



SPRING 2011 ECONOMIC OUTLOOK FOR BULGARIA: ANSWERS FROM BIA

MAIN FORECAST

<i>Annual % change</i>	2010	2011
Real GDP growth	0,2	1,0
Consumer price inflation	4,4	5,0
Unemployment rate	10,2	10,5
Employment growth	-2,9	-0,2
Government net lending (% of GDP)	0,0	0,0
Gross public debt (% of GDP)	0,2	0,2
Current account balance (% of GDP)	0,0	0,0

Components of aggregate demand - in real terms

<i>Annual % change</i>		
Private consumption	0,0	0,0
Public consumption	-0,1	0,0
Investment (Gross Fixed Capital Formation)	-0,2	0,1
Private non-residential investment	0,0	0,0
Exports	0,2	0,2
Imports	0,0	0,1

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
Trend in business climate over the next 6 months	Industry					
	Services					
Trend in profitability over the next 6 months	Industry					
	Services					
Investment intentions over the next 6 months	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>	
	Industry					
			Services			
Influence on companies' investment decisions	<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>
	neutral	negative	negative	negative	neubgal	neubgal
Driving force behind investment decisions in the next 6 months	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>		
	positive	neutral	neutral	positive		
Overall trend in employment	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>		
	Down	Same	Down	Up		

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	sharply up / restrained	up / more difficult	same	down / easier
		Cost Access		
<i>for larger companies (>250 employees)</i>		Cost Access		
<i>Over the next 6 months, cost /access to finance will be... for SMEs</i>	sharply up / restrained	up / more difficult	same	down / easier
			Cost Access	
<i>for larger companies (>250 employees)</i>			Cost Access	

	Consolidation of banking sector balance sheets	Access to capital markets	Engcouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
<i>Measures to alleviate current financial difficulties for SMEs</i>	Mobgrate effect	Mobgrate effect	Important effect	Important effect	Important effect
	Consolidation of banking sector balance sheets	Access to capital markets	Engcouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Mobgrate effect	Mobgrate effect	Important effect	Important effect	Important effect

POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate yes</i>	<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 yes</i>	<i>inadequate</i>			
<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>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Exit Strategies</i>					
<i>Tight fiscal rules and more effective institutions</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>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>More and better-targeted education and training</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 R&D and innovation efforts</i>				yes	
<i>Prioritisation of infrastructure investments</i>		yes		yes	
<i>Growth enhancing tax reforms</i>				yes	
<i>In 2015, the government deficit will...</i>	<i>respect the 3% limit yes</i>	<i>be in balance no</i>			