



Macroeconomic Projections 2012 - 2014

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Macroeconomic projections for 2012-2014

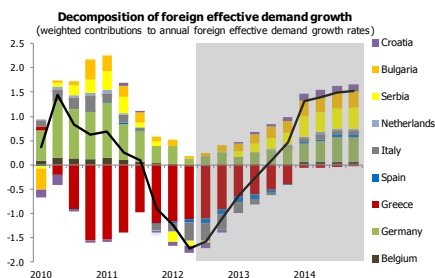
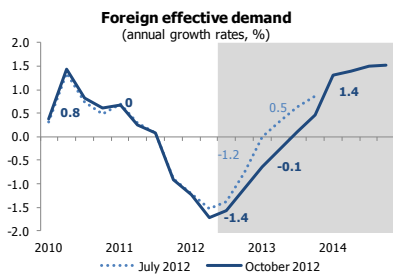
External surrounding

- In the period between the two projections:
 - Improved perceptions of financial market investors, in line with the announced measures for addressing the European debt crisis and expectations for the Fed's third round of "quantitative easing",
 - as well as further deterioration of the global economic prospects with emphasized risk for recession in the euro area in 2012 and slow recovery in the period ahead.



Foreign demand

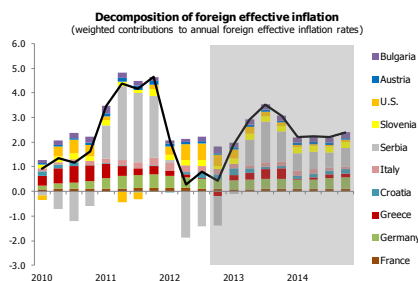
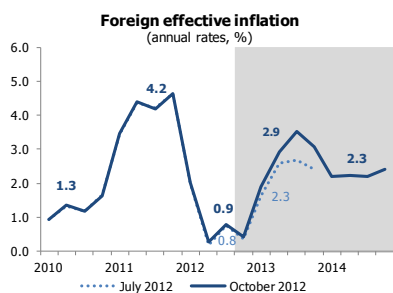
- Slower recovery of foreign demand compared to the previous projection – the fall will continue in 2013, with the recovery being expected to start in 2014





Foreign effective inflation

- In the third quarter, the foreign effective inflation is as expected;
- Marginal upward correction for 2012 and faster expected growth in 2013 compared to the previous projection;
- Moderate deceleration of the increase of foreign prices in 2014.



Global prices of primary commodities prices of oil and metals

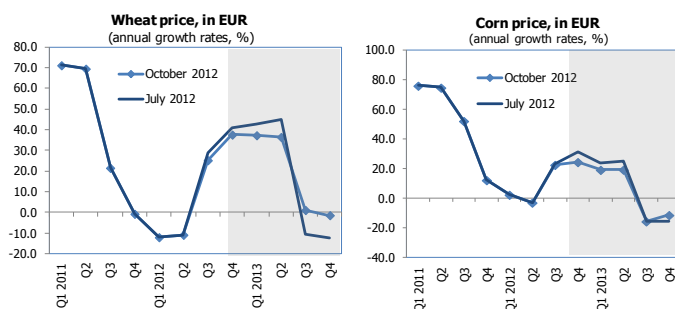
- Upward revision of global oil prices for 2012 and 2013 and of metal prices for 2013;
- Oil prices: rise in 2012 and decrease in 2013 and 2014;
- Metal prices: decrease in 2012, given the deteriorated expectations for economic performances, increase in 2013 and stabilization in 2014, given the expectations for recovery of the global economy.

annual changes, %		Exchange rate USD / EUR	Crude oil	Crude oil	Export metal price index	Nickel price	Copper price
		(increase = appreciation of EUR)	(USD per barrel)	(EUR per barrel)	(EUR based, 2005=100)	(USD per metric tonne)	(USD per metric tonne)
Forecast October 2012	2011	5.0	39.3	32.6	5.5	5.0	17.0
	2012	-8.5	0.9	10.3	-6.1	-22.6	-9.3
	2013	-3.2	-5.3	-2.1	2.0	3.2	3.4
	2014	0.6	-5.1	-5.7	0.0	0.8	-0.2
Forecast July 2012	2012	-8.8	-4.6	4.6	-4.5	-24.8	-10.2
	2013	-1.9	-7.7	-5.9	-0.7	-2.8	-2.3



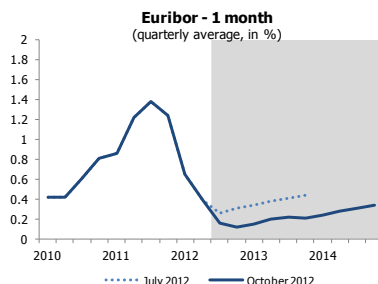
Global prices of primary commodities food prices

- Food prices experienced minor downward revision for 2012 and upward revision for 2013 compared to the previous projection;
- **Food prices:** expected to increase by mid-2013, given the lower supply and still high demand, and to decrease by the end of 2014.



Foreign interest rate

- Foreign interest rate keeps on reducing, given the cut of ECB policy rate in July and the announcements for introduction of additional nonstandard monetary measures;
- Downward revision compared to the previous projection;
- Expected to decrease by the end of 2012 and to increase moderately in the period ahead.

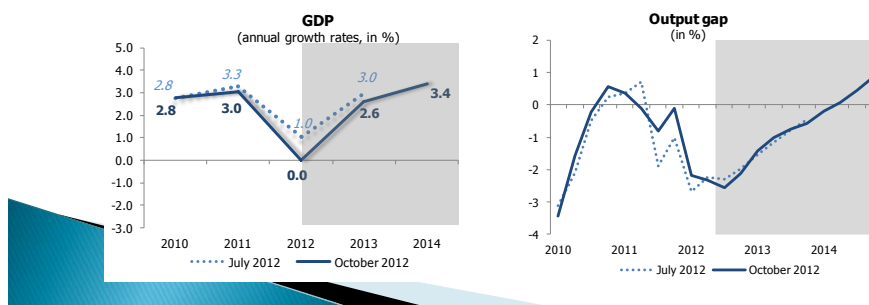




Macroeconomic projections for 2012-2014

GDP

- Materialization of some of the risks for deterioration the global economic environment;
- Deteriorated perspectives for the domestic economic activity;
- Downward revision of GDP projection;
- Stagnation of economy in 2012;
- Gradual recovery in 2013 and 2014:
 - expectations for recovery of the domestic demand, particularly investments,
 - expectations for positive effect of structural changes;
- Economy will be below the potential in 2013, mainly due to foreign demand.



Macroeconomic projections for 2012-2014

GDP components

- Reduction of exports in 2012, and dramatic growth in 2013 and 2014, with expectations for recovery of the external demand and the global metal prices and positive effect on the export potential generated by the activity of new capacities;
- Downward import adjustment by the end of 2012, and greater import pressures from the export and domestic demand in 2013 and particularly in 2014;
- Marginal increase of domestic demand in 2012 and moderate acceleration of the increase in 2013 and 2014, supported by the announced direct and public investments.

Annual growth rates (in %, seasonally adjusted data)

period	GDP	Household final consumption	General government final consumption	Gross capital formation	Export	Import	Domestic demand	Net Export
2009	-1.0	-4.7	0.6	0.4	-16.0	-14.1	-2.9	-10.8
2010	2.8	1.4	-2.0	-4.6	23.2	9.0	-0.3	-14.4
2011	3.0	4.1	-2.8	18.1	11.9	14.7	5.8	21.1
2012	0.0	0.6	0.5	0.9	-2.2	-0.4	0.7	3.7
2013	2.6	1.3	1.9	11.4	11.1	10.2	3.6	8.2
2014	3.4	4.1	1.6	10.6	13.8	13.7	5.3	13.5

Contributions to annual growth (in p.p.)

period	GDP	Household final consumption	General government final consumption	Gross capital formation	Export	Import	Domestic demand	Net Export
2009	-1.0	-3.8	0.1	0.1	-6.9	9.5	-3.6	2.6
2010	2.8	1.1	-0.4	-1.1	8.4	-5.2	-0.4	3.2
2011	3.0	3.2	-0.5	4.2	5.2	-9.1	6.9	-3.9
2012	0.0	0.5	0.1	0.2	-1.1	0.3	0.8	-0.8
2013	2.6	1.1	0.3	3.1	5.1	-7.0	4.4	-1.8
2014	3.4	3.3	0.2	3.1	6.9	-10.1	6.6	-3.2



Macroeconomic projections for 2012-2014

balance of payments current account

- Insignificant developments in the current account in 2012 and moderate deficit enlargement in 2013 and 2014;
- Pronounced deterioration of trade balance in 2014, given the intensive import pressures from the growth of domestic economy and new FDIs;
- Net inflows of private transfers further increase – high confidence in the domestic currency;
- Perceptions for their gradual reduction by the end of 2012 (high base effect), stagnation in 2013 and moderate growth in 2014, with expectation for gradual stabilization of their share in GDP.

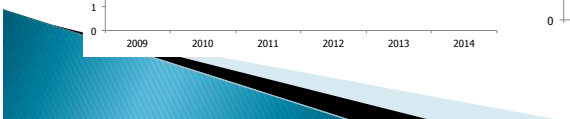
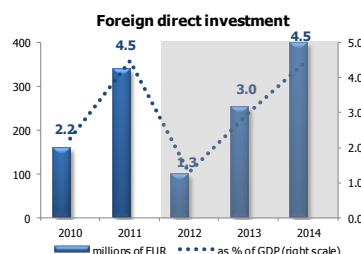
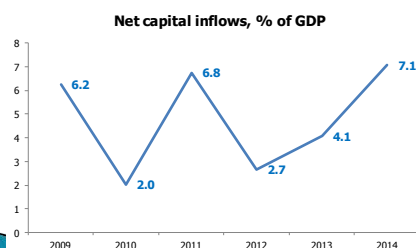
% of GDP	2009	2010	2011	2012	2013	2014
Current account balance	-6.8	-2.0	-3.0	-2.8	-3.8	-5.9
of which:						
Trade balance	-23.3	-20.5	-22.3	-22.5	-22.3	-23.9
Current transfers, net	16.9	19.4	19.7	20.2	18.9	18.6



Macroeconomic projections for 2012-2014

capital inflows

- Lower capital inflows in 2012, given the lower foreign investments and external borrowing;
- Increase of capital inflows in the next two years – effectuation of the announced foreign investments and external government borrowing;
- Foreign reserves have still been maintained around adequate level.

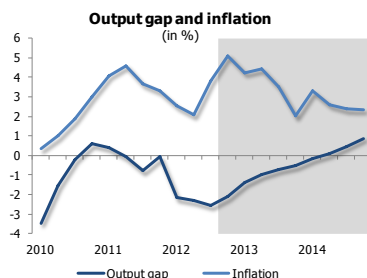




Macroeconomic projections for 2012-2014

inflation

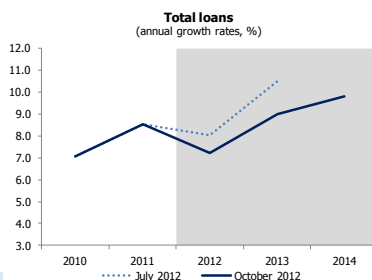
- Higher inflation in 2012 and 2013 of 3.4% and around 3.5%, respectively, and its stabilization in 2014 of 2.6%;
- Lack of demand pressures amid negative output gap;
- Upward pressures from oil prices in 2012 and their exhaustion in the next two years;
- Rise of global food prices this year and in the first half of the next year, due to the supply shocks and the exhaustion of their inflation pressure in 2014;
- Regulated prices in the domestic economy are expected to continue increasing.



Macroeconomic projections for 2012-2014

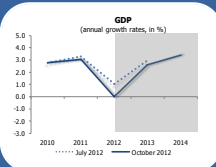
credit growth

- In 2012, the credit growth is projected at about 7%. In the next two years, it is expected to accelerate moderately, as a result of the further growth of deposits and available foreign sources of funding;
- Yet, the uncertain global environment, banks' risk perceptions and business strategies of the European banking groups operating on the domestic market could affect the credit policy of the domestic banking industry through higher prudence and preference of financially reliable clients;
- The banking system still registers high capital adequacy ratio (17.4%), high liquidity and relatively stable share of nonperforming loans (9.7%) in the second quarter of 2012.



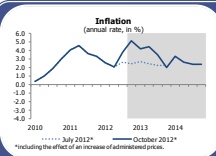


Comparison with the previous projection



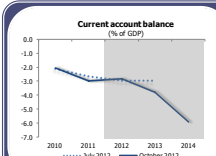
Downward GDP revision – stagnation rather than growth of 1% for 2012 and growth of 2.6% rather than 3%, for 2013

- worse forecasts for foreign demand;
- downward correction of private and public consumption, given the weaker credit support;
- exports and investment activity remain major factors for the economic growth, with the effect of investments being more positive than previously expected for the next two years.



Upward revision of inflation for 2012 and 2013 from 2.2% to around 3.5%, as a short-term effect, with an expectation for stabilization in 2014

- higher initial conditions;
- higher import food and energy prices and higher expected transmission effects on other prices, but
- further absence of larger pressures from domestic demand,
- stabilization of inflation in 2014.



External position – without major changes in current account deficit

- downward revision of capital flows for 2012;
- deterioration of current account in 2013, given the deteriorated expectations for trade balance and higher capital inflows;
- foreign reserves still swing around adequate level.



Summary

- Stagnation of the economy in 2012 and moderate growth in the next two years, due to the expectations for new private and public investments;
- Acceleration of the inflation rate in 2012 and 2013, within acceptable frameworks, though, and without any significant transmission effects;
- Stabilization of inflation in 2014;
- Lower capital inflows in 2012, sufficient, however, to fully fund the current account deficit;
- Deterioration of current account in 2013 and 2014, and increase of capital inflows;
- Foreign reserves swing around adequate level, ensuring ample space for absorbing adverse shocks;
- Sensitivity to the higher risk scenario in the assessments for exports and capital inflows, given the potential extension of the euro area crisis.