



AUTUMN 2010 ECONOMIC OUTLOOK FOR BULGARIA: ANSWERS FROM BIA

MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	0.2	2.0
Consumer price inflation	2.0	2.5
Unemployment rate	10.0	10.5
Employment growth	-0.5	-1.0
government net lending (% of GDP)	-3.0	-2.5
gross public debt (% of GDP)	11.0	16.0
current account balance (% of GDP)	-3.0	-3.2

Components of aggregate demand - in real terms

<i>Annual % change</i>		
Private consumption	-4.0	1.0
Public consumption	-5.0	-2.0
Investment (Gross Fixed Capital Formation)	-5.0	-2.0
Private non-residential investment	-2.0	1.0
Exports	3.0	4.5
Imports	-5.0	-2.0

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
Trend in business climate over the next 6 months	Industry	Services	

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
Trend in profitability over the next 6 months	Industry		Services

	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>
Investment intentions over the next 6 months				Industry	Services

	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
Influence on companies' investment decisions	positive	positive	negative	negative	neubgal	positive

	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>
Driving force behind investment decisions in the next 6 months	neutral	positive	neutral	neutral

	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>
Overall trend in employment	Down	Up	Down	Down

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

Compared to 6 months ago, cost/access to finance has been...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>		Cost Access		
<i>for larger companies (>250 employees)</i>		Cost Access		
Over the next 6 months, cost /access to finance will be...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>		Cost Access		
<i>for larger companies (>250 employees)</i>		Cost Access		
Measures to alleviate current financial difficulties for SMEs	Measures to improve bank lending capacity	Facilitating access to capital markets (corporate bonds and stock markets)	Improving conditions for equity financing	
	Important effect	Moderate effect	Very important effect	

POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i> yes	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i>	<i>inadequate</i> yes			
<i>Regarding the sustainability of public finances, government shows ...</i>	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i> yes	<i>no clear commitment creating an extremely worrying situation</i>
<i>Exit Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>Tight fiscal rules and more effective institutions</i>					yes
<i>Greater efficiency of public administrations</i>					yes
<i>Credible cost-cutting measures</i>					yes
<i>Increased scope of public-private partnerships</i>					yes
<i>Reform of pension systems</i>				yes	
<i>Improved efficiency of healthcare sector</i>				yes	
<i>Entry Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>More and better-targeted education and training</i>					yes
<i>More and better targeted R&D and innovation efforts</i>					yes
<i>Prioritisation of infrastructure investments</i>				yes	
<i>Growth enhancing tax reforms</i>					yes
<i>In 2015, the government deficit will...</i>	<i>respect the 3% limit</i> yes	<i>be in balance</i> no			