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BULGARIAN ECONOMY: WEATHERING THE CURRENT CRISIS AND OUTLOOK

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BULGARIAN NATIONAL BANK



DRIVERS OF GROWTH AND ADJUSTMENT

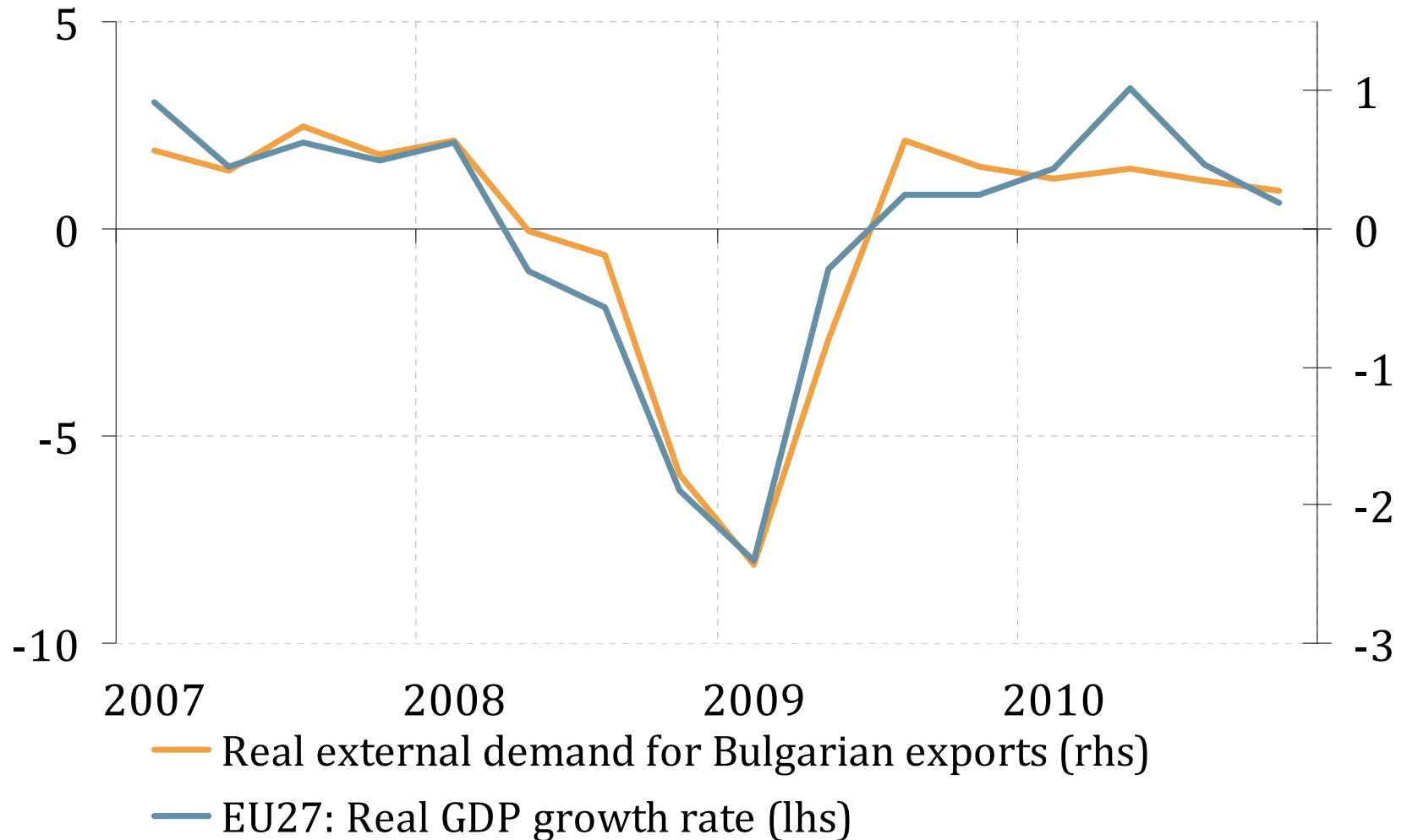
- Since 1997 economic growth was driven by domestic factors such as stability oriented macroeconomic policy and structural reforms, integration in the EU, and favorable external environment (capital inflows and cost of financing)
- Over the time structure of growth was shifting from consumption driven to investment driven with widening negative contribution of net export (caused by inflow of capital and import of investment goods and raw materials)
- Adjustment during the crisis went through two channels: weaker foreign demand for our export and lower inflow of capital

Initial conditions

	2005-2008 average
Real GDP growth	6.4
Current account balance, % of GDP	-19.4
FDI, % of GDP	21.3
HICP inflation, annual average	8.2
Employment growth	3.0
Fiscal Balance, % of GDP	1.4
Growth of credit to NGS	37.8

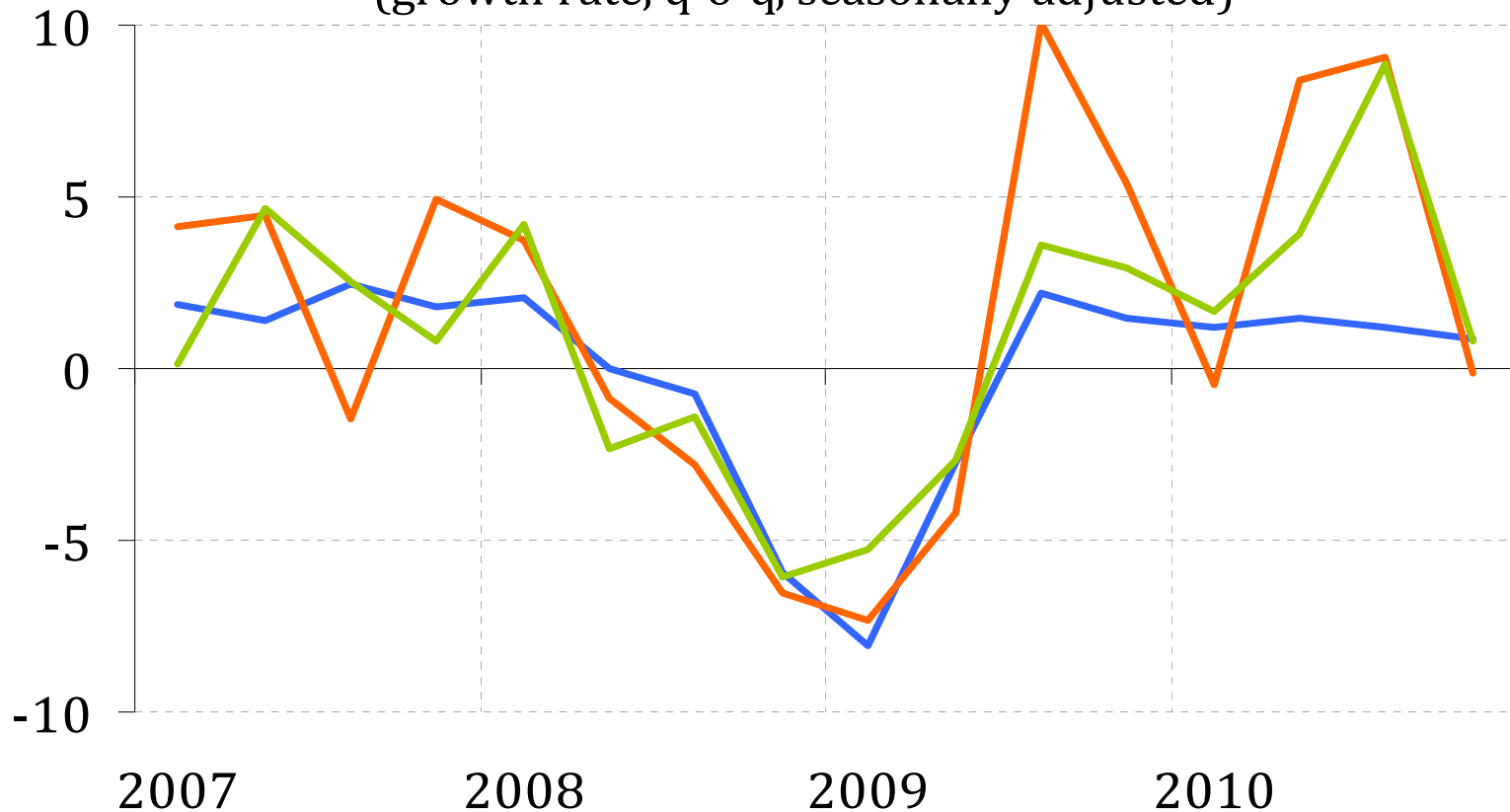
External demand conditions

(growth rate, q-o-q, seasonally adjusted)



Real exports and external demand

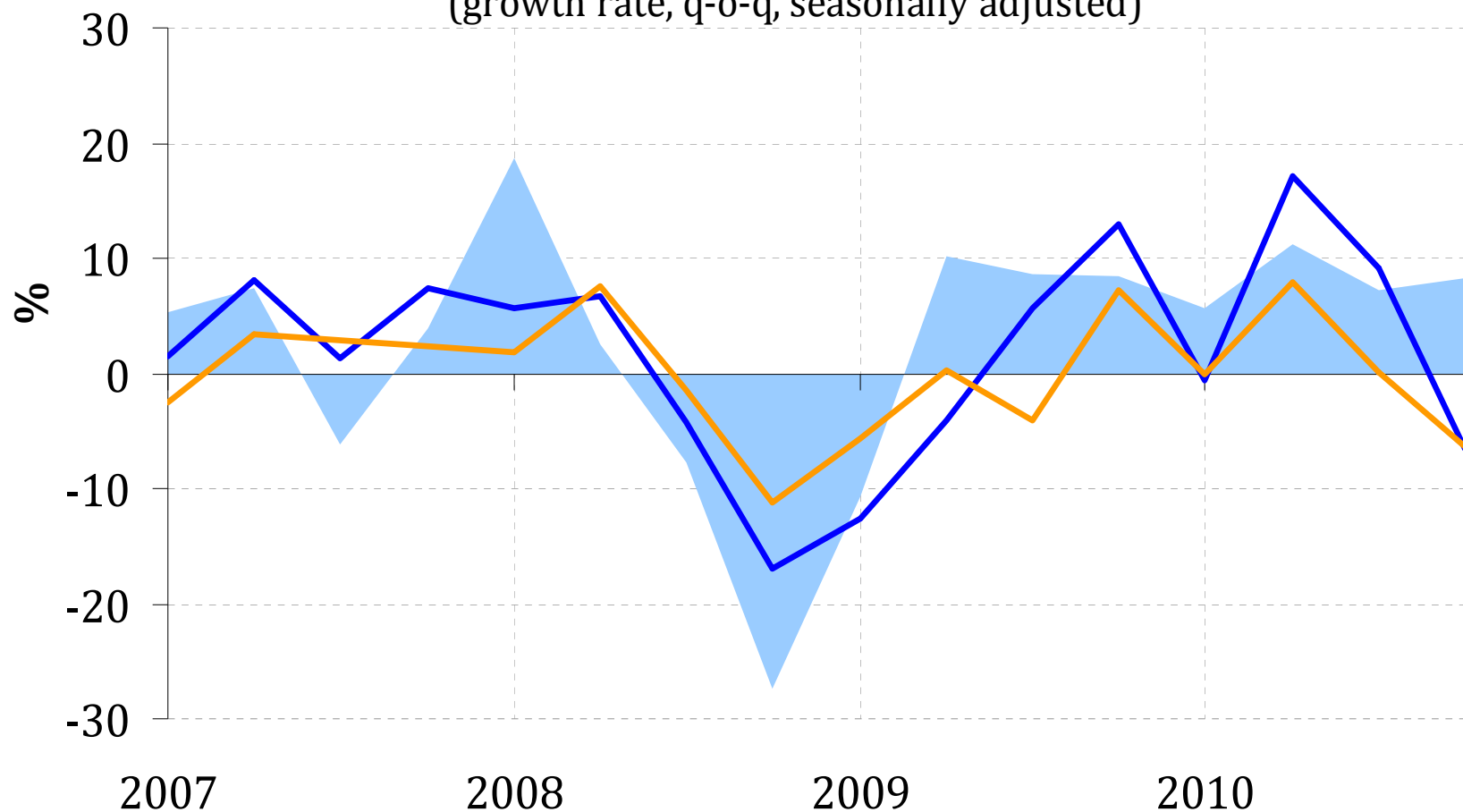
(growth rate, q-o-q, seasonally adjusted)



- External demand for Bulgarian exports
- Bulgaria: Exports of goods
- Bulgaria: Exports of goods and services

World market prices and nominal exports of goods

(growth rate, q-o-q, seasonally adjusted)

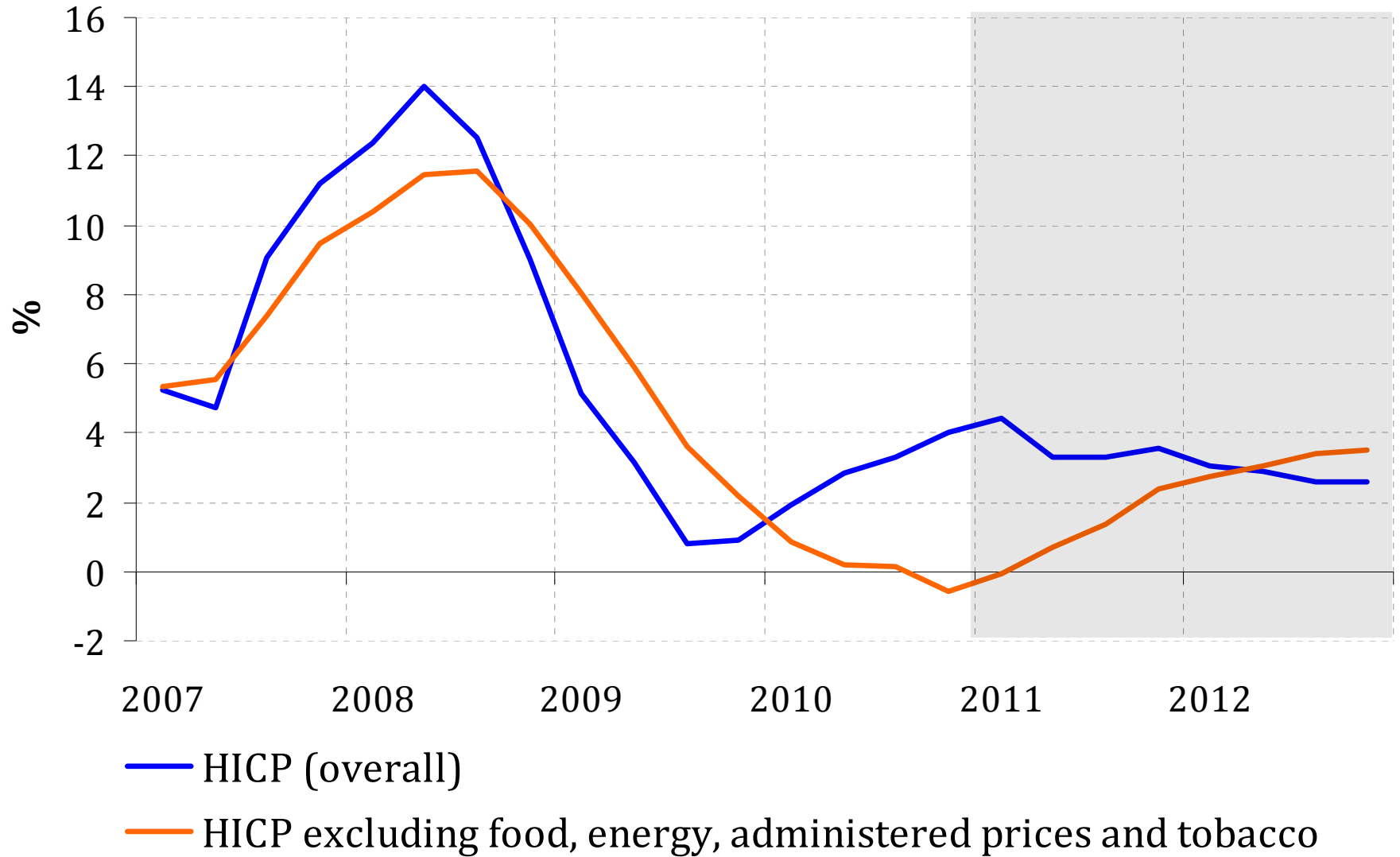


Non-energy commodity prices (NSA)

Bulgaria: Exports of goods (value)

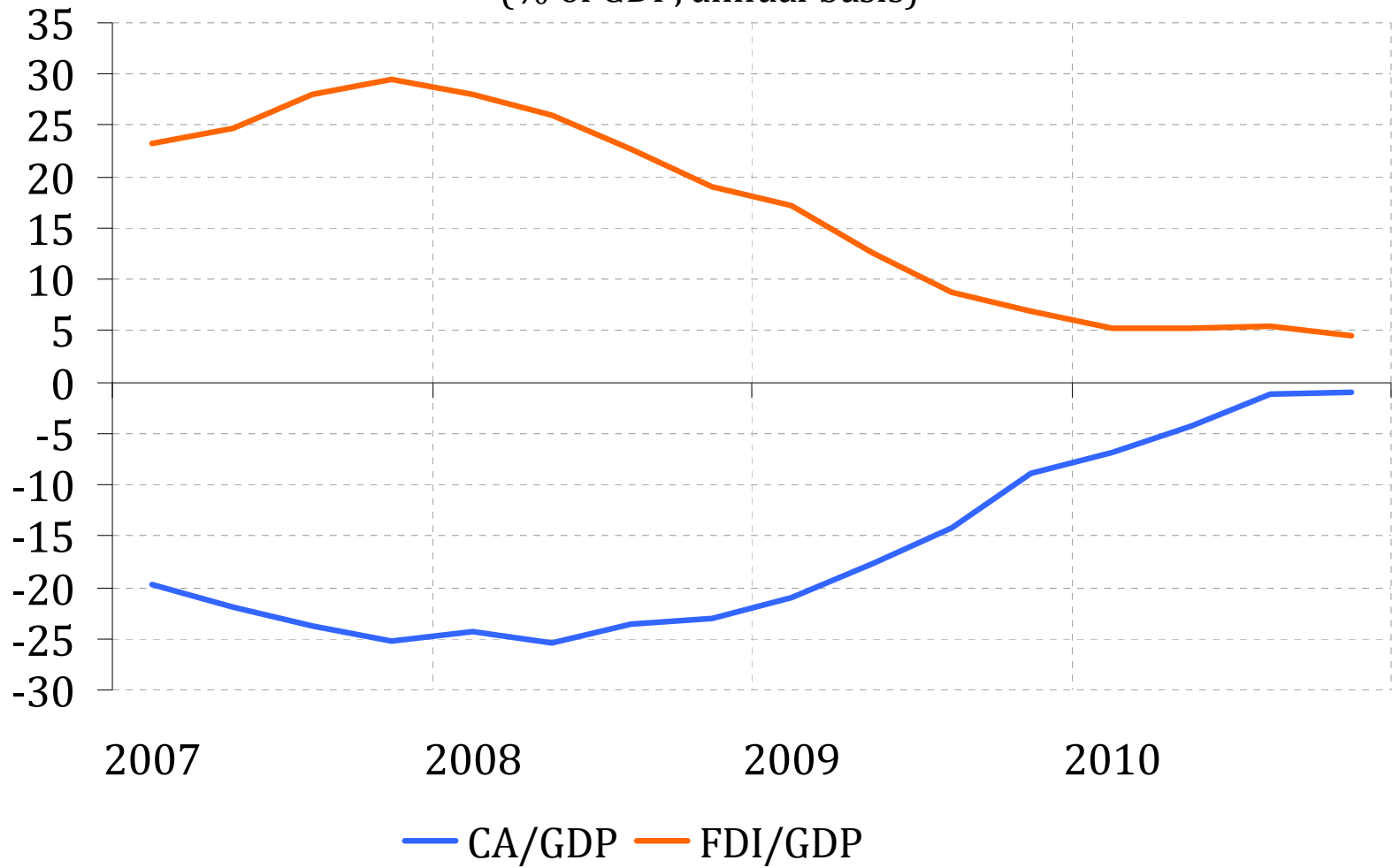
Bulgaria: Exports of goods (deflator)

Inflation (annual rate)



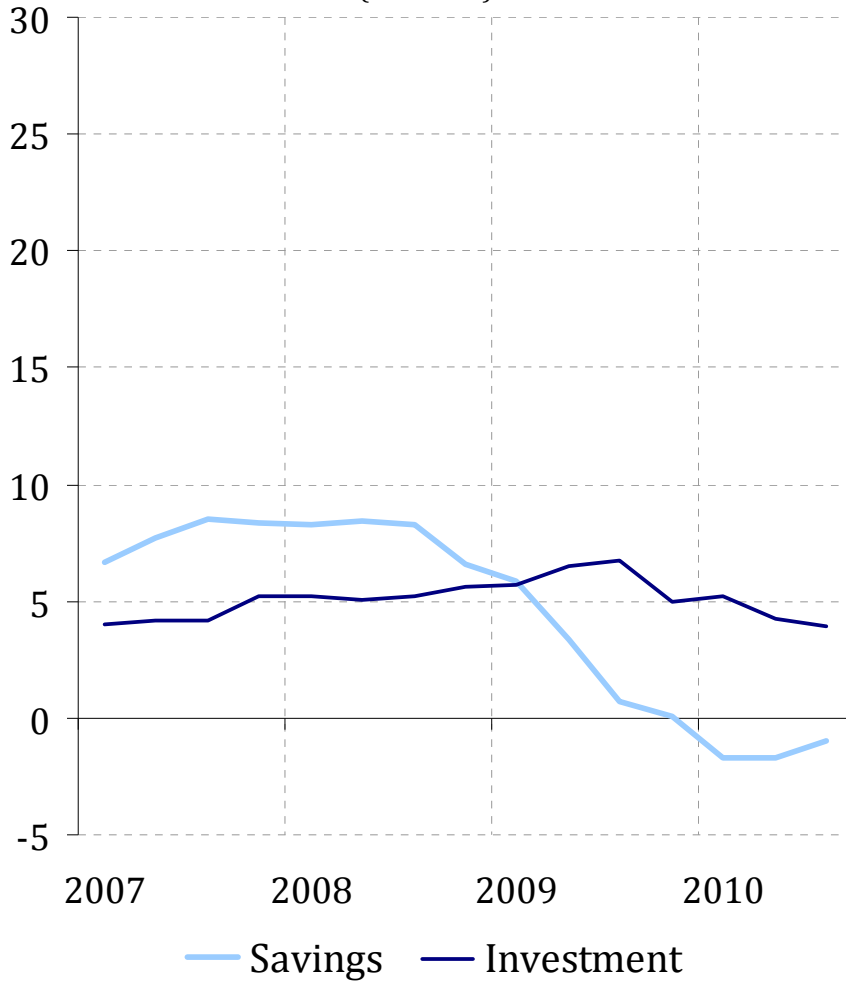
FDI and Current Account

(% of GDP, annual basis)



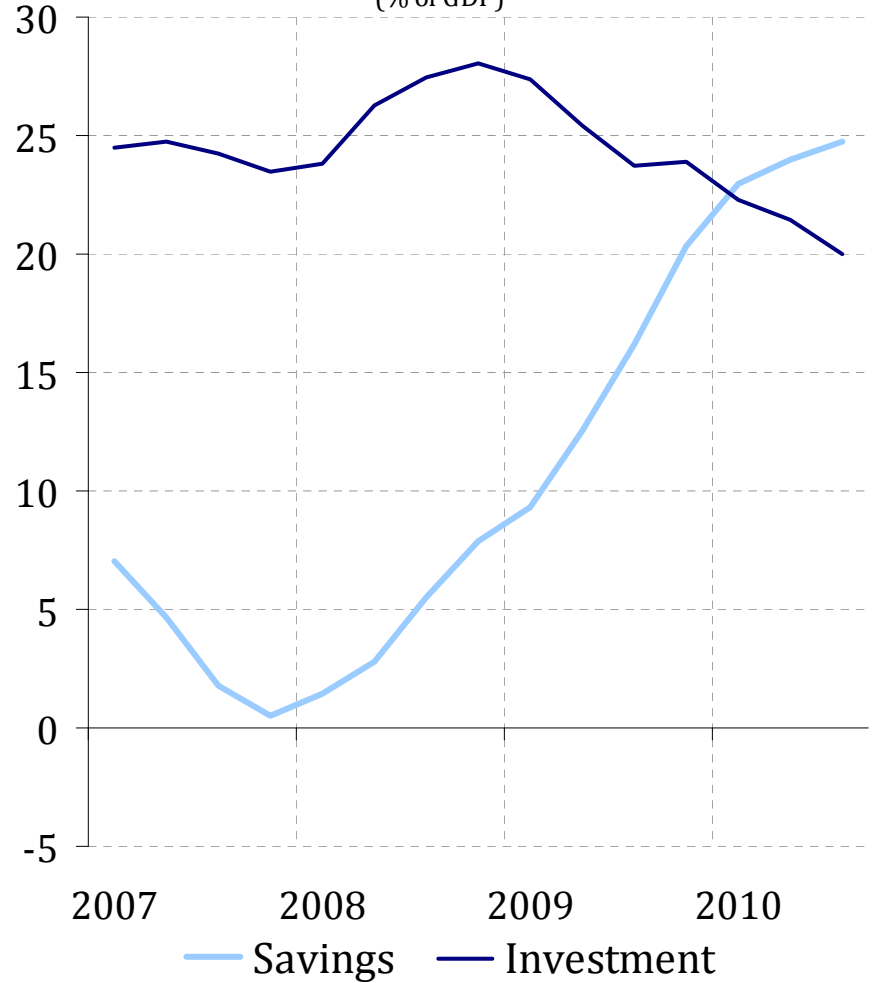
Government

(% of GDP)



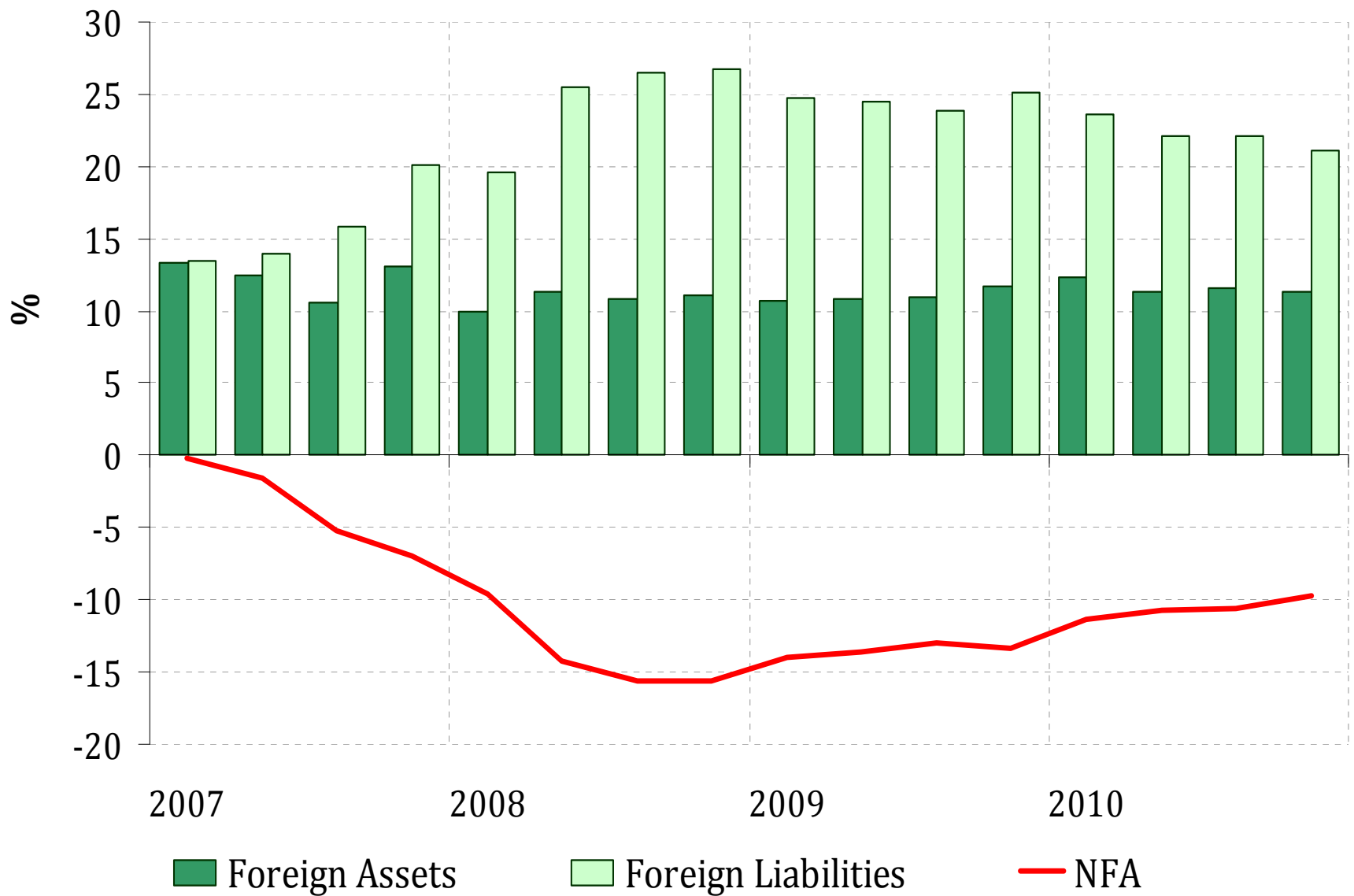
Private Sector

(% of GDP)

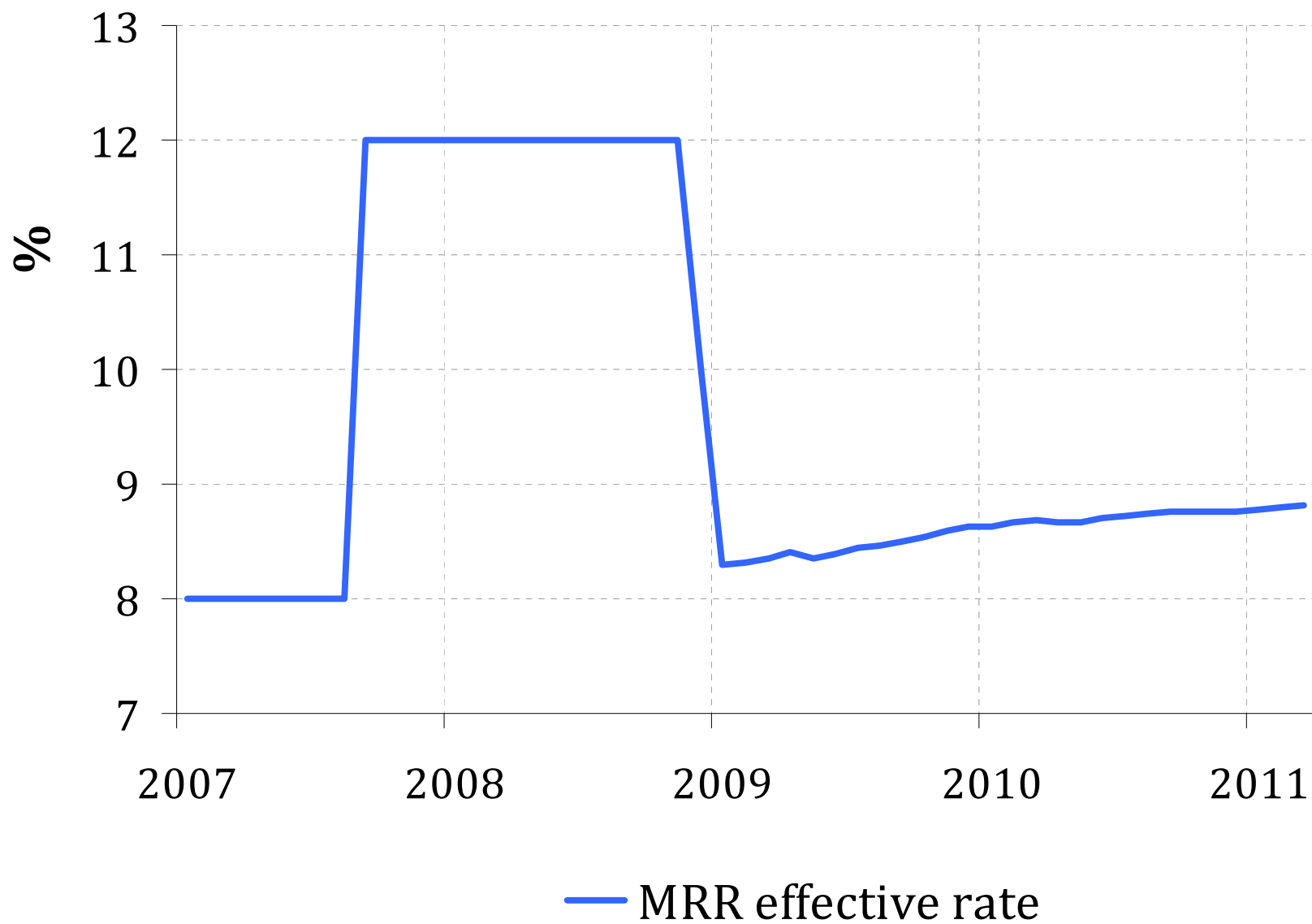


Net foreign assets of banks

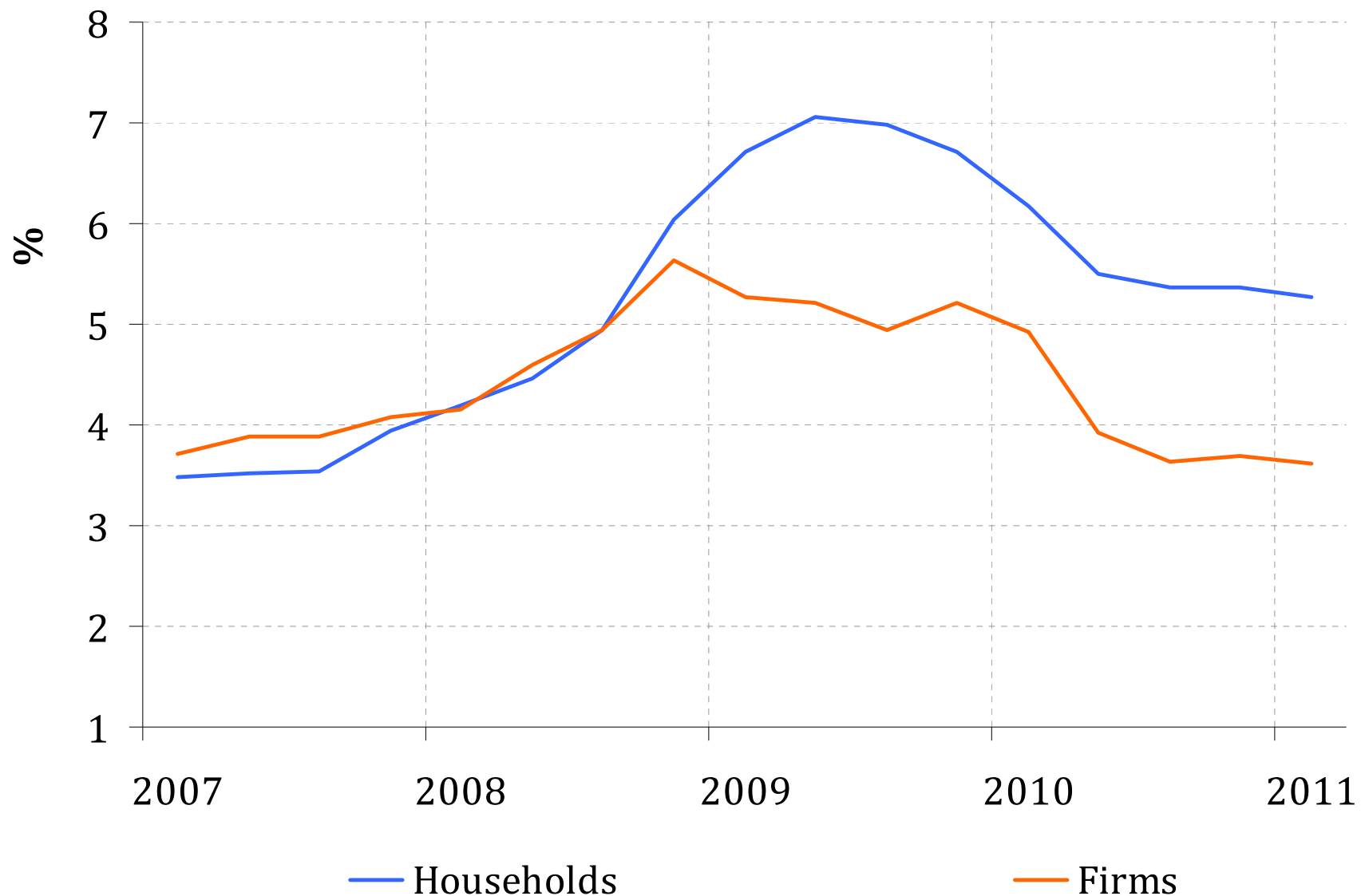
(% of GDP)



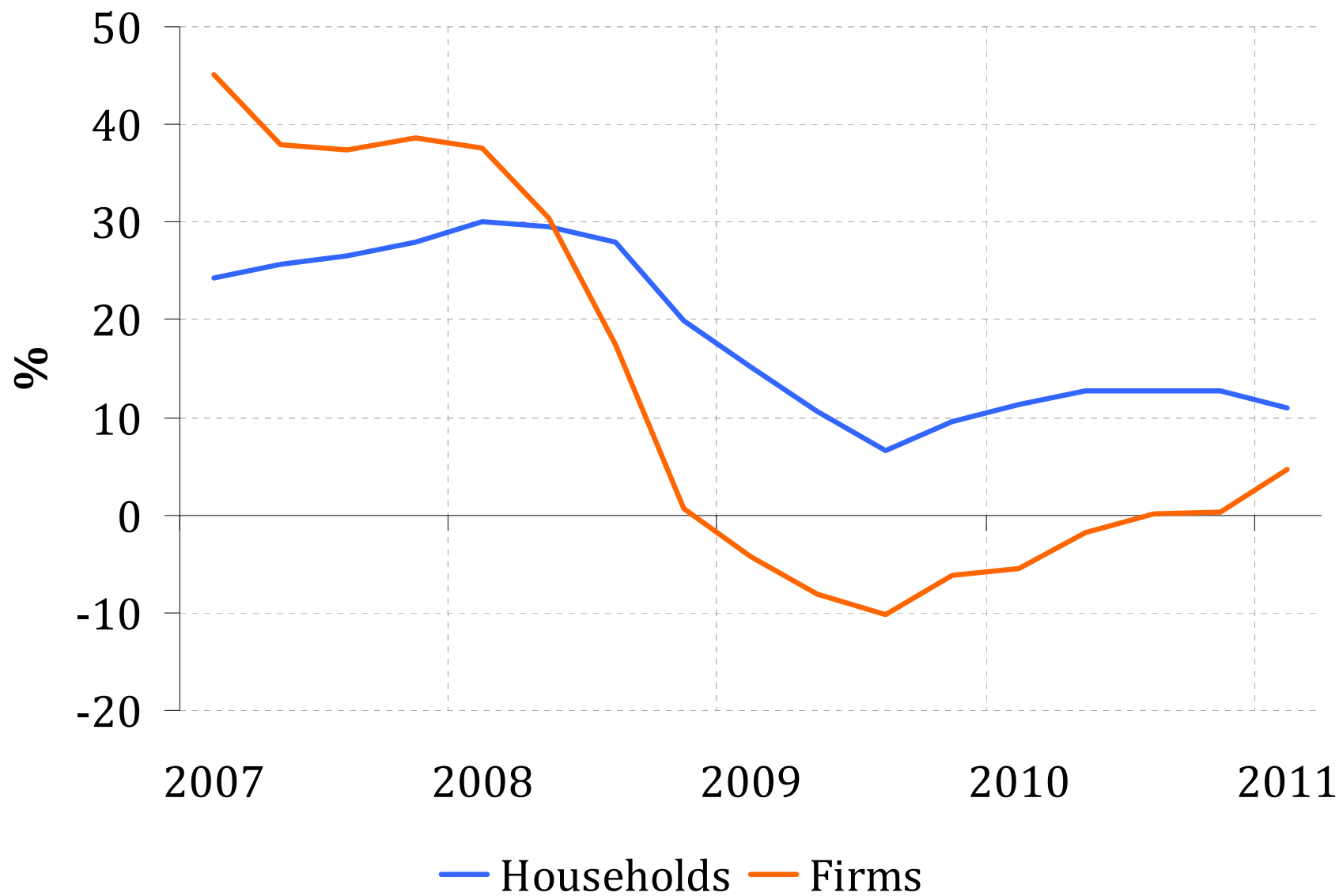
Minimum required reserves rate



Interest rates on deposits

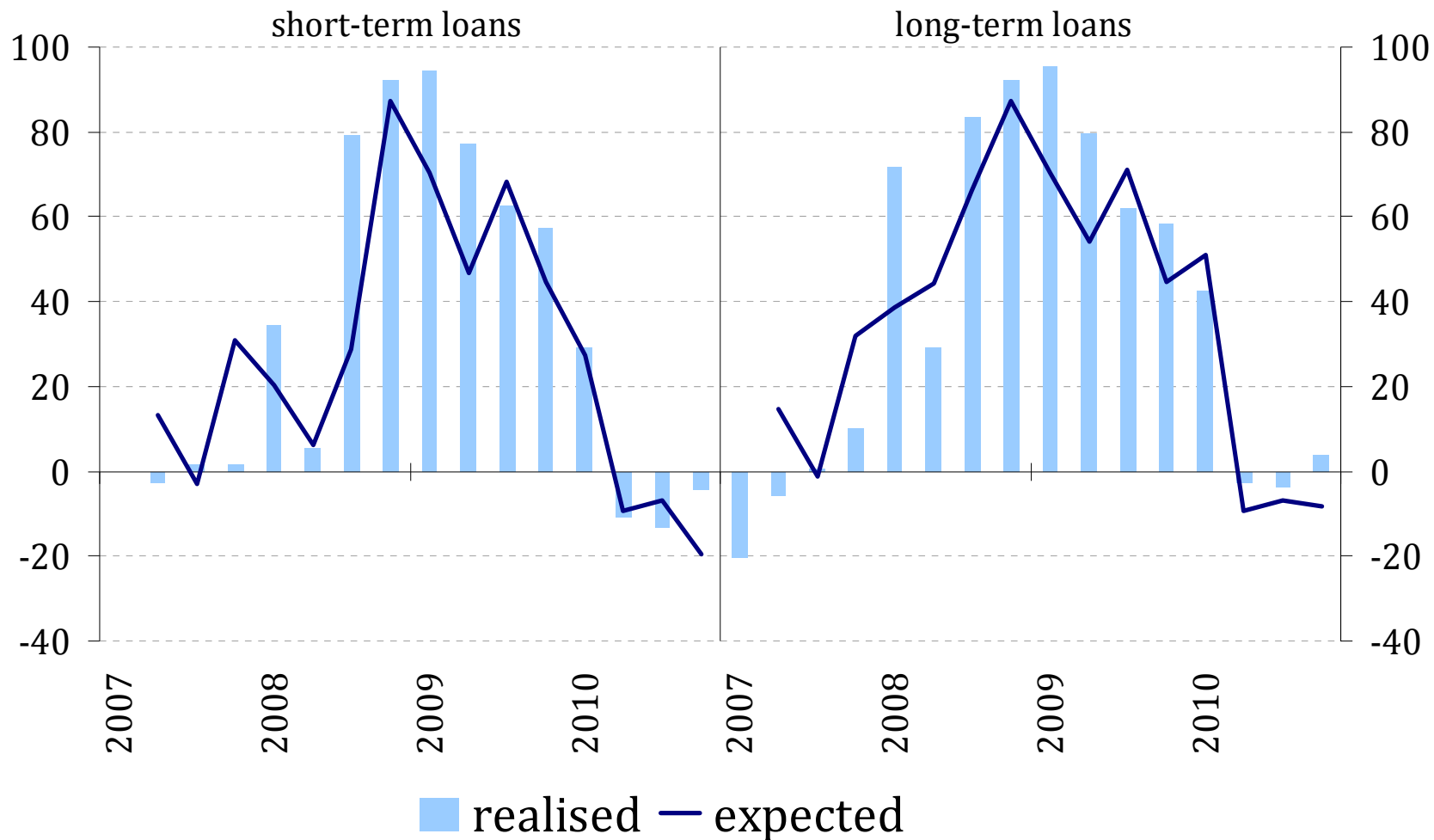


Deposits (annual growth)

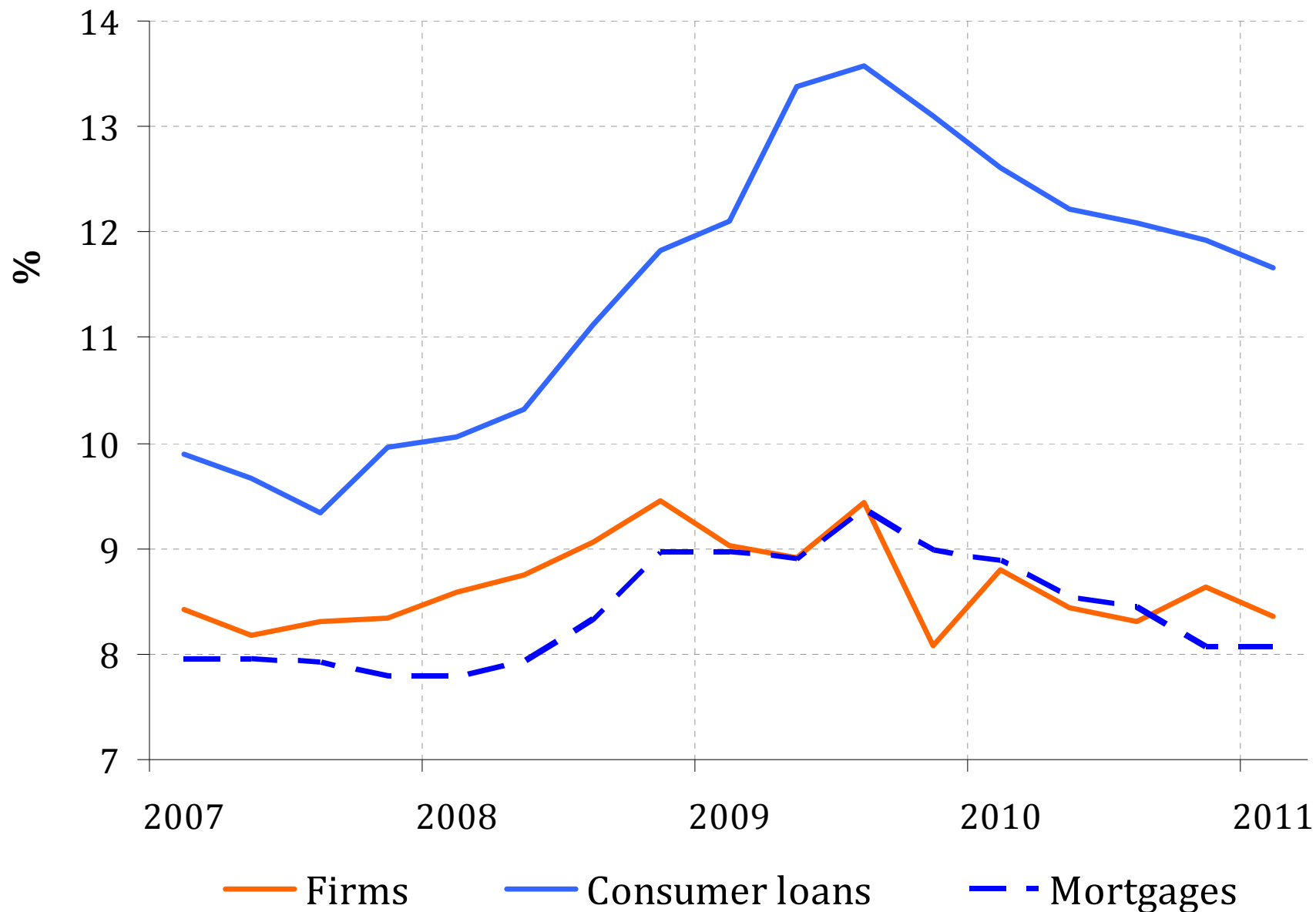


Credit standards applied to the approval of loans to enterprises

(net percentages of banks contributing to tightening standards)

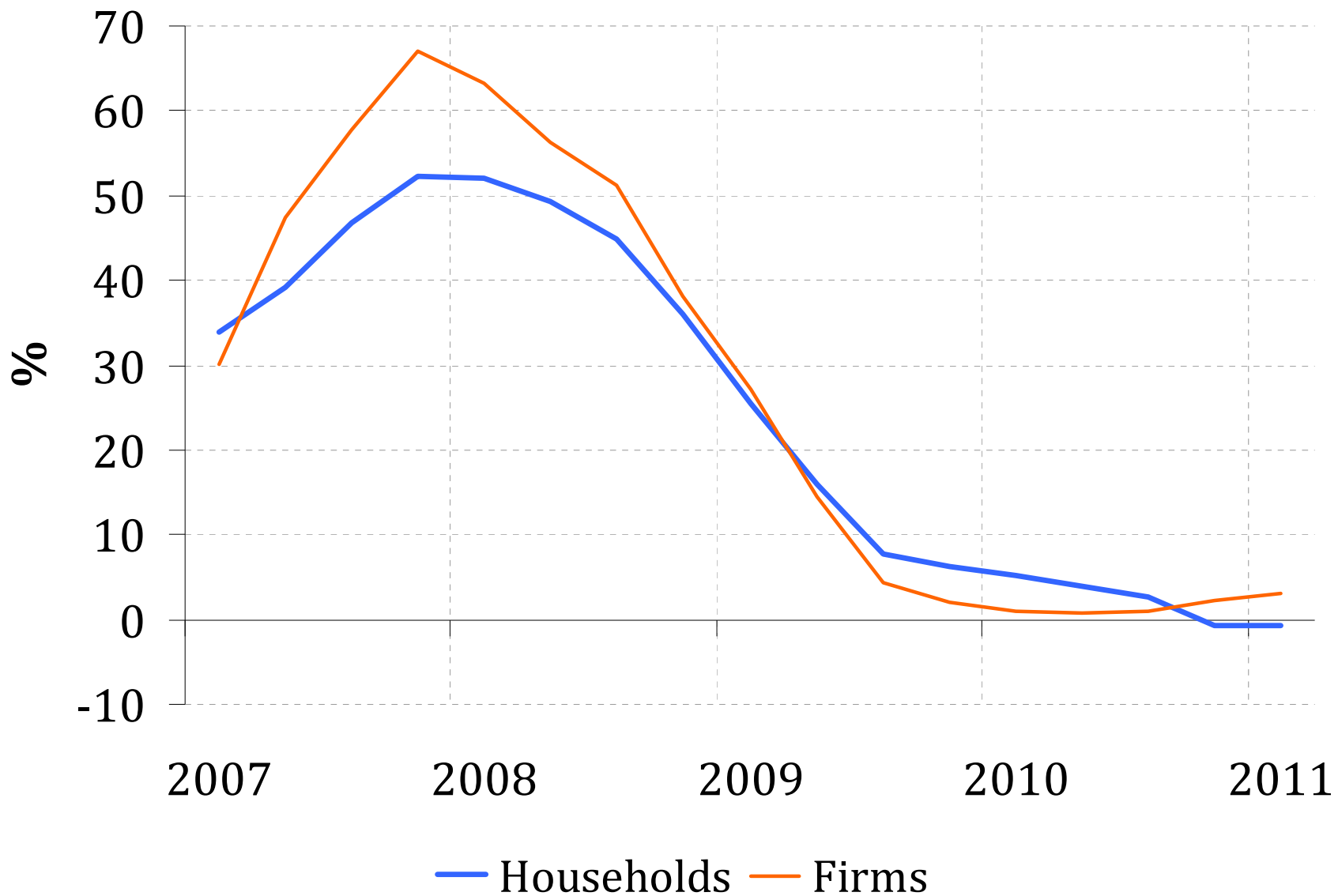


Interest rates on loans

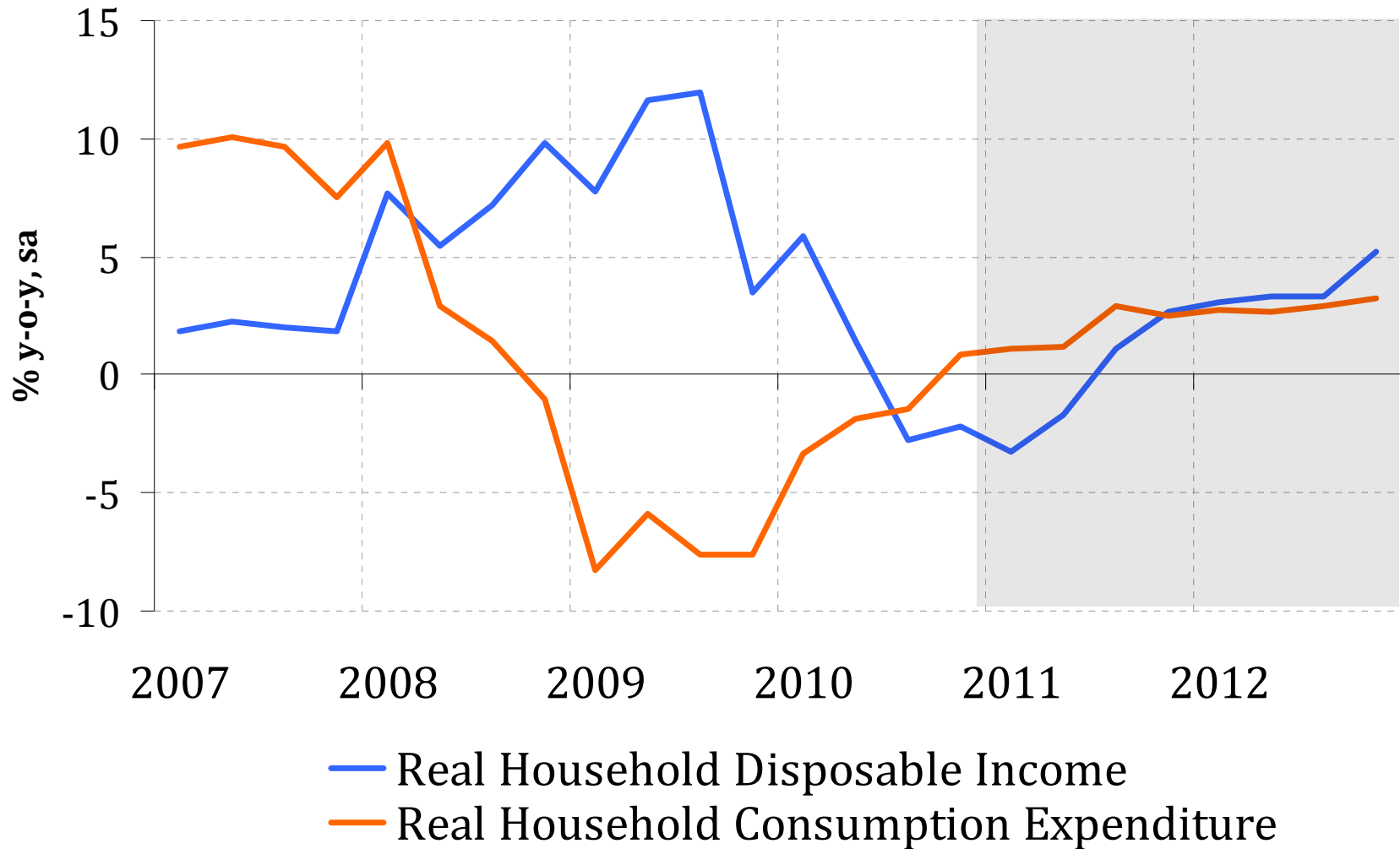


Credit

(annual growth)

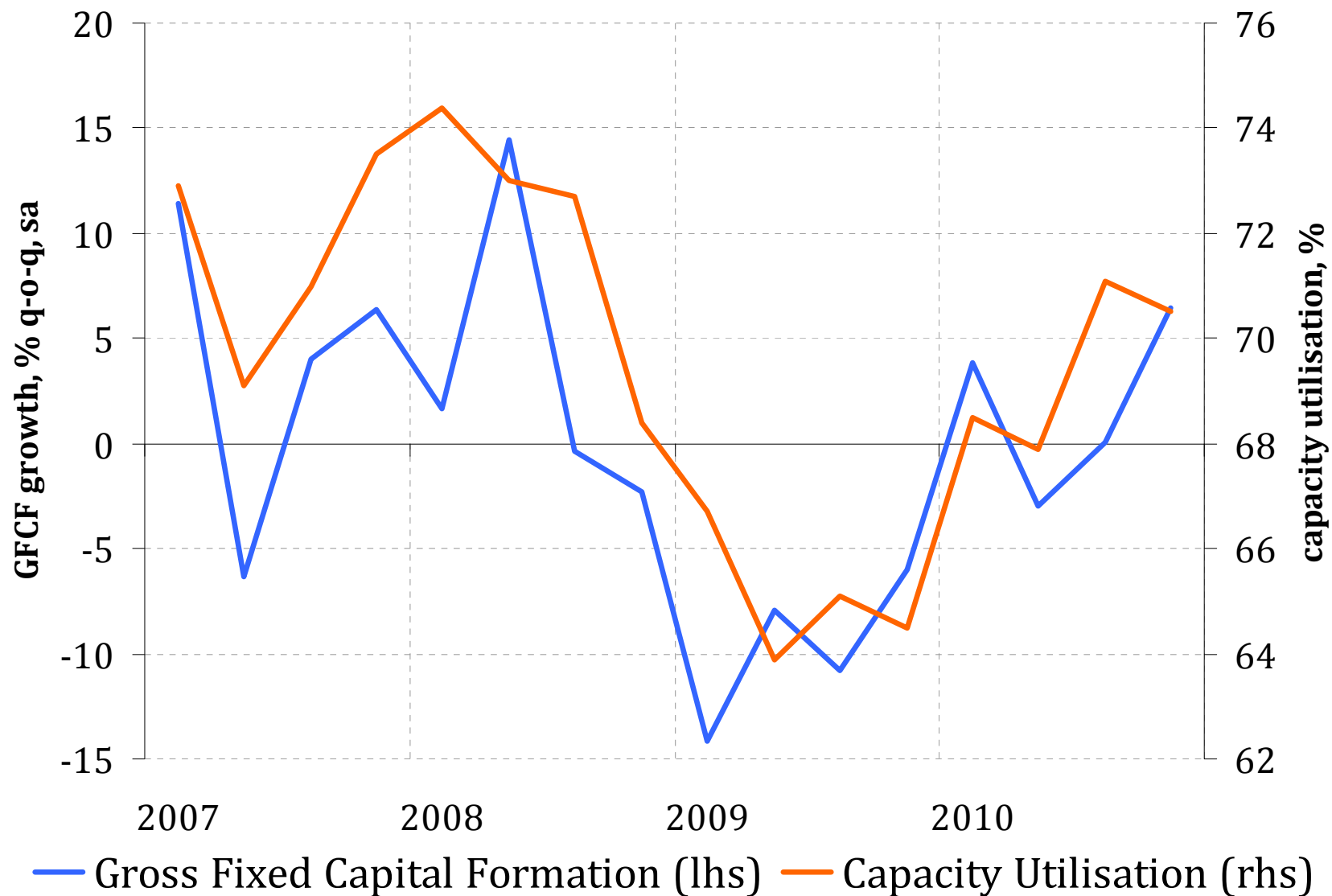


Consumer Behaviour

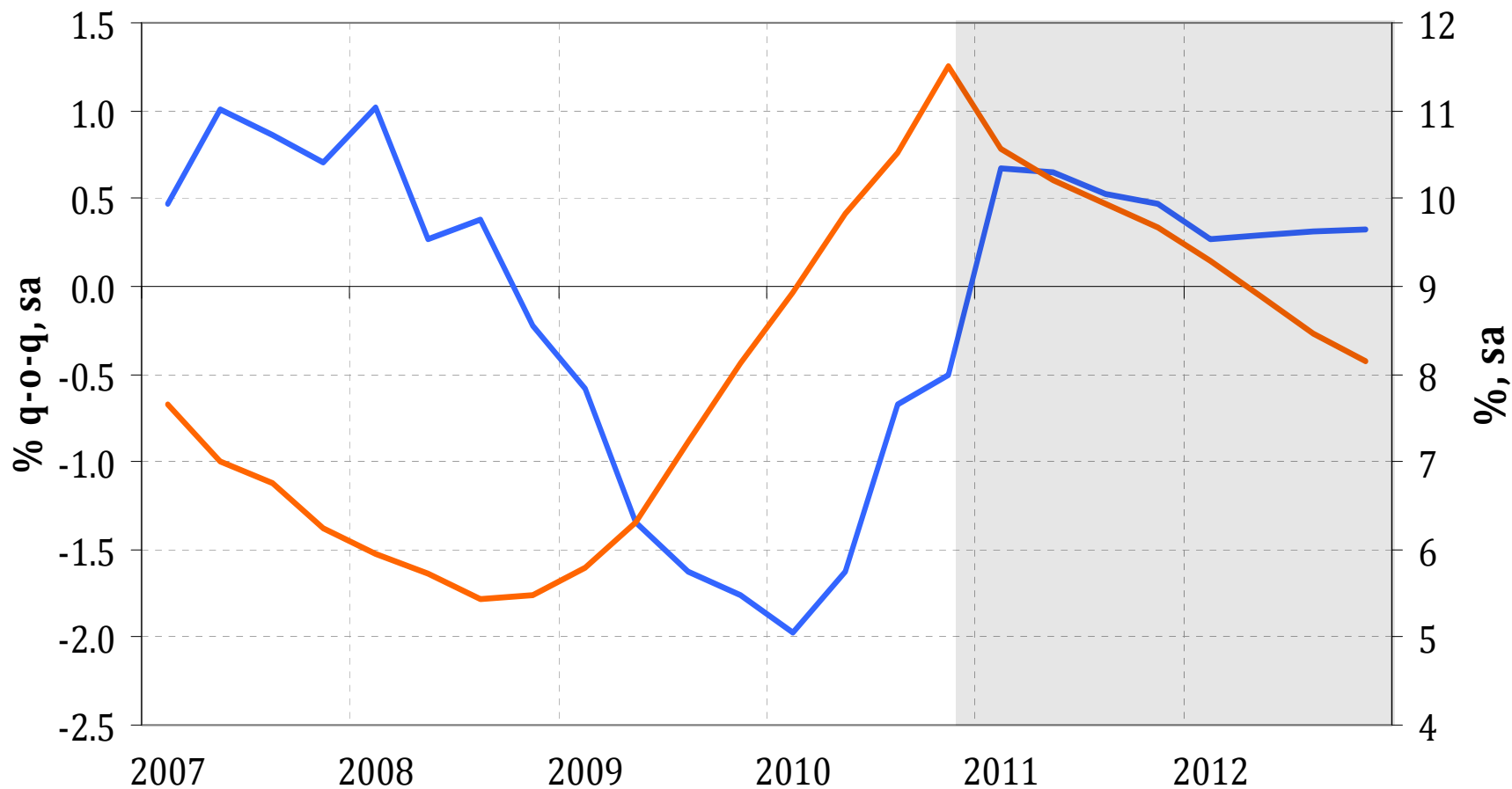


Note: Disposable Income is proxied by the sum of the economy-wide wagebill, labour income from abroad, net private foreign current transfers and net government transfers to households.

Evolution of Investment



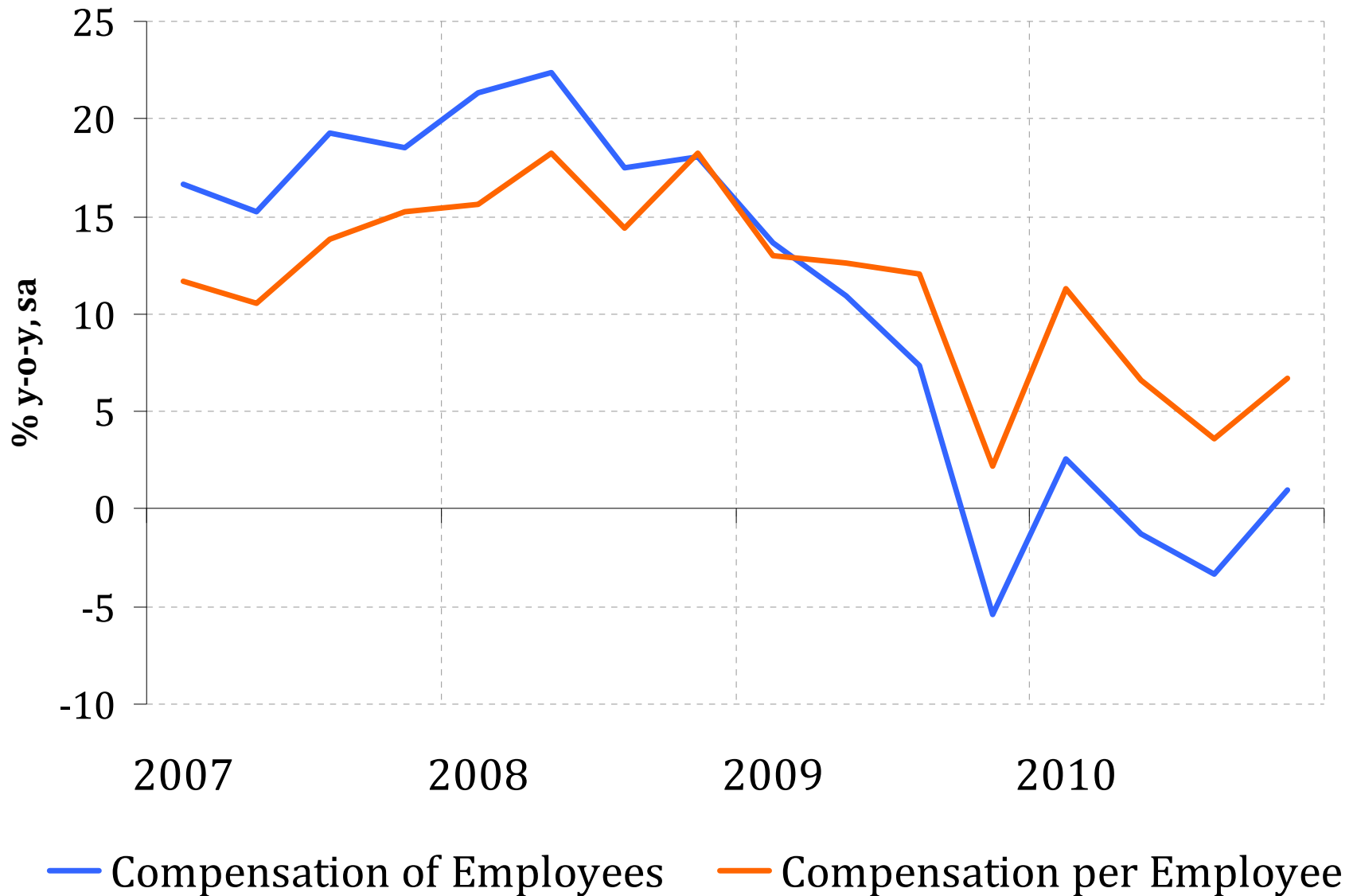
Employment and Unemployment



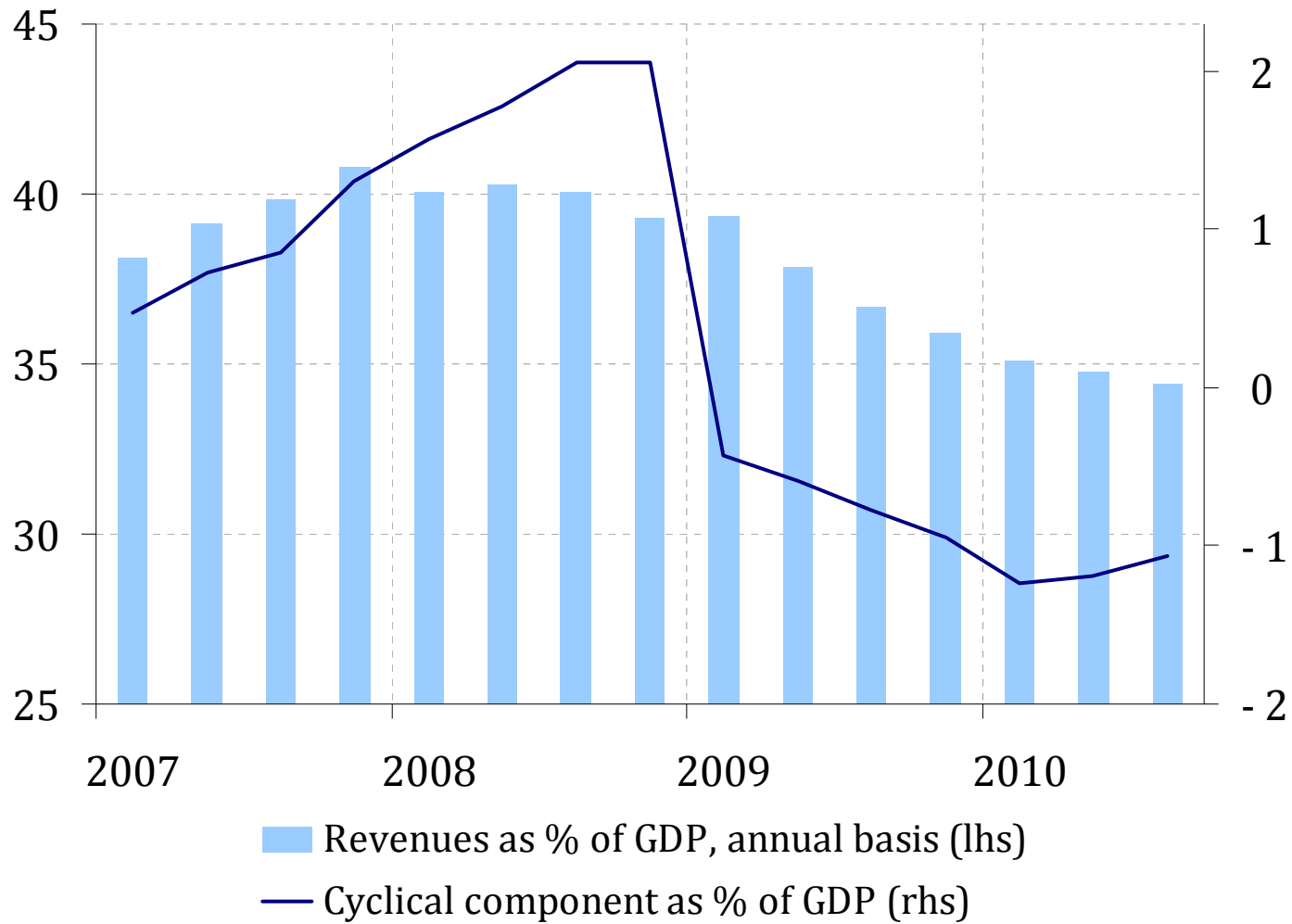
— Employment growth (lhs)

— Unemployment rate, LFS (rhs)

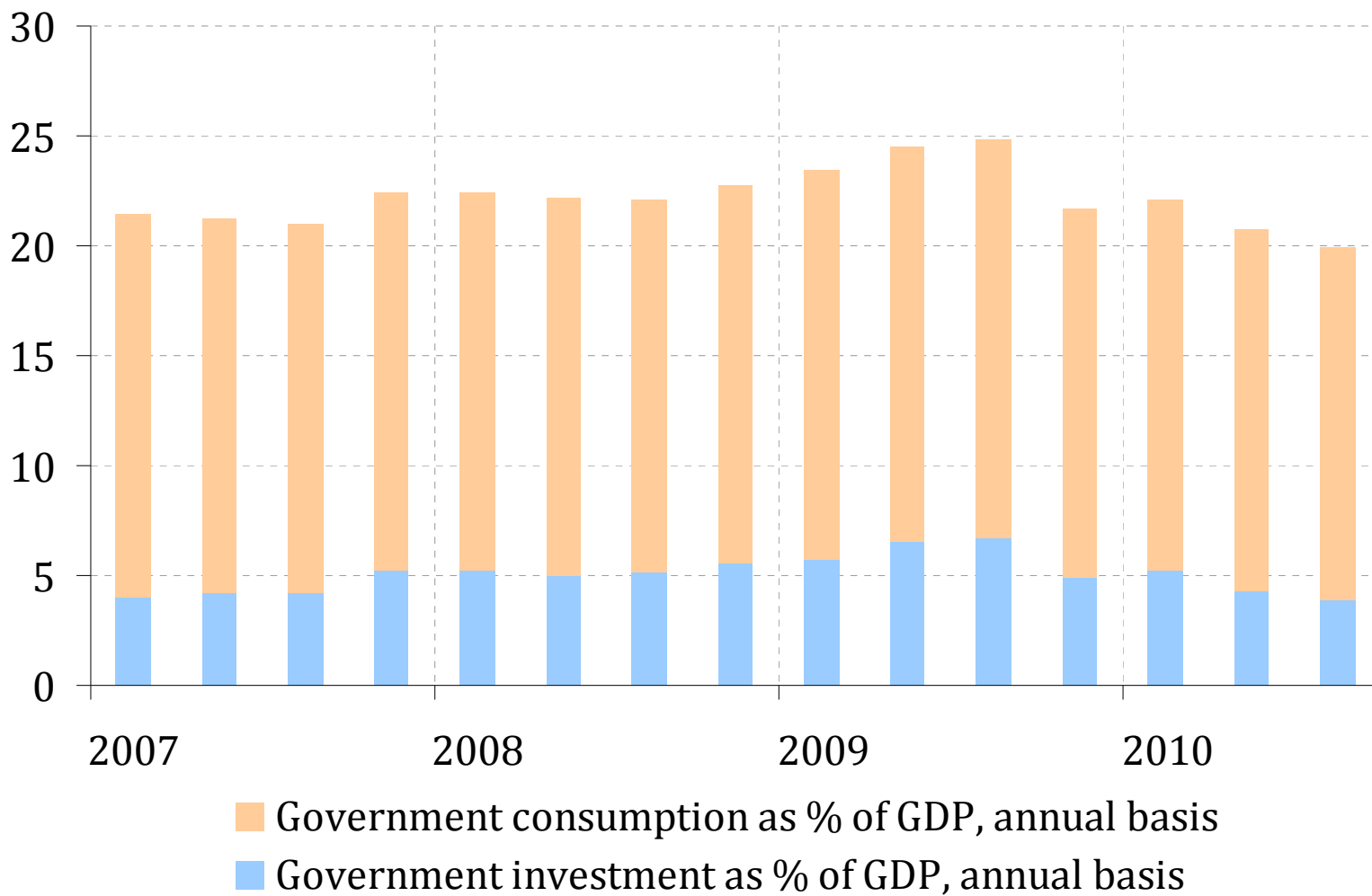
Labour Costs



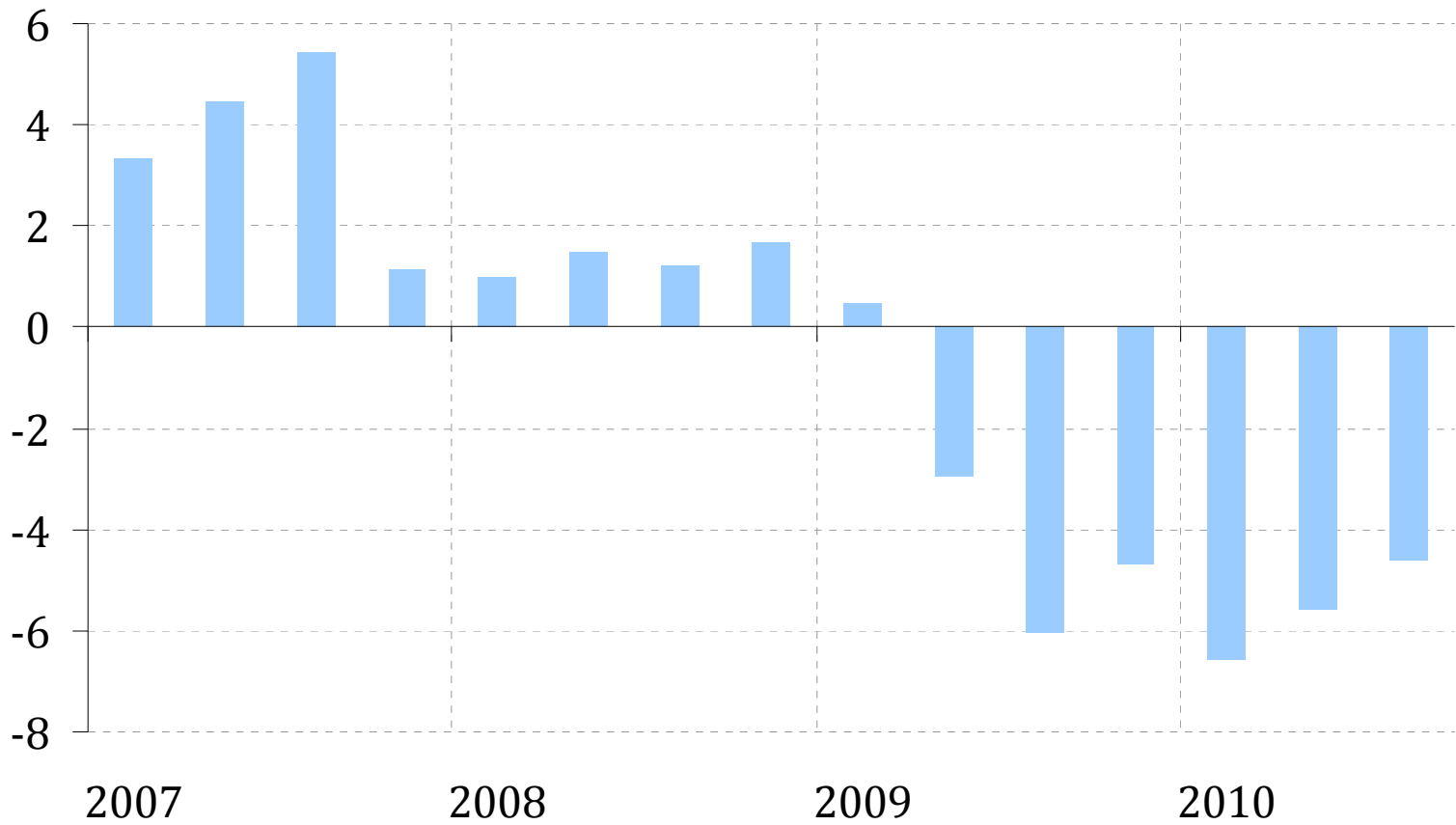
Dynamics of government revenues



Dynamics of government spending

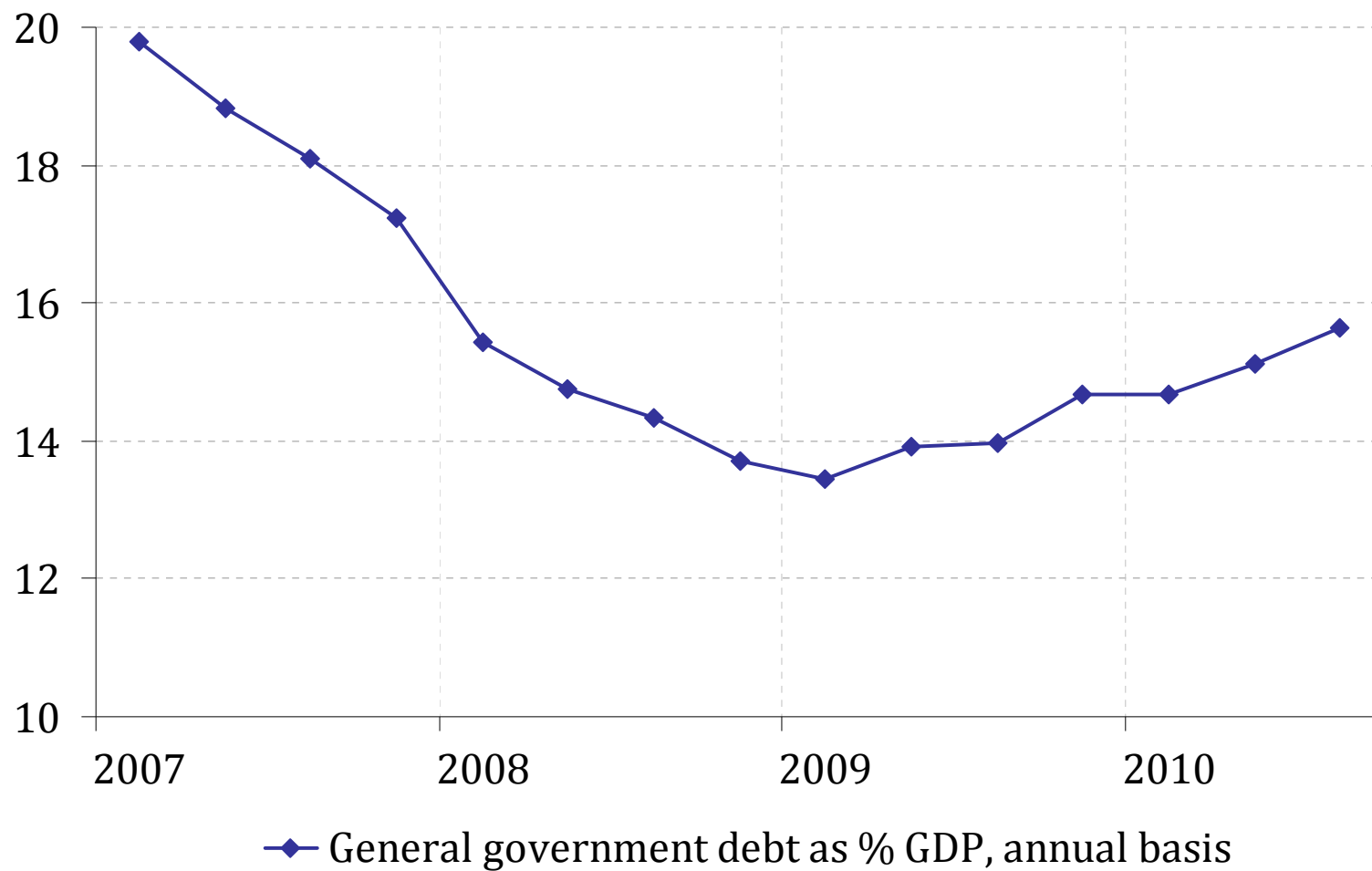


Budget balance

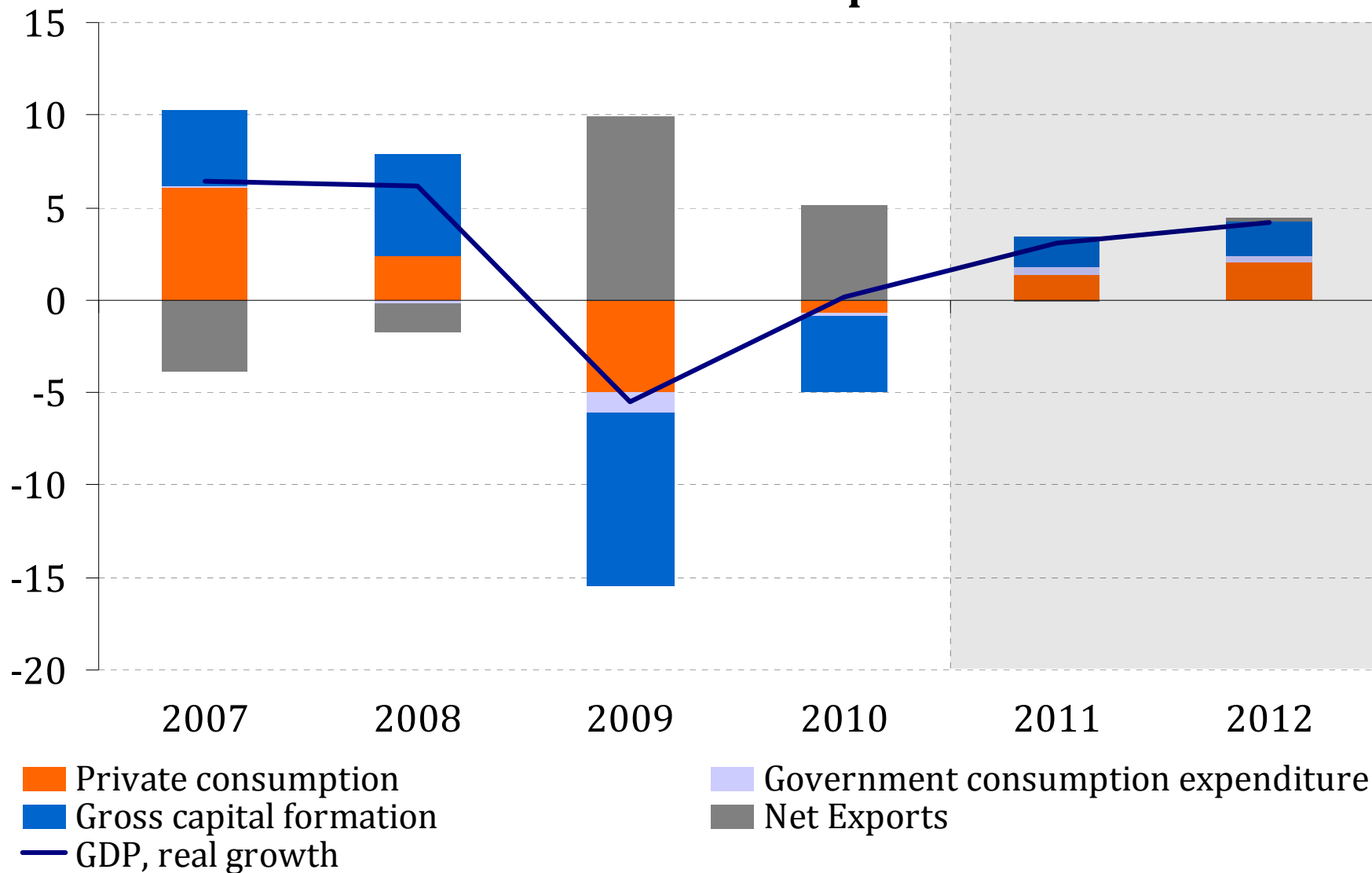


■ Budget balance (ESA 95), % of GDP, annual basis

General government debt



GDP Growth - Contribution of Components of Final Use



**THANK YOU FOR YOUR
ATTENTION!**