

FOCUS ON INTERNATIONAL TRADE

BULGARIA

THE REPUBLIC OF BULGARIA TODAY

Location	The Republic of Bulgaria lies in the eastern Balkans, in southeastern Europe. It is bounded by Romania to the north, by Turkey and Greece to the south, by Serbia and Montenegro to the west and by the former Yugoslav republic of Macedonia to the southwest. The country has an eastern coastline on the Black Sea.
Size	110,994 Sq. K.M. (42,855 Sq Miles)
Geographic coordinates	43 00 N, 25 00 E
Land boundaries	Total: 1,808 km; border countries: Greece: 494 km, Macedonia: 148 km, Romania: 608 km, Serbia: 318 km and Turkey: 240 km.
Coastline	354 km
Maritime claims	Territorial sea: 12 nm, contiguous zone: 24 nm and exclusive economic zone: 200 nm.
Elevation extreme	Lowest point: Black Sea 0 m and Highest Point: Musala 2,925 m.
Irrigated land	5,880 sq. km.
Government:	Parliamentary Democracy.
Population	6,873,253 estimated for July 2022.
Population Density	66.56 per sq. km.
Population growth rate	-0.67% estimated for 2022.
Life expectancy at birth	Total population: 75.57 years; male: 72.36 years and female: 78.97 years (estimated for 2022).
Birth rate	8.05 births/1,000 populations estimated for 2022.
Death rate	14.41 deaths/1,000 populations estimated for 2022.
Net migration rate	-0.29 migrant(s)/1,000 populations estimated for 2022.
Literacy rate	Total population: 98.4%; male: 98.7% and female: 98.1%. (estimated for 2015).
Capital City	Sofia
Other Large Cities	Plovdiv, Varna, Burgas, Ruse, Stara Zagora, Pleven, Sliven, Dobrich, Shumen, Pernik, Tambol, Khaskovo, Pazardzhik and Blagoevgrad etc.
Religion	The majority of populations are Christian, most of whom adhere to the Bulgarian Orthodox Church, although there is a substantial minority of Muslims.
Language	The official language is Bulgarian, a member of the Slavonic group, written in the Cyrillic alphabet. Minority languages include Turkish and Macedonian.
Climate	The climate in one of fairly sharp contrasts between winter and summer. Temperatures in Sofia are generally between -5°C (23°F) and 28°C (82°F).
International Relations	Bulgaria is a member of the UN, WTO, BIS, NATO Partnership for Peace, Council of Europe, OSCE, CEI, BSEC, Danube Commission, IOM, Antarctic Treaty and the International Organization of the Francophonie, and is an Associate Member of the EU and an Associate Partner of the WEU. At the European Union's Helsinki Summit in December 1999 Bulgaria, along with five other countries, was invited to begin full negotiations for membership in February 2000.
Internet domain	.bg
National Resources:	Bauxite, Copper, Lead, Zinc, Coal, Timber,

NATIONAL ECONOMY

The Bulgarian economy showed resilience through the pandemic. Owing to policy support, the economy rebounded in 2021 despite the health crisis and protracted political uncertainty that weighed on investment. GDP surpassed its pre-crisis level by mid last year, and growth reached 4.2 percent in 2021, thanks to strong consumption supported by significant fiscal support and buoyant wage growth, on the back of a strong labor market recovery. However, as in many other countries, inflation accelerated significantly, pushed by, rising commodity prices, global supply-chains disruptions, increasing labor costs, and strong domestic demand. It reached double-digit in March 2022 and was broad-based.

Executive Board Assessment

In concluding the Article IV consultation with Bulgaria, Executive Directors endorsed the staff's appraisal as follows:- The war in Ukraine has clouded the outlook, heightened uncertainty, and increased downside risks. While the economic recovery from the COVID-19 crisis was gaining momentum, the war is dampening growth and accelerating inflation. High energy dependence from Russia is a significant vulnerability. With events unfolding rapidly, uncertainty is high. Key risks include stronger spillovers from the war, including disruptions in energy supply, a resurgence of COVID-19, protracted supply-chain disruptions, and faster-than-anticipated tightening of global financing conditions.

Fiscal policy needs to be flexible given the large uncertainty. The 2022 budget adopted in February strikes a reasonable balance between supporting the recovery, which is still incomplete and faces strong headwinds from the war, and not fueling inflation further. The planned mid-year budget revision should be approached flexibly as new needs and priorities may emerge, warranting further reprioritization of spending and, if activity disappoints significantly, possibly also a looser fiscal stance.

A review of the composition of public spending is needed already this year. The budgeted reorientation of spending toward more public investment is welcome. However, the magnitude of the planned increase may run against absorption capacity and requires phasing in new projects more gradually. Conversely, the nominal freeze of the wage bill is no longer desirable with inflation running high. The mid-year budget revision should also account for new needs emerging from the war, such as supporting refugees. To help the economy and the population cope with high energy prices, existing subsidies to companies and price caps should be gradually shifted to direct support to vulnerable households. Also, the reduction in VAT rates should be discontinued, as the measure is regressive and no longer needed.

The planned medium-term fiscal consolidation is broadly appropriate and should be accompanied by expenditure and revenue-management reforms. An aging and shrinking population, the currency board arrangement, and the need to preserve buffers considering the uncertain external environment call for fiscal prudence. Fiscal space to address long-term social and investment needs could be expanded by increasing the efficiency of public spending and reviewing taxation to increase revenue and redistribution. These reforms would enhance physical and human capital and foster higher and more inclusive growth. Furthermore, a holistic review of the pension system would help design reforms that target both its sustainability and an adequate level of pensions.

The authorities need to continue watching for possible increases in credit risk. Macroprudential measures during the pandemic strengthened banks' balance sheet and helped maintain credit flows. Also, considering the accelerating credit growth to households, the authorities have recently rightly tightened macroprudential policy. Overall, the banking sector remains well capitalized and liquid, and the financial sector has very little direct exposure to Russia or Ukraine. Therefore, systemic risks appear low. However, credit risk may rise because of the impact of surging commodity prices and supply-chain disruptions on corporates, rising interest rates, the lagged impact of withdrawing COVID-19 related support, or an emergence of imbalances in the housing market. Hence, the authorities should continue to monitor asset quality and ensure that banks proactively manage risks and maintain strong capital positions.

Accelerating structural reforms is crucial to raise living standards and promote more a competitive, inclusive, and green economy. With the euro area accession in sight, policies that help foster income convergence with EU partners are even more important. The government's focus on strengthening

governance and fighting corruption is welcome. Steadfast efforts to improve the effectiveness of the judicial and anticorruption systems are essential to strengthen the rule of law. Ongoing efforts to harness digital technologies and foster innovation are needed to raise productivity. The effective implementation of planned investment in renewables and energy efficiency will strengthen energy security and reduce carbon footprints. When energy prices decline, incentives for green transition could usefully be supported by price-based mechanism and fiscal tools. NGEU funds have a key role to play to support efforts in these areas.

Table 1. Bulgaria: Selected Economic Indicators, 2018–22
(Annual Percent Change, Unless Otherwise Indicated)

	2018	2019	2020	2021	2022
					Proj.
Real GDP	2.7	4.0	-4.4	4.2	2.8
Real domestic demand	5.5	4.9	0.1	6.0	3.6
Public consumption	5.4	2.0	8.3	4.0	6.2
Private consumption	3.7	6.0	-0.4	8.0	2.6
Gross capital formation	10.9	4.1	-5.0	2.0	4.5
Private investment	-2.3	3.6	6.7	-5.5	-1.7
Public investment	36.8	7.2	-16.6	-30.5	37.1
Stock building 1/	1.2	0.0	-1.2	2.7	0.1
Net exports 1/	-2.7	-0.9	-4.5	-2.2	-1.1
Exports of goods and services	1.7	4.0	-12.1	9.9	3.9
Imports of goods and services	5.8	5.2	-5.4	12.2	5.0
Resource utilization					
Potential GDP	3.0	4.1	-1.4	2.3	2.0
Output gap (percent of potential GDP)	0.1	0.2	-3.1	-1.2	-0.5
Unemployment rate (percent of labor force)	5.3	4.3	5.2	5.3	5.1
Price					
GDP deflator	4.2	5.2	4.2	6.2	13.9
Consumer price index (HICP, average)	2.6	2.5	1.2	2.8	12.2
Consumer price index (HICP, end of period)	2.3	3.1	0.0	6.6	11.6
Fiscal indicators (percent of GDP)					
General government net lending/borrowing (cash basis)	0.1	-1.0	-2.9	-2.9	-2.8
General government primary balance	0.7	-0.4	-2.4	-2.5	-2.4
Cyclically adjusted overall balance (percent of potential GDP)	0.1	-1.0	-1.7	-2.4	-2.6
General government gross debt	20.1	18.3	23.3	23.8	23.1
Monetary aggregates					
Broad money	8.8	9.9	10.9	10.7	16.6
Domestic private credit	8.9	9.7	4.5	8.8	15.8
Exchange rates regime					
Leva per U.S. dollar (end of period)	1.7	1.8	1.6	1.7	...
Nominal effective rate	3.3	-0.1	2.8	1.6	...
External sector (percent of GDP)					
Current account balance	0.9	1.9	-0.1	-0.4	-1.3
o/w: Merchandise trade balance	-4.8	-4.7	-3.2	-4.9	-6.1
Net international investment position	-37.0	-30.2	-27.1	-19.7	-16.3

Sources: Bulgarian authorities; and IMF staff estimates.

1/ Contribution to GDP growth.

“NATIONAL ECONOMY” is based on IMF Executive Board Concludes 2022 Article IV Consultation with Bulgaria June 24, 2022.

FOREIGN TRADE

Bulgaria's total exports in 2016 were of the order of US\$ 26,688 million. It increased to US\$ 31,802 million in 2020. Exports during the period from 2016 to 2020, in terms of percentage, grew highest (18.37%) in 2017 and fell maximum (-4.48%) in 2020 in comparison with 2016 and 2019 respectively. The annual average compound rate of growth worked out at 4.48%.

Imports, on the other hand, were of the order of US\$ 34,881 million in 2020 while in 2016 it was US\$ 28,959 million. Imports during the period from 2016 to 2020, in terms of percentage, grew highest (18.32%) in 2017 and fell maximum (-7.64%) in 2020 as compared to 2016 and 2019 respectively. The annual average compound growth rate worked out at 4.76%.

Volume of trade registered an annual average (compound) rate of growth of 4.63% from US\$ 55,647 million in 2016 to US\$ 66,683 million in 2020.

Bulgaria faced a deficit balance of trade during the said period.

Bulgaria's export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

Leading export commodities of Bulgaria are non-precious metals and articles, textile materials and articles, mineral products, and chemical industry produce. Leading import commodities are mineral products, machinery and apparatus, electrical equipment and parts, textile materials and articles, and transportation facilities.

There are three international airports in Bulgaria; at Sofia, Varna and Burgas, and seven other airports for domestic services. Construction work to modernize Sofia Airport was initiated in the mid-1990s. The state-owned Balkan is the national carrier.

The Danube (Dunav) River is the main waterway, with Ruse and Lom the two main ports. There are external services from Black Sea ports (the largest being Varna and Burgas) to the former USSR, the Mediterranean and Western Europe. Burgas is a fishing and oil-port. There is a rail ferry between Varna and Ilitchovsk (Ukraine). The port of Tsarevo was opened to international shipping in 1995. In September 1998 it was announced that the port of Burgas was to be modernized, with financial assistance from the Japanese Government. In 2001 the European Commission provided E22m. for the restoration of navigation along the Danube, which had been blocked for two years, following the aerial bombardment of the Federal Republic of Yugoslavia (now Serbia and Montenegro) by NATO forces in 1999.

BILATERAL TRADE WITH INDIA

Indo-Bulgaria bilateral trade in 2016-17 was of the order of Rs.2,828.84 crores. It decreased to Rs. 2,188.83 crores in 2020-21. The annual compound growth rate of volume of trade during the period from 2016-17 to 2020-21 was -6.21%. India enjoyed a surplus balance of trade during the said period (**see table II**). The average annual compound growth rates of exports and imports worked out at -5.92% and -6.60% respectively.

India's exports to, and imports from Bulgaria of Merchandise Goods between 2016-17 and 2020-21 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Bulgaria, during 2016-17 to 2020-21, along with their growth rates are depicted in **Table III & IV** respectively.

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Source: The Statesman Year Book, the Europa World Year Book,
Monthly Bulletin on Statistics UN Publication, IMF, the World Fact Book, World
Development Indicator, MEA,
Embassy of India in Bulgaria, Embassy of
Bulgaria in India and D.G.C.I & S etc.

"NOTICE"

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TABLE - I

BULGARIA'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE

BETWEEN 2016 AND 2020.

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	26688		28959		55,647		-2271
2017	31590	18.37	34264	18.32	65,854	18.34	-2674
2018	33316	5.46	37953	10.77	71,269	8.22	-4637
2019	33455	0.42	37766	-0.49	71,221	-0.07	-4311
2020	31802	-4.94	34881	-7.64	66,683	-6.37	-3079

**Annual
Compound
Growth
Rate**

4.48

4.76

4.63

NOTE : Figures relate to calendar year, January to December.

SOURCE : *UN COMTRADE PUBLICATION*

TABLE - II**INDIA'S EXPORT TO AND IMPORT FROM BULGARIA MERCHANDISE
GOODS DURING 2016-2017 TO 2020-2021**

(Value in CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2016-17	1608.84		1220.00		2828.84		388.84
2017-18	1116.77	-30.59	915.73	-24.94	2032.50	-28.15	201.04
2018-19	1478.74	32.41	875.64	-4.38	2354.38	15.84	603.10
2019-20	1124.19	-23.98	1018.50	16.31	2142.69	-8.99	105.69
2020-21	1260.32	12.11	928.51	-8.84	2188.83	2.15	331.81

**Annual
Compound
Growth
Rate****-5.92****-6.60****-6.21**

NOTE : Figures relate to Financial Year April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics,
Ministry of Commerce & Industry, Kolkata 700 107.

TABLE -III
INDIA'S MAJOR MERCHANDISE EXPORT TO BULGARIA
2016-2017 TO 2020-2021 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2016-17	2017-18	2018-19	2019-20	2020-21	17-18 over 2016-17	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20
1	Residual Chemicals & Allied Products	58.04	152.66	261.68	269.25	241.10	163.03	71.41	2.89	-10.45
	Share in total export	3.61	13.67	17.70	23.95	19.13				
2	Miscellaneous Chemicals	49.32	31.06	50.72	100.90	173.27	-37.02	63.30	98.94	71.72
	Share in total export	3.07	2.78	3.43	8.98	13.75				
3	Drugs Formulations, Biologicals	74.90	100.42	121.95	110.33	114.56	34.07	21.44	-9.53	3.83
	Share in total export	4.66	8.99	8.25	9.81	9.09				
4	Iron And Steel	69.83	87.50	69.22	61.79	89.76	25.30	-20.89	-10.73	45.27
	Share in total export	4.34	7.84	4.68	5.50	7.12				
5	Bulk Drugs, Drugs Intermediates	90.70	55.33	33.47	17.64	48.55	-39.00	-39.51	-47.30	175.23
	Share in total export	5.64	4.95	2.26	1.57	3.85				
6	Plastic Raw Materials	87.04	30.53	61.54	66.07	45.93	-64.92	101.57	7.36	-30.48
	Share in total export	5.41	2.73	4.16	5.88	3.64				
7	Auto Tyres And Tubes	15.65	21.15	28.46	25.45	36.61	35.14	34.56	-10.58	43.85
	Share in total export	0.97	1.89	1.92	2.26	2.90				
8	Cotton Fabrics, Madeups Etc.	10.21	16.82	9.79	26.32	29.59	64.74	-41.80	168.85	12.42
	Share in total export	0.63	1.51	0.66	2.34	2.35				
9	Products Of Iron And Steel	6.88	8.06	15.05	33.42	28.64	17.15	86.72	122.06	-14.30
	Share in total export	0.43	0.72	1.02	2.97	2.27				
10	Ceramics And Allied Products	12.39	33.33	33.98	17.74	27.02	169.01	1.95	-47.79	52.31
	Share in total export	0.77	2.98	2.30	1.58	2.14				
	Total export to BULGARIA	1608.84	1116.77	1478.74	1124.19	1260.32	-30.59	32.41	-23.98	12.11

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV**INDIA'S MAJOR MERCHANDISE IMPORT FROM BULGARIA****2016-2017 TO 2020-2021 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2016-17	2017-18	2018-19	2019-20	2020-21	17-18 over 2016-17	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20
1	Inorganic Chemicals	143.78	130.81	193.43	222.57	162.06	-9.02	47.87	15.06	-27.19
	Share in total imports	11.78	14.28	22.09	21.85	17.45				
2	Vegetable Oils	0.63		0.04		134.78	-100.00		-100.00	
	Share in total imports	0.05		0.00		14.52				
3	Medical & Scientific Instruments	86.41	132.30	91.79	90.81	124.79	53.11	-30.62	-1.07	37.42
	Share in total imports.	7.08	14.45	10.48	8.92	13.44				
4	Electronic Components	12.21	21.62	75.35	61.62	71.28	77.07	248.52	-18.22	15.68
	Share in total import	1.00	2.36	8.61	6.05	7.68				
5	Bulk Drugs, Drugs Intermediates	5.78	12.54	6.02	29.06	43.05	116.96	-51.99	382.72	48.14
	Share in total import	0.47	1.37	0.69	2.85	4.64				
6	Fertilizers Manufactured		24.83	127.96	155.92	40.97		415.34	21.85	-73.72
	Share in total import		2.71	14.61	15.31	4.41				
7	Iron And Steel	20.08	47.32	59.73	75.13	40.72	135.66	26.23	25.78	-45.80
	Share in total import	1.65	5.17	6.82	7.38	4.39				
8	Electronic Instruments	20.82	17.08	24.37	34.03	40.23	-17.96	42.68	39.64	18.22
	Share in total import	1.71	1.87	2.78	3.34	4.33				
9	Telecom Instruments	94.48	35.13	27.86	16.47	32.13	-62.82	-20.69	-40.88	95.08
	Share in total import	7.74	3.84	3.18	1.62	3.46				
10	Electric Machinery And Equipments	20.16	33.18	35.12	28.37	30.63	64.58	5.85	-19.23	7.98
	Share in total import	1.65	3.62	4.01	2.79	3.30				
	Total import from BULGARIA	1220.08	915.73	875.64	1018.50	928.51	-24.95	-4.38	16.31	-8.84

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.