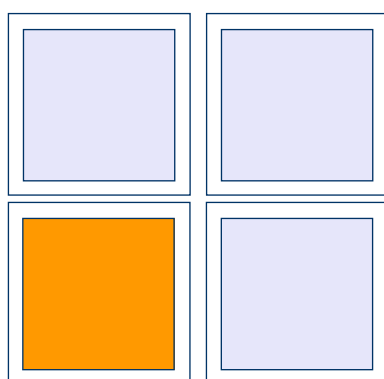


# FINANCIAL SECTOR: ESTIMATES AND EXPECTATIONS



#4 | 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, AEAf 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 Fore-casting 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 14th to 25th September 2009. the commercial banks polled owned 39.3% of the assets in the banking system as of the end of December'08, the investment intermediaries enjoyed a share of BSE turnover of 17.6% as of the end of 2008, the management companies ran 52.5% of the assets under the collective investment schemes (as of the same period), whereas the pension insurance companies managed some 60.7% of the assets of the pension funds under the various voluntary pension benefit 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.*

### **Main Highlights in this Edition:**

- A decrease in the deposit and loan interest rates as well as in BIR in the following months;
- Further slowdown in the country's inflation;
- Stock indices to sustain their upward trend;
- Growing unemployment may have a curbing effect on the sector's performance in the immediate future.

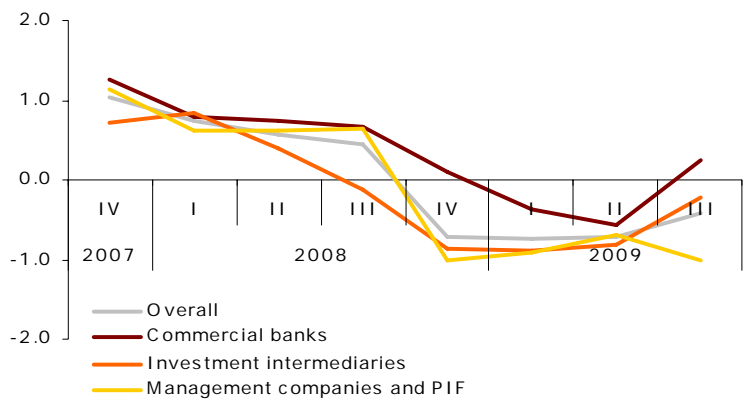
## I. ECONOMIC SITUATION

### 1. Current state of affairs in the economy and growth expectations

After three quarters in a row of negative attitudes to the current state of affairs in the economy, the financial intermediaries polled now showed some signs of optimism. Although the majority of respondents (67.7%) continued to assess the current economic situation as unsatisfactory, the percentage of positive answers went on the increase (a tendency most clearly manifested by the commercial bank group where some 62.5% considered the economic situation to be satisfactory). The quarter also witnessed some improvement in the assessments of the investment intermediaries to 38.5% from 11.8% in the preceding survey. At the same time, the management companies and pension insurance funds were the only group of respondents reporting an increase in their negative answers.

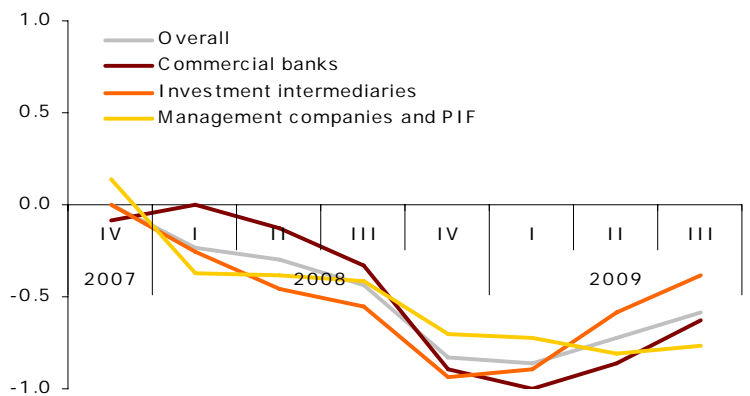
On a quarter earlier, Q3 growth expectations improved mostly due to the upbeat economic data released by the National Statistical Office, which prompted a rise in the positive and neutral answers of all respondents to 38.2% from 22.5% three months earlier. Their attitudes, however, were clearly marked by "slowdown" answers (61.8% vs. 77.5% on a quarter earlier), although some groups reported improved anticipations. Some 53.9% of the investment intermediaries expected growth in the economy to report no change or pick up (vs. 35.3% in the preceding survey), whereas the share of the commercial banks pointing to a slowdown stepped down from 85.7% to 62.5%. At the same time, the management companies and pension insurance funds remained the most downbeat, although 23.1% of them did not expect a change.

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.

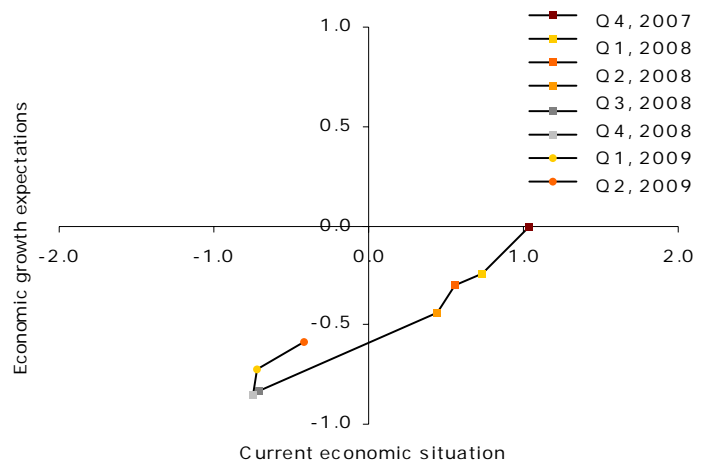
GROWTH EXPECTATIONS



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.

The aggregate current business situation assessments and growth expectations were indicative of the same optimism among the respondents as in the previous survey. The quarter-on-quarter change was mostly due to the current business situation assessments as growth expectations reported a lesser increase. The answers were still running along the negative side of the coordinate system, implying that despite the positive attitudes, the respondents remained cautious and skeptical about the sustainability of the positive developments in the economy.

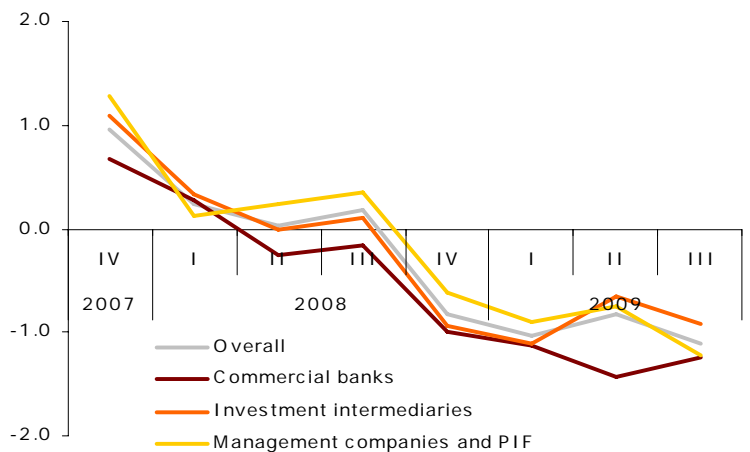
CURRENT AND FUTURE ECONOMIC SITUATION



## 2. Inflation

The respondents expected the inflationary pressure to ease off further, with 76.5% of them predicting a price decrease. This was the predominant view taken by all financial intermediaries, with the share of the "price inflation decrease" answers of the management companies and pension insurance funds running well over 76%. At the same time, the aggregate results of the commercial banks stepped up due solely to the higher percentage of answers pointing to retention of the inflation rate (25%). The slowdown in the country's business activity of the past few months has obviously had a strong impact on price expectations.

INFLATIONARY EXPECTATIONS



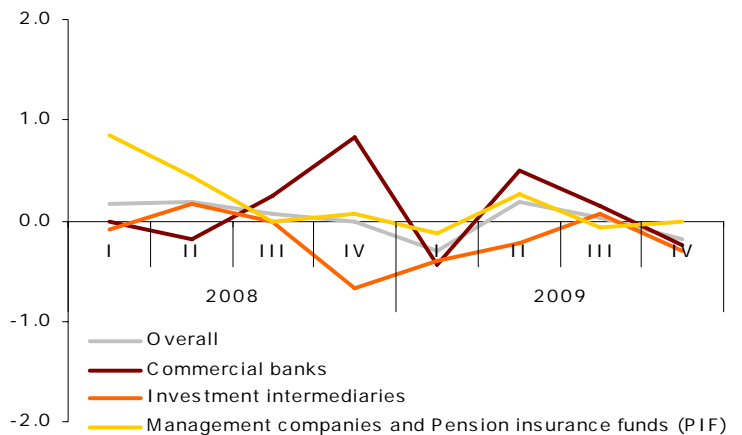
Note: The inflationary expectations of financial intermediaries are gauged, using a weighted indicator. A value of the indicator close to 2 implies that the respondents expect inflation to accelerate. And vice versa, a value of the indicator close to -2 indicates an expected decrease in inflation.

## 3. Foreign exchange rate

The consolidated expectations of the respondents as to Q4 BGN/USD exchange rate pointed to a negligible increase in the US currency. They changed their expectations compared to the preceding quarter when the financial intermediaries were in favour of a slightly stronger USD. The survey answers were diversified, making the average weighted indicator run very close to neutral. The largest share (41.2%) was reported by respondents expecting a slight appreciation of the USD. Another 29.4% were in favour of the BG currency, and 20.6% pointed to no change in the ex-change rate. Some 2.9 and 5.9% respectively pointed to a strong increase or decrease in the USD. The expectations of all respondents changed on a quarter earlier, with the answers of the commercial

banks standing closest to the average weighted indicator (half of them were in favour of a slightly stronger US currency, whereas 25% of them pointed to retention of the exchange rate and another 25% to a insignificant appreciation of BGN). The investment intermediaries were the most upbeat about the USD since 46.2% were in favour of a slight appreciation and 7.7% anticipated a strong increase of the US currency. At the same time, 30.8% of them predicted a slight appreciation of BGN. As in the preceding survey, the management companies and pension insurance funds remained the most unequivocal in their attitudes, expecting no change in the foreign exchange rate. Their answers were fully symmetrical on either side of the neutral expectations. The majority of answers were divided evenly between a slight appreciation and a slight depreciation of USD, each pointed by 30.8% of the respondents. At the same time, some 7.7% of them predicted a robust increase in the US currency, and 23.1% pointed to no change in the exchange rate.

EXPECTATIONS OF THE NOMINAL BGN/USD EXCHANGE RATE



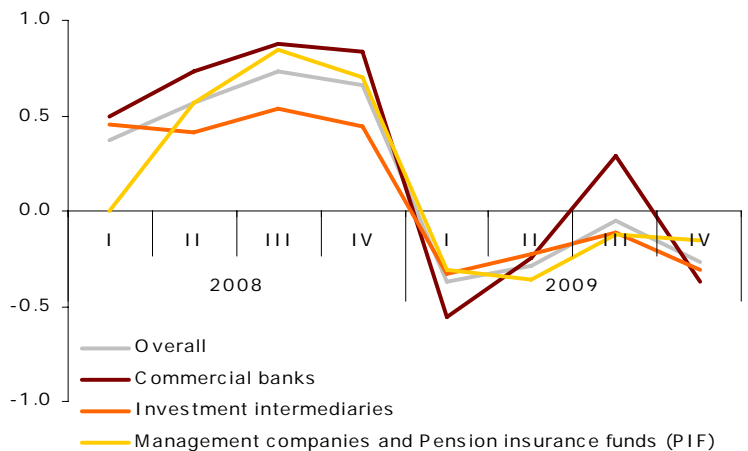
*Note: The expectations of the respondents as to the nominal BGN/USD exchange rate dynamics are gauged using a weighted indicator. A value of the indicator close to 2 implies that financial intermediaries expect a strong appreciation of the BGN to the USD. Accordingly, a value approximating -2 is indicative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

The controversial answers were due to the diverse factors affecting the USD/EUR exchange rate, hence the BGN/USD rate of exchange. Currently, indications that the Federal Reserve will keep the benchmark rate at 0-0.25% for a longer period are having an adverse effect on the USD. Furthermore, the US currency may be undermined by opinions that it will lose much of its ground and monopoly as the world's only anchor currency in the foreseeable future. At the same time, a statement of ECB President Jean-Claude Trichet that the USD will have a central role in the global recovery process produced the opposite effect. In addition, the 75 billion worth of one-year enhanced credit support to be extended to Euro area banks at a very low interest rate may weaken the single European currency.

## 4. Base interest rate

The low interbank market interest rates of the past few months were the factor at work that shaped the BIR expectations of the respondents. Some 29.4% of the financial intermediaries polled anticipated a further drop, and 67.7% expected it to remain unchanged. The commercial banks reported the strongest change, with 37.5% of them predicting a quarter-on-quarter decrease, provided this answer had been given by none of the banks in the preceding survey. At the same time, the management companies and pension insurance funds were the only group of respondents pointing to an increase in BIR (7.7%).

EXPECTATIONS FOR THE BIR DYNAMICS IN THE NEXT QUARTER

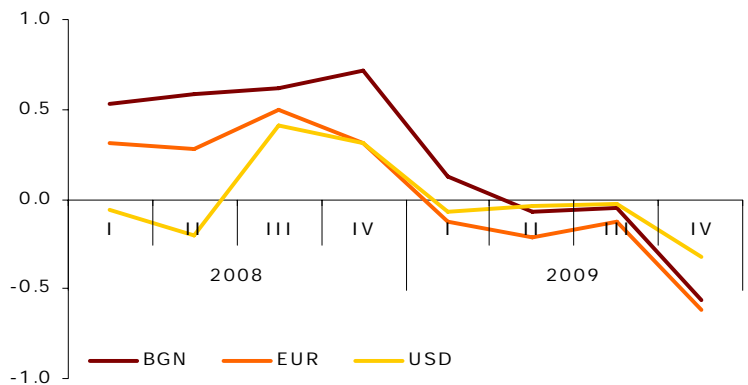


Note: The expectations of the respondents as to the base interest rate dynamics is gauged using a weighted indicator. A value of the indicator close to 1 implies that financial intermediaries expect an increase in the base rate. Accordingly, a value close to -1 indicates an expected decrease.

## 5. Deposit and loan interest rates

As the deposit interest rates were unlikely to step up any further, the respondents anticipated a turnaround in the trend. None of them pointed to an interest rate increase. On the contrary, 55.9% of them predicted a drop. This percentage ran even higher with the investment intermediaries and the management companies and pension insurance funds at 69.2 and 61.5% respectively. The expectations of the commercial banks pointed predominantly to retention of the deposit interest in BGN. The expectations of the deposit interest rates in EUR manifested the same pattern of dynamics, with the anticipations of a further drop being more pronounced. As for the interest rates in USD, the majority of the respondents (67.7%) expected no quarter-on-quarter change.

DEPOSIT INTEREST RATE EXPECTATIONS (BGN, EUR AND USD)

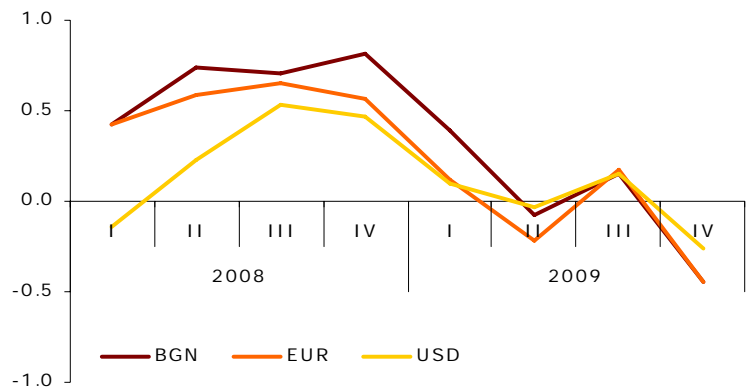


Note: The expectations of the respondents as to the dynamics of the loan interest rates in BGN, EUR and USD are gauged using a weighted indicator. A value of the indicator close to 1 shows an expected rise in deposit interest. Accordingly, a value approximating -1 is indicative of an expected decrease.



The expectations of a lower deposit interest tallied with the view taken of the cost of loan resources. Over half of the respondents (55.9%) pointed to retention of the interest rates on loans in the fourth quarter, whereas 44.1% anticipated a decrease. They predicted a similar pattern of dynamics of EUR loan interest. As for the USD loan interest rates, 7.7% of the investment intermediaries expected them to step up, and 46.2% - to remain unchanged at their Q3 levels. Upward expectations of the cost of loan resources.

LOAN INTEREST RATE EXPECTATIONS (BGN, EUR AND USD)

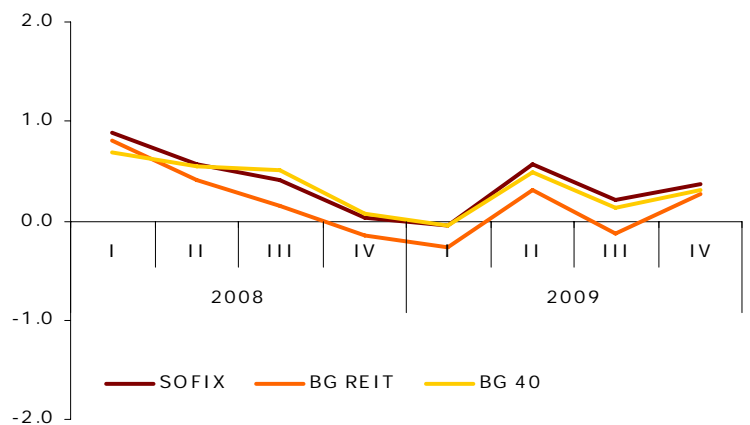


Note: The expectations of the respondents as to the dynamics of the loan interest rates in BGN, EUR and USD are gauged using a weighted indicator. A value of the indicator close to 1 shows an expected rise in deposit interest. Accordingly, a value approximating -1 is indicative of an expected decrease.

## 6. Stock indices

On a quarter earlier, the financial intermediaries polled demonstrated stronger optimism as to the performance of the stock market indices. Their answers pointed to an increase in all the three indices. The opinions expressed were more categorical with a growing share of the positive answers at the expense of the negative and neutral expectations. According to an increasing percentage of respondents (45.5%), the SOFIX index was to post a most significant increase. They had similar expectations of the BG 40 index, with 39.4% of them being moderately optimistic and some 30.3% - neutral. At the same time, it should be noted that though positive, the expectations of BG REIT ran the lowest. Some 39.4% of the intermediaries pointed to a slight improvement, and 36.4% expected it to remain almost unchanged around its Q3 levels. Among the different groups of respondents, the financial intermediaries were the most downbeat as to the future stock exchange developments. Although the majority of their answers indicated a rise (50% and 41.7% respectively for BG REIT, SOFIX and BG 40 each) or no change, 8.3% of the respondents were of the opinion that that all the three indices would slide, contributing to the overall result. The survey findings for the commercial banks stood closest to the aggregate assessments. Though taking a clearer view on a quarter earlier, they anticipated no change in the performance of the indices by

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.

the end of the year (that was the general attitude of 50% of the respondents as to SOFIX and BG REIT, and of 62.5% towards BG 40). At the same time, 37.5% of the intermediaries were optimistic about the future performance of SOFIX and BG REIT alike, and 25% about the broad BG 40 index. For a second quarter in a row, the management companies and pension insurance funds expressed the most positive attitude. Their answers were more diversified compared to the banks and investment intermediaries, with the strong positive result being mostly due to the growing weight of expectations pointing to an increase in the indices (23.1% favoured a stronger SOFIX and BG 40, and 15.4% - the BG REIT index). The majority of answers pointed to a slight increase in the indices, a view taken by 38.5% of the management companies and pension insurance funds of BG REIT, and by 46.2% as to each of the other two indices.

The moderately optimistic expectations of the respondents of Q4 stock exchange trading were triggered by both external and internal factors. As the local market is heavily dependent on the developments on the big stock exchanges worldwide, the upward trends there are expected to have a healthy effect on its performance. On the other hand, the actual financial condition of the listed companies and drive of some market layers to make current profits may continue to keep a curb on the indices.

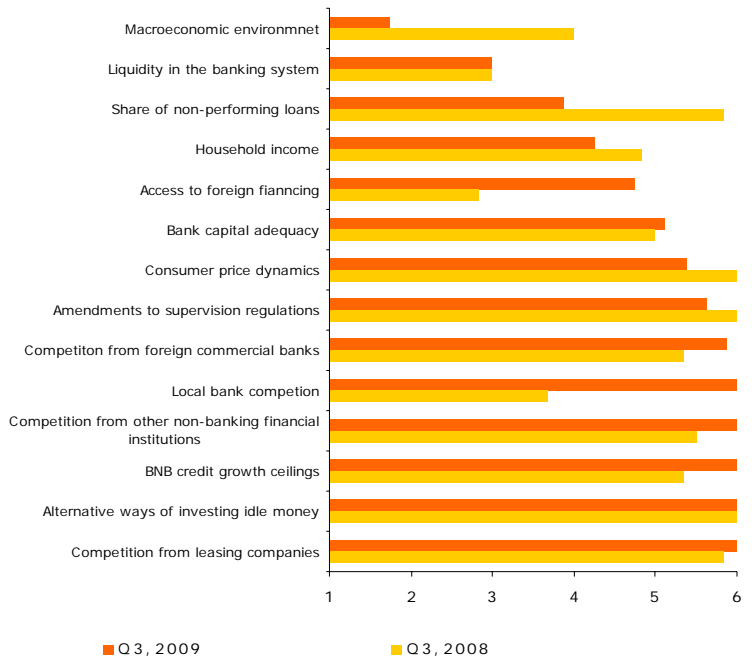
## II. FACTORS SHAPING THE PERFORMANCE OF FINANCIAL INTERMEDIARIES

### 1. Commercial banks

The growth slowdown in the local economy led to a significantly heavier weight of the macroeconomic environment factor in the sector's supply and demand. All banks identified it as crucial to their lending decisions. The share of non-performing loans was another factor that stepped up in importance on a quarter earlier. The quality of bank credit portfolios had deteriorated over the preceding months and many loans were classified as non-performing. All this had produced a negative effect on the capital adequacy of the banks, hence their lending capacity. Liquidity in the banking system ranked second again, but access to foreign financing was no longer a key factor shaping loan dynamics. On a year earlier when bank competition and competition on the part of non-banking financial institutions was considered an important factor, it now enjoyed a smaller weight.

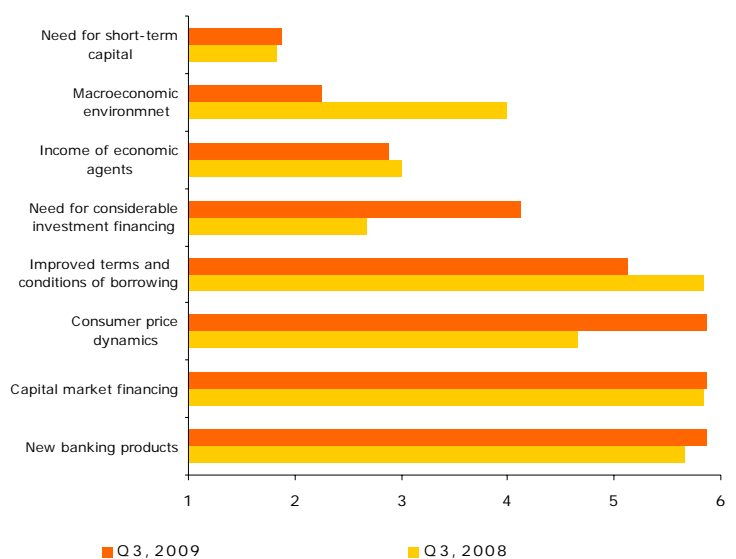
All banks identified three factors that affected credit demand: corporate and household income, macroeconomic environment and the need for short-term capital to meet operating costs. The latter one, however, turned out to be the factor which made economic agents borrow bank loans. At the same time, the lower significance of investment project financing was indicative of drastically shortened planning horizons or liquidity problems in the real economy.

FACTORS INFLUENCING BANK LOAN EXTENSIONS



Note: For further detail see Methodological Notes.

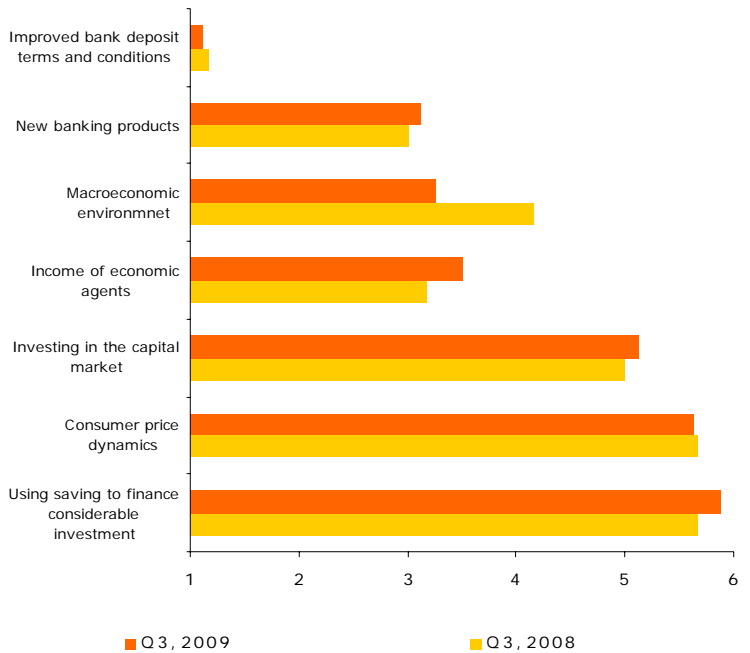
FACTORS INFLUENCING BANK LOAN DEMAND



Note: For further detail see Methodological Notes.

The quarter did not see any significant changes in the way the factors were prioritized on a year earlier. The stronger bank competition of the past year has led to new deposit products offering more favourable and flexible terms of deposit taking, pointed by all banks. The supply of new bank products and the country's macroeconomic environment were identified as decisive factors at work by 87.5% of the respondents, with the environment factor gaining further momentum, compared to September'08.

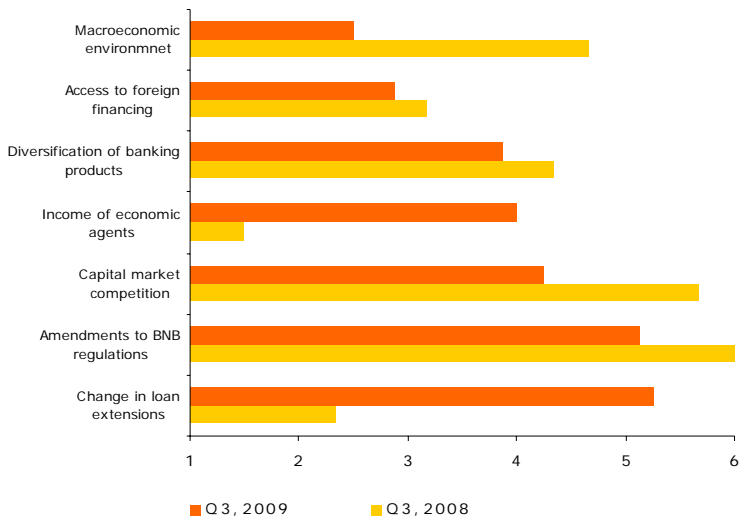
FACTORS INFLUENCING DECISIONS TO PUT IDLE MONEY IN BANK DEPOSITS



Note: For further detail see Methodological Notes.

As with deposit supply, the country's macroeconomic environment was recognized as a factor of paramount importance influencing deposit demand. Access to foreign financing retained its weight on a year earlier, although the aggregate results tended to decrease slightly. At the same time, the quarter saw a significant drop in the relative importance of corporate and house-hold income and changes in lending. The former was a sign of the altered bank policies and an attempt to focus on a larger group of savers. As for the dynamics of the other factor, it can be seen as a way to use the resources attracted to improve general liquidity at the expense of loan financing.

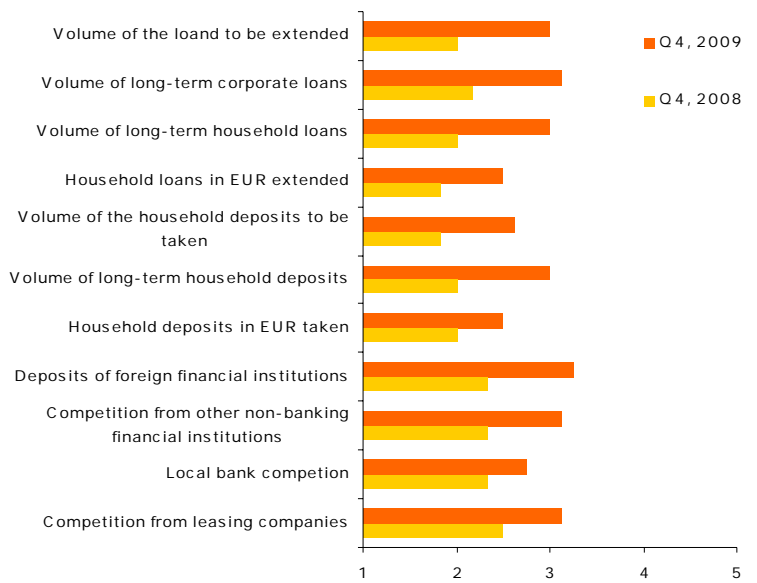
FACTORS INFLUENCING DEPOSIT TAKING



Note: For further detail see Methodological Notes.

The respondents' expectations as to Q4 performance of a number of indicators pointed unambiguously to a significant slowdown in the banking sector. They anticipated a relative slowdown in both lending and deposit taking. Furthermore, they pointed to a decline in the deposits of foreign financial institutions but did not expect limited access to foreign financing to result in stronger competition.

EXPECTATIONS OF COMMERCIAL BANKS IN RESPECT TO:

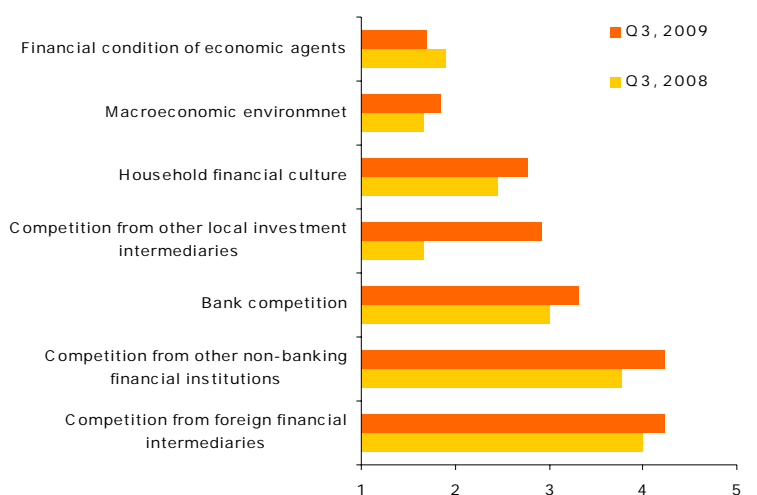


Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it indicates that commercial banks expect it to step up significantly. And vice versa, when it is close to 5, it implies that the respondents expect a significant decrease.

## 2. Investment intermediaries

The respondents took a similar view of the factors shaping their Q3 performance as in a year earlier when the global financial and economic crisis was in full swing. The impact of the global recession on the local economy began to be perceived more clearly in early 2009 and is currently deepening. This was also the main reason why the investment intermediaries identified changes in financial state and the country's macroeconomic environment as crucial. They ranked the two factors first (38.5%), with the higher significance of the former factor being due to the lower diversification of answers. Household financial culture ranked next, stepping slightly down in importance against the base period. Local competition lost much of its relevance on a year earlier and was no longer considered a decisive factor. It is expected to start gaining momentum again when employment and income go on the increase and investors become less risk averse. Competition on

AVERAGE WEIGHTED ASSESMENT OF THE LEVEL OF SIGNIFICANCE OF THE FACTORS SHAPING THE PERFORMANCE OF INVESTMENT INTERMEDIARIES

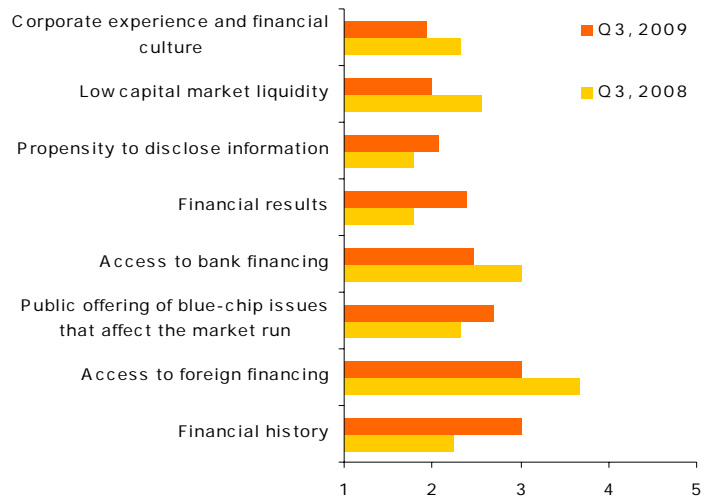


Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

the part of other financial intermediaries, both foreign and local enjoyed more or less the same weight, slightly diminishing in importance, though.

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. Experience and financial culture had stepped up in importance, now ranking first (38.5%). Low capital market liquidity gained further momentum, being rated second in importance. It was identified as the most crucial factor at work by 41.7% of the respondents, but the greater diversification of the answers led to a lower average weighted result. The two factors can be dealt with together. Depending on its experience a company may consider different viable ways to finance its operations, weighing the alternative of high interest on bank deposits against the inability to fund its operations because of the low stock market liquidity. Financial performance and propensity to disclose financial information stepped down in significance on a year earlier, being now outweighed by other factors maybe due to the fact that the propensity of the local market was more likely to be influenced by the global market trends under way rather than the financial performance of the listed companies. At the same time, the floating of blue-chip issues lost much of its relevance and was deemed insignificant. Access to foreign financing and financial history were regarded as the least important.

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



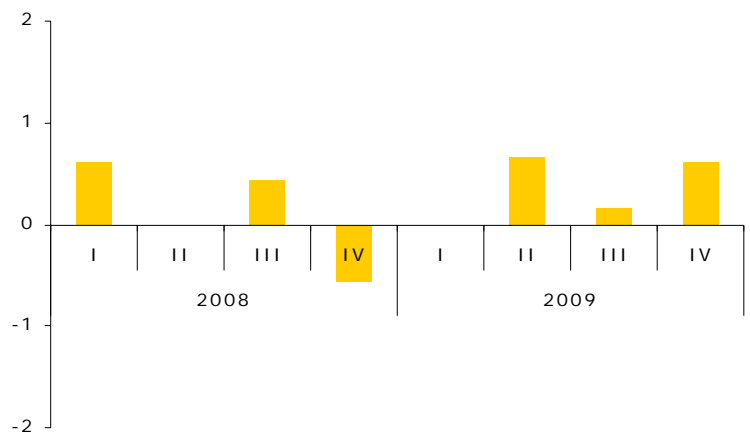
Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

### 3. Collective investment schemes (CIS)

On a quarter earlier, the management companies reported higher expectations of CIS assets, predicting a moderate increase (70%). Another 20% anticipated no change and some 10% were pessimistic about Q4 developments.

The respondents took a similar view of the factors crucial to CIS performance as in the third quarter of 2008. However, the period witnessed a strong increase in the significance of changes in economic agents' financial state and household financial culture, which now ranked first and second (each being unanimously pointed by 60% of the respondents) but enjoyed a significant weight in the base period as well. Rated next, the macroeconomic environment factor retained its level of significance on year earlier. The other

EXPECTATIONS FOR THE ACCUMULATED ASSETS IN CIS

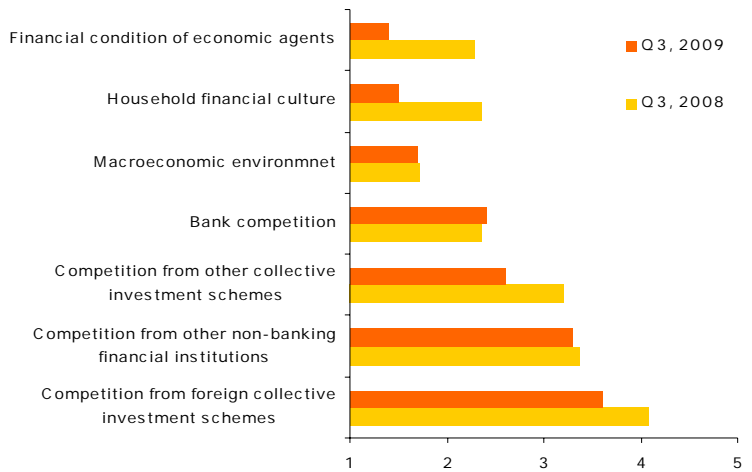


Note: The expectations of the management companies as to the accumulated assets in the CIS are gauged on the basis of a weighted indicator. A value of the indicator close to 2 implies that the management companies expect a strong increase of the accumulated assets in the current quarter. Accordingly,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

factors, competition on the part of other financial institutions including, reported no change in weights. At the same time, a notable change was discerned in competition on the part of other CIS, most probably triggered by the upward capital market trends in the period surveyed.

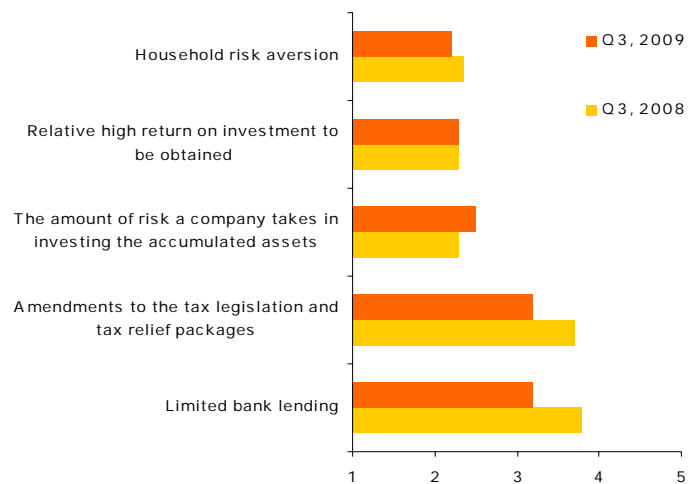
The third quarter was marked by a significant rise in both share prices and stock indices. Nevertheless, investment risk remained high as there were no clear-cut indications that trading had gone on a steady increase. As a result, the respondents considered household risk aversion and high return on investment indispensable to a household decision whether or not to invest their idle money in CIS. At the same time, risk taking on the part of the management companies stepped down in importance but stood close to the weights of the most essential factors at work. Given the present economic picture, the significance of the factor had to do with the volume of riskier portfolio investments a company may make. And vice versa, the lower significance of the factor may be associated with the low stock exchange turnover. Despite the negligible increase in importance, tax legislation amendments, tax relief packages and limited bank lending were identified as the least significant.

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

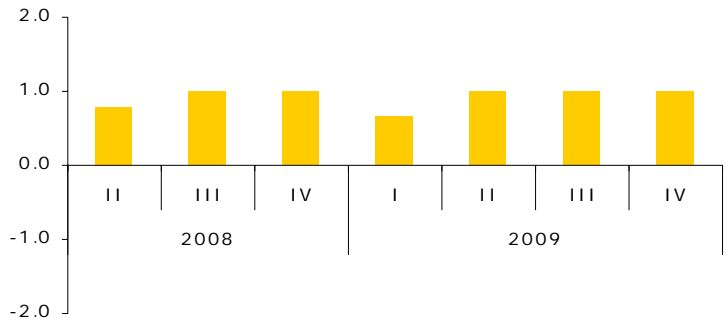


Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.

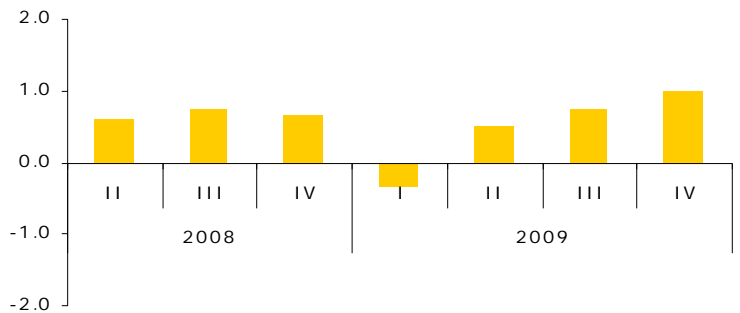
### 4. Pension funds

The pension insurance funds pointed unanimously to a slight Q4 increase in assets under the additional compulsory and additional voluntary pension benefit schemes alike. The average weighted answers remained unchanged in attention to the additional compulsory funds on a quarter earlier while improving in regard to the additional voluntary funds for a second quarter in a row.

EXPECTATIONS OF THE ACCUMULATED ASSETS IN THE ADDITIONAL COMPULSORY PENSION SCHEMES



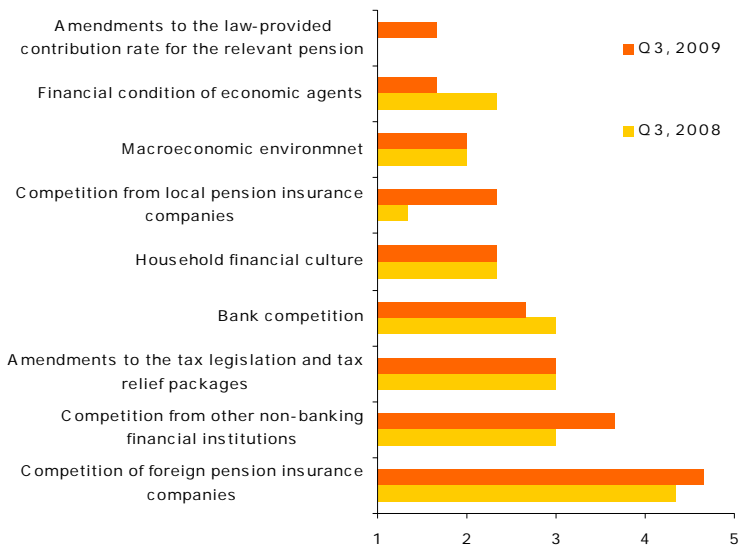
EXPECTATIONS OF THE ACCUMULATED ASSETS IN THE ADDITIONAL VOLUNTARY PENSION SCHEMES



*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.*

The insurance contribution amendments were again central to the performance of the funds but reported a lower weight on a year earlier. Economic agents' financial state, which stepped up in significance for a second quarter in a row, and the country's macroeconomic environment were identified as the most vital factors at work. Having decreased in importance on a year earlier, competition on the part of local pension insurance funds was no longer considered essential. Competition on the part of all other groups of financial intermediaries and tax legislation amendments did not have a decisive impact on the performance of the funds.

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



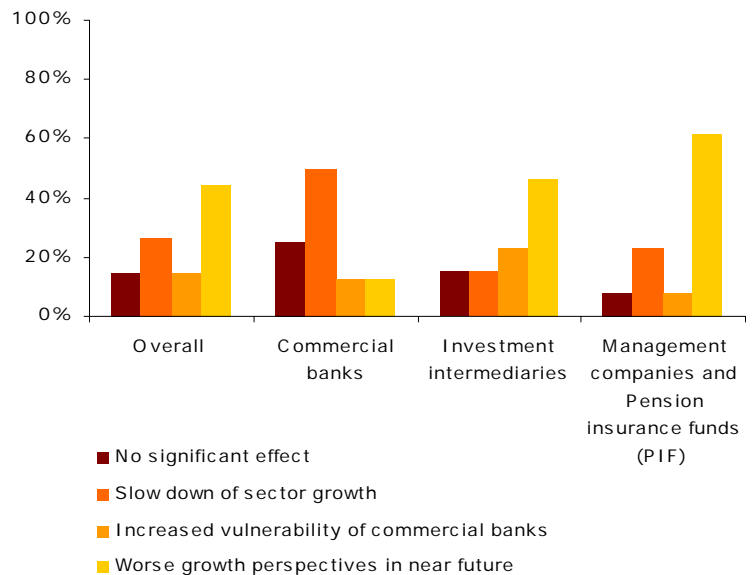
*Note: The average weighted results have been obtained as the arithmetic mean of the answers given. When the indicator is close to 1, it enjoys a very high level of significance. And vice versa, when it is close to 5, it has a very low significance.*



### III. LIKELY EFFECT OF THE GROWING UNEMPLOYMENT RATE ON THE FINANCIAL STABILITY

The slowdown in the country's business activity has led to a growing jobless rate. This, in turn, is expected to produce an unhealthy effect even on sectors that have not been directly struck by the global crisis. The impact on the financial sector may come along several channels, as follows: first, high unemployment entails limited household savings and debt servicing problems. Second, it may have a curbing effect on the stock markets as more small savers are expected to pull back from the market. And last but not least, it should be noted that high unemployment can be a sign of worsening operating results of many companies in the real economy, which in turn may exert a strong downward pressure on the stock indices, hence profit. Most respondents (44.1%) expected high unemployment to result in a worsening outlook for the sector, a view taken unanimously by the investment intermediaries, management companies and pension insurance funds. At the same time, the commercial banks polled were of the opinion that high unemployment would result in a sector's slowdown, which, however would not undermine their stability or threaten their prospects of development. A relatively small number of financial intermediaries expected commercial banks to become more vulnerable. All this can be said to be a positive sign of the market evaluation of the sustainability of the vitally important intermediaries for the local financial sector.

EXPECTED EFFECT FROM INCREASED UNEMPLOYMENT ON FINANCIAL STABILITY



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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. Specific issues: expected effect of the growing unemployment rate on the financial stability

The respondents are asked to answer a question that is survey-specific. In this edition they were asked to assess the likely effect of the growing unemployment rate on the country's financial stability. The possible answers suggested were: no significant effect; slowdown in the sector; greater vulnerability of commercial banks; worsening outlook for the sector. The results have been visual-ized 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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