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LEAGUE OF NATIONS

SETTLEMENT OF BULGARIAN REFUGEES

Twenty-fourth Report

of the Commissioner of the League of Nations in Bulgaria

Quarter from May 15th to August 15th, 1932.

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INTRODUCTION.

The quarter covered by the present report has shown no improvement in the economic and financial situation of Bulgaria. On the contrary, in spite of the undeniable but inadequate efforts made, the difficulties encountered in the daily solution of the budget and transfer problems are increasing dangerously. The remedies applied will be mere palliatives so long as there is no thorough reform of the public finances and so long as no general improvement supervenes to raise the prices of agricultural produce, lower the barriers to international trade and restore to Bulgaria the power of discharging its foreign debts by means of exports.

The 1931-32 budget closed on June 30th, 1932, with a deficit of 891.4 millions. The deficit for the previous financial period was 1,284 millions. The execution of these two budgets has therefore placed the Treasury in a critical position and forced it to draw on all the resources on which it was able to lay hands one after another, such as Treasury Bonds, profits from seigniorage and large calls on the initial receipts for 1932-33. The budget for the latter period has been fixed at figures which make it impossible to anticipate a balance. It is, therefore, essential that the tangible improvements already effected by the Ministry of Finance should be continued and extended.

The trade balance for the first half of the current year shows, according to the Statistics Department, a deficit of 238 millions. As no fresh credits have been received, the balance of payments for the same period is a minus one and it has only been possible to solve the transfer problem temporarily by suspending some of the transfers for the external debt and by a wholesale postponement of the settlement of foreign trade debts.

Payments on account of the external public debt have been made entirely in leva and the non-transferred portion has been paid into the special account administered by the Adviser attached to the National Bank. Since August 15th, 1932, a start has been made with the investment of the balances available in this account in accordance with the conditions laid down in the Financial Committee's recommendations. This will ensure the Treasury receiving appreciable support.

There has been a rapid increase in the volume of private debts. There is reason to hope that this growth will cease as imports decline. These debts, however, form a large outstanding obligation, which cannot for the moment be paid off in the ordinary way and which forces the country to accept or to tolerate such forms of indirect settlement as clearing arrangements or the blocking of credits. If this procedure became general, it would result in depriving Bulgaria entirely of the exchange resources necessary for its non-commercial foreign settlements.

I. STATE BUDGET.

(a) *Results, at June 30th, 1932, of the Close of the 1931-32 Budget.*
(See Appendix I.)

These results, which include those for the separate budget of the railways and harbours, are as follows:

	Millions of leva
Expenditure	7,366.9
Receipts	6,475.5
	<hr/>
Deficit	891.4

The financial year 1930-31, in which budgetary maladjustment again made its appearance, resulted in a deficit of 1,284 millions.

The revenue collected in 1931-32 in respect of the ordinary budget and incorporated funds shows substantial deficits amounting to 19 per cent of the budgetary estimates and almost 7 per cent as compared with the results of the preceding period. It should further be observed that miscellaneous receipts, the only item showing an apparent increase, include 293 millions derived from calls made upon the available assets of certain "funds", which are thus fortuitous and non-recurring receipts.

The percentage of direct taxation collected continues to be extremely low—viz., 54 per cent (see Appendix 1 (a)). The actual taxation accruing to the State works out at about 77 leva, or less than 3 Swiss francs. Even when doubled by the taxes due to local government bodies, it seems to be distinctly below the average taxable capacity. In a country, however, where the consumers are mainly peasants and consumption can be cut down to a minimum, it is most important that a certain amount of the revenue should be raised by direct taxation. Moreover, the mere enforcement of existing legislation would undoubtedly give amazingly large surpluses if it were not stultified by the incredible administrative chaos which calls for a complete and immediate reform of the methods of assessment and collection.

The land tax on unbuilt property yielded in cash proceeds only 73.2 millions, or 20 per cent of the estimates, due partly to the fact that two-thirds of it could be paid in bonds issued by the Cereals Directorate. In my opinion, the exchequer can no longer afford indulgence of this sort towards the vast majority of taxpayers who are thus actually paying on their land an amount which does not yield the State three Swiss francs per family.

The yield of the taxes on total income, corporations and buildings is equally inadequate and could be quickly improved if better assessment and collection methods were employed.

Indirect taxes are only 15 per cent below estimates. Their total, moreover, remains comparatively stable, having fallen by only 13 per cent as compared with 1928-29. In the distillation of alcohol, however, fraudulent practices are still rife or, to be more correct, there is virtually no tax collected.

In 1912, the excise duty on alcohol produced by industrial distilleries yielded 4,480,000 gold leva, equivalent to 120,900,000 of the present currency. Allowing for increased rates, the excise duty levied on an equal quantity produced should now yield more than 300 millions. In the financial period 1928-29, 10 millions, in 1929-30, 12 millions, in 1930-31, 18 millions and, in 1931-32, 14 millions were collected.

These figures show the great latitude left to distillers. Furthermore, the taxes paid by the latter in 1912 amounted to 2,193,000 gold leva, or almost 60 million paper leva. Allowing for increased rates, they should now yield 165 millions at the same level of production. They shrank to 56 millions in 1928-29, 33 millions in 1929-30, 42 millions in 1930-31 and 21 millions in 1931-32. The total taxation on alcohol for the latter period amounts to 35 millions, or less than 6 leva per head of the population—*i.e.*, under 23 Swiss centimes.

Thus the standard tax, which in all countries yields a large revenue on an item of widespread consumption, has, in Bulgaria, been gradually abandoned. The habits thus acquired will make its restoration very difficult.

Customs duties show an improvement as compared with the preceding year. This is due to a slight rise in imports (4,533 millions in 1931-32 as compared with 4,479 millions in 1930-31), particularly to two increases made on November 25th, 1931, and May 17th, 1932, in the rates of duty on imports for protected industries.

The annuity paid to the State by the separate budget for Railway and Harbours shows a deficit of 22 millions as compared with the estimates voted and the corresponding results for the previous financial year. This decrease offsets an excess transfer which was found to have been made during 1929-30 and is not contrary to the provisions of the Organic Law.

The revenue from closed financial years remains insignificant as compared with the nominal arrears, and the absolute amount is greatly below the similar figures for the previous financial year, although the substantial abatements granted to the taxpayer by the Law of May 3rd, 1932, analysed in my last report, were intended to encourage him to expedite payment of his arrears. As he is still reluctant to do so, a law was passed on July 15th, 1932, prolonging, until the 31st of that month, the period of grace expiring on June 25th, which was granted by the earlier law.

The sums actually expended in respect of the State budget are 11 per cent below the amounts for the previous year and 587.5 millions, or almost 9 per cent, less than the initial and supplementary appropriations.

These are substantial decreases, for they have been achieved empirically and are not the result either of systematic administrative reform, or of methodical dismissals of officials or of fundamental decisions regarding the requirements of certain particularly important ministerial departments.

The total service of the Public Debt absorbed 35 per cent of the aggregate expenditure and 41 per cent of the available budgetary resources: National Defence 16 and 19 per cent, Public Education 14 and 16 per cent respectively. Less than 14 per cent of the budgetary receipts could be earmarked for really productive expenditure on Public Health, Commerce, Agriculture and Domains and Public Works. With a budget administered in so vacillating a manner, it is impossible to ensure the maintenance of national means of production, much less to organise their expansion. Half-measures are no solution of a problem which needs to be boldly tackled. The delicate and dangerous task involved is apparently still being shirked.

The sums expended in respect of the separate budget for Railways and Harbours amount to 1,264.1 millions—a decrease of 245.2 millions on the estimates and a slight increase on the previous year's expenditure.

The total expenditure of 7,366.9 millions failed to cover the year's requirements. About 100 millions of payment orders, unsettled as at June 30th, 1932, were cancelled and have been, or will be, renewed for account of the 1932-33 budget.

The size of the deficit disclosed shows that the practice of monthly budgets has not been properly observed. This is not, in fact, an easy matter when, as actually happened, initial appropriations are in excess of the corresponding resources. The result, also, has too often been achieved at the cost of economies which, it is fully realised, will ultimately have to be offset by supplementary credits, as was actually done under the heading of the Public Debt.

The deficit in the particular case of the separate budget for the Railways and Harbours comes to 25.6 millions. The statutory balance-sheet, however, has not yet been published either for 1931-32 or for the previous financial year. The latter closed with a deficit of 95 millions, for 76 millions of which—relating to the Railways—the separate budget had to make a refund to the Treasury.

(b) *Budget for 1932-33.*

(See Appendix 1 (b), (c).)

The delay in voting this budget entailed resort to two provisional *douzièmes*. As already stated, it is highly uncertain whether, in default of fresh measures, it can be balanced. The following are the estimated figures, inclusive of those for Railways and Harbours:

	Millions of leva
Expenditure	7,298
Revenue	7,393

Expenditure is estimated at slightly under the level for 1931-32 (7,367), and, in present circumstances, it can hardly fall any further. No reduction has been made in the essential items of National Defence, Public Education, Interior and Justice. In calculating the requirements of the Public Debt, allowance has been made for the depreciation of certain foreign currencies and it has been assumed that the subsidies paid from it to the Pensions Fund (see Appendix 2 (b), Law of July 22nd, 1932, on the new Pensions Regulations) will be cut down from 350 to 150 millions. The latter estimates seem, moreover, to be too low and will probably have to be raised later to about 280 millions. On the other hand, the estimated appropriation of 272 millions for payment of reparations in full will doubtless be considerably reduced.

In these circumstances, it would seem unlikely that a cut of much more than 120 millions can be effected on the estimates.

Revenue is expected to amount to 7,393 millions as compared with 6,475.5 collected in 1931-32. The question arises to what extent this optimism is justified.

The proceeds from direct taxation are estimated at 675.1 millions (1931-32: 489.5), of which the Land Tax is expected to furnish 200 (1931-32: 73.2). The expectation, doubtless, is that payers of the latter tax will no longer enjoy the privilege of settlement in the form of bonds issued by the Directorate of Cereals (see below, 1 (d)), but the range of assessment has been considerably restricted by Article 57 of the Finance Law, under which properties not exceeding 10 hectares (ordinary crops) or even 1 hectare (fruit trees, timber, tobacco in certain areas) and ½ hectare (vineyards) will in future be exempt. The vast majority of taxpayers have thus been given total exemption, and it is to be feared that this measure is the first step towards complete abolition of the Land Tax. Added to the habits already acquired, it inspires scepticism as to the realisation of the estimates voted.

Less objection can be taken to the estimates of the yield of the other direct taxes, but their realisation will depend on improvements in fiscal administration.

Indirect taxes are calculated to produce 1,531 millions, an increase of 22 per cent on 1931-32 (1,253.8). This increase is mainly expected to be derived from the increased duty on tobacco, together with more energetic suppression of smuggling (+ 164 millions). For the moment, however, the increase only takes the form of a proposal embodied in the Law for the Reform of Excise Duties which is being drawn up, but cannot, as I have already stated, come up for discussion before the end of the year.

Customs duties are also expected to show a surplus (75 millions) over the receipts for the previous year. If the volume of imports remains constant, the two tariff increases made in November 1931 and May 1932, in the tax on national industry, would amply justify these expectations. Allowance, however, should be made for the fall in imports which was already very noticeable during the first three months of the year as compared with the corresponding quarter of 1931-32 (— 31 per cent) and will undoubtedly become more marked.

The large increases in postal, telegraph and telephone rates as from June 1st, 1932, should apparently justify the estimate of their yield (+ 97 millions).

The estimates for other duties (+ 92 millions) and revenue from domains (+ 185) are perhaps more risky but by no means impossible. The increase in the various sums accruing from the Pernik and other mines is for instance calculated at 47 millions.

The "miscellaneous receipts" collected in 1931-32 included, as I have mentioned, 293 millions taken as an extraordinary measure from the capital belonging to the "Funds". The estimated yield of 478 millions as compared with 654 seems, therefore, slightly optimistic.

The same is true of the receipts of the separate budget for Railways and Harbours which are expected to produce an extra 155 millions (+ 12 per cent).

A study of the total collections made during the last four financial periods shows that the incomings for the first four months represent fairly uniformly 31 per cent of the receipts for the whole period. Applying this percentage to the incomings for the first four months of 1932-33, the revenue prospect for the whole year would not appear to exceed 6,650 millions, as compared with 7,268 millions (omitting the Railways annuity, to be squared by a book entry).

All the above considerations lead me to suggest the following forecast for the 1932-33 budget balance:

	Voted	+ or — compared with the results for 1931-32	Probable + or — compared with figures voted	Probable results
		(Millions of leva)		
Expenditure	7,298	— 69	— 120 (?)	7,178 (?)
Revenue	7,393	+ 918	— 750 (?)	6,643 (?)
Deficit				535 (?)

Apart from any change in the world outlook, or events affecting more particularly the economic life of Bulgaria, the deficit might thus be expected to be about 500 millions. It should not be forgotten, moreover, that from the Treasury standpoint (see (c) below) the current financial year had to furnish almost 900 millions for its predecessor.

It should be remembered that, as long ago as September 1931, a scheme of budgetary reform was proposed to the Bulgarian Government and was later worked out in detail and expanded in April 1932. Considerable headway has certainly been made in putting this plan into execution: the taxes on national industry have been raised; steps have been taken to reform direct taxation, at least in practice; a start has been made with the recovery of arrears of taxes, and with the suppression of tobacco frauds; the contribution of the Pernik mine has been substantially increased, and postal, telegraph and telephone rates raised. On the expenditure side, the new pensions scheme has been passed and the general reduction in salaries extended for the new financial period. The major problems have still to be tackled—effective collection or abandonment of the Land Tax, excise reform, improved yield from the Railways, retrenchment of expenditure on public education, introduction of a turnover tax and general administrative economies. The Finance Minister seems convinced of the necessity for these measures. It is to be hoped that he will be understood and supported.

(c) *Treasury Situation.*

(See Appendix 1 (d).)

The financial years continue to overlap, as a result of the total lack of elasticity shown by the Treasury. Just as the initial receipts for 1931-32 helped to cover 410 millions of the 1930-31 deficit, so at the close of 1931-32 a call was made, to the extent of 884 millions, on the provisional surpluses for 1932-33. In practice, the payment of salaries and pensions is postponed until the necessary funds have been received.

The Treasury situation at June 30th, 1932, for the year 1931-32 may be summarised, in millions of leva, as follows:

<i>Credit.</i>		<i>Debit.</i>	
Calls on profits from seigniorage	417	Deficit for 1931-32	891.4
Calls on provisional surplus for 1932-33	884.4	Sums actually expended for 1930-31	410
	1,301.4		1,301.4

On July 31st, the Treasury situation for 1932-33 was, in millions of leva, as follows:

<i>Credit.</i>		<i>Debit.</i>	
Provisional surpluses for the year	812.8	Sums actually expended for the preceding year	884.4
Calls on profits from seigniorage	100	Balance of the Treasury account with the National Bank	28.4
	912.8		912.8

On this same date, the outstanding obligations of the Treasury amounted to about 1,300 millions, being 267 millions for payment orders in suspense, 620 millions for salaries unpaid since May and 260 millions for the pensions quarter expiring July 1st, 1932.

These figures show the absolute necessity of the Government's adhering strictly to the method proposed for fixing authorisation for the expenditure of votes granted by the monthly budgets (restricting such authorisation to 90 per cent of the average receipts for the last three months known). This mathematical rule may be thought too strict when certain seasonal requirements make their appearance. It is, however, clear that any deviation results in swelling the deficit and adding to the Treasury's difficulties (see Appendix 1 (e).)

(d) *Directorate for the Purchase and Export of Cereals.*

The operating methods of this body were altered by law as from July 1st, 1932. In future, the Directorate will confine itself solely to purchasing wheat at a fixed price, which will be paid in full in cash. This merely means keeping prices at a fixed level. Such a form of operation makes losses—apart from overhead charges—theoretically impossible, except perhaps in the case of exports at lower prices. The harvest is not, however, likely to leave any surplus for export. In addition, a tax on bread, applied since July 1st, is intended to defray any losses sustained.

The balance-sheet at June 30th of the operations in connection with the 1931 harvest stands provisionally as follows:

		Millions of leva
I. Purchases and other outlay	1,989	
Payment for which was made in tax bonds	597	
	<hr/>	
In cash	1,392	
Export bounty on maize	41	
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Disbursed in cash		1,433
II. Sales on foreign markets	748	
Sales on home market	653	
Estimated value of stocks	112	
Yield of tax on stocks	23	
	<hr/>	
Receipts		1,536
		<hr/>
III. Cash profit (covering 17 per cent of the bonds issued)		103

Part of this profit takes the form of claims on the State for deliveries made to public departments. On the date mentioned, the total tax bonds issued by the Directorate since its inception amounted to about 1,080 millions. Of this amount, 800 millions had been returned to the Treasury, leaving a balance of 280 millions of which the Agricultural Bank provisionally acquired 111 millions. At the same date, that institution had advanced 115 millions to the Directorate.

II. PUBLIC DEBT.

(a) On August 15th, 1932, the following totals stood to the credit of the various paragraphs of the account opened by the National Bank in the name of the Adviser for receiving the non-transferred portion of the External Debt of the State:

		Millions of leva
§ A. — 1926 7% and 1928 7½% Loans		87
§ B. — Secured loans: 1902 5%, 1904 5%, 1907 4½%		48
§ C. — Unsecured external loans		27.1
§ D. — Various external loans guaranteed by the State.		3
		<hr/>
		165.1

(b) As a result of negotiations between the Bulgarian Government and the holders of the bulk of the above loans, it appeared that the balances available in the above account could be invested in Bulgaria and indirectly help to relieve the Treasury under the conditions laid down in the Financial Committee's recommendations. These investments started on August 20th, 1932, with the transfer to the account of a Treasury bond for 55 millions taken from the National Bank's bill portfolio and the discounting by the latter of a fresh bond issued by the Treasury. The proceeds of the latter operation were devoted to clearing off the deficit for 1931-32, which had been only temporarily met by making large calls on the receipts for the current year.

III. NATIONAL BANK OF BULGARIA.

(a) *Extract from Statements.*

(Millions of leva)

Date	Gold	Net stock of foreign exchange	Bill holdings	Advances		State debt	Investments
				To State (Treasury bonds)	Others		
December 31st, 1930	1,455	793	362	157	270	3,162	316
December 31st, 1931	1,511	257	342	279	237	2,995	317
January 31st, 1932	1,512	164	255	279	166	2,965	317
February 29th, 1932	1,512	150	259	279	170	2,965	312
March 31st, 1932	1,513	207	281	279	167	2,965	309
April 30th, 1932	1,513	154	298	279	170	2,965	308
May 31st, 1932	1,514	195	283	279	166	2,965	305
June 30th, 1932	1,515	223	273	282	164	2,965	305
July 31st, 1932	1,516	164	264	282	154	2,965	304

Date	Notes in circulation	Other sight liabilities	Percentage of cover	Discount rate percentage
December 31st, 1930	3,296	1,547	36.48	10
December 31st, 1931	2,919	1,397	37.69	9½
January 31st, 1932	2,730	1,514	37.28	9½
February 29th, 1932	2,672	1,596	35.25	9½
March 31st, 1932	2,797	1,552	35.73	9½
April 30th, 1932	2,827	1,419	36.80	9½
May 31st, 1932	2,675	1,651	35.44	8
June 30th, 1932	2,628	1,650	36.15	8
July 31st, 1932	2,638	1,696	35.08	8

From April 30th to July 31st, 1932, there were only slight variations in the Bank's position apart from the shrinkage of the circulation (see below, "Money Market"). The stock of gold is increasing at the same slow rate. Net reserves of foreign currency rose from 154 to 164 millions, but the latter figure includes (see below, "Clearing Arrangements with Other Countries") 110 millions of blocked credit balances not available for arbitrage. Bill holdings, advances and investments remain unchanged. The cover is still above the legal minimum.

Advances on security of goods still amount to 76 millions, as compared with 85 on December 31st, 1931. Under its Statutes, the Bank should have withdrawn from this class of business, but the two emergency laws for the protection of debtors mentioned in my preceding report make liquidation difficult.

These laws likewise prevent the liquidation of advances or investments on mortgage security (58 millions, as compared with 74 on December 31st, 1931) which are also prohibited by the new Statutes.

(b) *Partial Suspension of Transfers and Control of Operations in Foreign Exchange.*

The National Bank is adhering strictly to its policy of quotas for the supply of foreign currency as defined in principle in my previous report. The following additions have been made to the regulations already reported:

- All imports from Austria must be settled through the clearing house;
- Prior permission must be obtained for contracting obligations abroad in the form of bills;
- The right to import and export against payment in leva is subject to regulation;
- Stricter supervision of exports of currency by travellers;
- Prohibition of exports of cereals payable in foreign currencies which are not freely negotiable;

Further, a Law of June 13th, 1932, amending Article 2 of the Law on Foreign Exchange Dealings, provides that if the non-transferable portion of the amount of a bill of exchange or promissory note in foreign currency is deposited in leva with a notary—the necessary foreign exchange not having been granted by the National Bank—no protest may be drawn up against the debtor.

Negotiable instruments domiciled abroad and protested there, bearing the signature of Bulgarian debtors who have not received sufficient foreign currency from the National Bank have

no legal validity in Bulgaria and will be settled in accordance with the system for the supply of currency by the National Bank.

On the other hand, the Bank has agreed to settlement on a clearing basis for certain exports needing special encouragement (fruits and vegetables).

The result of the restrictions has been a rapid increase in the volume of outstanding commercial claims, represented by invoices and bills that have matured. The amount of invoices fell from 440 millions on May 20th to 280 on July 31st, but during the same interval the total value of bills of exchange postponed rose from 105 to 597 millions. This is a highly dangerous increase which is reflected in the daily complaints received and seriously swells the arrears which burden the Bank's scanty resources.

Appendix 3 describes the sales and purchases of foreign exchange effected by the National Bank during the first seven months of 1932, including clearing settlements. During that period, the average percentage of foreign exchange derived from exports amounted to 80 per cent of the exports registered; the percentage of foreign exchange supplied for imports was 58 per cent, a much lower rate than that for 1931, due to a further considerable falling-off during the last three months.

These figures show that receipts and issues of foreign currency are being more strictly supervised. It is a pity that exceptions should sometimes be made by the public departments themselves and that the latter show reluctance in supporting the system whereby all foreign obligations are centralised and made subject to previous authorisation by the National Bank

IV. ECONOMIC SITUATION.

(a) General.

The total foreign trade of Bulgaria declined heavily during the first seven months of 1932, being only 3,890 million leva as compared with 6,304 for the same period in 1931—a fall of almost 40 per cent.

Exports dwindled in value from 3,443 to 1,826 millions (— 47 per cent) though they were only 14 per cent less in volume. This decline is mainly due to tobacco (— 45 per cent by weight, — 67 per cent by value). It is true that the main movement in tobacco exports came later this year, but the fall in prices was impressive. Moreover, the quantities exported for the whole year will certainly be much lower than those for 1931.

The fall in imports was less marked (— 28 per cent by value and — 19 per cent by weight), but became more noticeable during the last months of the period under review, usually a time when a seasonal increase makes itself felt. The decline for the quarter from May to July amounts to 38 per cent by value and 20 per cent by weight, as compared with the same quarter in 1931. The dearth of foreign currency and the restrictions introduced by the National Bank are apparently beginning to have their effects.

The trade balance, nevertheless, shows a deficit of 238 millions as compared with a surplus of 582 for the same period in 1931. This is a serious matter, in view of the fact that, under present circumstances, equilibrium in the balance of payments can only be achieved if the trade balance shows a surplus. Undoubtedly, credit devices still make it possible for the economic system of the country to postpone most of its foreign obligations either by means of amicable agreements or as a result of *force majeure*. Such a situation, on the other hand, can hardly be expected to continue, as it entails various retaliatory measures such as the blocking of credit balances or urgent demands for clearing, and results in the foreign exporter ceasing to make delivery.

BULGARIAN EXPORTS DURING THE FIRST SIX MONTHS OF 1930, 1931, AND 1932.

	First six months of			First six months of		
	1930	1931	1932	1930	1931	1932
	Millions of leva			Percentage		
Germany	691	1,149	296	22.8	37	17.5
Italy	289	188	250	9.5	6	14.8
Austria	224	608	244	7.4	19.5	14.4
Czechoslovakia	357	33	57	11.8	1	3.3
Belgium	136	188	224	4.5	6	13.3
Poland	339	138	119	11.2	4.4	7.1
Hungary	172	123	3	5.7	4	0.2
France	180	157	41	6	5	2.4
Switzerland	105	163	100	3.4	5.2	5.9
United Kingdom	77	16	47	2.5	0.5	2.7
Roumania	17	7	5	0.5	0.2	0.3
Greece	109	57	12	3.6	1.8	0.7
Other countries	330	282	286	11.1	9.4	17.4
Total	3,026	3,109	1,684	100	100	100

(b) *Trade.*

Appendix 4 gives the figures for the foreign trade of Bulgaria for 1930, 1931 and the first seven months of 1932.

It will be seen from this table that, during the latter period, the exports of cereals, which are an essential factor in the total exports, have maintained a relatively satisfactory level. There is, unfortunately, little likelihood (see below, "Harvests") that the 1932 harvest will make any substantial contribution to exports.

Exports of tobacco will probably improve, not only as a result of the execution of contracts already concluded, but also of the possibility of some rise in prices due to the lower production of competing neighbours.

Attar of rose was distilled this year almost exclusively by the Co-operative Societies financed by the Agricultural Bank. The price of the flowers was fixed by a law, without reference to the quotation on the world market for the finished product or to the large stocks held by the Agricultural Bank. In all probability, therefore, exports of this speciality will, for the moment, be practically nil.

There has been a serious decline in the exports of live-stock, which at one time used to find a natural market mainly in Greece.

The exports of poultry and eggs, on the other hand, have been maintained. Every encouragement should be given to this conversion of wheat or other cereals now depreciated in value into farmyard produce, which can be more easily marketed. This development, however, demands improved means of transport and transit facilities which are not easily obtainable.

The revenue from railway transport has been as follows:

<i>Goods.</i>	Millions of leva	
		1932
1930 (monthly average)	65	—
1931 (monthly average)	63	—
1931 (monthly average for the first four months)	52	50
1931 May	70	60
June	62	60
July	63	60
<i>Passengers.</i>		
1930 (monthly average)	35	—
1931 (monthly average)	33	—
1931 (monthly average for the first four months)	28	26
1931 May	35	38
June	30	30
July	39	37

The following figures show the number of bills protested, bankruptcies and moratoria declared and compositions granted under the Law of April 16th, 1932:

	Protested bills		Bankruptcies	Moratoria Number	Composition
	Number (in thousands)	Value (in millions of leva)			
1931	229	1,639	197	112	—
(Monthly average)	19	136	16	9	—
1932 April	13	87	1	—	1
May	18	124	3	—	2
June	13	102	9	—	—

These statistics confirm the fall in the number of cases of insolvency, due mainly to the laws for the protection of debtors as well as to the restrictions imposed on the rights of foreign creditors.

The internal consumption of tobacco is declining and calls for a strengthening of the measures taken to suppress smuggling.

	Tons
1930	4,492
1931	3,888
1931 (monthly average)	324
1932 (monthly average for the first 7 months)	283

(c) *Production.*

Crops. — The preliminary figures for the grain harvest corroborate the distinct falling-off both in quantity and quality, as compared with 1931, which, it is true, was an exceptional year. This decline will affect wheat, rye and barley, but the maize crop would appear to be excellent and to show an improvement.

To forecast the tobacco crop would be premature. In view, however, of the area under cultivation, a decline of about 25 per cent as compared with last year was expected.

The following are the provisional figures available:

	1931	1932
	(Millions of quintals)	
Wheat	16.7	12.2
Rye	3	2.8
Barley	3.6	3.2
Maize	10	8.6

Extraction and Sale of Coal (Pernik Mine).

	Extraction	Sale
	(Millions of tons)	
1931 (monthly average)	103	88
1932 January	121	97
February	128	102
March	121	98
April	97	89
May	106	93
June	122	110
July	107	102

(d) *Labour Market.*

Unemployment has fluctuated as follows:

1931 (monthly average of the number of unemployed)	19,419
1932 January	26,654
February	26,456
March	30,503
April	30,696
May	29,462
June	23,512
July	17,568

A study of the distribution of the labour employed in each branch of production confirms the falling-off in the tobacco industry, the activity in textiles and the boom in the building trade.

(e) *Prices.*

The index of wholesale prices, like that of retail prices, shows a certain stability (1914 = 100).

	Wholesale prices	Retail prices
1929	3,205	2,994
1930	2,585	2,601
1931	2,042	2,121
1932 January	1,905	1,895
February	1,867	1,864
March	1,866	1,863
April	1,868	1,844
May	1,876	1,835
June	1,875	1,839
July	1,873	1,840

This official index, however, does not exactly reflect the real movement of prices. Account should be taken not only of the indices of domestic products sold at prices which are still very low, or of certain manufactured products for popular consumption the prices of which are regulated, but also of the actual cost of certain products imported more or less clandestinely owing to the exchange regulations. In the case of the latter, there has been a real and substantial rise affecting, for instance, sulphate of copper, merchant iron, certain textiles, chemical products, semi-luxury goods, etc.

(f) *Private Banks.*

The six principal banks have held their general meetings. Only two of these, whose capital is Bulgarian or mainly Bulgarian, decided to pass their dividends, while the others distributed from 5 to 10 per cent.

As mentioned in my previous report, there has been a certain slackening in the business of these institutions as a result of the promulgation of the laws on the protection of debtors. The latter, moreover, will probably have to pay heavily for the relief granted; they are finding it extremely difficult to secure fresh credits even for trifling amounts.

(g) *Savings Banks.*

A study of the fluctuations in the so-called "savings deposits" accounts in the various establishments gives the following picture:

Balances of Savings-Bank Deposit Accounts	December 31st,	March 31st,	June 30th,
	1931	1932	1932
	(Millions of leva)		
Post Office	1,198	1,325	1,399
Agricultural Bank	849	898	890
Central Co-operative Bank	178	191	—
131 Private Banks	1,866	1,757	1,654

The small depositors, who are the ordinary customers of the Post Office Savings Bank, are apparently not changing their habits. In the private banks, on the other hand, there is a falling off, the money going to the building industry.

(h) *Money Market.*

The few changes noted in the money market reflect the trend of the economic situation generally.

The currency circulation is shrinking. The number of bank-notes fell from 2,919 on December 31st, 1931, and 2,827 on April 30th, 1932, to 2,638 on July 31st. Small-change currency rose from 711 to 770 millions as a result of the hoarding of silver coin. Simultaneously, sight liabilities rose from 1,397 to 1,696, the credit accounts of banks in particular increasing from 975 to 1,159 millions. The latter figure, in the case of the Agricultural Bank, includes deposits made in leva for the whole or part of the amounts of commercial acceptances for foreign account which could not be honoured in full owing to the lack of exchange.

This marked increase in bank balances and the general glut of funds in the country, far from being a favourable sign, denotes a decline in business, and could not, if capital were required for an ultimate revival, offset the withdrawals of foreign short-term credits, which, during the last two years, have deprived the money market of almost two milliards of leva.

The present position should evidently be regarded as one of momentary equilibrium and the temporary relief afforded as more apparent than real. This impression is confirmed by the fact that the lowering in May last of the discount rate from 9½ to 8 per cent, and the marked decline in debit interest rates before and after, have had practically no effect on the aggregate investments and credits employed. A large part of the savings accumulated, moreover, still shuns the money market and is used for hoarding, the construction and purchase on an increasing scale of house property and the stocking of goods which are expected to rise in price owing to the shortage of foreign exchange.

(i) *Commercial Policy: Clearing Arrangements with Other Countries.*

The various clearing arrangements described in my previous report continue to be enforced. In addition, three new special arrangements have been made, two with Germany (one operated through the Reichsbank and the National Bank of Bulgaria and the other not entailing the intervention of issuing institutions) and the third with Switzerland.

The first relates to an export transaction in tobacco, the amount of which (60,000 RM., or 1,960,800 leva) has been blocked at the Reichsbank to be used for subsequent settlement of German commercial claims.

The second refers to a series of tobacco purchases by a German firm. The resulting Bulgarian claims are to be set off against debts to German exporters through a private bank in Sofia.

The third arrangement concerns the export to Switzerland of Bulgarian eggs, payment for which is deposited in the Swiss National Bank. Of these deposits, 20 per cent is left at the free disposal of the National Bank of Bulgaria and 80 per cent blocked and used for paying for Swiss exports to Bulgaria.

The following figures show, as on August 10th, 1932, the position of the arrangements involving intervention by the National Bank:

1. *Austria* (came into force on December 7th, 1931).

	Dollars	Leva
Sums credited to the blocked account opened at the National Bank of Austria in the name of the Bulgarian National Bank	949,282	= 131,000,916
Drawn in the form of conversion into schillings	595,976	= 82,244,755
Balance in favour of Bulgaria	353,306	= 48,756,161

The application of the system continues to meet with the difficulties described in my previous report. Moreover, the disparity between the actual external exchange rate and the official rate for Austrian currency makes it impossible to close export transactions invoiced at the latter rate. The effect of this obstacle is revealed by the fall in the percentage of Austrian imports into Bulgaria



as compared with total imports: 7.8 per cent (value) in 1929, 6.8 in 1930, 7.1 in 1931 and only 5.1 for the first six months of 1932.

2. *Italy* (came into force on March 31st, 1932).

	Lire	Leva
Sums credited to the blocked account opened at the Banca Commerciale in the name of the Bulgarian National Bank	8,900,000	= 63,062,869
Bulgarian settlements in Italy	3,852,285	= 27,552,407
	<hr/>	<hr/>
Balance in favour of Bulgaria	5,047,715	= 35,510,462

3. *Czechoslovakia* (decision of the National Bank of Czechoslovakia dated February 15th, 1932).

	Dutch florins	Czech crowns	Leva
Sums credited to the blocked account opened at the National Bank of Czechoslovakia in the name of the Bulgarian National Bank	511,747	+ 6,586,593	= 55,510,907
Bulgarian settlements in Czechoslovakia and other authorised drawings	511,747	+ 1,502,258	= 34,766,823
	<hr/>	<hr/>	<hr/>
Balance in favour of Bulgaria	5,084,335		= 20,744,084

4. *Germany*.

	Reichsmarks	Leva
(a) Reichsbank arrangement:		
To the credit of Bulgaria	60,000	= 1,960,800
To the debit of Bulgaria	—	—
	<hr/>	<hr/>
Balance in favour of Bulgaria	60,000	= 1,960,800
(b) Private arrangement:		
Proceeds of German purchases blocked in Bulgaria	—	250,000,000
Settlement of Bulgarian debts to Germany	4,989,757	= 163,065,177
	<hr/>	<hr/>
Balance in favour of Bulgaria		86,934,823

5. *Switzerland* (came into force on May 4th, 1932).

	Swiss francs
Sums credited to the blocked account at the Swiss National Bank in the name of the Bulgarian National Bank	1,651,844
Drawings	2,300,837
	<hr/>
Balance against Bulgaria	648,993

Negotiations have been opened with France and Belgium.

In general, the National Bank continues to maintain a reserved attitude. This is understandable when it is realised that, on August 10th, 1932, for instance, 107 out of net total credit in foreign currencies amounting to 160 millions were blocked as a result of the above operations, thus leaving the Bank no more than 53 millions free for the service of the external debt and all other settlements.

V. SETTLEMENT OF BULGARIAN REFUGEES.

(a) *Position of the Account of the 1926 7% Loan.*

Appendix 5 to this report shows the position of the account as at July 31st, 1932. The deposit at the National Bank of Bulgaria on the date in question was 18,471,847 leva.

(b) *Yield of Assigned Revenues.*

Chapter of the budget	Receipts			One-twelfth of the Budget estimates
	May	June	July	
	(Leva)			
<i>Chapter 15</i> (excise duty on alcohol)	7,400,520	6,850,717	8,224,811	5,250,000
<i>Chapter 16</i> (excise duty on salt)	18,015,383	24,332,552	28,085,922	29,750,000
<i>Chapter 21</i> (sale of matches)	8,262,000	8,523,000	8,579,029	9,333,333
Total	33,677,903	39,706,269	44,889,762	44,333,333

Payments by refugees for refund of the cost of settlement amounted to:

	May	June	July	Previous payments	Total payments up to July 31st, 1932
	(Leva)				
Interest	45,475	32,417	69,335	2,659,479	2,806,706
Amortisation	83,519	44,101	134,577	14,514,514	14,776,711
Total	128,994	76,518	203,912	17,173,993	17,583,417

These repayments, totalling 409,424 leva, show a further decrease as compared with the previous quarter.

The amount of land tax paid by the refugees (65,172 leva) has also fallen substantially on a par with the progressive abandonment of the collection of this tax already referred to.

(c) *Execution of the Settlement Plan.*

Weather conditions made it impossible this year to resume outdoor works at the normal date. Moreover, it became obvious that administrative liquidation and accounting operations also could not be completed by July 31st. The term of the organ of liquidation has therefore been prolonged by a decision of the Council of Ministers until December 31st, 1932.

The following amounts were still outstanding on August 1st, 1932, in respect of the programme for the completion of the works:

	Leva
Houses	7,185,035
Roads	880,450
Draining of marshes	12,244,183
Preparation of land	131,288
Agricultural material	700,000
Seed and live-stock	9,071,684
Supply of drinking-water	939,533
Overhead expenses	5,113,540
Guarantees and miscellaneous	2,666,163
Total	38,931,876

The resources available amount to:

	Leva
Balance of the Commissioner's account at the National Bank	18,471,847
Balance due from the Government	12,000,000
Balance of the Directorate's account	7,342,972
	37,814,819
Or a provisional deficit of	1,117,057

which the Directorate expects to have no difficulty in covering.

The only works still to be completed are: the erection of some thirty houses, the finishing of the drainage of the Straldja, Messemvria and Mandra marshes, certain works for extending and strengthening the Karaboas dyke on the Danube, certain works for the supply of drinking-water and clearing of land and a few supplies of implements. This programme should easily be completed before the autumn.

Slower progress is being made in winding up the administrative work. Out of the 31,000 individual files to be prepared, only 13,000 are ready, except for the issue of notarial deeds.

VI. 1928 7½% STABILISATION LOAN.

(a) *Position of the Account of the Loan.*

See Appendix 6 to this report. The balance of the account on July 31st, 1932, stood at 39,638,525 leva and was derived exclusively from the block of £1,250,000 assigned to the improvement of means of communication (railways, harbours and roads).

(b) *Yield of Assigned Revenues (Customs) in Leva.*

May	June	July	One-twelfth of the budget estimates
96,585,912	77,922,747	64,834,051	86,250,000

The total Customs revenue, therefore, for the quarter amounted to 239,342,710, as against 256,717,062 leva for the previous quarter and 229,702,943 leva for the period from May to July 1931. Thus, the increased tax on national industry, while not up to budget estimates, has so far somewhat mitigated the effects of the decline in imports.

(c) *Employment of the Loan.*

	Leva	Leva
1. <i>Railways and Harbours.</i> — The total credits assigned to railways and harbours amounted to	672,300,000	
Expenditure incurred up to August 1st, 1932	669,358,709	
Amount remaining to be paid		19,075,674
Amount still available	2,941,291	= 2,941,291
Outstanding expenditure.		22,016,965
Funds held by the Administration	4,410,172	
Balance to be obtained from the proceeds of the loan	17,606,793	
	22,016,965	= 22,016,965
2. <i>Roads and Bridges.</i> — The total credits assigned to the reconstruction of the road system amounted to	182,031,732	
Expenditure incurred up to August 1st, 1932 ¹	178,091,732	
Amount remaining to be paid		18,607,652
Programme for employment of balance		3,940,000
Outstanding expenditure		22,547,652
Funds held by the Administration	515,920	
Balance to be obtained from the proceeds of the loan	22,031,732	
		22,547,652

Appendix 1.

(a) RESULTS AT JUNE 30TH, 1932, OF THE CLOSE OF THE 1931-32 BUDGET.

REVENUE.

	1931-32	Comparison with		Per-centage
		The results for 1930-31	The budget estimates	
		(Millions of leva)		
		I. <i>Ordinary Budget and Incorporated Funds.</i>		
Direct taxes	489.5	— 113.2	— 417.5	— 46
Indirect taxes	1,253.8	— 69.2	— 231.2	— 15
Customs duties	959.6	+ 106.6	— 15.4	— 1.5
Other duties	563.2	— 92.8	— 181.8	— 24
Fines and confiscations	57.8	— 11.5	— 27.2	— 32
Railways and Harbours	103.0	— 22.0	— 22.0	— 17.6
Posts, Telegraphs and Telephones	293.7	+ 10.1	— 9.3	— 3
State domains and capital	279.6	— 108.7	— 250.4	— 47
Contributions of communes, towards teachers' salaries	340.4	— 95.3	— 71.6	— 17
Miscellaneous revenue	654.7	+ 176.9	+ 48.7	+ 8
Revenue from closed financial years	202.5	— 162.8	— 37.5	— 15
Total	5,197.8	— 382.9	— 1,215.2	— 19

¹ The commitments represent the value of the contracts concluded and the excess expenditure estimated.

REVENUE (continued).

	1931-32	Comparison with		Per-centage
		The results for 1930-31	The budget estimates	
		(Millions of leva)		
		II. <i>Separate Budget for Railways and Harbours.</i>		
	1,238.5	+ 78.2	— 270.8	— 17
		III. <i>Extra-budgetary Receipts.</i>		
	39.2	+ 39.2	+ 39.2	
Grand total	6,475.5	— 265.5	— 1,446.8	

EXPENDITURE.

	1931-32	Comparison with			Per-centage
		Budget estimates plus supplementary credits	Figures of monthly budgets	The previous year's expenditure	
		(Millions of leva)			
		I. <i>Ordinary and Extraordinary Budgets and Incorporated Funds</i>			
I. Head of State	64.5	— 5.7	— 4.3	— 19.9	
II. Public Debt	2,155.9	— 256.5	+ 923.9	— 210.5	
III. Audit Office	22.6	— 1.8	— 1.8	+ 1.9	
IV. Foreign Affairs and Public Worship	101.0	— 3.1	+ 10.5	+ 4.5	
V. Orthodox Church	46.3	— 1.1	— 0.3	— 1.9	
VI. Interior	259.8	— 26.0	— 4.3	— 11.6	
VII. Public Health	114.7	— 48.2	— 13.8	— 4.7	
VIII. Education	852.1	— 22.9	— 14.9	— 32.2	
IX. Finance	177.4	— 18.6	— 2.6	+ 2.6	
X. Justice	205.4	— 34.1	+ 37.9	— 27.9	
XI. War	1,010.1	— 99.5	— 70.9	— 75.5	
XII. Commerce	96.6	— 22.0	— 8.3	— 14.2	
XIII. Agriculture and Domains . .	237.4	— 84.6	— 34.5	— 89.7	
XIV. Public Works and Compulsory Labour	274.9	— 96.5	— 30.6	— 83.4	
XV. Directorate of Railways and Harbours	47.3	— 4.7	+ 0.7	— 3.7	
XVI. Posts, Telegraphs, Telephones	206.7	— 20.6	— 0.3	— 9.1	
XVII. Aviation	29.9	— 6.5	— 5.1	— 3.5	
XVIII. Bulgarian Reparation Commission	33.0	— 2.3	+ 3.5	— 3.1	
XIX. Extraordinary budgets from previous financial years . .	11.8	+ 11.8	+ 11.8	+ 3.1	
XX. Supplementary war credits . .	155.4	+ 155.4	+ 99.4	— 10.0	
Expenditure not yet entered .	—	—	—	— 158.6	
Total	6,102.8	— 587.5	+ 896.0	— 747.4	— 11
		II. <i>Separate Budget for Railways and Harbours.</i>			
	1,264.1	— 245.2	+ 251.1	+ 8.4	+ 0.6
	7,366.9	— 832.7	+ 1,147.1	— 739.0	

DETAILED POSITION WITH REGARD TO THE RECOVERY OF DIRECT TAXES FOR THE FINANCIAL YEAR
1931-32.

Taxes	Amounts assessed	Amounts recovered	Col. 2 as a percentage of col. 1
	(Millions of leva)		
I. Land tax (vacant land)	363	73.2	20
II. Patents tax	250	188.0	75
III. Tax on total income	35	20.1	57
IV. Corporation tax	35	25.1	72
V. Tax on buildings	33	14.5	44
VI. Tax on war profits	1	0.06	6
VII. Tax on sheep and goats	60	56.7	94
VIII. Tax on exemption from personal service	50	34.2	68
IX. Tax on successions	40	25.6	64
X. Tax on exemption from military service	40	24.4	61
	907	461.85	51
Paid to the Treasury by the Cereals Directorate	—	27.7	—
	907	489.5	54

(b) BUDGET FOR THE FINANCIAL YEAR 1932-33.

AUTHORISED EXPENDITURE.

	Budget voted for 1932-33	Budget voted for 1931-32 including supplementary credits	Actual expenditure in respect of 1931-32 budget
	(Millions of leva)		
<i>State Budget.</i>			
Head of State	65.8	70.2	64.5
Public Debt	2,018.9	2,412.4	2,155.9
Audit Office	18.3	24.4	22.6
Foreign Affairs and Public Worship	99.9	139.5	134.0
Orthodox Church	43.9	47.4	46.3
Interior	246.3	285.8	259.8
Public Health	150.1	162.9	114.7
Education	890.7	875.0	852.1
Finance	186.2	196.0	177.4
Justice	210.0	239.5	205.4
War	1,030.3	1,109.6	1,010.1
Commerce	103.5	118.6	96.6
Agriculture and Domains	295.6	322.0	237.4
Public Works and Compulsory Labour	336.5	371.4	274.9
General Directorate of Railways and Harbours	51.1	52.0	47.3
Posts, Telegraphs and Telephones	214.9	227.3	206.7
Aviation	36.0	36.4	29.9
Extraordinary budgets for previous financial years	—	—	11.8
Supplementary war credits	—	—	155.4
	5,998.0	6,690.4	6,102.8
Separate budget for Railways and Harbours	1,300.0	1,500.3	1,264.1
	7,298.0	8,190.7	7,366.9

ESTIMATED REVENUE.

	Budget voted for 1932-33	Budget voted for 1931-32	Actual revenue in respect of the 1931-32 budget
	(Millions of leva)		
<i>State Budget.</i>			
Direct taxes	675.1	894	489.5
Indirect taxes	1,531.0	1,485	1,253.8
Customs duties	1,035.0	975	959.6
Other duties	655.2	745	563.2
Fines and confiscations	75.0	85	57.8
Railway annuity	125.1	125	103.0
Posts, Telegraphs and Telephones	391.0	303	293.7
State domains and capital	464.4	530	279.6
Contributions of communes towards teachers' salaries	380.0	412	340.4
Miscellaneous revenue	478.2	606	654.7
Revenue from closed financial years	190.0	240	202.5
	6,000.0	6,400	5,197.8
Separate budget for Railways and Harbours	1,393.0	1,560	1,238.5
Extra-budgetary receipts	—	—	39.2
	7,393.0	7,960	6,475.5

(c) PRELIMINARY RESULTS OF THE EXECUTION OF THE FIRST FOUR MONTHS
OF THE FINANCIAL YEAR 1932-33.

Revenue:

	(Millions of leva)	
Ordinary budget and incorporated funds, extra-budgetary receipts and miscellaneous	1,715.1	
Railways and Harbours	365.7	
	2,080.8	

Expenditure:

Ordinary budget and incorporated funds	122.3	
Extraordinary budgets and supplementary credits	19.8	
Expenditure on provisional or unbooked receipts	1,096.5	
Railways and Harbours	29.4	
	1,268.0	
Provisional surplus for the financial year		812.8
Calls on profits from seigniorage		100.0
		912.8
Expenditure for account of 1931-32		884.4
		28.4
Balance of the Treasury accounts at the National Bank of Bulgaria at July 31st, 1932		28.4

(d) TREASURY SITUATION FOR THE FINANCIAL YEAR 1932-33.

1932	April	May	June	July
	(Millions of leva)			
Balance at the beginning of the month of the Treasury account with the National Bank	0	101	18.9	64.8
<i>Receipts.</i>				
General budget	415	378	572.9	364.4
Railways and Harbours	81	106	100.0	78.5
Calls on profits on seigniorage	—	—	—	100.0
Total	496	585	691.8	607.7
<i>Expenditure.</i>				
Net withdrawals for account of the preceding financial year	169.5	341.9	373.0	14.9 ¹
General budget	225.5	224.2	254.0	535.0
Railways and Harbours	—	—	—	29.4
Balance at the end of the month of the Treasury account with the National Bank	101.0	585.0	691.8	28.4
Total	496.0	585.0	691.8	607.7

¹ Rectification of bookings. The corresponding receipts were collected in June.

(e) COMPARISON BETWEEN THE FIGURES FOR MONTHLY BUDGETS AND THE RECOMMENDATIONS MADE REGARDING THESE FIGURES.

(Expenditure limited to a maximum of 90 per cent of the average of the last three known figures of monthly receipts.)

(Budgets of the State and of the Railways and Harbours.)

FINANCIAL YEAR 1932-33.

Month	Expenditure authorised by the monthly budgets	Average receipts for the last three months known	90 per cent of this average	+ or —
	(Millions of leva)			
1932 April	450.4	530.6	477.6	— 27.2
May	468.4	462.0	416.0	+ 52.4
June	590.4	478.2	430.4	+ 160.0
July	490.4	480.0	432.0	+ 58.4
August	500.0	538.9	485.0	+ 15.0
September	485.0	528.3	475.0	+ 10.0

(f) STATEMENT OF THE POSITION AT APRIL 1ST, 1932, OF THE EXTRA-BUDGETARY FUNDS AND OF THE BUDGET VOTED FOR THESE FUNDS FOR THE FINANCIAL YEAR 1932-33.

(Data supplied by the Ministry of Finance.)

A. FUNDS ATTACHED TO (BUT NOT INCORPORATED IN) THE STATE BUDGET.

(a) *Funds supplied from Public Sources.*

Purpose of the funds	Resources of the funds	Available amounts invested or liquidated as at April 1st, 1932	Budget voted for 1932-33	
			Receipts	Expenditure
(Millions of leva)				
10 funds: national disasters, upkeep of hospitals, schools, reading-rooms; payment of salaries to schoolmasters and teachers, construction of sanatoria, public buildings, etc.	Additional taxes, communal taxes, school taxes, surcharges on postal rates, fees for trade-marks, etc.	68.0	954.1	944.0

(b) *Funds maintained by Receipts from Private Sources.*

4 funds: upkeep of hospitals, sanatoria, schools, amortisation of doubtful claims held by the Agricultural Bank.	Receipts from legacies and bequests, additional interest on loans.	34.0	3.9	4.3
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(c) *Pension Funds.*

1 fund.	Deduction from salaries, contributions by the State and participating administrations.	34.7	836.0	836.0
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(d) *Social Insurance Funds.*

1 fund.	Contributions by employers and employees, interest on capital, proceeds of fines, etc.	1.6	156.0	152.0
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B. FUNDS ATTACHED TO (BUT NOT INCORPORATED IN) THE BUDGET OF THE RAILWAYS (MAINTAINED BY PUBLIC CONTRIBUTIONS).

6 funds: fire insurance, payment of porters' wages, renewals of and additions to material and plant, building of dwellings and rest homes for the staff, etc.	Payments made by the separate budget, proceeds of surtaxes, transports, rents, special taxes, fines, etc.	117.6	391.0	379.0
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Under the existing Bulgarian laws on public accountancy, there are two categories of "funds": (1) the funds incorporated in the general budget; (2) the non-incorporated funds the budgets of which are voted separately by the Sobranje.

The latter is the category analysed in the above table. Of the twenty-two funds which it comprises, four belonging to sub-division A (a)—viz., the funds for paying the salaries of school-teachers and for the upkeep of schools, for the construction of law courts and prisons—are more

in the nature of statistical accounts designed to follow up the receipts from grants-in-aid and ultimately to augment the general budget. Their continuance in the form of separate budgets is, therefore, a complication and a hindrance to adequate control of commitments.

Of the other eighteen funds, those maintained by public contributions might be incorporated in the State budget and the Railways budget respectively.

The separate funds thus remaining would be those maintained by receipts from private sources and the pensions and social insurance funds.

Appendix 2.

(a) POSITION OF THE PUBLIC DEBT.

A. STATE DEBT.		At April 30th, 1932	At July 31st, 1932
(Millions of leva)			
<i>Funded Debt:</i>			
Internal		5,480	5,458
External		16,389	16,244
Charges under the Peace Treaty		4,615	4,629
<i>Floating Debt:</i>			
Internal		808	858
External		—	—
Total		27,292	27,189

B. DEBT GUARANTEED BY THE STATE.

	At April 30th, 1932	At June 30th, 1932
Internal debt	1,990	2,055
External debt	403	400
	2,393	2,455

(b) NEW RETIREMENT PENSIONS SCHEME.

ANALYSIS OF THE CHIEF INNOVATIONS AND IMPROVEMENTS MADE BY THE LAW OF JULY 22ND, 1932.

The general outlines of the system remain unchanged: an autonomous fund administered by the Direction of the Public Debt pays the pensions of all officials and persons assimilated to officials.

I. The requirements regarding age and seniority have been made much more exacting: an official retired on an ordinary pension must be 55 years of age and have 30 years' service, instead of 45 and 25 respectively; for officials discharged, the limits are 50 and 25 instead of 40 and 20.

II. The maximum annual pension is calculated by taking 75 per cent of the average salary earned during the last fifteen years and may not exceed 66,000 leva. The latter maximum, moreover, will be granted only to officials with 33 years' service (soldiers 30). One thirty-third is deducted for each year of service below 33, and 1 per cent added for each additional year, up to a maximum of 5 per cent. The pension may not amount to less than 500 leva monthly. (Under the previous system the pension was calculated at 100 per cent of the average salary for the last six years and the only limitation was the maximum of 66,000 leva.)

III. The deductions made in favour of the pensions fund from salaries and sundry emoluments have been raised from 8 to 10 per cent and lowered from 8 to 6 per cent respectively. Instead of the "grants" hitherto allocated by the State budget to cover the annual deficit of the fund, provision is made for the payment by employing administrations, departments and establishments of a contribution equal to the 10 per cent deducted from salaries.

IV. The new pensions scheme came into force on April 1st, 1932. All pensions previously awarded will be subject to *revision*. Pending actual revision, pensions will still be paid at the old

rate, subject to a deduction of 10 per cent where the monthly amount is less, and 20 per cent where it is more, than 1,000 leva.

This law is a distinct improvement on the previous arrangement. The competent departments reckon that 150 millions will be saved annually, assuming, of course, that other circumstances remain unchanged.

Appendix 3.

FOREIGN EXCHANGE: SALES AND PURCHASES OF THE NATIONAL BANK
DURING THE FIRST SEVEN MONTHS OF 1932.

	January February March April	May	June	July
	(Millions of leva)			
PURCHASES.				
(a) Foreign currency obtained from exports (including credits to clearing accounts)	933.6 (85.1)	216.6 (63.0)	183.3 (61.3)	125.4 (46.6)
(b) Foreign exchange from assets purchased from foreigners (notes, coupons, etc.)	161.3	36.4	47.3	43.3
(c) Foreign exchange purchased as a result of compulsory declarations	61.5	—	—	—
(d) Foreign exchange purchased with the option of redemption	16.3	1.2	0.05	0.06
(e) Foreign exchange purchased from the State	70.9	1.4	1.9	1.1
(f) Revaluation of assets and miscellaneous	53.8	12.9	6.4	8.4
Total purchases	1,297.4	268.5	238.9	178.3
SALES.				
(a) Foreign exchange sold for imports (including debits to clearing accounts)	831.2 (38.3)	114.6 (56.8)	127.7 (48.9)	132.0 (43.7)
(b) Foreign currency sold for students and tourists	37.5	10.1	11.4	9.8
(c) Foreign currency sold for the service of the Public Debt	254.2	54.0	19.9	45.7
(d) Foreign currency sold to the State (Legations, etc.)	38.4	6.0	20.8	15.7
(e) Interest on foreign credits and capital	22.6	6.3	1.9	4.3
(f) Withdrawals of foreign credits and capital	54.6	7.0	9.1	4.1
(g) Foreign exchange sold with the option of redemption	58.1	6.6	1.1	2.8
(h) Revaluation of assets and miscellaneous	104.0	22.9	18.2	23.8
Total sales	1,400.6	227.5	210.1	238.2
Monthly balances	— 103.2	+ 41.0	+ 28.8	— 59.9

Period	Exports according to statistics	Foreign exchange obtained from exports	Per- cent- age	Imports according to statistics	Foreign exchange supplied for imports	Per- cent- age
	(Millions of leva)			(Millions of leva)		
Year 1931	5,934	4,190	77	4,660	3,590	77
1932:						
First four months	1,183	934	79	1,182	832	70
May	292	217	74	370	115	31
June	207	183	88	274	128	46
July	144	125	86	238	132	55

Appendix 4.

ECONOMIC SITUATION.

FOREIGN TRADE.

Value.

	Imports		Exports		Balance	
	(Millions of leva)					
	1930	1931	1930	1931	1930	1931
Complete year	4,605	4,665	5,922	5,934	+ 1,323	+ 1,269
	1931	1932	1931	1932	1931	1932
January	296	246	390	307	+ 94	+ 61
February	309	258	347	286	+ 38	+ 28
March	374	343	582	270	+ 208	— 73
April	451	335	684	320	+ 233	— 15
May	507	370	746	292	+ 239	— 78
June	483	274	359	207	— 124	— 67
July	441	238	335	144	— 106	— 94
First seven months . .	2,861	2,064	3,443	1,826	+ 582	— 238
Monthly average . . .	409	295	492	247		

QUANTITIES IMPORTED AND EXPORTED.

	Imports		Exports	
	1931	1932	1931	1932
	(Tons)			
First seven months . .	158,797	128,546	401,280	342,556

MOVEMENT OF PRINCIPAL ARTICLES OF EXPORT DURING THE FIRST SEVEN MONTHS OF 1931 AND 1932.

	Weight (tons)		Value (millions of leva)	
	1931	1932	1931	1932
Cereals and derivatives .	330,415	274,927	884	668
Tobacco and cigarettes .	14,620	7,925	1,583	511
Attar of roses	0.9	0.5	63	19
Cocoons	177	90	20	9
Nuts	163	18	7	0.7
Live-stock (head)	27,251	4,690	51	7
Live poultry (head) . . .	1,049,807	921,151	49	40
Dead poultry (weight) . .	1,160	1,532	61	60
Eggs	14,186	11,105	474	321
Hides	841	385	73	29

Appendix 5.

POSITION OF THE SPECIAL ACCOUNT OF THE 7% REFUGEE
SETTLEMENT LOAN OF 1926 AS AT JULY 31ST, 1932.

	Sterling block		Dollar block	Yield in leva
	£	s. d.	\$	
(a) <i>Nominal amount:</i>				
£2,400,000				
\$4,500,000				
(b) <i>Net amount.</i>	2,112,000	0 0	3,915,000	
(c) <i>Deduct:</i>	£	s. d.		
Redemption of 1912- 13 Treasury Bonds	625,889	11 6		
Half-year's reserve.	90,000	0 0	168,750 ¹	
Miscellaneous ex- penses: stamps, printing of bonds, etc.	49,474	4 1		
	<hr/>			
		765,363 15 7		
	<hr/>			
	£1,346,636	4 5	\$3,746,250.—	
(d) <i>Add:</i>				
Interest	118,468	14 10	320,107.50	
	<hr/>			
	£1,465,104	19 3	\$4,066,357.50	
(e) <i>Deduct:</i> ²				
Amounts released	£1,465,104	19 3	\$4,066,357.50	
(f) <i>Equivalent in leva of half-year's reserve</i>				83,851,875 ¹
(g) <i>Proceeds in leva of amounts released</i>				1,530,444,274 ²
				<hr/>
				1,614,296,149
<i>Of which was given to:</i>				Leva
1. The Directorate for the settle- ment of refugees.	1,583,824,302			
2. The Government for the recons- truction of the devastated areas (45,000,000 — 33,000,000). . .	12,000,000			
	<hr/>			
		1,595,824,302		1,595,824,302
Surplus available.	£	—	\$ —	Leva 18,471,847 (Deposited with National Bank of Bulgaria)

¹ The equivalent of a half-year's reserve was refunded by the Bulgarian Government out of the proceeds of the Stabilisation Loan, in execution of Article VI, paragraph 2, of the Protocol of March 10th, 1928 (Item 6 of Annex III to that Protocol).

² Not including a sum of £24,144 os. 1d., which was used direct to pay in sterling for material supplied for the Rakowsky-Mastanla Railway.

Appendix 6.

POSITION OF THE SPECIAL ACCOUNT OF THE 7½% STABILISATION LOAN 1928
AS AT JULY 31ST, 1932.

Net yield of the loan.	£1,616,713 13s. 0d. \$11,910,750 French fr. 116,350,000	
Equivalent in leva.		3,365,065,553
Interest payments		5,000,000
		<hr/>
Total.		3,370,065,553
Amount utilised up to July 31st, 1932		3,330,427,028
		<hr/>
Surplus available		39,638,525
