



AUTUMN 2007 ECONOMIC OUTLOOK FOR BULGARIA: ANSWERS FROM BIA

MAIN FORECAST

| | 2007 | 2008 | 2009 |
|--------------------------|------|------|------|
| Real GDP growth | 6.5 | 6.5 | 7.0 |
| Consumer price inflation | 8.0 | 7.5 | 6.0 |
| Unemployment rate | 7.0 | 6.5 | 6.5 |
| Employment growth | 4.3 | 3.5 | 3.0 |

Components of aggregate demand

| Annual % change | 2007 | 2008 | 2009 |
|--|------|------|------|
| Private consumption | 6.7 | 6.7 | 7.0 |
| Public consumption | 1.7 | 1.5 | 1.5 |
| Investment (Gross fixed capital formation) | na | na | na |
| Exports | 4.2 | 5.0 | 6.0 |
| Imports | 11.0 | 9.0 | 7.0 |

ECONOMIC SENTIMENT

| | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Question 1 | Positive | Negative | Unchanged | | |
| Trend in business climate over the next 6 months | Industry Services | | | | |
| Question 2 | Positive | Negative | Unchanged | | |
| Trend in profitability over the next 6 months | Industry Services | | | | |
| Question 3 | Increase (faster pace) | Increase (slower pace) | Unchanged | Decrease (slower pace) | Decrease (faster pace) |
| Investment intentions over the next 6 months (compared to the last 12 months) | | Industry Services | | | |
| Question 4 | Replacement | Extension | Rationalisation | Innovation | |
| Driving force behind investment decisions in the next six months | Up | Up | Same | Same | |
| Question 5 | Positive | Negative | Unchanged | | |
| Trend in consumer confidence over the next 6 months | yes | | | | |
| Question 6 | Industry: past 6 months | Industry: next 6 months | Services: past 6 months | Services: next 6 months | |
| Overall trend in employment | Up | Same | Up | Same | |
| Question 7 | Higher / more difficult | Same | Lower / less difficult | | |
| Compared to 6 months ago, SME's cost/access to capital for business development will be... | Cost Access | | | | |
| Question 8 | to a large extent | to some extent | not at all | | |
| Effect of financial market turmoil on assessment of financing conditions for next 6 months ... | | yes | | | |

MAIN RISKS

| | | | |
|---|-----------------------|--|-----------------------|
| Question 9 | Dollar per Lev | Question 10 | Dollar per Lev |
| Above which EUR/USD level will the national economy be significantly hurt ? | 1.40 | Where will the EUR/USD stand in April 2008 ? | 1.35 |

POLICY MIX

| | | | | | |
|--|---|---------------------------------|--|--|---|
| Question 11 | Excellent | Satisfactory | Neither satisfactory nor unsatisfactory | Unsatisfactory | Deteriorating |
| Progress towards medium-term budgetary objective is... | | | yes | | |
| Question 12 | Tight, appropriate for the euro area | Tight | Appropriate | Loose | Loose, appropriate for the euro area |
| Monetary policy is... | | yes | | | |
| Question 13 | Robust growth and above-target inflation | Downside risks to growth | Risks to price stability from high oil prices | Risks from money supply and credit growth | Risks of euro appreciation |
| Focus on elements of the ECB analysis underlying its current policy stance is... | appropriate | appropriate | excessive | appropriate | appropriate |
| Question 14 | Adequate | Inadequate | | | |
| Consistency between the fiscal and the monetary policies | | yes | | | |