

Bulgaria

Current situation and projections for the financial crisis

The pessimistic scenario

The Bulgarians have experienced a lot of crises in the past 20 years. And they always expect the worst when considerable economical, political and financial changes happen.

According to the latest data from the GfK Bulgaria Confidence Barometer, a year and a half on from the first signs of the crisis in Bulgaria, for the majority of the population (66%) their income is just enough to be able to make ends meet whilst another 10% are starting to run into debt.

At the present time, 40% of the Bulgarian population are still pessimistic about the current economic and financial situation in their households. However, this share has decreased slightly compared to a year ago (44%: May 2009). Only 10% of the population believe that they will have a better standard of living in the next year.

At the start of the crisis, the Bulgarians' main fears were related to unemployment and high prices and nothing has changed to become more positive in the last year. Whilst in 2009, the crisis had had an influence on their personal income for half of the population, by January 2010, a much higher proportion (about 70%) has already experienced its negative effects to a certain extent (i.e. reduced or delayed salaries, lost jobs, decrease in other incomes etc.). In the first quarter of 2010, the unemployment rate according to the official data reached 10% (compared to about 6% for the same period in 2009) and the expectations are that it will be higher by the end of the year.

The real effects

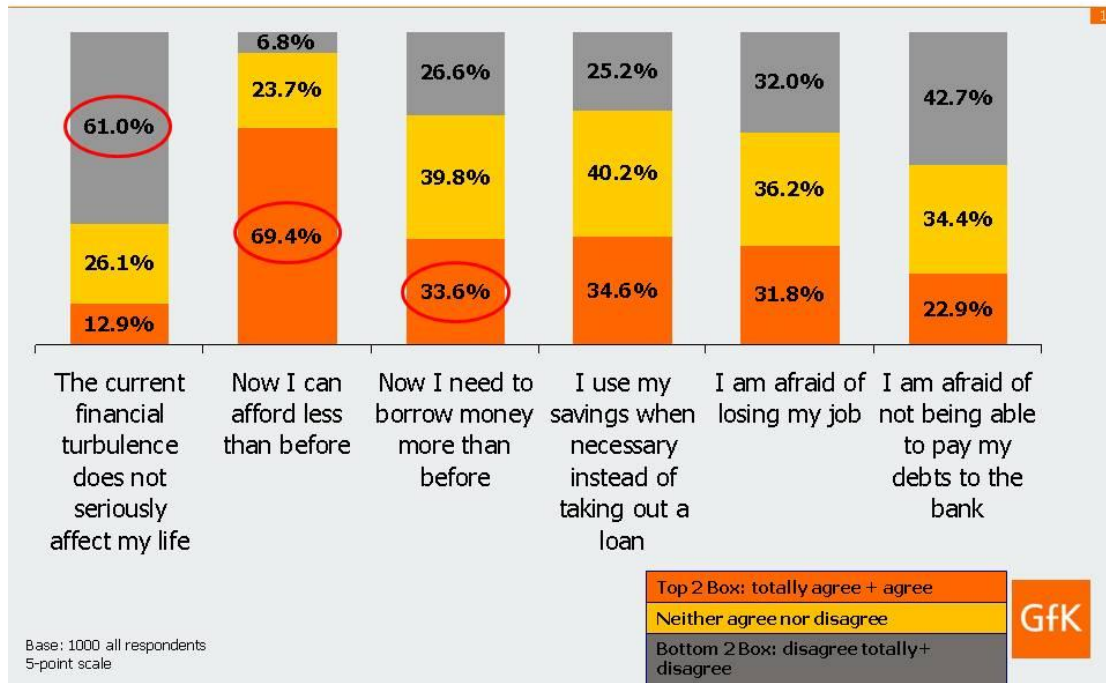
It is important to know how the crisis is manifested in people's everyday lives. For 61% of the respondents the current financial turbulence has had a serious effect on their lives and a large proportion of the respondents (almost 70%) say that they are living with restrictions, able to afford less now than they were before the crisis.

This current situation does not represent a good time for saving money. For 25% of the population, their savings are currently being used to cover their daily needs rather than taking out a loan and being in debt.

The decision to borrow money is one faced by 27% of the respondents. When they consider their problems with lost jobs, reduced income and higher prices, the credit could cover their current needs but, at the same time, 23% are concerned about not being able to afford the repayments to the banks. According to the official data, the rate for "bad credit" is about 10%.

The main concerns are to be found amongst the age group of 40-59 year-olds as they form an active part of the labour market, have older children (with greater needs for education etc.), and are faced with retirement within a relatively short period of time. Moreover, these people are anxious about the plans on the part of the government for the retirement system which is one of the serious problems to be tackled by the anti-crisis measures.

The current financial situation in households



The data presented is part of a survey conducted in the first half of May 2010, nationally representative for the Bulgarian population aged 15 years and over and with a sample size of 1000 respondents.

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