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**Fact Sheet**

**In Washington, D.C.:**

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In **Bulgaria**, the survey found, firms reduced capacity utilization as well as permanent and temporary employment. Nearly 0.9 percent of firms closed down or were in the process of doing so, which places Bulgaria with the lowest exit rate in the group of countries sampled. But additional information collected during the screening process for the survey suggests that the real exit rate of firms could be much higher: an alternative measure of the exit rate, which incorporates firms impossible to locate, indicates that Bulgaria had the second highest exit rate among the countries sampled. On a positive note, a fair number of Bulgarian firms viewed the crisis as temporary—as indicated by their optimistic sales expectations. Still, more than 15 percent of firms expected to reduce their employment in the next six months.

**Hungarian** firms appeared to be among the least affected by the financial crisis. Hungarian firms not only had the second lowest exit rate among the six countries (not including firms impossible to locate); they also experienced the smallest average reduction in sales and the second smallest reduction in capacity utilization. Firms in Hungary appear to have weathered the financial crisis by reducing their permanent and temporary employment. They also responded by turning inward and financing their needs from their own funds. Not surprisingly, Hungary had the smallest percentage of firms expecting to be in financial distress over the next six months. It also had the smallest share of firms expecting to reduce their permanent employment in that period.

**Latvia** appears to be among the countries most affected by the financial crisis. Latvia had the second highest exit rate, the second largest reduction in capacity utilization, and the third largest reduction in permanent employment. Latvian firms appear to have responded to the crisis by substituting temporary workers for permanent employees and financing their operations through greater reliance on their own funds. More than 50 percent of Latvian firms expected a reduction in sales over the next six months, and almost 35 percent expected to further reduce their permanent employment. Retail and non-exporting firms appeared to be the most affected in this country.

**Lithuania** had a lower exit rate than Turkey, Latvia, and Romania, but tied with Latvia for the second largest reductions in sales and capacity utilization. Lithuanian firms responded to the crisis by reducing permanent and temporary employment. They have also increased the use of internal funds to finance their operations. Over 40 percent of Lithuanian firms expect to reduce the size of their workforce within the following six months. This is the highest percentage among the countries surveyed.

**Romania** had the third highest exit rate in the group, experiencing an average drop in sales of more than 20 percent. In Romania firms responded by decreasing temporary employment, increasing permanent employment, and increasing their use of internal funds to finance their operations. But the data show that some firms faced serious liquidity problems. This is confirmed by firms' expectations about finance: Romania had the highest share of firms expecting to fall into arrears with a financial institution, and the highest share expecting to be unable to repay their outstanding debt, in the next six months.

**Turkey** had the highest exit rate, 7 percent, and the biggest changes in employment, over 8 percent decrease in permanent employment, from December 2007 to June 2009. In addition, average capacity utilization was reduced from 65 percent to 51 percent and sales dropped by 22 percent during the same period. Yet despite the substantial impact of the crisis, expectations in Turkey were relatively optimistic. More than 50 percent of firms expected their sales to increase in the next six months, and only 14 percent of firms expected to reduce their permanent employment in the next six months, the second lowest share among the countries sampled.