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## Stimulus plans - Bulgaria in drive to lift economy out of recession

*Tuesday, 17 Nov, 2009*

Novinite.com reported that Bulgaria plans to place funds from the government's fiscal reserve with local subsidiaries of foreign owned banks in an attempt to lift the economy out of recession.

Mr Simeon Djankov finance minister said that about BGL 1 billion or about 12% of the reserve would be allocated for short term deposits at commercial banks through an auction process. He added that "This measure would stimulate the economy by helping bring down interest rates for borrowers and if required, more liquidity could be made available. Banks have been competing for deposits and driving up rates because they are no longer being funded by parent groups abroad."

It may be noted that Bulgaria was badly hit by a collapse in holiday home demand and a plunge in exports. The economy is expected to shrink by about 6% this year and 2% in 2010.

Mr Djankov, a World Bank economist who joined a new centre right government in July, said that "We could transfer up to 20% of the reserve from the central bank to commercial banks where it would earn a useful interest income."

He expected demand for loans will soon be huge as export markets recover and disbursement of EU funds gets under way.

(Sourced from [www.novinite.com](http://www.novinite.com))

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