



BULGARIA

June 2, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

European Department
(in consultation with other departments)

CONTENTS

FUND RELATIONS _____ [2](#)

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS ____ [4](#)

STATISTICAL ISSUES _____ [5](#)

FUND RELATIONS

(as of April 30, 2022)

Membership Status

Joined on September 25, 1990. Article VIII status assumed on September 24, 1998.

General Resources Account

	SDR Million	Percent Quota
Quota	896.30	100.00
Fund holdings of currency	798.18	89.05
Reserve position in Fund	98.13	10.95

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	1,469.94	100.00
Holdings	1,483.23	100.90

Outstanding Purchases and Loans: None.

Latest Financial Arrangements

	Date of Arrangement	Expiration Date	Amount Approved	Amount Drawn
			SDR million	
Stand By	8/6/2004	3/31/07	100.00	0.00
Stand By	2/27/2002	3/15/04	240.00	240.00
EFF	9/25/1998	9/24/01	627.62	627.62

Projected Payments to the Fund

(SDR million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Principal	--	--	--	--	--
Charges/Interest	--	0.02	0.02	0.02	0.02
Total	--	0.02	0.02	0.02	0.02

Exchange Rate Arrangement

The currency of Bulgaria is the lev. Since July 1, 1997, the Bulgarian National Bank has operated a currency board arrangement. From July 1, 1997, to December 31, 1998, the lev was fixed to the

Deutsche Mark at BGN 1000 per Deutsche Mark. Since January 1, 1999, the lev has been fixed to the euro at BGN 1.95583 per euro. Bulgaria joined the European Union (EU) on January 1, 2007. Bulgaria has accepted the obligations under Article VIII, Sections 2(a), 3, 4 and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, aside from restrictions notified to the Fund pursuant to Decision No. 144-(52/51).

Article IV Consultations

Bulgaria is on the 12-month consultation cycle. The 2020 Article IV Board discussion took place on January 27, 2021. The Staff Report was published on February 1, 2021 (Country Report No. 2021/027).

Financial Sector Assessment Program

Bulgaria received a joint IMF-World Bank mission on the Financial Sector Assessment Program (FSAP) in October 2016 and January 2017. The Financial Sector Assessment Report (FSSA) was discussed at the Board on May 22, 2017, and was published on May 23, 2017 (Country Report No. 17/132).

Technical Assistance

Bulgaria received a technical assistance on public investment management assessment from the Fiscal Affairs Department (FAD) and on Bank supervision and Regulation (SREP Manual) from the monetary and Capital Markets Department (MCM) in FY2018.

Resident Representative

Mr. Ilahi is the Senior Regional Representative for Central, Eastern and South-Eastern Europe, based in Warsaw. He took up the position in September 2019.

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- As of May 31, 2022, Bulgaria has collaborations with the World Bank Group, the European Bank for Reconstruction and Development, and the European Investment Bank.
- Further information can be obtained from the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group	https://www.worldbank.org/en/country/bulgaria/overview#4
The European Bank for Reconstruction and Development (EBRD)	https://www.ebrd.com/bulgaria.html
The European Investment Bank	https://www.eib.org/en/projects/regions/european-union/bulgaria/index.htm

STATISTICAL ISSUES

(As of May 31, 2022)

I. Assessment of Data Adequacy for Surveillance
General: <i>Data provision is adequate for surveillance purposes.</i>
<p data-bbox="207 466 446 499">National Accounts</p> <p data-bbox="207 546 1409 814">The National Statistical Institute (NSI) is responsible for compiling national accounts, based on the 2010 European System of Accounts (ESA 2010). GDP data by activity and expenditure categories are compiled and reconciled within an annual supply and use framework. Government output and final consumption are estimated on an accrual basis. Published national accounts include production, income, capital accounts, and financial accounts for the five resident institutional sectors (general government and its sub-sectors, financial corporations, non-financial corporations, nonprofit institutions serving households, and households).</p> <p data-bbox="207 861 1409 1129">The NSI released revised national accounts estimates in September 2016, for 2000 to 2014, reflecting its latest efforts to fully implement the ESA 2010. Some of the key improvements to the estimates include using a market-equivalent rental approach to derive estimates of value added for owner-occupied dwellings; improving the coverage of consumption of fixed capital to include purchases of software and software produced on own-account by the general government; and improving the data sources used to derive estimates of household final consumption expenditure.</p> <p data-bbox="207 1176 1409 1331">Despite these improvements, some weaknesses remain. The IMF mission in February 2018 found that the method used to derive taxes on products (VAT) in constant prices is not consistent with international best practice, which recommends that the change in VAT in constant prices moves in line with changes in final consumption expenditure in constant prices.</p> <p data-bbox="207 1377 511 1411">Labor Market Statistics</p> <p data-bbox="207 1457 1409 1877">Data on employment and hours worked are compiled by the NSI based on a Labor Force Survey and Enterprises' survey on employment—"Quarterly survey on employees, hours worked, wages and salaries, and other expenditures paid by the employers" (QLCS) and "Annual enterprises survey on employment, wages and salaries, and other labor cost" are adjusted according to the ESA2010 methodology. The NSI current monthly and quarterly estimates are based on the results from the sample— QLCS. The QLCS sample includes 13,100 private sector enterprises out of approximately 203,000. The public sector enterprises are covered exhaustively except for the schools and kindergartens for which a sample is drawn as well from 2008. The NSI household labor force survey provide average quarterly results and is an alternative source of data, but the methodological discrepancies between household and establishment survey need to be taken into account (especially regarding agricultural employment).</p>

The NSI also compiles and publishes quarterly wage data for various economic sectors. The main shortcomings include: (i) under-reporting of private sector wages; and (ii) reporting of average gross earnings only and not wages by occupation. Since 2002, a survey on earnings (Structure of Earnings Survey – SES) is conducted every four years providing information about average monthly and hourly earnings by economic activity, occupation, gender and education. The household budget survey provides an alternative source of data for private sector wages.

Price Statistics

The NSI produces a monthly consumer price index (CPI), harmonized index of consumer prices (HICP), a producer price index (PPI) in industry and agriculture, imports and exports price indices and a housing price index. The CPI series began in 1995, the industrial PPI in 2000 agricultural PPI in 2005, the HICP in 2005 (for earlier years it is set equal to the CPI), the import and export prices – in 2000, and the housing price index in 2015. The CPI's geographical coverage is restricted to 27 urban areas that account for an estimated 65 percent of sales. A monthly industrial PPI covers the mining and manufacturing, the production and distribution of electricity and steam, and natural gas and air conditioning supply.

Government Finance Statistics

In recent years, following the recommendations of a combined STA/FAD mission and within the framework of EU fiscal reporting, the authorities have made significant progress in implementing accrual accounting for government, budgetary and statistical systems.

Quarterly GFS data on an accrual basis for the general government are reported for publication in the *IFS*, through Eurostat. The major part of the GFS data is compiled by the NSI and the transmissions to Eurostat are carried out by the NSI. Since September 2008, the Ministry of Finance (MoF) prepares and submits the SDDS monthly indicators for the central government finances in the IMF's GFSM 2001 format. Since June 2016 general government operations for the SDDS Plus are prepared quarterly on accrual basis by the NSI and the BNB. High frequency data filled in Statement II (Sources and Uses of Cash) template in the GFSM 2001 format are published on the MoF's website on a monthly and quarterly basis. As of 2014, the Bulgarian statistical authorities (NSI, BNB and MoF) agreed to use the provided option by Eurostat for IMF data transmission. In this way GFS data become consistent with the ESA/EDP data not only by adding accrual data, but also in terms of scope, including all units of GG sector in accordance with ESA rules. The NSI as the institution responsible for compiling GFS tables under ESA'2010 has confirmed to Eurostat to use data from ESA tables 6 and 7 (flows and stocks data of assets and liabilities) for reporting the annual GFS to IMF. The data for Statement II of the IMF GFS Yearbooks on a cash basis are still submitted by the MoF. Since 2015 it has been presented in the IMF GFSM 2014 format.

The MoF prepares data on the execution of the consolidated government budget on a monthly, quarterly and annual basis, following the national presentation. These data are not according to *GFS* standards. Aggregate data on revenue, expenditure, balance of the general government, and composition of financing (in national formats) are published with a monthly

bulletin and posted on the MoF's website, in addition to the GFSM 2001 data. Progress has been made in presenting data on a disaggregated basis, including expenditure by functional classification. In addition, a full economic classification of expenditure is now available, and the authorities have provided such data on an annual basis back to 1998.

Monetary and Financial Statistics

The BNB reports monetary data for publication in the *IFS* based on the ECB framework for the collection and compilation of monetary data, beginning with data starting in February 2004. Data comply with the *MFSM* methodology, with some minor deviations documented in the *IFS* metadata.

Financial Sector Surveillance

Bulgaria participates in the financial soundness indicators (FSIs) project. Annual data are posted on the FSI website for the period 2008–17. Quarterly data are available for the period from 2016Q1.

External Sector Statistics

Bulgaria compiles quarterly balance of payments and international investment position (IIP) statistics according to the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*. In addition, the BNB publishes monthly balance of payments data on its official website. The Data Template on International Reserves and Foreign Currency Liquidity is disseminated monthly and quarterly external debt data are reported to the World Bank for re-dissemination in the Quarterly External Debt Statistics (QEDS) database. In line with the Special Data Dissemination Standard Plus (SDDS Plus) requirements, Bulgaria participates in: (i) the Coordinated Direct Investment Survey (CDIS) with inward data separately identifying equity and debt instruments positions and providing further breakdown of gross asset and liability debt instrument positions; (ii) the Coordinated Portfolio Investment Survey (CPIS) providing semiannual core data as well as the following encouraged items: currency of denomination, sector of the holder, liabilities, sector of the issuer, cross-sectors classifications, and short or negative positions; and (iii) the Currency Composition of Official Foreign Exchange Reserves (COFER).

II. Data Standards and Quality

Bulgaria started to adhere to the SDDS Plus in 2016.

Bulgaria: Table of Common Indicators Required for Surveillance
(as of May 31, 2022)

	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of publication ⁷
Exchange Rates	May 2022	May 2022	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	March 2022	May 2022	M	M	M
Reserve/Base Money	April 2022	May 2022	M	M	M
Broad Money	April 2022	May 2022	M	M	M
Central Bank Balance Sheet	April 2022	May 2022	M	M	M
Consolidated Balance Sheet of the Banking System	April 2022	May 2022	M	M	M
Interest Rates ²	May 2022	May 2022	M	M	M
Consumer Price Index	April 2022	May 2022	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	2021	May 2022	A	A	A
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	April 2022	May 2022	M	M	M
Revenue, Expenditure, Net operating balance, Gross operating balance, Net lending/borrowing, Net acquisition of assets, Net incurrence of liabilities ⁵ – General Government	2021 Q4	April 2022	Q	Q	Q
Revenue, Expenditure, Balance, Net acquisition of assets, Net incurrence of liabilities, Net change in the stock of cash ⁵ – Central Government	April 2022	May 2022	M	M	M
Stocks of General Government and General Government-Guaranteed Debt ⁶	March 2022	May 2022	M	M	M
External Current Account Balance	March 2022	May 2022	M	M	M
Exports and Imports of Goods and Services	March 2022	May 2022	M	M	M
GDP	2022 Q1	May 2022	Q	Q	Q
Gross External Debt	April 2022	May 2022	M	M	M
International Investment Position	2021 Q4	March 2022	Q	Q	Q

¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ On a gross cash basis. The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and local governments.

⁵ Indicators presented in adherence with the SDDS Plus.

⁶ Including currency and maturity composition.

⁷ Monthly (M); Quarterly (Q); Annually (A).