

Republic of Bulgaria

This annex refers to the release of the monitoring note of 8 January 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		a+
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Weak
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Weak
20%	Current account resilience	Weak
	External debt structure	Neutral
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Neutral
	Banking sector oversight	Weak
	Financial imbalances	Neutral
20%	Environmental risks	Weak
	Social risks	Weak
	Institutional and political risks	Weak
QS adjustment (notches)		-3
Additional considerations (notches)		0
Final rating		BBB+ STA

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	7,573	8,379	9,466	9,772	9,826	11,349	12,276
Real GDP, % change	3.8	3.5	3.1	3.4	-5.5	3.5	3.5
CPI, % change	-1.3	1.2	2.6	2.5	1.2	1.7	2.1
General government balance, % of GDP	0.1	1.1	2.0	1.9	-3.5	-4.0	-2.0
General government debt, % of GDP	29.3	25.3	22.3	20.2	25.0	27.0	27.0
Current account balance, % of GDP	3.2	3.5	1.4	4.0	1.9	2.3	2.2
Gross external debt, % of GDP	62.6	57.8	55.5	51.7	-	-	-

Source: Macrobond, IMF, European Commission, National Bank of Bulgaria, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

5y USD CDS spread (bps) as of 7 January 2021

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¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com
² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Bulgaria	January 2021	Assessment	Rationale
Peers*	United Kingdom, Belgium, France, Japan, Latvia, Slovakia, Poland, Russia		
Domestic economic risk	Growth potential	Neutral	Robust medium-run growth potential, but demographic weaknesses
	Monetary policy framework	Weak	Limited monetary-policy flexibility owing to currency board
	Macro-economic stability & sustainability	Weak	Exposure to global and idiosyncratic shocks as a developing country with a small, very open economy
Public finance risk	Fiscal policy framework	Neutral	Record of prudent fiscal policy, reinforced by euro-area convergence requirements
	Debt sustainability	Neutral	Robust public debt sustainability, including under adverse scenarios
	Debt profile & market access	Weak	High FX denomination of public debt and more restricted access to lenders of last resort
External economic risk	Current account resilience	Weak	Record of volatile current-account balances
	External debt structure	Neutral	Low level of external debt, having been reduced over past years
	Resilience to short-term shocks	Neutral	Strengthened reserve adequacy and credible exchange-rate regime, but most peers issue in reserve currencies
Financial stability risk	Banking sector performance	Neutral	Comparatively high NPLs, but well-capitalised banking system
	Banking sector oversight	Weak	Significant steps taken to enhance financial-system supervision supported by entry to Banking Union, but gaps still prevail against peer group
	Financial imbalances	Neutral	High private-sector debt levels, although significant deleveraging has been advanced
ESG risk	Environmental risks	Weak	Improving environmental track record, but weaker than peers on, for example, air quality and greenhouse gas emissions per capita
	Social risks	Weak	Emigration challenges and high income inequality versus peers; average to below-average performance on education and health
	Institutional and political risks	Weak	History of unstable governments and institutional challenges

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.