BULGARIA
95, Evlogi Georgiev blvd.
1142 Sofia
Tel. (+359 2) 9876363
www.bcra-bg.com

Republic of Bulgaria

April 2020

Radostina Stamenova
Lead economic analyst
stamenova@bcra-bg.com

Kalina Dimitrova
Economic analyst
k.dimitrova@bcra-bg.com

SOVEREIGN RATING	Initial rating	Review	Review	Review	Review
Date of public disclosure:	12 Sept 2014	12 May 2017	10 Nov 2017	04 May 2018	17 Apr 2020
Date of Rating Committee:	05 Sept 2014	10 May 2017	08 Nov 2017	03 May 2018	15 Apr 2020
Long-term sovereign rating:	**BBB- (ns)**	**BBB- (ns)**	**BBB- (ns)**	**BBB (ns)**	**BBB (ns)**
Outlook:	**Negative**	**Stable**	**Positive**	**Stable**	**Stable**
Short term sovereign rating:	**A-3 (ns)**	**A-3 (ns)**	**A-3 (ns)**	**A-3 (ns)**	**A-3 (ns)**

- (ns) – not solicited rating

BCRA – CREDIT RATING AGENCY AD (BCRA) *is the third fully recognized rating agency in the EU, registered according to Regulation No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by the BCRA are valid throughout the EU and are fully equal to those, of the other agencies, recognized by the European Securities and Markets Authorities, without any territorial or other limitations.*

The report has been prepared and the rating – assigned, based on public information, made available by the National Statistical Institute, Bulgarian National Bank, Ministry of Finance, the World Bank, the International Monetary Fund, the European Commission, BCRA's database etc. BCRA uses sources of information, which it considers reliable, however, it cannot guarantee the accuracy, adequacy and completeness of the information used.

BCRA - CREDIT RATING AGENCY AD **affirms** the **unsolicited** long-term and short-term sovereign rating of the Republic of Bulgaria and **maintains** the outlook related to them:

Long-term rating: **BBB(ns)**
Short-term rating: **A-3(ns)**
Outlook: **Stable**

BCRA's officially adopted **Sovereign Rating Methodology has been applied:** *https://www.bcra-bg.com/files/Sovereign_Methodology_2019_en.pdf*

Notes:

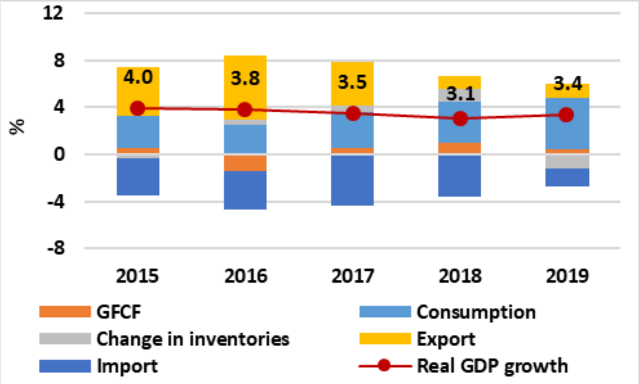
1) Prior to the present publication, the credit rating and the rating outlook were disclosed to the rated entity. Following those disclosure amendments in the credit rating and the rating outlook have not been executed;
2) During the last two years, BCRA Credit Rating Agency AD has not provided ancillary services to the rated entity or a related third party;
3) The users of the rating can find information on the meaning of each rating category in the Global Scale (https://www.bcra-bg.com/files/global_scale_en.pdf). The definition of default can be found in the Sovereign rating Methodology (https://www.bcra-bg.com/files/Sovereign_Methodology_2019_en.pdf).

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

Overview

The year (2020) began in positively for Bulgaria from a political perspective with the composition of local authorities having renewed, and the preparation of the country for Banking Union membership and the corresponding inclusion of the lev in ERM II in progress. However, after the emergence of the worldwide COVID-19 pandemic the addressing the issue turned into one of the main priorities in Bulgaria as well as in all its political and economic partners. A state of emergency was declared in the country on the 13th of March 2020 due to the unprecedented crisis, followed by a number of legislative measures by the government to curb the negative economic impact. The effects are yet to be measured and evaluated, and at this stage, the projections are at risk of inaccuracy due to global uncertainty about the outcome of the situation.

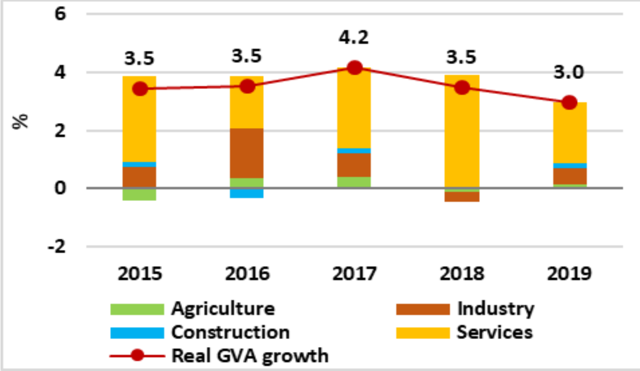
Figure 1: Contributions to real GDP growth: 2015 – 2019



Source: National Statistical Institute

The **growth of the Bulgarian economy** accelerated from 3.1% in 2018 to 3.4% in 2019, yet, the positive contribution of domestic demand has generally weakened. Against the backdrop of favourable developments in the labour market over the past year and lending growth, consumer spending on households reported accelerated growth rates of 5.8% in real terms, and public consumption also contributed positively to overall economic activity growth in 2019. On the other hand, the increased uncertainty reflects on the investment decisions of the companies in the country. Gross fixed capital formation lost momentum, recording real growth of 2.2% against 5.4% in 2018, and changes in inventories have a firmly restricting effect on GDP growth in 2019. Concurrently, the negative contribution of net exports reduced significantly, mainly due to deceleration in imports. The decline in inventories and the low investment demand in the country restrained the real growth of imports to 2.4% from 5.7% in 2018. In turn, the growth of real exports increased by 0.2 pp. on an annual basis - up to 1.9%, but remained suppressed by weak external demand.

Figure 2: Contribution to real GVA growth: 2015 - 2019



Source: National Statistical Institute

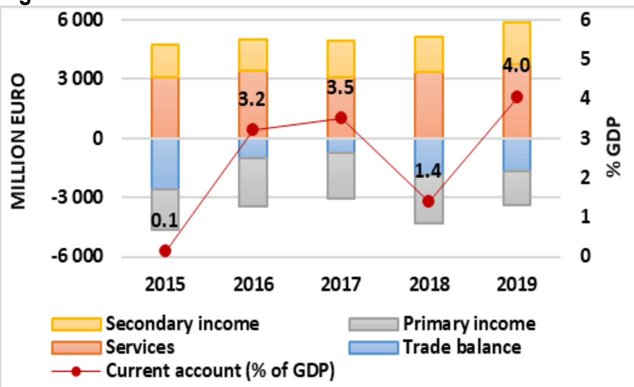
Services and industry are the main economic drivers of the supply side. In 2019, the GVA growth slowed down by 0.5 pp. up to 3% annually. All sectors had a positive contribution to overall growth over the past year. The slowdown owed largely to the slower dynamics in the services sector, reporting real growth of 3.1% compared to 5.8% in 2018. The GVA of the industrial sector increased by 2.6% in 2019, after a decline of 1.5% in 2018. Construction sector advanced by 3.4%.

Nominal exports of goods accelerated to 4.2% in 2019, while imports grew at a rate of 3.6%. Export acceleration is mainly related to third countries, which is why the relative share of exports to the EU dropped slightly to 66.4%. At the same time, deceleration in imports was more pronounced in imports from third countries. Changes in the structure in 2019 were largely influenced by the dynamics of energy resources and consumer goods. Trade of investment goods has generally slowed down and metals trade declined on an annual basis, in line with the slowdown in euro area industrial production over the past year.

The current crisis, caused by the spread of the coronavirus, has significantly changed our expectations for the development of both the Bulgarian and the world economy. Economic sectors with a constrained activity are currently the most affected, but a significant decline in value-added is also expected in those that are highly dependent on global supply chains or highly sensitive to consumer behaviour. Although direct effects vary across sectors, virtually all economic activities in the country will bear the indirect effects of the overall decline in expenditure components of GDP.

The main drivers of growth - private consumption, investment, and exports - will be severely curtailed, leading to a real decline in GDP this year. Consumer spending will decrease as a result of emergency measures introduced in the country, the sharp jump in unemployment, and a decline in household disposable income. High uncertainty will additionally effect in limiting consumption in order to generate savings. Uncertainty will have an even worse impact on private investment in the country. The economies of Bulgaria's major trading partners will be similarly affected so the external demand will continue to deteriorate. Concurrently, the fulfilment of the outstanding export orders is much more difficult due to the barriers introduced in the pandemic conditions, which will cause a serious decline in the export of services. On the other hand, the negative contribution of net exports will be partially offset by the expected decrease in imports into the country.

Figure 3: Current account: 2015 – 2019

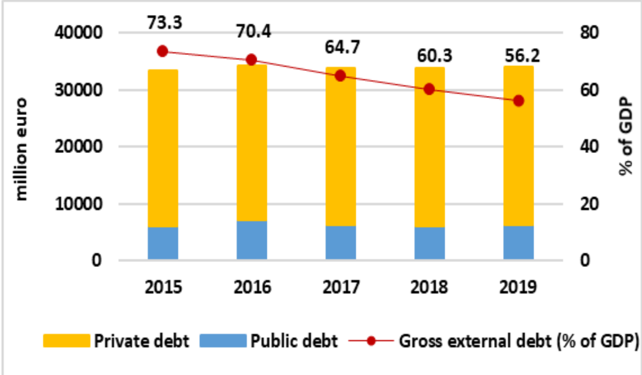


Source: National Statistical Institute

The **current account** has reported a surplus since 2013. The positive balance increased by EUR 1 679 million on an annual basis in 2019, reaching EUR 2 452 million (4% of GDP). The main driver of this trend was the 32.5% drop in the primary income deficit, which was mainly due to the lower amount of direct investment income paid. The trade deficit reduced to EUR 1 686 million compared to EUR 1 858 million in 2018 due to the faster growth of goods exports relative to imports in the past year. At the same time, the surplus in trade in services increased by 13.2%, and the positive balance in the secondary income reported annual growth of 14.5%.

In 2019, the flow of **foreign direct investment**[1] in Bulgarian economy amounted to EUR 1 092 million (1.8% of GDP), increasing with EUR 64 million compared to the previous year. Growth in investment flows is due entirely to debt instruments, while equity investments recorded a net outflow, and the reinvested earnings declined on an annual basis.

Figure 4: Gross external debt: 2015 – 2019



Source: Bulgarian National Bank

Gross external debt at the end of 2019 amounted to EUR 34 071 million. The debt-to-GDP ratio of the country reported a decline of 4.1 pp. on an annual basis reaching 56.2% of GDP, while in nominal terms debt increased by EUR 269 million. Debt rose in all sectors except for the general government, which recorded a decrease of EUR 113 million compared to the end of 2018. Long-term debt dominated the maturity structure with a share of 75.3%, while the coverage of short-term external debt with international reserves reached 294.9%.

Net external debt at the end of 2019 was negative at EUR 2 176 million or 3.6% of GDP. The decrease of EUR 784 million as compared to the end of 2018 owed to a larger increase in gross external assets than in gross external debt. The improved external sustainability of the country was also evidenced by the improvement in the **net international investment position**, the negative balance of which fell to 31.6% of GDP compared to 36.8% at the end of 2018.

BNB's international reserves amounted to EUR 26 503 million at the end of March 2020, which represented an increase of 5.9% compared to the same period of the previous year. Reserve adequacy indicators have traditionally maintained high levels. At the end of 2019, the proportion of reserves to the average imports of goods and non-factor services for the last 12 months stood at 8.2 months, while the coverage of the monetary base equalled to 149.6% - a solid buffer used by the central bank to ensure the stability of the currency board in the country.

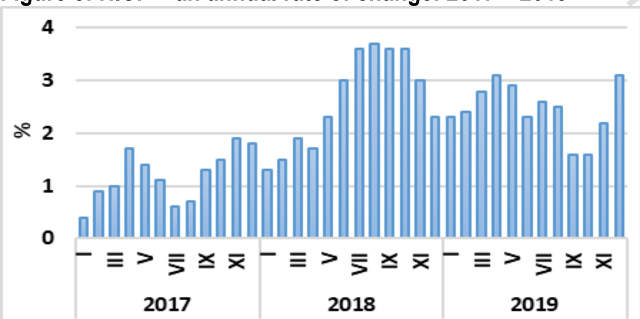
[1] *Reported in accordance with the directional principle.*

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

Over 2019, the **labour market** registered record-low unemployment (4.2% of the active population over the age of 15) and record-high employment (54.2%) for the last 15 years. In this situation, however, the low economic activity of young people up to 29 years (NEET rate of 16.7%) and the accelerating dispersion of regional unemployment rates from 20.2% in 2015 to 58.0% in 2019 signal continuing structural problems. We expect labour market conditions to deteriorate during 2020 and unemployment to rise notably.

Labour **incomes** also maintained an upward trend over the past year. The average monthly gross salary reached BGN 1 274 (EUR 651), with double-digit growth in both the private and public sectors, as well as a 10% increase in the country's minimum wage. Despite its rapid growth, the purchasing power of the population reached only half of the EU average by 2018, measured by GDP in PPS per capita. Accordingly, the growth rate of total labour costs ranked Bulgaria second after Romania and well above the European average in 2019.

Figure 5: HICP – an annual rate of change: 2017 – 2019

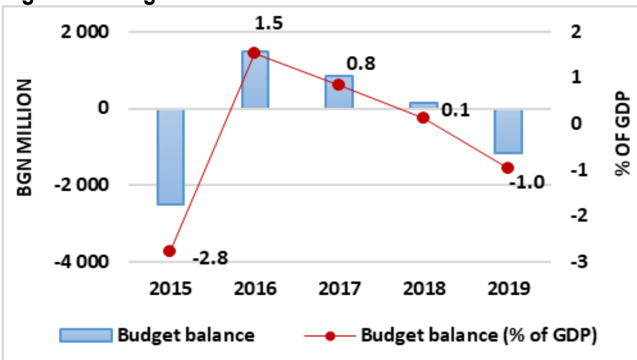


Source: National Statistical Institute

The HICP average annual **inflation** was 2.5% in 2019, reflecting a slight slowdown in its rate from 2018 (2.6%). The main inflation driver was food prices, which were higher by 4.9% on average in 2019. Foods occupy a larger relative share in the Bulgarian consumer basket, which is why the average annual inflation measured by the consumer price index reached 3.1% in 2019.

We expect a slowdown in the inflation rate this year due to the complex influence of various factors. The economic effects of the unprecedented health crisis - the decline in employment, the limitation on disposable income and increased uncertainty - will contribute to lower demand and consequently a fall in the prices of many services and durables. On the other hand, the upward trend in food prices will be continued and strengthen its role as a major inflationary driver in the coming months. Concurrently, the collapse in world oil prices, the fall in fuel consumption and the significantly lower import prices for natural gas will lead to a fall in energy commodities' prices, which will indirectly limit overall price increases.

Figure 6: Budget balance on CFP: 2015 – 2019



Source: Ministry of Finance

Bulgaria has entered the current crisis with a stable **fiscal position**. In 2019, the Consolidated Fiscal Program posted a cash deficit of 1% of GDP, against a budgetary target for a deficit of 2.1% of GDP and after three consecutive years of surplus (2016-2018). Total budget revenue grew by 11.1% on an annual basis in line with favourable macroeconomic developments over the past year and the expenditure - by 14.4%. Expenditure dynamics were mainly determined by the higher capital expenditures, the increase in personnel costs, as well as the higher social and health insurance payments. The 2019 deficit was largely due to the one-off costs for the purchase of U.S. F-16 fighter jets. Excluding the effect of prepaid capital expenditures, the budget balance is positive on both an accrual and a cash basis.

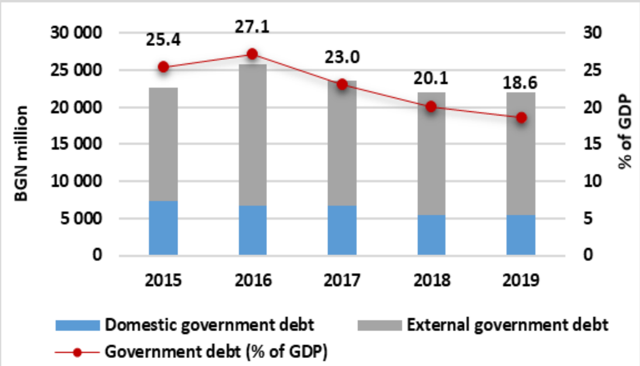
The initial budgetary target for 2020 was to achieve a balance. The COVID-19 crisis, however, led to an extraordinary **revision** of the estimates due to the expected revenue shortfalls and the need to incur additional costs. The forecast balance under the Consolidated Fiscal Program changes to a deficit of BGN 3.5 billion or 3% of the projected GDP according to the revision. The overall increase in spending provides funding for measures to support the economy, and the originally planned expenditures are not to be reduced. The State will assume 60% of the amount of insurable income and due social security contributions paid by the employers in order to preserve employment and support business. Employers with suspended activities or a sharp fall in earnings will be eligible for this measure, and compensation will be paid for the period of the state of emergency, but no more than three months. In this

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

regard, additional expenditures of BGN 1 billion are planned under the budget of the unemployment fund, from which the compensation under the 60/40 scheme will be paid. Another BGN 430 million is planned to compensate for the expected underexecution of the revenues on the General State Insurance Fund budget. A rise in the Bulgarian Development Bank's capital by BGN 700 million is another important measure to support the economy. They will be used for portfolio guarantees to commercial banks: BGN 500 million will be directed to business loans, and BGN 200 million will guarantee interest-free consumer loans for employees on unpaid leave. The maximum amount borrowed counts to BGN 4 500, at one time or in three tranches of BGN 1 500 each. Interest expenditures also increase, by BGN 70 million, given the envisaged increase in debt financing.

The revision is based on the macroeconomic forecast of the government for a 3% drop in GDP, a 2 pp. an annual increase in unemployment up to 6.2%, zero inflation, and a double-digit decline in the country's exports. Under this scenario, the underexecution of annual revenue is estimated at about BGN 2.44 billion. Against the background of the general uncertainty, however, this forecast may also be quite optimistic, which means that a new revision of fiscal parameters is possible until the end of the year.

Figure 7: Government debt of the Republic of Bulgaria: 2015 – 2019

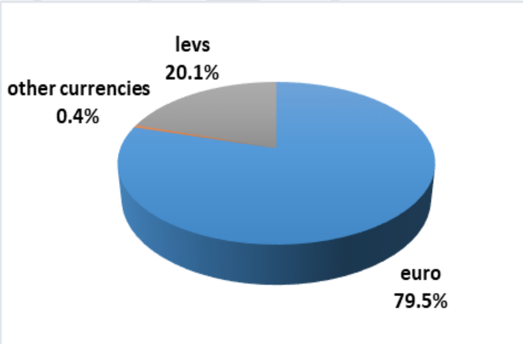


Source: Ministry of Finance

The government debt amounted to BGN 22 023 million or 18.6% of GDP at the end of 2019, which was an absolute decrease of BGN 43 million compared to the end of 2018 and a decrease of 1.5 pp. in its ratio to GDP. The reduction owed to the regular repayments of outstanding debt in excess of the amount of the new debt. In 2019, government securities totalling to a value of BGN 969.8 million in nominal terms were placed on the domestic market (including a 10.5-year issue of BGN 400 million and a 20-year issue with a nominal value of BGN 569.8 million). The government used the funds raised to partially finance the purchase of F-16 fighter jets.

The urgent 2020 budget revision includes an increase in the limit for assuming new debt from BGN 2.2 billion to BGN 10 billion. The nominal value of the debt issued since the beginning of the year amounted to BGN 1.2 billion, which means that, if necessary, the government can issue another BGN 8.8 billion by the end of 2020. The maximum nominal amount of debt to be assumed under the Government of Bulgaria's global medium-term note (GMTN) programme has been also adjusted to ensure flexibility and speed in debt management, from EUR 8 billion to EUR 10 billion of which EUR 5.1 billion has already been issued in 2015 and 2016.

Figure 8: Currency structure of Central Government sector debt: as of end-2019



Source: Ministry of Finance

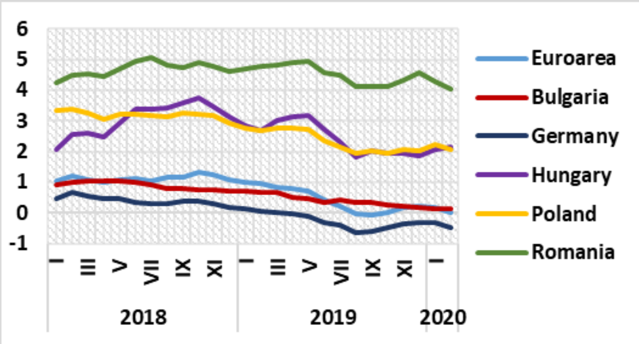
The interest rate and currency structure of the government debt minimize the risks of servicing it. Floating interest rate debt accounted for only 3.7% of total central government sub-sector[2] debt at the end of 2019. Euro-denominated debt predominated in the currency structure with 79.5% share followed by national currency debt with a share of 20.1%, which resulted in a low currency risk in the context of the currency board operating in the country.

The available funds in the **fiscal reserve** account of the country serve as a buffer against liquidity risk. As of the end of February 2020, these funds amounted to BGN 10 636 million, reporting an increase of BGN 1 868 million compared to the end of 2019. The total amount of payments on government securities maturing in the current and the next year equals to

[2] The Central Government debt amounted to BGN 23 556 million or 19.9% of GDP at the end of 2019. A decrease of BGN 337 million was reported or a 1.9 pp in its ratio to GDP compared to the level of debt in 2018.

BGN 1 120 million. Significantly larger tranches are outlined for the period 2022-2024, during which three of the Eurobond issues are going to mature.

Figure 9: Long-term interest rate for convergence assessment purposes: I 2018 – II 2020



Source: Eurostat

Government debt sustainability is also underpinned by the low share of interest payments, which amounted to only 1.5% of total revenues in 2019. Bulgarian government securities have the lowest **yield** among the non-euro area EU Member States. The long-term interest rate for convergence assessment purposes lowered to a historical low of 0.12% in February 2020 and slightly increased to 0.15% in March. The spread of the coronavirus, the expected recession, and serious fiscal spending will generally increase prudence on debt markets and increase the required yield. Nevertheless, we do not currently consider there is a risk of access to financing for the Bulgarian government given the low public debt-to-GDP ratio.

In 2019, the **banking sector** has continued its overall positive development, remaining dynamic, profitable, and consolidating itself whereas total assets further increased. Liquidity is significant and is being supported by the steady growth of the deposit base. This generates confidence in the sector, which is expected to meet the challenges in 2020.

In 2019, the size of the banks' gross credit portfolio (excluding credit institutions) maintained its upward trend and grew by 8.8% annually (8.6% in 2018) with the major contribution of loans to households. Credit growth in Bulgaria also favours the process of improving the quality of bank portfolios. The share of non-performing loans fell to 6.5% (7.6% at the end of 2018), while the coverage ratio of NPLs with inherent impairment remained close to that reported in recent years (48.6%). In 2020, we expect a reversal of the positive trend and an enhanced risk to the collection of loans, provided mostly towards sectors that ceased operations as a result of anti-epidemic measures in the country.

The importance of banks' capital adequacy increases along with the current and anticipated serious economic difficulties. Despite the accelerated growth of risk exposures over the last three years, the overall capital adequacy of the system remained high: 20.2%, compared to 20.4% at the end of 2018. There are variations in capital adequacy ratios among individual banks, as identified by the 2018-2019 ECB asset quality review. As of the beginning of 2020, the implementation of the two banks' capital plans agreed with the supervising authorities is underway to stabilize their capital positions.

On the 19 of March 2020, the Bulgarian National Bank, within its mandate, announced a package of measures aimed primarily at further strengthening the capital and liquidity of banks in the context of the COVID-19 pandemic. The measures are estimated at BGN 9.3 billion. They include capitalization of the profit generated in the banking system in 2019; a cancellation of the increases of the countercyclical capital buffer, scheduled for 2020 and 2021; reduction of foreign exposures to commercial banks. Also, following the announcement by EBA of guidelines on payment moratoria on performing customer exposures affected by pandemic measures (EBA/GL/2020/02), the Association of Banks in Bulgaria became involved in the initiative. Three standardized mechanisms for deferral and settlement of liabilities payable to banks are envisaged, one of which will be chosen by mutual agreement between banks and their clients for up to 6 months within 2020: deferral of principal and interest; deferral of principal; applicable to revolving products. Deferred liabilities under this framework will not be reclassified as non-performing and will therefore not lead to additional costs and capital requirements for banks.

Outlook

The stable outlook reflects BCRA's opinion that risks to the country's credit rating are currently balanced. Given the pandemic situation, we expect a sharp decline in economic activity. We welcome the fact that Bulgaria has entered this crisis with a favourable fiscal position, having one of the two lowest levels of public debt in the EU. In our opinion, the depth of the recession depends to a large extent on both the length of social isolation measures and the adequacy of the government's economic recovery strategy. External imbalances have declined progressively in

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

recent years. The country also maintains a high level of foreign exchange reserves and currently demonstrates relatively good resilience to short-term shocks. We expect the Government to continue its hard work on the Action Plan with measures to join the ERM II and the Banking Union, which would further help reduce financial risks. On the other hand, Bulgaria's sovereign rating remains limited by the low per capita income and estimations of institutional progress.

Factors that could lead to **positive** pressure on the Sovereign Rating and/or the Outlook include:

- Implementation of important structural reforms and progress in the fight against corruption;
- The inclusion of the Bulgarian Lev in ERM II;
- Acceleration of the real convergence to the EU average income level.

The Sovereign Rating and/or the Outlook would be **negatively** affected in case of:

- Emerging of political instability;
- A continued decline in economic activity;
- Deterioration of the budget balance (exceeding the forecast), leading to a serious increase in the level of government debt;
- Renewal of external imbalances and decline in international reserves;
- The emergence of stress in the financial system of the country.

Regulatory announcements

Rating initiative:

This rating is unsolicited

Unsolicited sovereign rating	
With Rated Entity or Related Third Party Participation	NO
Access to Internal Documents	NO
With Access to Management	NO

The complete version of BCRA's policy on unsolicited credit/sovereign ratings can be downloaded through the following link:
https://www.bcra-bg.com/files/policy_unsolicited_rating_en.pdf

Summary minutes of the Rating Committee:

On the 15th of April 2020, Rating Committee of BCRA – CREDIT RATING AGENCY (BCRA) had a session, on which the **Report regarding the affirmation of the unsolicited sovereign rating of Republic of Bulgaria** was discussed. The session was run by D.Sc. (Econ.) Mr. Kiril Grigorov, in his capacity as chairmen of the Rating Committee. The members of the Rating Committee discussed the grades of numerous credit rating factors included in the **Sovereign Rating Model** and analysed in the **Credit Rating Report** according to the **Sovereign Rating Methodology**.

The members of the Committee discussed the expected economic effects of the actions taken against the coronavirus, analysing in detail the following aspects:
- The expected decline in economic activity in the country and the significant deterioration of the external environment;
- The resilience of the economy to short-term shocks;
- Available fiscal space and the budgetary measures to support the economy;
- The level and structure of sovereign debt assessed positively in comparative perspective;
- The current condition of the banking sector, which was viewed as stable;
- The process of joining the Bulgarian lev to the ERM II, which we consider as an important step for the economic development of the country.

The current sovereign rating and the related outlook have been affirmed based on the above discussion.

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia

tel.: (+359-2) 987 6363
www.bcra-bg.com

Main macroeconomic indicators:

Republic of Bulgaria	Developing economy[1]				
MAIN MACROECONOMIC INDICATORS					
Indicator	**2019**	**2018**	**2017**	**2016**	**2015**
Gross domestic product (million BGN)	118 669	109 695	102 308	95 092	89 333
Final consumption (million BGN)	91 476	83 529	77 524	72 302	69 669
Gross capital formation (million BGN)	23 129	23 328	20 349	18 081	18 810
Exports of goods and services (million BGN)	75 442	72 245	68 857	60 926	57 165
Imports of goods and services (million BGN)	71 378	69 408	64 421	56 217	56 311
GDP (annual real growth rate, %)	3.4	3.1	3.5	3.8	4.0
GDP per capita[2] (BGN)	16 970	15 610	14 460	13 340	12 450
Average monthly wages and salaries (BGN)	1 274	1 146	1 037	948	878
Unemployment rate[3] (population aged 15+; %)	4.2	5.2	6.2	7.6	9.1
HICP - annual average rate of change (%)	2.5	2.6	1.2	-1.3	-1.1
Exchange rate BGN / EUR	1.96	1.96	1.96	1.96	1.96
Exchange rate BGN / USD	1.75	1.66	1.74	1.77	1.76
EXTERNAL SECTOR					
in million EUR	**2019**	**2018**	**2017**	**2016**	**2015**
Current account	2 452	774	1 825	1 551	55
Trade balance	-1 686	-1 858	-766	-984	-2 622
Services	3 764	3 326	3 053	3 410	3 081
Primary income	-1 680	-2 489	-2 316	-2 460	-2 044
Secondary income	2 055	1 795	1 854	1 585	1 640
Capital account	891	602	530	1 071	1 422
Foreign direct investment[4]	1 092	1 028	1 619	927	2 001
Gross external debt	34 071	33 802	33 852	34 221	33 493
International investment position, net	-19 193	-20 662	-22 636	-23 289	-28 235
BNB reserve assets[5]	24 836	25 072	23 662	23 899	20 285
% of GDP					
Current account	4.0	1.4	3.5	3.2	0.1
Trade balance	-2.8	-3.3	-1.5	-2.0	-5.7
Services	6.2	5.9	5.8	7.0	6.7
Primary income	-2.8	-4.4	-4.4	-5.1	-4.5
Secondary income	3.4	3.2	3.5	3.3	3.6
Capital account	1.5	1.1	1.0	2.2	3.1
Foreign direct investment[4]	1.8	1.8	3.1	1.9	4.4
Gross external debt	56.2	60.3	64.7	70.4	73.3
International investment position, net	-31.6	-36.8	-43.3	-47.9	-61.8
BNB reserve assets[5]	40.9	44.7	45.2	49.2	44.4

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia

tel.: (+359-2) 987 6363
www.bcra-bg.com

PUBLIC FINANCE					
in million BGN	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue and grants	33 959	39 651	35 317	33 959	32 200
Total expenditures	32 494	39 516	34 471	32 494	34 685
Budget balance	1 465	135	846	1 465	-2 485
Government debt[6]	22 023	22 066	23 534	25 751	22 714
Domestic government debt	5 479	5 454	6 712	6 725	7 283
External government debt	16 544	16 612	16 822	19 027	15 431
Government guaranteed debt	1 732	1 877	1 997	1 673	587
Fiscal reserve	8 768	9 365	10 289	12 883	7 873
% of GDP					
Revenue and grants	37.1	36.1	34.5	35.7	36.0
Total expenditures	38.1	36.0	33.7	34.2	38.8
Budget balance	-1.0	0.1	0.8	1.5	-2.8
Government debt[6]	18.6	20.1	23.0	27.1	25.4
Domestic government debt	4.6	5.0	6.6	7.1	8.2
External government debt	13.9	15.1	16.4	20.0	17.3
Government guaranteed debt	1.5	1.7	2.0	1.8	0.7
Fiscal reserve	7.4	8.5	10.1	13.5	8.8

BANKING SYSTEM					
in million BGN	**2019**	**2018**	**2017**	**2016**	**2015**
Total assets	114 201	105 557	97 808	92 095	87 524
Loans and advances (regardless credit institutions)	66 297	60 913	56 084	54 467	54 121
Non-performing loans	6 120	6 795	8 292	9 961	11 026
Share of non-performing loans (%)	6.5	7.6	10.2	13	15
Deposits (regardless credit institutions)	91 853	84 571	78 406	74 129	69 276
ratios (%)					
Total capital adequacy	20.2	20.4	22.1	22.2	22.2
Liquidity coverage ratio	269.9	294.1	347.6	n/a	n/a
Return on assets (ROA)[7]	1.5	1.7	1.2	1.4	1.0
Return on equity (ROE)[7]	11.8	13.3	9.6	10.6	8.1

[1] According to the IMF classification (World Economic Outlook);
[2] Eurostat data;
[3] NSI Data - Labour Force Survey;
[4] According to the directional principal;
[5] It is equal to the total assets of the BNB's Issue Department;
[6] “Government Debt" is the debt assumed under the Law on Government Debt;
[7] The coefficient is calculated using the Trailing twelve months (TTM) method.

Sources: ***Bulgarian National Bank; National Statistical Institute; Ministry of Finance; World Bank; International Monetary Fund; European Commission; Eurostat***