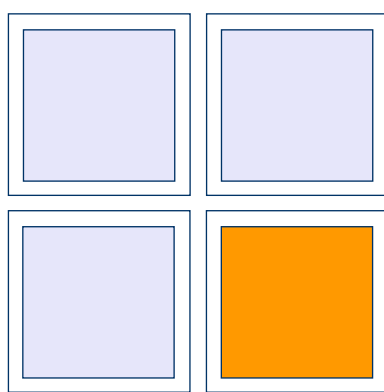


# FINANCIAL SECTOR: ESTIMATES AND EXPECTATIONS



#3 | 2009



AGENCY FOR  
ECONOMIC  
ANALYSIS AND  
FORECASTING

This study encompasses the estimates and expectations of the different groups of financial intermediaries as to some key macroeconomic indicators and factors. They may not overlap with the analysis and forecasts of the Agency for Economic Analysis and Forecasting, and therefore should not be taken as a recommendation to the investment process or any decision to use the services rendered by financial intermediaries. Furthermore, AEF shall not be held liable for any damage or loss incurred by third parties as a result of the information published herein.

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*The Financial Sector: Estimates and Expectations series of the Agency for Economic Analysis and Forecasting include four quarterly issues which give account of the expectations of a large number of financial intermediaries as to the key macroeconomic indicators and factors that are decisive to their operation. The publication is aimed at assessing the environment economic agents perform in and pinpointing the factors that are significant to their behaviour.*

*The study draws upon surveys, with the information gathered being summarized in a way that the respondents' answers remain anonymous and are not made public. The present survey was conducted from 15th to 26th June.*

*The commercial banks polled owned 47.6% of the assets in the banking system (as of the end of December'08), the investment intermediaries enjoyed a share of BSR turnover of 25.8% as of the end of 2008, the management companies ran 49.3% of the assets of the collective investment as of the same period, whereas the pension insurance companies managed some 65.8% of the assets of the pension funds under the various voluntary insurance schemes as of the end of December'08. The commercial banks filled in only that part of the survey that was strictly bank-oriented, despite the fact that some of them operate also as investment intermediaries.*

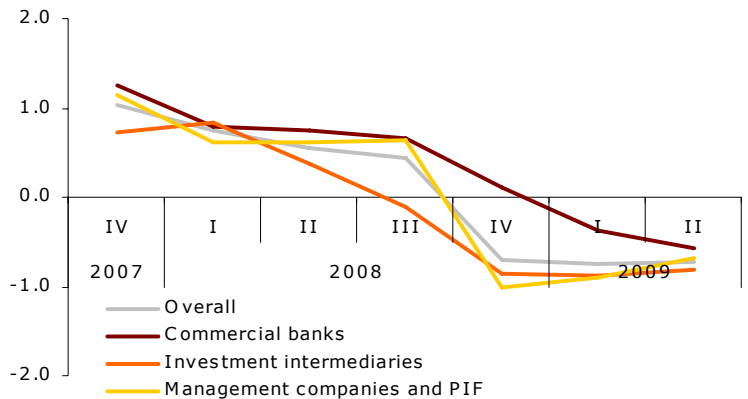
## I. ECONOMIC SITUATION

### 1. Current state of affairs and growth expectations

Against the backdrop of continuous growth slowdown, the assessments of the financial intermediaries of the current state of affairs in the economy remained distinctly negative. The investment intermediaries took the most pessimistic view, with 82.4% of them assessing the current economic situation as unsatisfactory. However, compared to the previous survey, their assessments reported a slight improvement due mainly to the fewer strongly negative answers. The commercial banks, too, regarded the situation as unsatisfactory (57.1% of banks gave this answer), but on a quarter earlier (37.5%) only 28.6% of them thought of the current states of affairs in the economy as satisfactory. On a year earlier, the assessments of the financial intermediaries deteriorated drastically. The impact of the financial crisis worldwide on the country's real economy, perceived in the last quarter of 2008, bred stronger market pessimism.

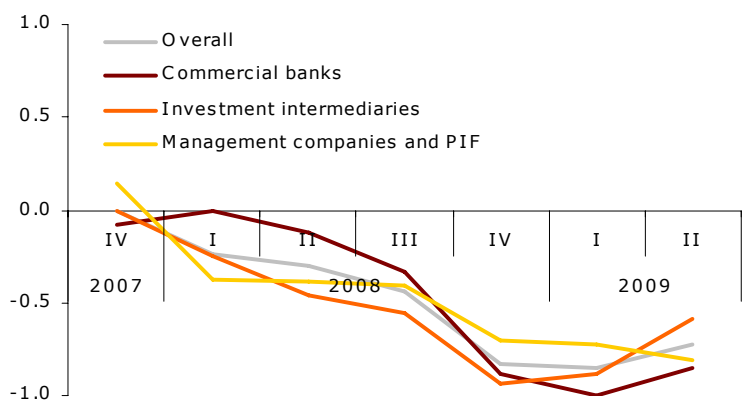
Q2 growth expectations improved on a quarter earlier. It was only the management companies and pension insurance funds that expressed stronger pessimism. The improved aggregate indicator was due to the bigger number of respondents expecting growth in the economy to be retained (17.5%) at the expense of the intermediaries pointing to a continuous slowdown (77.5% vs. 85.7% on a quarter earlier). Despite of the above improvement, however, the indicator carried on running negative, evidencing the fact that the financial intermediaries anticipated the low, if not altogether negative growth in the economy to further persist.

CURRENT ECONOMIC SITUATION



*Note: The assessments of financial intermediaries are given as a weighted indicator. When the indicator is close to 2, the current state of affairs in the economy is assessed as strongly positive. And vice versa, when the indicator is close to -2, the current economic situation is assessed as strongly negative.*

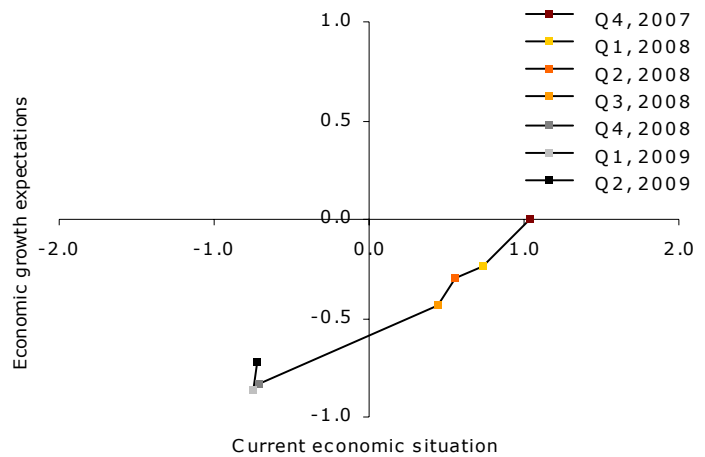
GROWTH EXPECTATIONS



*Note: Growth expectations are given as a weighted indicator. A value of the indicator close to 1 implies that financial intermediaries expect growth to pick up. Accordingly, a value of the indicator close to -1 is an indication of a slowdown in economic growth.*

A comparison of the current business situation assessments and growth expectations shows growing optimism on the part of the respondents, with this tendency being all the more pronounced as regards their Q2 growth expectations. Their current business situation assessments stepped up, too, though insignificantly.

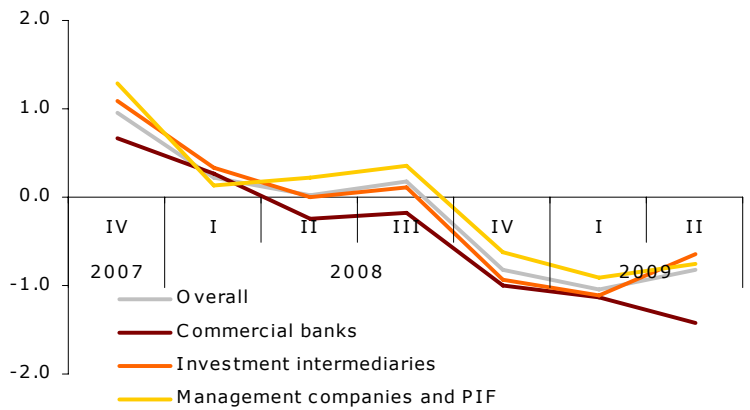
CURRENT AND FUTURE ECONOMIC SITUATION



## 2. Inflation

The majority of respondents (around 70%) expected 2009 inflation to slow down, a view shared by all commercial banks as well. At the same time, some of the investment intermediaries and management companies and pension insurance funds pointed to retention of the inflation rate or a certain pick-up (35.3 and 37.5% respectively) that brought about an increase in the overall results. They also identified a number of factors, e.g. the country's weaker business activity and relatively low global raw material prices that will continue to have a curbing effect on domestic price dynamics.

INFLATIONARY EXPECTATIONS



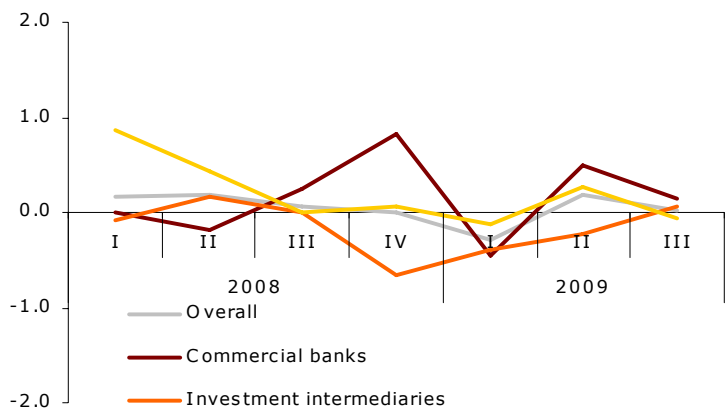
Note: The inflationary expectations of financial intermediaries are gauged, using a weighted indicator. A value of the indicator close to 2 implies that the respondents expect inflation to accelerate. And vice versa, a value of the indicator close to -2 indicates an expected decrease in inflation.

### 3. Foreign exchange rate

Unlike the previous survey where the respondents were more unanimous in anticipating the USD to depreciate against BGN, all financial intermediaries now expected Q3 foreign exchange rate to steady around the levels achieved, with a slight predominance being given to the BG currency. It should be also noted that by group of intermediaries, the survey answers differed on a quarter earlier while running comparatively close together. The commercial banks were the only group that did not report a change, and although their expectations ran close to neutral they remained the most downbeat about the USD. They were more unanimous in their answers as 57.1% expected the current foreign exchange rate to further persist, and 28.6% were in favour of a stronger Bulgarian currency. At the same time, the investment intermediaries polled reported a drastic change, now taking a clearly pessimistic view of the USD. Their attitudes were divided between a slight appreciation of the BGN (47.1%) and a slight depreciation of the local currency (41.2%), whereas the neutral answers were very few. The assessments of the management companies and pension insurance funds were the least homogeneous, with the average weighted results, unlike a quarter earlier, indicating a negligible USD increase. "Retention of the current USD/BGN exchange rate" was the predominant attitude (37.5%). The group also included all intermediaries in favour of a strong USD increase, affecting the survey output.

The lack of homogeneity in answers can be attributed to a number of factors in favour of either the EUR (hence BGN) or USD. The downward revisions in the growth forecasts in the Euro area and the exposures of the EU financial institutions to risky CEE assets have exerted a downward pressure on the single European currency. At the same time, some opinions that the US economy is to recover at a faster pace than the economies of the EU member states has put the EUR under further pressure. On the other hand, the growing concerns of a sizable US budget and current account deficit, high interest on government securities that has an adverse effect on the mortgage market, and last but not least the possibility for big economies like Russia, China, India and Brazil to reduce the share of USD assets in their FX reserves led to downward expectations of the US currency. At the same time, the risk appetite of investors that depends on the prospects of development of the big world economies will be of crucial importance.

EXPECTATIONS OF THE NOMINAL BGN/USD EXCHANGE RATE

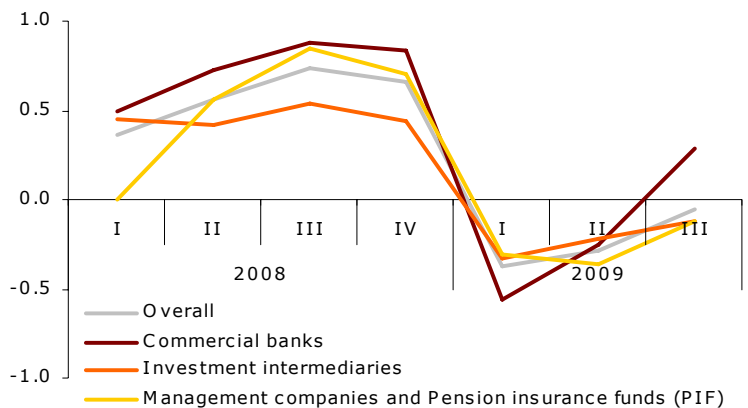


*Note: The expectations of the respondents as to the nominal BGN/USD exchange rate dynamics are gauged using a weighted indicator. A value of the indicator close to 2 implies that financial intermediaries expect a strong appreciation of the BGN to the USD. Accordingly, a value approximating -2 is indicative of a strong depreciation of the local currency.*

## 4. Base interest rate

The base interest rate (BIR) is directly related to the dynamics of the interbank market interest rates. Since early 2009, and after April in particular, the LEONIA index, which is used to set the benchmark interest rate, has decreased significantly, setting back at its levels of 2005/06. Some 75% of the respondents expected the BIR to remain low in the third quarter as well, whereas 15% were of the opinion that the rate would carry on declining. The answers of the commercial banks differed considerably from the assessments of the other financial intermediaries polled. The majority of them (71.4%) answered that BIR would steady around its current levels while the remaining 28.6% expected a rise. As for the rest of the financial intermediaries, those of them who did not point to retention of the rate around the levels hit expected it to further step down. On a quarter earlier, the commercial banks reported the most significant change in answers.

EXPECTATIONS FOR THE BIR DYNAMICS IN THE NEXT QUARTER

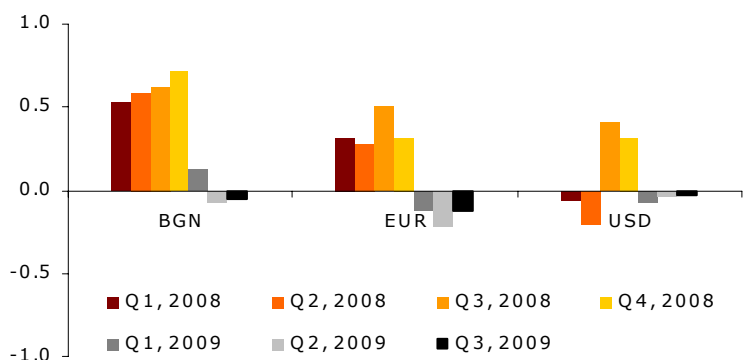


Note: The expectations of the respondents as to the base interest rate dynamics is gauged using a weighted indicator. A value of the indicator close to 1 implies that financial intermediaries expect an increase in the base rate. Accordingly, a value close to -1 indicates an expected decrease.

## 5. Deposit and loan interest rates

Q3 expectations of the deposit interest rate dynamics remained more or less unchanged on a quarter earlier. Again, most financial intermediaries pointed to retention of the deposit interest rates (55% for BGN deposits, 62.5% for EUR deposits and 57.5% for USD deposits). At the same time, the quarter witnessed an increase in the respondents anticipating a rise, which made the aggregate result higher – a tendency most clearly manifested by the commercial banks. Some 57.1% of them now pointed to an interest rate increase vs. 25% in the preceding survey.

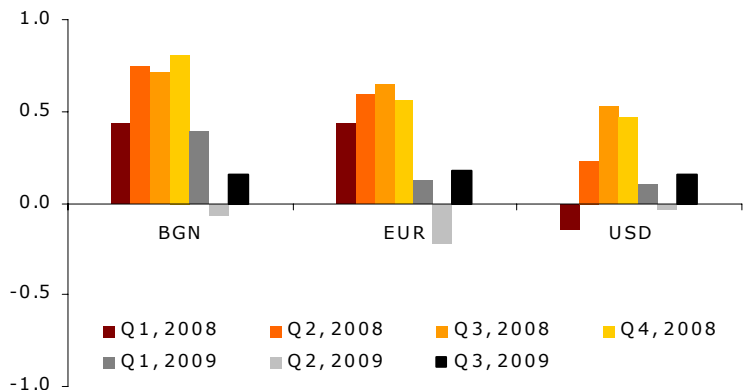
DEPOSIT INTEREST RATE EXPECTATIONS (BGN, EUR AND USD)



Note: The expectations of the respondents as to the dynamics of the loan interest rates in BGN, EUR and USD are gauged using a weighted indicator. A value of the indicator close to 1 shows an expected rise in deposit interest. Accordingly, a value approximating -1 is indicative of an expected decrease.

As for loan interest rates, the expectations of the financial intermediaries reported a significant quarter-on-quarter change. The share of respondents expecting the loan interest rates in BGN to go on the increase stepped up to 20% (vs. 3.7% in the preceding survey), whereas 75% pointed to retention around the current levels. None of the commercial banks predicted a decline in loan interest. On the contrary, 42.9% expected an increase. At the same time, as regards the interest rates on loans in EUR and USD there was a marked shift in attitudes from "a decrease" to "an increase". Nevertheless, the share of respondents pointing to retention around the current levels remained the highest (77.5% for EUR loans and 75% for USD loans). The higher deposit interest as well as the lower risk propensity of banks has led to upward expectations of the cost of loan resources.

LOAN INTEREST RATE EXPECTATIONS (BGN, EUR AND USD)

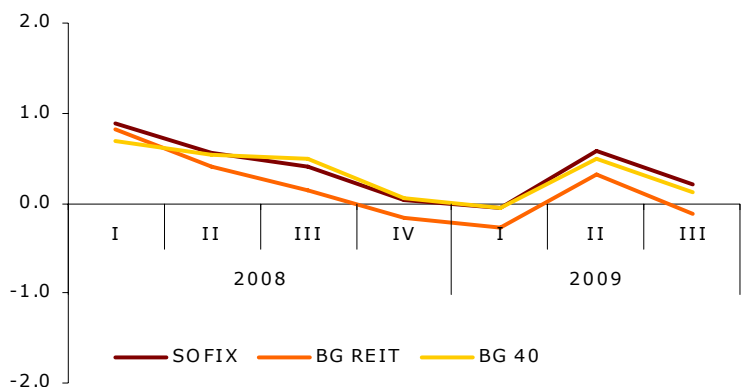


Note: The expectations of the respondents as to the dynamics of the deposit interest rates in BGN, EUR and USD are gauged using a weighted indicator. A value of the indicator close to 1 shows an expected rise in deposit interest. Accordingly, a value approximating -1 is indicative of an expected decrease.

## 6. Stock indices

On a quarter earlier, the respondents were more cautious in their expectations of the stock exchange performance. They predicted a slight increase in both SOFIX and BG 40, but a drop in BG REIT. Compared to the previous survey, their answers were now more diversified, with the number of upbeat expectations going down at the expense of the pessimistic and neutral assessments. The average weighted results were the highest for SOFIX as 40% of the intermediaries polled pointed to an increase. A "no change" answer was given by 40% of the respondents while 32.5% were optimistic about its performance. As for BG REIT, the neutral answers prevailed (42.5%) but 37.5% remained upbeat about its future dynamics. The commercial banks were the group reporting the lowest assessments of the performance of the stock indices. There was a considerable overlap of results between SOFIX and BG 40 and the opinions of the respondents were fully symmetrical as regards neutral expectations. The biggest share of them (42.9%) coincided with the average results, whereas 28.6% expected the indices to step either up or down slightly. More than half of the commercial banks (57.1%) pointed to an insignificant drop in BG REIT. The answers of the investment intermediaries stood very close to the aggregate results.

EXPECTED DYNAMICS OF THE STOCK EXCHANGE INDICES



Note: The expectations of the respondents as to the performance of the stock indices are gauged on the basis of a weighted indicator. A value of the indicator close to 2 implies that financial intermediaries expect a strong increase in the stock indices. Accordingly, a value approximating -2 indicates an expected decrease.



According to 41.2% of them SOFIX was to go on the increase by the end of September whereas 35.3% pointed to no change. This group was also slightly optimistic about BG 40, but the largest share of respondents (47.1%) expected the index to remain unchanged. The common view taken by the investment intermediaries indicated a negligible decrease in BG REIT (35.3%). Some 47.1% did not expect a change. The management companies and pension insurance funds were the most upbeat, with 6.3% of them predicting a robust rise in all the three indices. The majority of answers tended to be clustered around the neutral or positive side of expectations, with 25% pointing to a likely decline in SOFIX and BG 40 and 31.3% to a drop in BG REIT.

The negligible change in the indices in the following quarter expected by the respondents had to do with the usually weaker stock exchange trading in the summer months. Furthermore, investors are to demonstrate a rather passive pattern of behaviour in anticipation of the outcome of the parliamentary elections and major economic policy guidelines of the new government.

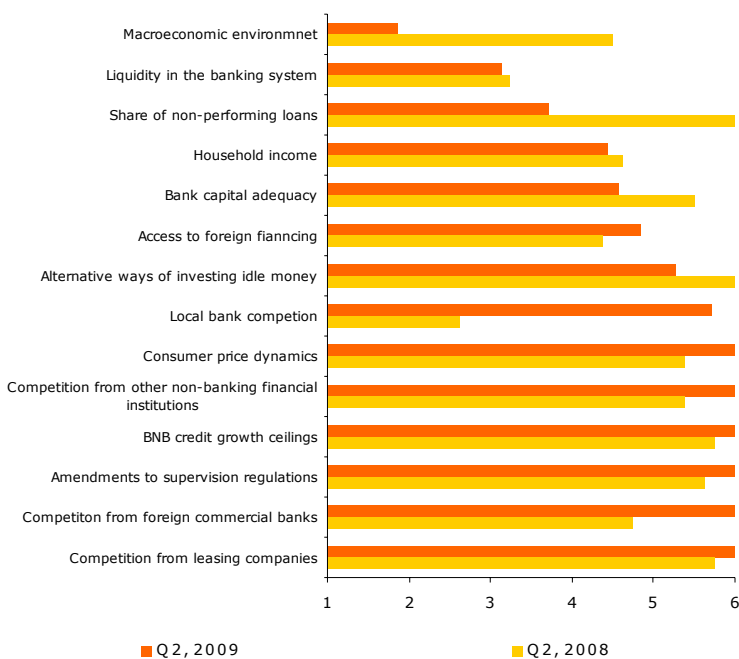
## II. FACTORS SHAPING THE PERFORMANCE OF FINANCIAL INTERMEDIARIES

### 1. Commercial banks

The deteriorating macroeconomic environment made this factor all the more important to the supply of and demand for bank products. It was identified as the crucial factor at work behind a bank's decision whether or not to extend loans to the private sector and the only one pointed unanimously by all respondents. The slowdown in lending undermined the quality of loan portfolios, hence the capital base needed. That is why, *non-performing loans* turned out to be another factor of growing importance to bank lending decisions, pointed by 71.4% of the respondents. *Liquidity* in the banking system and *household income* also stepped up in significance, evidencing the lower risk propensity of banks. Unlike the second quarter of 2008 when it was considered an important factor at work, *bank competition* and *competition on the part of non-banking financial institutions* now enjoyed a smaller weight.

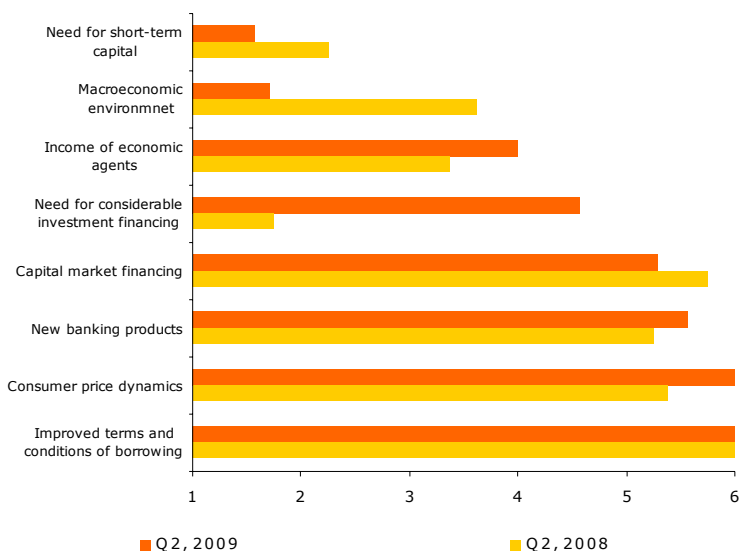
As with credit supply, the country's *macroeconomic environment* reported a heavier weight in the demand for loans. If a year ago loans were borrowed for project investment purposes, the *need for short-term capital* to meet operating costs took now the upper hand (pointed by all commercial banks) T5), whereas the demand for investment loans was recognized by 42.9% of the banks.

FACTORS INFLUENCING BANK LOAN EXTENSIONS



Note: For further detail see Methodological Notes.

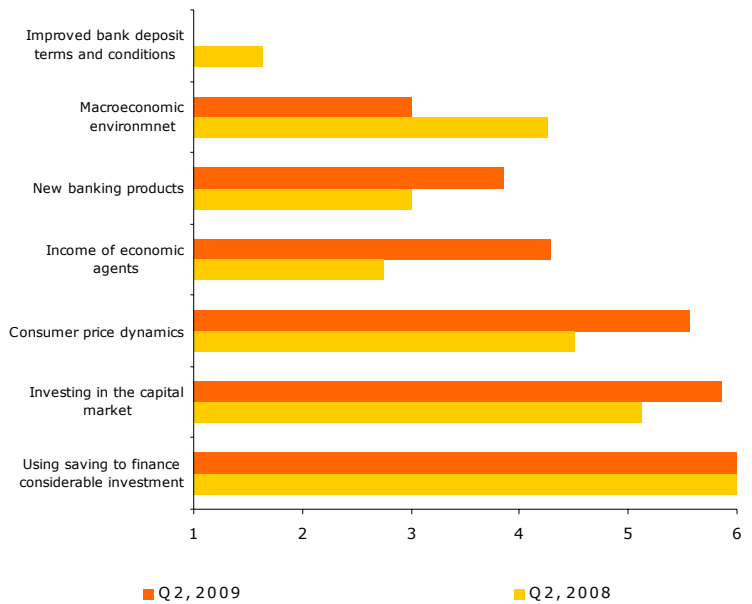
FACTORS INFLUENCING BANK LOAN DEMAND



Note: For further detail see Methodological Notes.

*Local bank competition* in deposit taking has grown stronger and stiffer, which led to new deposit products offering more favourable and flexible terms and conditions. All respondents identified the factor as crucial to the decisions of economic agents to deposit their money at a bank. On a year earlier, *corporate income* and the *supply of new bank products* stepped down in significance. Furthermore, the weight of the capital market as an investment alternative diminished due most probably to the low return yielded on the stock exchange.

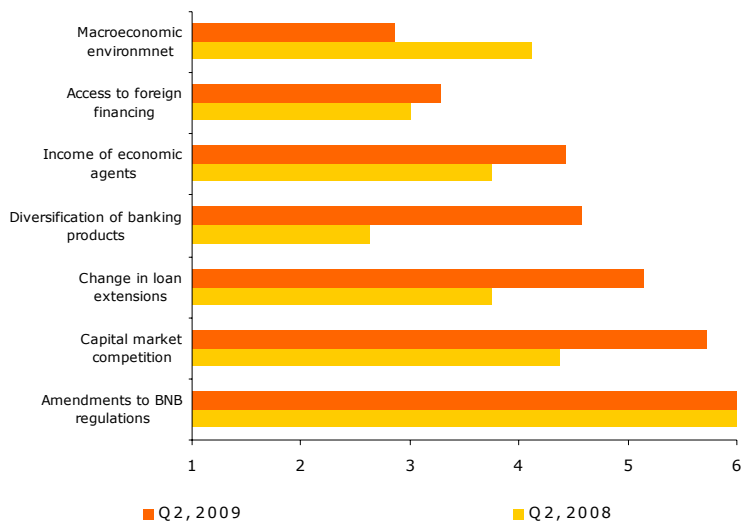
FACTORS INFLUENCING DECISIONS TO PUT IDLE MONEY IN BANK DEPOSITS



Note: For further detail see Methodological Notes.

The country's *macroeconomic environment* was identified by the respondents as a factor of paramount importance to deposit demand. *Access to foreign financing* retained its weight on a year earlier, although the aggregate result tended to decrease. The relative significance of the *bank portfolio diversification* factor and changes in bank lending activity stepped down, which can be interpreted as an explanation for the altered ways of using the resources attracted to improve liquidity at the expense of loan financing.

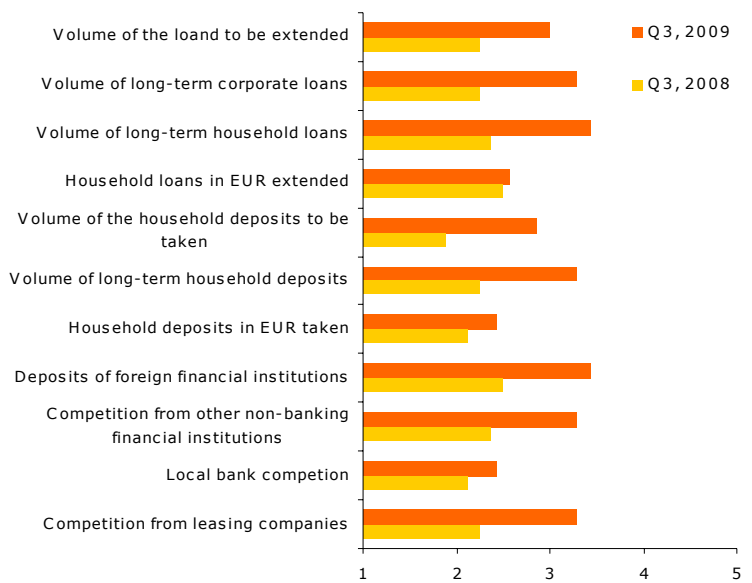
FACTORS INFLUENCING DEPOSIT TAKING



Note: For further detail see Methodological Notes.

The commercial banks expected lending to slow down in the third quarter both in the corporate and household loan segments of the credit market while pointing to a more unfavourable dynamics of household deposits and deposits of foreign financial institutions, compared to the second half of 2008. All in all, the expectations of the commercial banks pointed to a narrower credit and deposit market and a certain ease of the competitive pressure on the part of other financial intermediaries.

#### EXPECTATIONS OF COMMERCIAL BANKS IN RESPECT TO:

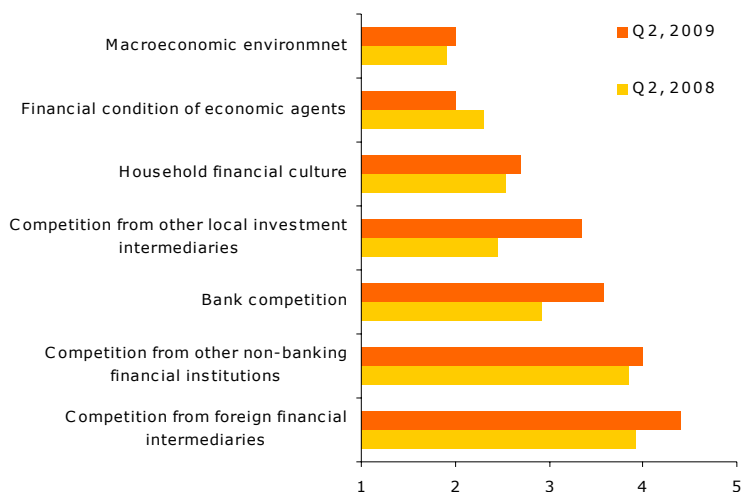


Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it indicates that commercial banks expect it to step up significantly. And vice versa, when it is close to 5, it implies that the respondents expect a significant decrease.

## 2. Investment intermediaries

There was a considerable overlap of opinion between the investment intermediaries and commercial banks of the relative importance of the factors shaping their performance in the second quarter. The country's *macroeconomic environment* and *changes in the financial state of economic agents* were recognized as the most decisive factors at work and ranked first by 41.2% of the respondents. *Household financial culture* was the other factor making a more tangible impact on the performance of the investment intermediaries, despite the lower level of significance on a year earlier. At the same time, *competition* on the part of other financial intermediaries, the local investment intermediaries including, was not considered important for another quarter in a row.

#### AVERAGE WEIGHTED ASSESSMENT OF THE LEVEL OF SIGNIFICANCE OF THE FACTORS SHAPING THE PERFORMANCE OF INVESTMENT INTERMEDIARIES



Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

On a year earlier, the factors behind a company's decision to go public were now prioritized in a different way by the investment intermediaries. *Low capital market liquidity* was identified as crucial, a tendency that started in late 2008 and is persisting well into 2009 with the floating of few new issues in the period covered by the survey. *Propensity to disclose financial information* that was deemed a key factor at work a year earlier stepped down in significance but still ranked second. *Financial performance and history* as well as the availability of *blue-chip issues* that affected a company's decision in choosing a financing scheme were now logically considered the least important, given the low capital market liquidity and poor investor confidence.

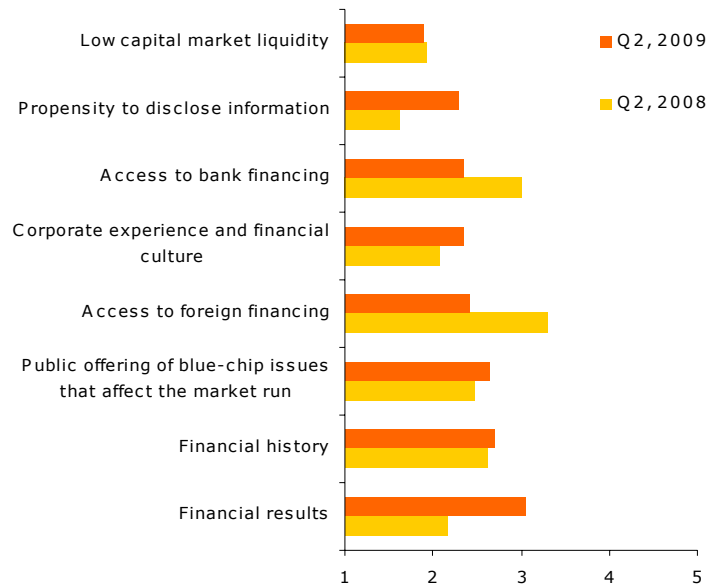
The results fluctuated within a very narrow band as the different intermediaries rated the significance of the factors differently and gave the same priority to several factors.

### 3. Collective investment schemes (CIS)

While remaining positive, the management companies reported lower expectations as to CIS assets accumulated. The answers of 41.7% of the respondents overlapped the overall result, whereas 25% did not expect a change and 25% were of the opinion that CIS assets would carry on declining by the end of September.

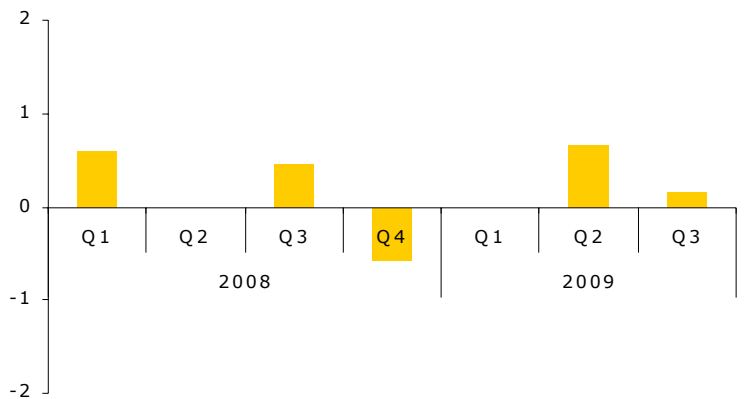
On a year earlier, the prioritization of the factors important to Q2 CIS performance underwent insignificant changes. Given the altered macroeconomic situation financial intermediaries operated in, the country's *macroeconomic environment* and *changes in economic agents' financial state* stepped up further in significance, continuing to have the upper hand (a view taken unanimously by the management companies). The two factors were identified as having a paramount importance by 75 and 66.7%

AVERAGE WEIGHTED ASSESSMENTS OF THE SIGNIFICANCE OF THE FACTORS THAT ARE DECISIVE TO A COMPANY'S DECISION TO LIST ON THE STOCK EXCHANGE



Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

EXPECTATIONS FOR THE ACCUMULATED ASSETS IN CIS

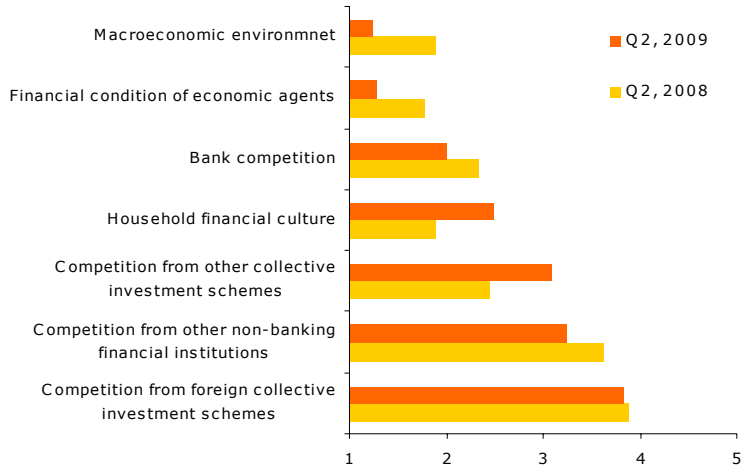


Note: The expectations of the management companies as to the accumulated assets in the CIS are gauged on the basis of a weighted indicator. A value of the indicator close to 2 implies that the management companies expect a strong increase of the accumulated assets in the current quarter. Accordingly, a value approximating -2 indicates an expected decrease.

respectively). *Competition on the part of banks and household financial culture*, now having a lower weight against the base period, were considered, too, decisive factors at work. *Competition on the part of other local and foreign non-banking financial institutions* ranked again last.

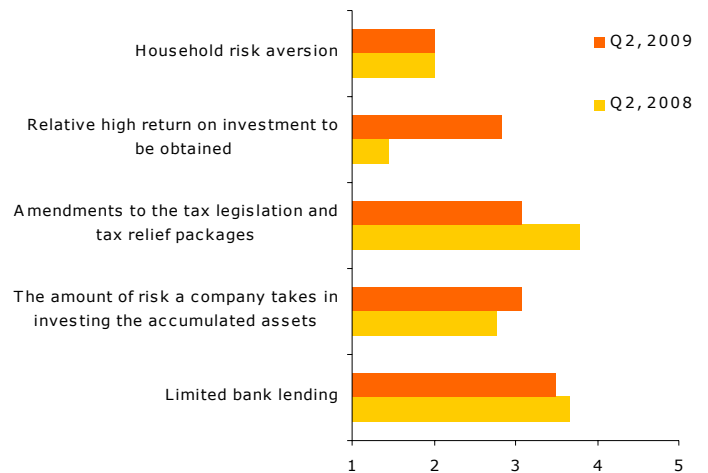
The adverse developments in the country's economic performance and the impact of a number of external factors on the local financial sector raised portfolio investment risk. The stock exchange slump of the past year only contributed to the negative rates of return reported on a 12-month basis. As a result, risk aversion turned out to be a decisive factor at work behind a household decision to invest idle money in CIS. In this sense, the return that can be yielded has had a negative effect as of today but remained a significant factor, though stepping somewhat down in importance on year earlier. Risk taking, too, lost some of its relevance because given the high risk of stock exchange trading, the aggressive pattern of behaviour of a company mattered little to the ultimate investment outcome. At the same time, the respondents regarded the *restricted bank lending* factor as the least important to their performance.

AVERAGE WEIGHTED ASSESSMENTS OF THE SIGNIFICANCE OF THE FACTORS SHAPING THE PERFORMANCE OF COLLECTIVE INVESTMENT SCHEMES



Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

AVERAGE WEIGHTED ASSESSMENTS OF THE SIGNIFICANCE OF THE FACTORS INFLUENCING HOUSEHOLD DECISIONS TO INVEST IDLE MONEY IN COLLECTIVE INVESTMENT SCHEMES



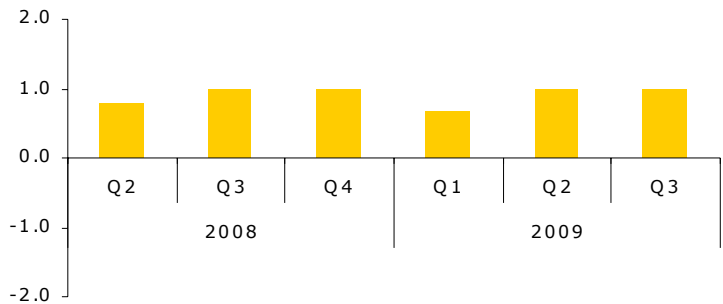
Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

### 4. Pension funds

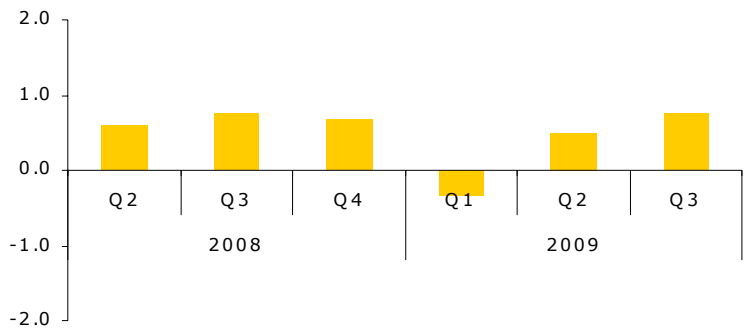
The pension insurance funds remained upbeat about the assets accumulated under the additional compulsory schemes, predicting a slight increase. Also, they were optimistic about the assets under the additional voluntary insurance schemes, pointing to a distinct quarter-on-quarter improvement.

The average Q2 assessments of the most significant factors shaping PIF performance remained more or less unchanged on a year earlier. The higher contribution rate in force had a central role and ranked first again. Having stepped up considerably in importance on a year earlier, the country's *macroeconomic environment* and *financial state of economic agents* ranked next, recognized as decisive factors at work behind the operations of the pension insurance funds. *Tax legislation amendments* and *household financial culture* stepped down in importance, producing little effect on PIF. At the same time, competition on the part of other financial intermediaries was deemed the least significant.

EXPECTATIONS OF THE ACCUMULATED ASSETS IN THE ADDITIONAL COMPULSORY PENSION SCHEMES

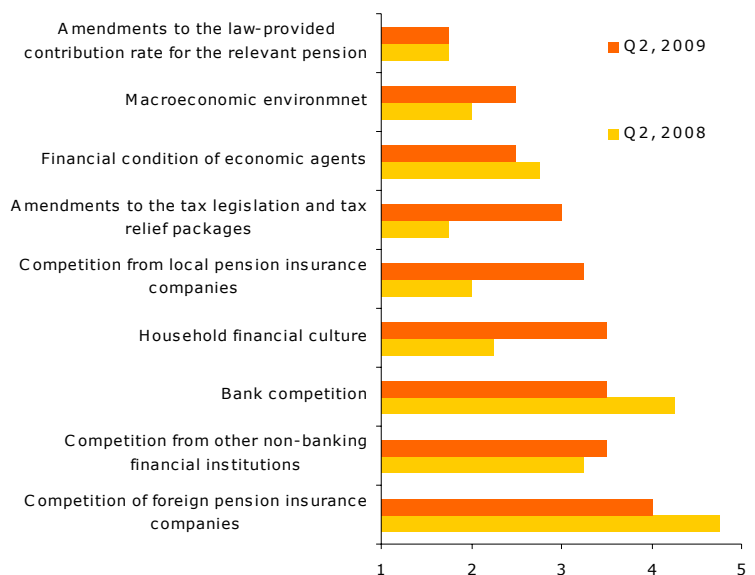


EXPECTATIONS OF THE ACCUMULATED ASSETS IN THE ADDITIONAL VOLUNTARY PENSION SCHEMES



Note: The expectations of the pension funds as to the accumulated assets in the additional pension schemes are gauged on the basis of a weighted indicator. A value of the indicator close to 2 implies that the pension funds expect a strong increase of the accumulated assets in the current quarter. Accordingly, a value approximating -2 indicates an expected decrease.

AVERAGE WEIGHTED ASSESSMENTS OF THE LEVEL OF SIGNIFICANCE OF THE FACTORS SHAPING THE PERFORMANCE OF PENSION INSURANCE FUNDS

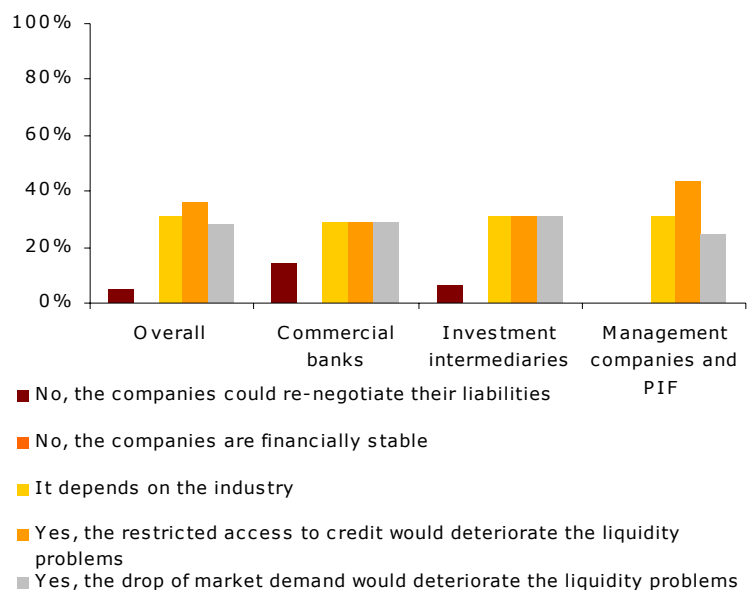


Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

### III. EXPECTATIONS THAT THE LIQUIDITY PROBLEMS FACED BY COMPANIES MAY GROW INTO PERSISTENT DEFAULTS AND INSOLVENCY

The gloomy macroeconomic outlook for the country, credit crunch (because of the higher cost of loan resource and cautious approach of commercial banks), as well as the shrinking market demand have questioned the model of high-leverage management, pursued by local companies. Although about one-third of the respondents (30.8%) found it difficult to say whether the liquidity problems faced would grow into persistent defaults and ultimate insolvency, the remainder (64.1%) were of the opinion that it would inevitably take place one day due mainly to the limited access to loan resources, pointed by 35.9% of the financial intermediaries polled. At the same time, it should be noted that the aggregate results were influenced by the answers of the management companies and pension insurance funds. The commercial banks and investment intermediaries thought that the reduced options to employ domestic sources of financing, e.g. sales revenues might deepen the liquidity problems faced by companies, with the two channels of impact being identified by more or less the same number of respondents (28.6% of the commercial banks and 31.3% of the investment companies). What is more, the two groups of financial intermediaries made it clear that companies were free to renegotiate their liabilities and thus avoid defaults, an opinion shared by 14.3% of the banks and 6.3% of the investment companies.

WILL THE LIQUIDITY PROBLEMS OF THE COMPANIES GROW INTO INSOLVENCY?





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## Methodological Notes

### I. Economic Situation

The **General Part** dwells on an analysis of the aggregated expectations of financial intermediaries as to the current state of affairs in the economy, economic growth, inflation, base interest rate and the BGN's exchange rate to the US currency. The expectations of the different target groups of financial intermediaries have been gauged, using a weighted indicator. The different positive assessments (in some cases two, in others –only one) are given the values 1 and 2, as follows: 2 if there are two positive answers, and 1 if there is only one positive answer. A neutral answer gets 0. Negative assessments are given the value of -1 and -2, as follows: -2 if there are two negative answers, and -1 if there is only one negative answer. The percentages of respondents, giving the respective answer, are used as weights in calculating the indicator. An indicator close to 1 (in some cases close to 2) stands for an increase (hence a significant increase) in the variable dealt with. Accordingly, an indicator close to -1 (in some cases close to -2) stands for a decrease (or a significant decrease) in the variable. In addition, a value of the indicator approximating 0 is a sign of a strong lack of homogeneity of expectations or else of expectations of an invariable pattern of performance of the economic variable.

### II. Factors Shaping the Performance of Financial Intermediaries

#### Commercial Banks

The **Special Part** addresses two basic types of questions, i.e. first, assessment of the factors, affecting their performance in the last quarter and second, their expectations of the key macroeconomic indicators having to do with their specific operations.

The first type of questions requires that respondents identify up to 5 factors, which they think are important to the operations of their bank. The factors have to be rated from 1 to 5, where 1 stands for the most significant factor, and 5 for the factor of least importance. Factors left out of consideration get 6. Thus, the aggregate results for each question are obtained by average weighting of the answers.

In the second part of the survey the respondents are asked to rate the expected dynamics of the relevant indicator on a scale from 1 to 5 (significant increase, increase, without change, decrease, significant decrease), where 1 stands for a significant increase, and 5 for a significant decrease. The questions left unanswered are given a value of 6. The results for each indicator are obtained as the arithmetic mean of the weights stated.

#### Investment intermediaries, management companies and pension insurance funds

The special part of the survey, which has to be filled in by management companies, contains questions the answers to which are based on the rating of a number of factors that are significant to the operations of the respondents or the decision of economic agents to use the services rendered by financial intermediaries. Again, they are rated on a scale from 1 (the least significant) to 5 (the most significant). Thus, the aggregated results for each factor are obtained on the basis of the average weighted answers.

### III. Expectations that the liquidity problems faced by companies may grow into persistent defaults and ultimate insolvency

The respondents are asked to answer a question that is survey-specific. In this edition they were asked to assess the likelihood liquidity problems to grow in persistent defaults and ultimate insolvency. The possible answers were as followed: negative because the companies can renegotiate their liabilities; negative because the companies are stable and any likelihood of the problems to depend on the sector's performance; worsening liquidity problems as a result of the credit crunch in the economy; and worsening liquidity problems due to the ever-shrinking market demand. The results have been visualized by a graph, showing the percentage of respondents, giving the respective answer, as further broken down into the target groups polled.

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