

The Passionate Shepherd

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I. This is an article from the Economist Intelligence Unit ViewsWire of Apr 23rd, 2009. It checks your understanding of structure, not structured finance. Fill in the gaps with due diligence.

Bulgaria's budget blues

The IMF has called on Bulgaria to revise its 2009 budget, insisting that existing plans to curb spending will (1) _____ be sufficient to avoid a deficit, still (2) _____ to meet the targeted 3%-of-GDP surplus. Budget revenue held up well in January, but (3) _____ since declined dramatically; this threatens the planned surplus, (4) _____ is considered essential to maintaining investor confidence in the currency board. Compared to its neighbours, Bulgaria's public finances are in good shape and standard IMF funding does not seem necessary. However, the prime minister now seems open to the possibility of taking up a new, strings-free IMF facility.

(5) _____ the end of his week-long visit to Bulgaria on April 22nd, IMF mission head Bas Bakker insisted that the 2009 budget, which was drafted in September 2008, was unrealistic and (6) _____ to be altered. The 2009 budget targeted a surplus equivalent to 3% of GDP, but gave the government leeway (7) _____ run this surplus down to 1% of GDP in order to support the economy during the economic slowdown. However, with budget revenue starting to come under pressure, the prospect—unaccustomed in recent years in Bulgaria—(8) _____ a budget deficit begins to loom large. The IMF had previously expected modest GDP growth this year, but now expects a 3.5% contraction and a 1% contraction in 2010.

At the end of 2008 the government agreed that ministries (9) _____ spend only 90% of their budget allocations and should save the remaining 10% (10) _____ revenue performance was good enough to suggest budgetary stability. Mr Bakker described this measure as inadequate to keep the budget in surplus. He predicted that, without fiscal changes, Bulgaria would run a budget deficit equal to 1% of GDP.

II. This task checks your lexical competence. Fill in the gaps with a word on your own. It's difficult, beware!

The importance of being in (1) _____

The government is determined to (2) _____ a budget deficit, in order not to exacerbate the country's financing needs and dent investor confidence, which is particularly sensitive given that Bulgaria (3) _____ a currency board and the euro (4) _____ of other east European states, in particular that of Latvia, have been questioned. The downside of fiscal rectitude is that it gives the government limited scope to support the economy over the coming months.

Compared to most of its neighbours, Bulgaria's public finances are in good shape. It has (5) _____ sizeable fiscal surpluses for several years; even if it were to eschew further cuts and run the 1% of GDP deficit that Mr Bakker predicted, it would be one of the best performances across the EU27. In this context, Bulgaria does not seem to be a

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candidate for IMF assistance of the kind already accepted by Hungary, Ukraine, Serbia and Bosnia and Hercegovina. And the government has no wish to go down this route, as the Fund has forced on all these states extensive (6) _____ in public spending that will probably deepen their recessions this year.

Blue-chip borrower?

Nevertheless, rumours about an IMF programme have persisted—despite consistent (7) _____ by the prime minister, Sergei Stanishev. Mr Stanishev's admission that he might eventually approach the Fund for a loan (8) _____ is noteworthy, for it marks the first time he or any member of the government has conceded the possibility. Their more immediate task, however, will be to consider revising the budget with a view to (9) _____ a surplus this year, thus mitigating the risk of a withdrawal of investor confidence. Without such changes, it is difficult to see how the IMF can consider Bulgaria as a (10) _____ -credit-line (FCL) candidate.