



Economic data

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From the Economist Intelligence Unit

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- The political landscape in Bulgaria has been changed by the emergence of Citizens for European Development of Bulgaria (CEDB) under the informal leadership of Boiko Borisov. The CEDB is set to play the dominant role in the restructuring and consolidation of the political right in Bulgaria. However, the transient success of other emergent political parties is a sign of what could befall the CEDB should it enter the next parliament as the dominant party. Furthermore, both parliamentary arithmetic and Mr Borisov's leadership style are likely to ensure that the political situation remains volatile, even if the CEDB takes power after the parliamentary election in 2009.
- Political commitment to maintaining the currency board arrangement is strong and, barring a serious economic crisis, the Economist Intelligence Unit expects the lev to continue to be linked to the euro at the current exchange rate. Governments will continue to run a conservative budget policy, although slower economic growth will lead to a reduction in the budget surplus. The lev is likely to join the EU's exchange-rate mechanism (ERM2) in the second half of the forecast period, but entry to European economic and monetary union (EMU) is unlikely before 2014.
- Real GDP growth is estimated at 6.4% in 2008, but the imbalances generated in the last few years of rapid expansion will force growth to slow in 2009-10. We forecast that real GDP growth will slow to 3.4% in 2009, gradually recovering from 2010 and averaging around 4% per year in the later years of the forecast period. However, with the international economic situation continuing to deteriorate, the risks of a more severe downturn are increasing.
- Inflationary pressures are currently high, but weaker fuel and food prices, as well as more moderate growth in domestic demand, will bring down inflation in 2009-10. Inflation is forecast to continue to fall gradually in the second half of the forecast period.
- The current-account deficit and the need to attract external finance will continue to be a concern to policymakers throughout the forecast period. It is set to reach a new record high of nearly 25% of GDP in 2008, but should then narrow as slower growth in domestic demand restrains the growth of imports. However, unless the economy falls into recession, the current-account deficit is set to remain at historically high levels.

Key indicators	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	6.4	3.4	3.7	4.2	4.0	4.2
Consumer price inflation (av; %)	12.5	7.8	4.6	3.0	2.4	2.5
Budget balance (% of GDP)	4.0	2.1	0.6	0.8	0.7	0.9
Current-account balance (% of GDP)	-24.6	-22.2	-16.9	-14.9	-12.8	-10.9
Short-term central interest rate (av; %)	5.1	5.1	4.7	4.6	4.5	4.4
Exchange rate Lv:US\$ (av)	1.32	1.44	1.49	1.48	1.45	1.43
Exchange rate Lv:€(av)	1.96	1.96	1.96	1.96	1.96	1.96