S&P Global Ratings

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Research Update:

Bulgaria 'BBB/A-2' Ratings Affirmed; Outlook Stable

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Overview

- We consider that continued domestic political uncertainty after Bulgaria's October 2022 snap election and elevated inflation could pose challenges to or delay the country's eurozone accession.
- In our view, Bulgaria's successful accession to the eurozone would eliminate residual euro exchange rate risks in its economy, improve the country's access to euro capital markets, and grant domestic banks direct access to the European Central Bank (ECB).
- We expect Bulgaria's growth will decelerate significantly to 0.8% in 2023 from a stronger-than-anticipated 3.0% in 2022.
- At under 20% of GDP, Bulgaria's net general government debt is low in a global comparison while interest expenditures also remain low, affording Bulgaria a policy buffer against significantly weaker global economic conditions.
- We have affirmed our 'BBB/A-2' sovereign credit ratings on Bulgaria and maintained the stable outlook.

Rating Action

On Nov. 25, 2022, S&P Global Ratings affirmed its 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook is stable.

Outlook

The stable outlook balances Bulgaria's weaker economic growth prospects in the near term and elevated domestic political uncertainty against Bulgaria's low net general government debt and contained interest expenditures. In our view, this affords Bulgaria a policy buffer and leaves its public finances less susceptible to a swift increase in interest rates globally. Bulgaria is currently experiencing high inflation, which, in our view, could pose challenges to it becoming a member of the eurozone in 2024.

Downside scenario

We could lower the ratings if Bulgaria's economic prospects deteriorated significantly compared to our current expectations. This could occur, for example, due to stronger second-round effects from a slowdown in global growth, the regional security situation significantly worsening, or disruptions of energy imports from Russia threatening the availability of sufficient energy supplies for Bulgaria's economy.

Upside scenario

We could raise the ratings on Bulgaria over the next two years, potentially by several notches, if it became a eurozone member. Improvements in Bulgaria's balance of payments position could also support an upgrade.

Rationale

We expect Bulgaria's growth to weaken notably in the coming months. Although its economy has remained more resilient in 2022 against fallout from the Russia-Ukraine conflict than we initially expected, several challenges lie ahead. In particular, we expect external demand from Bulgaria's main trading partners in the EU will reduce and domestic consumption will lose steam as continuously high inflation, which we estimate at close to 10% on average in 2023, weighs on real wages. Positively, additional EU-funded projects will provide some support. We project real growth of less than 1% in 2023--a substantial slowdown from the 3% we anticipate for 2022.

Bulgaria is gradually progressing in its efforts to enter the eurozone, but it remains unclear whether it will be granted membership in 2024 due to several remaining obstacles. In our view, Bulgaria's successful accession to the eurozone would eliminate residual euro exchange rate risks in its economy, improve the country's access to euro capital markets, and grant domestic banks direct access to the ECB. However, Bulgaria is currently experiencing one of the highest inflation levels in the EU (at close to 15%), which, in our view, could complicate the task of meeting the inflation convergence criterion next year. Domestic political uncertainty also persists with a caretaker government still in office following the most recent snap election in October 2022, hampering the process of preparing for accession.

Bulgaria's previous governing coalition fell apart in June, and it remains uncertain whether a government can ultimately be formed after the October elections. We consider that another snap election could take place in early 2023, which would then represent the fifth general election in less than two years, an unprecedented outcome. Although political instability is clouding the fiscal outlook, we believe future governments will remain broadly committed to fiscal discipline. We expect narrowing deficits over 2023-2025, which will keep general government debt below a modest 30% of GDP and interest expenditures at under 2% of government revenue.

The ratings on Bulgaria are still constrained by the country's moderate GDP per capita in a global comparison and remaining structural institutional impediments.

Institutional and economic profile: Bulgaria's economy has weathered fallout from the Russia-Ukraine conflict better than expected, but economic performance is set to weaken

- We expect economic growth to slow to under 1.0% in 2023 from 3.0% in 2022.
- Although Bulgaria has had some success in diversifying its energy sources, reliance on shipments of Russian oil remains material.
- The domestic political environment remains volatile, with the possibility of yet another snap election in early 2023, which would represent the fifth general election in under two years.

Bulgaria's economic performance in 2022 has so far exceeded our previous expectations. Following a recent data revision, Bulgaria's growth rate in 2021 stands at a strong 7.6%, more than offsetting the prior pandemic-driven decline, and we expect real GDP will expand by 3.0% in 2022. Industrial production has remained strong, and the surge in European electricity prices has enabled Bulgarian producers to expand production and export the sector's excess regionally. In addition, Bulgaria has seen a strong recovery in tourism, which represented about 12% of GDP before the pandemic, with tourists from Central and Eastern Europe replacing those from Russia and Ukraine. On the expenditure side, we note a strong labor market, with a low unemployment rate of 3.7% currently and nominal wages rising by over 17% on average in the first half of 2022, supporting consumption.

Nevertheless, we consider that Bulgaria's economic performance is set to weaken. We believe continuously high price increases, at close to 15% in October (measured by the Harmonized Index of Consumer Prices, HICP), will outpace wage growth and start weighing on consumption. In addition, we expect external demand from Bulgaria's main trading partners in the EU will reduce, exemplified by our expectations of a recession in Germany over the next quarters. Positively, rising EU-funded investments will help Bulgaria's economy avoid a full-year recession, and we expect real growth of about 0.8% in 2023.

Despite recent efforts to diversify energy supply sources, we consider that risks remain. We note that oil represents 24% of Bulgaria's primary energy consumption, and it is primarily shipped from Russia. These imports from Russia would be hard to replace should they become sanctioned or ceased by Russia. Until the end of 2024, oil deliveries from Russia have remained exempt from the sixth package of European sanctions against Russia, allowing deliveries via sea to continue.

In contrast to oil, Bulgaria has quickly replaced Russian gas flows with existing alternative suppliers (such as Azerbaijan) and through an interconnector to a new liquid natural gas terminal in northern Greece. Gas contributes about 14% of Bulgaria's primary energy consumption. Additionally, surging electricity prices have enabled Bulgarian coal power plants (predominantly sourced from domestic supply) to profitably expand production. Nuclear energy production, for which Bulgaria still has sufficient fuel supply over the next years, has also increased. Expansion of renewable electricity production will remain a goal over the medium to long term but cannot substitute other electricity production in the near term.

Over the next few years, we expect investments, backed by EU funds, will support growth. Bulgaria remains one of the highest beneficiaries of EU funds per capita. The European Commission (EC) and the Council of the European Union have already approved the first disbursement request worth €1.4 billion for the Recovery and Resilience Facility (RRF); the entire RRF grants envelope for Bulgaria currently stands at €5.7 billion. However, further payment requests will depend on progress on reforms and investments associated with Bulgaria's Recovery and Resilience Plan, which could be difficult to achieve given the political instability. We estimate that Bulgaria is still eligible for EU grants totaling about €26 billion from the RRF plus the 2014-2020 and 2021-2027 Multiannual Financial Frameworks; this equates to about 30% of estimated 2022 nominal GDP over the period to 2027, with potential absorption of these funds extending to 2030. Despite our expectation that Bulgaria will improve its utilization of EU transfers, its track record suggests that it could be difficult for the country to use the full amount of these funds.

On the downside, we think demographics could hamper potential growth over the medium term because the labor force continues to shrink due to aging and some emigration. Before the pandemic, Bulgaria's labor force was decreasing by about 1% a year, and we do not expect this trend to change in the near future. This highlights the need for continued reform efforts, for example, through measures that address skill mismatches, improve the business environment, spur income growth, and ultimately help slow net emigration.

We think it could prove difficult to implement such structural reforms, given Bulgaria's political environment, which has recently been characterized by high political fragmentation and volatility. Since the beginning of 2021, the country has held four elections, each of which produced either no viable or only short-lived government coalitions. The most recent coalition fell apart in June 2022 and a subsequent snap election held in October 2022 has once again delivered a hung parliament. Another snap election remains a possibility, in our view, and political decision-making process will likely remain complicated in the coming months.

This prolonged period of political instability has made it challenging to progress on key political reforms. This could also delay the availability of RRF funds over the next years. More importantly, it could also delay Bulgaria's preparation of eurozone accession, should no viable government emerge over the next few months. Nevertheless, recent parliamentary decisions have provided a mandate to the current caretaker government to progress on a legislative reform program ahead of eurozone accession. This includes strengthening insolvency proceedings, state-owned enterprise management, nonbanking supervision, and anti-money-laundering processes, as part of ERM II post-entry commitments following the preconditions set by the Eurogroup (EU finance ministers).

Overall, we think EU membership provides an important policy anchor for Bulgaria. In our view, some EU institutions could continue to highlight the necessity for structural reforms related to specific deficiencies regarding the rule of law in Bulgaria, particularly since such assessments can be tied to the transfer of EU funds. However, we do not expect such obstacles over the next few years, given Bulgaria's record of adhering to the EU's recommendations in the past and its uncontentious relations with the EC.

Flexibility and performance profile: Finding the policy mix to address elevated inflation will be particularly difficult

- Driven by surging energy and food prices, inflation has been high for several months; we expect it will remain in double digits over the next months.
- The fiscal outlook remains uncertain, but we expect narrowing deficits, public debt remaining below 30% of GDP, and interest costs remaining at below 2% of general government revenue.
- Bulgaria is progressing in its efforts to join the eurozone; the currency board vis-à-vis the ECB provides economic stability, but effectively constrains the Bulgarian National Bank's (BNB's) monetary policy options.

In line with global trends, inflation (measured by HICP) has recently increased sharply in Bulgaria, and stood at 14.8% in October, similar to the price increase of regional and European peers. Bulgaria's inflation is largely underpinned by food and energy prices rising by more than 25% and 20%, respectively. In addition, core inflation stands at a high 13.3%, which even exceeds levels recorded in 2009. This is why we think inflation will remain high throughout 2023, at close to 10% on average. Absent a marked slowdown in energy and food price growth in 2023, this will complicate Bulgaria meeting inflation criterion for eurozone accession.

High revenue increases--currently at 19% year on year--on the back of high nominal growth, a strong labor market, and increasing profitability in the mostly state-owned energy sector have allowed the government to sustain a series of anti-inflationary measures while limiting the negative effect on short-term budgetary outcomes. Although expenditures for support measures against electricity price increases could amount to over 4% of GDP this year, they will largely be covered by windfall profits from state-owned enterprises in the energy sector. We expect the government will be able to meet its deficit target of about 5% of GDP in accrual terms this year. This follows already substantial deficits in 2020 and 2021, at about 4% of GDP each, mostly due to fiscal support extended during the pandemic.

At the same time, we consider that Bulgaria has previously built a credible record of prudent fiscal management, not least fostered by the currency board, which resulted in general government surpluses over 2016-2019. This is also why we believe deficits will start decreasing next year and over the medium term, despite the political uncertainty. Alongside complying with the country's established fiscal rules--which require balanced budget targets over the medium term--we think that eurozone accession will provide a policy anchor for tight fiscal management.

The narrowing deficits will mean that general government debt, net of liquid government assets, will only increase to a modest 26% of GDP until 2025. Authorities therefore still retain ample fiscal policy space. Against the current increases in global interest rates, we believe interest costs for Bulgarian authorities will settle at below 2.0% of general government revenue over the next years. At the same time, about 70% of Bulgaria's debt was denominated in euros at end-2021 and about one-third is held by nonresidents. In the past, the government provided interest-free loans to some entities in the electricity sector, and it continues to subsidize it. However, the authorities have reduced their direct exposure, and financial pressures for the sector have become more remote given the currently high electricity prices.

Bulgaria's central bank has operated under a currency board since 1997. Although this provides macroeconomic stability, in our view, it effectively limits the BNB's monetary policy flexibility, also against current inflation. Under the currency board, the BNB guarantees the convertibility of the Bulgarian lev into euros and vice versa at a fixed exchange rate. Therefore, for our measure of usable reserves, we subtract the country's monetary base. Over the past two decades, authorities have accumulated fiscal and external buffers to underpin their commitment to the fixed exchange rate regime. That commitment has not wavered despite a series of external and domestic political shocks over the same period. The BNB Law allows the provision of liquidity support to the banking system only under very strict conditions and to the extent that the BNB's foreign currency reserves exceed its monetary liabilities.

The lev was included in the ERM II and Bulgaria joined the European Banking Union in 2020. The ERM II represents the waiting room for eurozone membership. The ultimate decision on membership lies with the eurozone's finance ministers, the Eurogroup, and the EU Council. In assessing the viability of new candidate countries, the so-called "convergence criteria" are used, some of which appear challenging to achieve for Bulgaria next year, particularly the so-called inflation criterion. It remains uncertain whether the current extraordinary circumstances will represent a viable exception in the assessment of the fulfillment of the convergence criteria. In addition, political considerations outside Bulgaria's control could have an influence. Therefore, it remains uncertain whether Bulgaria will be able to join the eurozone in 2024.

Additional exports of electricity to the EU, coupled with a stronger-than-expected tourism season, have limited the deterioration of Bulgaria's goods and services trade balance, despite strong domestic demand. We expect a narrow current account deficit this year of 1.3% of GDP. Although we expect expanding deficits from next year, mostly on the back of increasing import-intensive investments, the continuous inflow of EU funds--some of which flow through the capital account--and net foreign direct investment will curb the necessity for net external borrowing. We therefore expect Bulgaria will retain its strong external position, which was characterized by significant net external deleveraging during the years before the pandemic. Although decreasing, Bulgaria's liquid external assets will continue to exceed external debt, by about 20% of current account payments on average until 2025. We expect external liquidity will remain at comfortable levels, with annual gross external financing needs only slightly more than 100% of current account receipts and usable reserves over the coming years.

In general, Bulgaria's banking sector is profitable, very liquid, and adequately capitalized. This is why we believe it does not pose a contingent liability for the government. Asset quality has been continuously improving and nonperforming loans currently stand at below 4% of total. Low direct and indirect exposure to Russia and Ukraine have limited financial risks (see "The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now," published April 21, 2022). With the transposition of the EU Banking Resolution and Recovery Directive in 2015, the resolution of a failed bank will necessitate a bail-in of shareholders and certain creditors to bear first losses, and then--if necessary, and under certain conditions--the Single Resolution Fund operating within the framework of the Single Resolution Mechanism, which Bulgaria joined in 2020. Only after exhausting these options and in an extraordinary situation of a systemic crisis would a bank be able to resort to government support. The BNB has consistently implemented measures to ensure the stability of banks (including subsidiaries); these include measures to strengthen their liquidity and capital buffers.

Key Statistics

Table 1

Selected Indicators -- Bulgaria

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Economic indicators (%)										
Nominal GDP (bil. LC)	95	103	110	120	121	139	163	178	193	204
Nominal GDP (bil. $)	54	59	66	69	70	84	87	91	105	115
GDP per capita (000s $)	7.5	8.3	9.4	9.8	10.1	12.2	12.6	13.2	15.5	17.0
Real GDP growth	3.0	2.8	2.7	4.0	(4.0)	7.6	3.0	0.8	3.5	3.2
Real GDP per capita growth	3.7	3.5	3.4	4.8	(3.3)	8.2	3.5	1.3	4.0	3.8
Real investment growth	(6.6)	3.2	5.4	4.5	0.6	(8.3)	3.5	5.5	4.0	5.0
Investment/GDP	19.0	19.8	21.2	21.0	20.3	21.1	20.1	21.1	21.6	21.6
Savings/GDP	22.0	23.1	22.2	22.9	20.4	20.6	18.8	18.0	18.7	18.8
Exports/GDP	63.9	67.0	65.7	63.9	56.1	61.3	66.9	65.4	64.5	65.1
Real exports growth	8.6	5.8	1.7	4.0	(10.4)	11.0	10.0	2.0	4.5	4.5
Unemployment rate	8.6	7.2	6.2	5.2	6.1	5.3	4.9	5.1	5.0	5.0
External indicators (%)										
Current account balance/GDP	3.1	3.3	0.9	1.9	0.0	(0.5)	(1.3)	(3.1)	(2.9)	(2.8)
Current account balance/CARs	4.3	4.4	1.3	2.6	0.1	(0.7)	(1.8)	(4.3)	(4.2)	(4.0)
CARs/GDP	71.3	74.8	73.0	71.0	62.6	67.7	73.5	72.0	70.4	70.9
Trade balance/GDP	(2.0)	(1.5)	(4.8)	(4.7)	(3.2)	(4.1)	(5.2)	(6.8)	(6.9)	(7.1)
Net FDI/GDP	1.2	2.5	1.3	2.0	4.5	1.4	1.5	1.7	1.8	1.8
Net portfolio equity inflow/GDP	(0.2)	(0.8)	(0.8)	0.7	(1.8)	(1.8)	(0.8)	(0.7)	(0.8)	(0.8)
Gross external financing needs/CARs plus usable reserves	104.9	98.4	102.4	101.8	104.9	104.3	104.0	109.4	112.2	115.8
Narrow net external debt/CARs	(15.0)	(21.3)	(25.1)	(28.5)	(42.7)	(36.0)	(26.7)	(24.1)	(18.6)	(14.7)
Narrow net external debt/CAPs	(15.7)	(22.3)	(25.4)	(29.2)	(42.7)	(35.7)	(26.2)	(23.1)	(17.8)	(14.2)
Net external liabilities/CARs	61.4	59.1	47.4	41.0	42.6	21.1	24.3	25.9	26.2	26.8
Net external liabilities/CAPs	64.2	61.8	48.0	42.1	42.6	21.0	23.8	24.8	25.2	25.8
Short-term external debt by remaining maturity/CARs	26.7	23.6	24.4	23.2	26.0	21.3	19.3	20.4	19.2	18.5
Usable reserves/CAPs (months)	2.1	2.6	2.5	2.3	2.4	2.0	1.9	1.6	1.1	0.7
Usable reserves (mil. $)	9,315	9,790	9,012	8,835	9,692	10,469	9,131	7,378	4,731	2,914

Table 1

Selected Indicators -- Bulgaria (cont.)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fiscal indicators (general government; %)										
Balance/GDP	0.3	1.6	1.7	2.1	(3.8)	(3.9)	(4.9)	(3.1)	(1.8)	(1.5)
Change in net debt/GDP	(0.3)	(1.4)	(1.4)	0.2	4.7	2.3	2.9	3.6	2.1	1.8
Primary balance/GDP	1.2	2.4	2.4	2.7	(3.3)	(3.4)	(4.4)	(2.5)	(1.2)	(0.8)
Revenue/GDP	35.1	36.4	38.7	38.4	37.7	36.7	38.0	38.0	38.0	38.0
Expenditures/GDP	34.8	34.8	36.9	36.3	41.5	40.6	42.9	41.1	39.8	39.5
Interest/revenues	2.5	2.2	1.7	1.4	1.4	1.3	1.4	1.6	1.7	1.8
Debt/GDP	29.1	25.1	22.1	20.0	24.5	23.9	23.8	24.8	25.2	25.7
Debt/revenues	82.9	69.0	57.2	52.0	65.2	65.2	62.5	65.4	66.4	67.5
Net debt/GDP	15.8	13.3	11.0	10.3	15.0	15.4	16.1	18.2	19.0	19.8
Liquid assets/GDP	13.3	11.8	11.1	9.7	9.5	8.6	7.7	6.6	6.2	5.9
Monetary indicators (%)										
CPI growth	(1.3)	1.2	2.6	2.5	1.2	2.8	15.0	9.8	3.7	2.5
GDP deflator growth	3.3	4.8	4.2	5.2	4.3	7.1	13.5	8.8	4.5	2.5
Exchange rate, year-end (LC/$)	1.86	1.63	1.71	1.74	1.59	1.73	1.97	1.90	1.80	1.76
Banks' claims on resident non-gov't sector growth	1.8	4.5	8.9	9.7	4.6	8.8	11.0	5.0	5.0	5.0
Banks' claims on resident non-gov't sector/GDP	54.3	52.7	53.6	53.7	56.1	53.0	50.3	48.2	46.8	46.4
Foreign currency share of claims by banks on residents	29.0	25.3	23.6	23.5	20.4	28.8	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	38.7	36.9	35.9	34.6	36.1	34.1	N/A	N/A	N/A	N/A
Real effective exchange rate growth	0.2	1.3	3.3	0.5	2.8	1.3	N/A	N/A	N/A	N/A

Sources: Eurostat (Economic Indicators), Bulgarian National Bank (External Indicators), Eurostat (Fiscal Indicators), and Bulgarian National Bank, IMF (Monetary Indicators).

Adjustments: Usable reserves adjusted by subtracting monetary base from reported international reserves.

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Ratings Score Snapshot -- Bulgaria

Key rating factors	Score	Explanation
Institutional assessment	4	Reduced predictability of future policy responses, for example, in episodes of heightened political volatility. Transparency and checks and balances can at times be hampered.
Economic assessment	4	Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1.
External assessment	2	Based on narrow net external debt and gross external financing needs/(CAR + usable reserves) as per Selected Indicators in Table 1.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	1	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1.
		Over 70% of gross government debt is denominated in foreign currency.
Monetary assessment	5	The lev has been fixed to the euro via a currency board. The Bulgarian National Bank (BNB) has been successful in maintaining a currency board, supported by political commitment to prudent fiscal policies. As per its charter--and according to the currency board regime under which it operates--the BNB's ability to act as a lender of last resort is limited.
Indicative rating	bbb-	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	A change in the external assessment could lead to a multi notch change in the indicative rating. A quicker reversal of the terms of trade shock, a stronger recovery of the export base, or a further increase in reserve levels could result in an improvement of the external score. Progress on Eurozone accession could exceed our expectations, which would improve the external and monetary assessments, ceteris paribus.
Final rating		
Foreign currency	BBB	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	BBB	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Growth Freezes, Risks Mount, Nov. 10, 2022
- Sovereign Ratings List, Nov. 9, 2022
- Sovereign Ratings History, Nov. 9, 2022
- Sovereign Ratings Score Snapshot, Nov. 8, 2022
- Sovereign Risk Indicators, Oct. 10, 2022; a free interactive version is available at http://www.spratings.com/sri
- Default, Transition, and Recovery: 2021 Annual Global Sovereign Default And Rating Transition Study, May 4, 2022

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Bulgaria	
Sovereign Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Transfer & Convertibility Assessment	A

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such