

## SPRING 2008 ECONOMIC OUTLOOK FOR BULGARIA: ANSWERS FROM BIA

| MAIN FORECAST   |   |                                |                                |  |                               |                      |
|---|---|--------------------------------|--------------------------------|--|-------------------------------|----------------------|
|   | <b>2007</b>                                     | <b>2008</b>                    | <b>2009</b>                    |  |                               |                      |
| Real GDP growth   | 6.5   | 6.5                            | 6.0                            |  |                               |                      |
| Consumer price inflation  | 12.0  | 8.0                            | 7.0                            |  |                               |                      |
| Unemployment rate   | 6.6   | 6.5                            | 6.0                            |  |                               |                      |
| Employment growth   | 4.0   | 3.7                            | 3.5                            |  |                               |                      |
| <b>Components of aggregate demand</b>   |   |                                |                                |  |                               |                      |
| <i>Annual % change</i>  | <b>2007</b>                                     | <b>2008</b>                    | <b>2009</b>                    |  |                               |                      |
| Private consumption   | 6.5   | 6.5                            | 6.2                            |  |                               |                      |
| Public consumption  | 1.2   | 1.2                            | 1.2                            |  |                               |                      |
| Investment (Gross fixed capital formation)  | na  | na                             | na                             |  |                               |                      |
| Exports   | 6.5   | 7.0                            | 7.5                            |  |                               |                      |
| Imports   | 12.0  | 11.5                           | 10.0                           |  |                               |                      |
| ECONOMIC SENTIMENT  |   |                                |                                |  |                               |                      |
|   | <b>Positive</b>                                 | <b>Negative</b>                | <b>Unchanged</b>               |  |                               |                      |
| <b>Trend in business climate over the next 6 months</b>                                     | Industry  |                                | Services                       |  |                               |                      |
|   | <b>Positive</b>                                 | <b>Negative</b>                | <b>Unchanged</b>               |  |                               |                      |
| <b>Trend in profitability over the next 6 months</b>  | Industry  |                                | Services                       |  |                               |                      |
|   | <b>Increase (faster pace)</b>                   | <b>Increase (slower pace)</b>  | <b>Unchanged</b>               | <b>Decrease (slower pace)</b>                  | <b>Decrease (faster pace)</b> |                      |
| <b>Investment intentions over the next 6 months</b>   | Industry  |                                |                                |  |                               |                      |
|   | Services  |                                |                                |  |                               |                      |
|   | <b>Replacement</b>                              | <b>Extension</b>               | <b>Rationalisation</b>         | <b>Innovation</b>                              |                               |                      |
| <b>Driving force behind investment decisions in the next 6 months</b>                       | Up  | Same                           | Same                           | Same   |                               |                      |
|   | <b>Positive</b>                                 | <b>Negative</b>                | <b>Unchanged</b>               |  |                               |                      |
| <b>Trend in consumer confidence over the next 6 months</b>                                  |   | yes                            |                                |  |                               |                      |
|   | <b>Industry: past 6 months</b>                  | <b>Industry: next 6 months</b> | <b>Services: past 6 months</b> | <b>Services: next 6 months</b>                 |                               |                      |
| <b>Overall trend in employment</b>  | Up  | Up                             | Same                           | Up   |                               |                      |
|   | <b>Higher / more difficult</b>                  | <b>Same</b>                    | <b>Lower / less difficult</b>  |  |                               |                      |
| <b>Over the next 6 months, cost/access to finance will be...</b>                            | Cost  | Access                         |                                |  |                               |                      |
|   | <b>to a large extent</b>                        | <b>to some extent</b>          | <b>to a limited extent</b>     | <b>not at all</b>                              |                               |                      |
| <b>Financial market turmoil has affected companies' investment decisions negatively ...</b> |   | yes                            |                                |  |                               |                      |
| EXCHANGE RATE DEVELOPMENTS  |   |                                |                                |  |                               |                      |
|   | <b>Dollar per euro</b>                          |                                |                                |  |                               |                      |
| <b>Where will the EUR/USD stand in October 2008 ?</b>                                       | 1.51  |                                |                                |  |                               |                      |
| POLICY MIX  |   |                                |                                |  |                               |                      |
|   | <b>Not necessary, situation is satisfactory</b> | <b>Excellent</b>               | <b>Satisfactory</b>            | <b>Neither satisfactory nor unsatisfactory</b> | <b>Unsatisfactory</b>         | <b>Deteriorating</b> |
| <b>Progress towards medium-term budgetary objective is...</b>                               |   |                                | yes                            |  |                               |                      |
|   | <b>Tight</b>                                    | <b>Appropriate</b>             | <b>Loose</b>                   |  |                               |                      |
| <b>Monetary policy is...</b>  |   | yes                            |                                |  |                               |                      |
|   | <b>Adequate</b>                                 | <b>Inadequate</b>              |                                |  |                               |                      |
| <b>Consistency between fiscal and monetary policies</b>                                     |   | yes                            |                                |  |                               |                      |