281 951			131			603 767
Fixed	35100			296 086			280 182			0			576 268
Supplementary	35200			25 598			1 770			131			27 499
RESERVES	36000			322 488			51 041			712			374 240
LIABILITIES, TOTAL	92000			5 763 854			1 764 295			287 300			7 815 449
OFF-BALANCE LIABILITIES	94000			7 081 760			1 730 319			269 791			9 081 870

Source: BNB.

**CONSOLIDATED INCOME STATEMENT OF COMMERCIAL BANKS  
AND THE SSB AS OF 30 JUNE 1998**

(million BGL)

Code	Indicator	Group I	Group II	Group III	Total
50000	FINANCIAL EXPENDITURE	1 911 452	571 791	64 117	2 547 361
50100	Interest on lev operations	15 840	10 797	446	27 082
50200	Interest on foreign exchange operations	28 766	15 426	3 402	47 593
50300	Capital losses on securities	102 919	43 477	1	146 397
50400	Valuation adjustments	1 673 277	460 335	56 426	2 190 037
50500	Commissions and fees	5 584	9 729	211	15 524
50600	Expenditure for provisioning	84 683	31 977	3 629	120 289
50700	Other financial expenditure	385	51	3	438
51000	EXTRA EXPENDITURE	8 525	2 781	45	11 351
52000	EXPENDITURE BY ECONOMIC ELEMENT	103 436	47 085	8 739	159 260
52100	Equipment	7 367	3 224	438	11 029
52200	External services	26 013	17 073	3 639	46 726
52300	Salaries and other remuneration	33 937	12 767	1 875	48 579
52400	Social securities and benefits	14 131	4 995	645	19 772
52500	Depreciations	10 652	3 978	622	15 252
52600	Other expenditures	11 335	5 047	1 519	17 901
54000	TAXES	55 368	4 936	358	60 662
54100	Profit tax	40 576	3 873	358	44 807
54200	Other taxes	14 793	1 063	0	15 856
55000	TOTAL EXPENDITURE	2 078 782	626 593	73 259	2 778 634
56000	RESULT FROM THE REPORTING PERIOD (PROFIT)	139 691	24 759	11 826	176 277
58000	TOTAL	2 218 473	651 353	85 086	2 954 911
60000	FINANCIAL REVENUE	2 202 662	630 338	83 817	2 916 817
60100	Interest on lev operations	72 220	21 833	1 762	95 816
60200	Interest on foreign exchange operations	90 382	36 989	8 326	135 697
60300	Income from partnerships and equity	335	138	0	473
60400	Capital gains on securities	88 820	51 874	765	141 459
60500	Valuation adjustments	1 723 164	464 810	58 908	2 246 883
60600	Commissions and fees	31 005	21 947	3 640	56 592
60700	Other financial revenue	196 735	32 748	10 415	239 898
61000	EXTRA REVENUE	12 451	17 546	20	30 018
62000	REVENUE FROM NONFINANCIAL SERVICES	3 360	1 010	6	4 376
63000	TOTAL REVENUE	2 218 473	648 895	83 843	2 951 211
64000	RESULT FROM THE REPORTING PERIOD (LOSSES)	0	2 458	1 242	3 700
65000	TOTAL	2 218 473	651 353	85 086	2 954 911

Source: BNB.

**CAPITAL ADEQUACY (AS PER REGULATION No. 8 OF THE BNB)**

	Code	Group I			Group II			Total		
		VI'97	XII'97	VI'98	VI'97	XII'97	VI'98	VI'97	XII'97	VI'98
		Capital base, million BGL	130 916	432 828	749 101	72 890	170 839	263 157	203 806	603 667
Primary capital, million BGL	101 486	245 944	527 329	55 308	125 348	216 670	156 794	371 292	744 000	
Assets, total, million BGL	6 435 872	6 726 543	6 361 400	900 939	1 546 000	1 744 094	7 336 811	8 272 543	8 105 494	
Total risk component, million BGL	1 373 012	1 898 781	2 007 803	423 548	680 593	740 321	1 796 561	2 579 374	2 748 124	
Total capital adequacy, % (1000/5100)	9.5	22.8	37.3	17.2	25.1	35.5	11.3	23.4	36.8	
Primary capital adequacy, % (1100/5100)	7.4	13.0	26.3	13.1	18.4	29.3	8.7	14.4	27.1	
Degree of asset risk, % (5100/5000)	21.3	28.2	31.6	47.0	44.0	42.4	24.5	31.2	33.9	
Degree of asset coverage, % (1000/5000)	2.0	6.4	11.8	8.1	11.1	15.1	2.8	7.3	12.5	

Source: BNB



**BALANCE SHEET OF BNB ISSUE DEPARTMENT**

	30 January 1998	27 February 1998	31 March 1998	30 April 1998	29 May 1998	30 June 1998
<b>ASSETS</b>						
1. Cash and nostro accounts in foreign currency	4 172 053	4 558 741	4 713 689	4 701 067	5 130 537	5 244 426
2. Monetary gold	2 114 891	1 943 808	1 292 388	1 075 272	1 333 205	1 136 562
3. Foreign securities	644 122	644 141	644 193	644 248	646 768	646 799
4. Accrued interest receivable	1 405 131	1 955 899	2 759 059	2 968 653	3 141 944	3 452 592
	7 909	14 893	18 049	12 894	8 620	8 473
<b>LIABILITIES</b>						
1. Currency in circulation	4 172 053	4 558 741	4 713 689	4 701 067	5 130 537	5 244 426
2. Bank deposits and current accounts	1 290 257	1 323 823	1 360 019	1 379 991	1 393 954	1 490 178
3. Government deposits and accounts	678 822	583 581	746 762	554 889	536 694	580 868
4. Other depositors' accounts	1 634 639	2 056 604	1 997 317	2 152 241	2 283 286	2 240 889
5. Accrued interest payable	20 771	16 995	17 829	17 458	17 014	21 078
6. Banking Department deposit	638	1 552	820	1 022	2 400	983
	546 926	576 186	590 942	595 466	897 189	910 430

Source: BNB.

**BALANCE SHEET OF BNB BANKING DEPARTMENT**

	30 January 1998	27 February 1998	31 March 1998	30 April 1998	29 May 1998	30 June 1998
<b>ASSETS</b>						
1. Nonmonetary gold and other precious metals	3 724 837	3 772 730	3 785 132	3 589 283	3 838 973	3 854 047
2. Investments in securities	86 976	82 220	79 311	82 869	76 847	81 886
3. Loans and advances to banks, net of provisions	287 821	289 928	292 126	138 786	137 582	141 007
4. Receivables from government	8 048	10 087	7 740	1 365	1 365	1 368
5. Bulgaria's IMF quota and holdings in other international financial institutions	1 632 915	1 642 442	1 608 840	1 576 684	1 549 889	1 528 491
6. Accrued interest receivable	1 056 415	1 066 644	1 063 329	1 050 912	1 033 124	1 046 182
7. Equity investments in domestic entities	52	167	32	31	28	30
8. Fixed assets	2 151	2 151	2 152	2 152	2 152	2 152
9. Other assets	97 275	97 407	133 658	133 871	133 117	135 901
10. Deposit with Issue Department	6 258	5 498	7 002	7 147	7 680	6 600
	546 926	576 186	590 942	595 466	897 189	910 430
<b>LIABILITIES</b>						
Obligations						
1. Borrowings from IMF	3 724 837	3 772 730	3 785 132	3 589 283	3 838 973	3 854 047
2. Liabilities to other financial institutions	2 741 218	2 754 182	2 717 373	2 675 268	2 924 724	2 936 766
3. Accrued interest payable	1 676 206	1 686 153	1 652 414	1 619 747	1 888 073	1 884 018
4. Other liabilities	1 048 415	1 058 544	1 055 242	1 045 070	1 027 837	1 042 091
	1 132	177	395	625	648	2 018
	15 465	9 308	9 322	9 826	8 166	8 639
<b>Equity</b>						
5. Capital	983 619	1 018 548	1 067 759	914 015	914 249	917 281
6. Reserves	20 000	20 000	20 000	20 000	20 000	20 000
7. Retained profit	686 460	766 952	811 355	833 073	824 389	836 653
	277 159	231 596	236 404	60 942	69 860	60 628

Source: BNB

## Major Resolutions of the Managing Board of the Bulgarian National Bank

**29 January** As of 9 February 1998 the BNB put into circulation a silver commemorative coin EURO (small) 'St. Sofia Church', issue 1998.

Following a public tender KPMG was selected to audit and verify BNB financial and accounting reports in compliance with International Accounting Standards for 1997, 1998 and 1999 financial years.

**10 February** As of 13 February 1998 the BNB put into circulation a Cuprum-Nickel commemorative coin '100 Years of the Bulgarian Telegraph Agency', issue 1998.

**19 February** As of 27 February 1998 the BNB put into circulation a silver coin commemorating the 120th anniversary of Bulgaria's Liberation from the Ottoman Yoke with a nominal value BGL 10,000, issue 1998.

Regulation No. 21 on the Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks was adopted.

Regulation No. 6 on Extending Collateralized Lev Loans to Banks was adopted.

**19 March** As of 30 March 1998 the BNB put into circulation a banknote of BGL 1,000 nominal value, issue 1997, to be used as legal tender. The banknote is printed in BNB Printing Works.

**31 March** Pursuant to Article 4, para. 2 of Regulation No. 5 of 1996 and letter No. 17-00-0362 of 27 March 1998 of the Minister of Finance, government securities primary dealers for the period 1 April – 31 December 1998 were approved.

**28 April** Pursuant to Article 16, item 13 and Article 51 of the Law on the Bulgarian National Bank, the Bank's annual report, annual financial statements and budget reporting for 1997 were approved. It was assigned to the Governor to submit them together with the international auditors' report to the National Assembly.

**7 May** Pursuant to Article 137, para. 1, item 3 of the Law on Commerce and Article 6, para. 4, item 6 of the Articles of Association of BORICA, its Annual Report and Balance Sheet were approved.