

# Bulgaria: Country Risk Summary

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## Bulgaria: risk assessment (Nov 08)

Sovereign	Currency	Banking	Political	Economic	Country
BBB	BB	BB	BBB	BB	BB

### Sovereign risk

Stable: Public debt is low and the budget is in surplus. The government has used previous fiscal surpluses to prepay a much of its overseas debt, giving it room to relax budget policy if the economy slows sharply.

### Currency risk

Stable: The combination of large current-account deficits and high inflation is a constraint on Bulgaria's currency risk rating. However, broad-based commitment to the currency board arrangement from policymakers, prudent fiscal policy and strong investment inflows will help to preserve the currency board.

### Banking sector risk

Stable: A rapid deterioration in the banking sector's net foreign liability position and question-marks over the financial strength of some of the foreign parents of Bulgarian banks have caused the Economist Intelligence Unit to downgrade its assessment of banking sector risk to BB, from BBB.

### Political risk

The main parties are broadly centrist in their economic policy orientation, which means that there is little likelihood that any future government would undermine the economy to a significant extent. However, anti-corruption efforts have stalled, leading the EU to suspend significant amounts of funding.

### Economic structure risk

The current-account deficit is set to widen further, to nearly 25% of GDP in 2008, and unless the economy slows even more sharply, the deficit will narrow only gradually in 2009-10.

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