

Bulgarian Economy: Positives and Negatives

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Global Quest LLC

- + Public debt is very low
- + Commitment to the currency board is strong (local currency is pegged to the Euro)
- + Current account deficit is projected to decline substantially in coming years
- + Bulgaria is on a path to adopting the Euro Currency
- + Construction costs have declined substantially
- + Few local mortgages are priced in foreign currency (those priced in Euros are not exposed since the local currency is pegged to the Euro)
- + Real estate prices have not declined noticeably in Sofia (though there are few transactions taking place)

- Sovereign debt has been down graded to BBB (still investment grade)
- Most banks in Bulgaria are foreign based and are under stress from difficulties in other countries
- Local mortgage lending has been severely curtailed
- World economic slowdown will reduce foreign direct investment
- Slower economic growth is expected

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