

Research Update:

Bulgaria Upgraded To 'BBB+' On Confirmation Of Eurozone Accession; Outlook Stable

July 10, 2025

Overview

- The Council of the European Union has formally approved Bulgaria's application to join the eurozone on Jan. 1, 2026.
- In our view, Bulgaria will benefit from the European Central Bank's (ECB's) credible monetary policy as well as access to the euro area's capital markets.
- We therefore raised our long-term sovereign credit ratings on Bulgaria to 'BBB+' from 'BBB' and affirmed our 'A-2' short-term ratings. The outlook is stable. We also revised upward our transfer and convertibility (T&C) assessment to 'AAA' from 'A'.

Rating Action

On July 10, 2025, S&P Global Ratings raised its long-term foreign and local currency sovereign credit ratings on Bulgaria to 'BBB+' from 'BBB'. The outlook is stable.

At the same time, we affirmed our 'A-2' short-term foreign and local currency sovereign credit ratings. We also revised our transfer and convertibility (T&C) assessment to 'AAA' from 'A'.

As a "sovereign rating" (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on Bulgaria are subject to certain publication restrictions set out in Art 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar (see "[Calendar Of 2025 EMEA Sovereign, Regional, And Local Government Rating Publication Dates: Midyear Update](#)," July 2, 2025, on RatingsDirect). Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case, the reason for the deviation is Bulgaria's formal accession to the European Monetary Union. The next scheduled publication on the sovereign ratings on Bulgaria will be on Nov. 21, 2025.

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Outlook

The stable outlook reflects our view that Bulgaria's robust economic growth and still low government debt balance the country's elevated public spending pressure and geopolitical uncertainty.

Downside scenario

We could lower the ratings on Bulgaria if the country's twin deficits widened materially beyond our projections, leading to significantly weaker fiscal and external positions. Such a scenario could occur if fiscal policies become more relaxed following the eurozone accession, or if the domestic political situation complicates spending control. External pressure could build from Bulgaria's competitiveness in international markets declining after entry to the eurozone, investment-driven imports, or a substantial shift toward external financing.

Upside scenario

We could raise the ratings if Bulgaria's eurozone membership and the increased scrutiny of its institutions speed up progress on reforms, leading to sustained growth and a lasting increase in wealth.

Rationale

The upgrade reflects Bulgaria's upcoming eurozone membership on Jan.1, 2026. In our view, Bulgaria will benefit from the ECB's credible monetary policy and the monetary union's well-established capital markets, while residual foreign exchange risk will decline significantly. However, we believe the ECB's policies are likely to align more with the cycles of larger monetary union members rather than smaller economies such as Bulgaria. The 'AAA' T&C assessment, which is applicable to all eurozone members, reflects our view that there is an extremely low risk of the ECB restricting access to foreign exchange needed for debt service.

In our view, Bulgaria's EU membership and upcoming eurozone accession continue to provide the country with important policy anchors. We think some EU institutions may continue to comment on the structural reforms needed to address specific shortcomings in the rule of law, particularly because these assessments could be tied to the transfer of EU funds. Bulgaria has a record of adhering to the EU's recommendations and maintaining uncontentious relationships with European institutions.

We think Bulgaria's near-term growth outlook remains steady. We forecast the economy will grow by 2.4% in real terms in 2025, and average 2.8% through 2028. Private domestic consumption will be the key driver of growth, supported by high real wage growth due to a tight labor market. An increase in the absorption of allocated EU funds, which is currently very low at 20%, will lead to higher public investments but also result in an increase in imports. At the same time, external demand faces pressure from general economic uncertainty stemming from geopolitical tensions. We think Bulgaria's full Schengen membership as of Jan. 1, 2025, and euro area accession as of Jan. 1, 2026, could support trade and international tourism in the medium-to-long term since administrative obstacles will be reduced. In the near term, we think that deficiencies in Bulgaria's physical infrastructure prevent the country from reaching its full

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potential. Also, Bulgaria continues to face longer-term challenges related to weak demographic trends. Left unchecked, the declining labor force could further drag on growth, in our view.

We expect weaker external demand and import-heavy public investments will increase the current account deficit, averaging 2.5% of GDP through 2028. However, Bulgaria's robust service balance--which stands at about 7.0% of GDP and is bolstered by a thriving tourism sector and growing computer and IT service exports--will help mitigate some of the deficit. While Bulgaria's external position remains strong, we believe the post-pandemic trend of external deleveraging could reverse due to a weaker external environment and a possible shift toward increased external debt financing as eurozone capital markets become more accessible. Also, we note that intercompany loans represent about one fifth of the stock of Bulgaria's inbound foreign direct investment. Since we view the refinancing risk for these loans as low, we do not include them in our estimate of Bulgaria's external debt figures. In our external assessment, we now consider Bulgaria to be using an actively traded currency (in line with other eurozone members) and assess the country's external position based on our estimates of its international investment position post-eurozone accession.

Bulgaria's eurozone ambition has provided important incentives for strict fiscal management, especially in times of political instability. The current budget and fiscal plan target deficits of about 3% of GDP on average over the next three years, which we think is achievable. While we see a risk of a somewhat looser fiscal stance and higher deficit since the eurozone convergence criteria are no longer binding, fiscal monitoring from European partners will remain. We see some downside risks due to increased defense spending in the medium term and potentially weaker revenue growth. Also, any renewed domestic political instability could complicate the government's control over expenditures. In addition to budget financing, the planned recapitalization of state-owned enterprises will increase government debt at a higher pace than in the past decade. Nevertheless, general government debt remains modest, with debt net of liquid assets below 30% of GDP through 2028.

Bulgaria--Selected indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
Nominal GDP (bil. BGN)	119.9	121.1	139.6	168.4	185.2	202.9	214.8	227.2	240.4	253.7
Nominal GDP (bil. \$)	68.6	70.6	84.4	90.5	102.4	112.2	120.4	129.9	142.2	155.0
GDP per capita (000s \$)	9.8	10.2	12.2	13.2	15.9	17.4	18.8	20.4	22.5	24.6
Real GDP growth	3.8	(3.2)	7.8	4.0	1.9	2.8	2.4	2.7	2.8	3.0
Real GDP per capita growth	4.5	(2.5)	8.3	5.2	8.1	2.9	3.0	3.3	3.4	3.6
Real investment growth	4.5	0.6	(8.3)	6.5	10.2	(1.1)	7.2	1.3	7.3	3.0
Investment/GDP	20.7	20.1	20.7	22.7	19.8	20.4	21.4	21.1	21.9	21.9
Savings/GDP	22.4	20.6	19.6	20.0	18.9	18.5	18.6	18.7	19.2	19.6
Exports/GDP	64.2	56.4	61.8	70.0	61.9	55.8	54.5	54.3	54.0	53.6
Real exports growth	4.0	(9.6)	11.6	12.1	0.0	(0.8)	1.5	3.2	3.2	3.0
Unemployment rate	5.2	6.1	5.3	4.2	4.3	4.2	4.2	4.0	4.0	4.0
External indicators (%)										
Current account balance/GDP	1.7	0.4	(1.1)	(2.7)	(0.9)	(1.8)	(2.8)	(2.4)	(2.7)	(2.3)
Current account balance/CARs	2.3	0.7	(1.6)	(3.5)	(1.3)	(3.0)	(4.6)	(4.0)	(4.6)	(3.9)

Bulgaria--Selected indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
CARs/GDP	71.1	62.9	68.3	76.6	68.3	61.3	60.4	59.8	59.5	58.8
Trade balance/GDP	(4.7)	(3.1)	(4.0)	(5.9)	(4.2)	(5.2)	(6.7)	(6.3)	(7.0)	(6.9)
Net FDI/GDP	2.0	4.1	1.6	4.2	4.2	2.2	2.1	2.2	2.7	2.5
Net portfolio equity inflow/GDP	0.7	(1.8)	(1.8)	(0.8)	(0.3)	(0.8)	(0.5)	(0.5)	(0.5)	(0.5)
Gross external financing needs/CARs plus usable reserves	102.1	104.3	104.9	105.4	104.2	105.2	107.6	111.1	111.9	111.5
Narrow net external debt/CARs	(28.6)	(42.8)	(35.3)	(33.8)	(38.4)	(34.4)	(28.1)	(1.7)	2.7	6.8
Narrow net external debt/CAPs	(29.3)	(43.1)	(34.8)	(32.6)	(37.9)	(33.4)	(26.8)	(1.6)	2.5	6.6
Net external liabilities/CARs	41.8	38.0	18.4	9.2	7.2	3.5	4.3	25.3	24.9	24.1
Net external liabilities/CAPs	42.8	38.3	18.1	8.9	7.1	3.4	4.1	24.3	23.8	23.2
Short-term external debt by remaining maturity/CARs	23.3	25.8	20.9	17.9	20.0	21.0	21.0	21.9	22.5	22.9
Usable reserves/CAPs (months)	2.3	2.4	2.0	1.8	1.9	2.1	1.9	1.5	1.6	1.6
Usable reserves (Mil. \$)	8,846.1	9,680.5	10,455.4	11,450.7	12,329.3	12,175.6	10,270.9	11,394.0	12,531.4	13,771.7
Fiscal indicators (general government %)										
Balance/GDP	2.2	(3.8)	(3.9)	(2.9)	(2.0)	(3.0)	(3.0)	(3.1)	(3.1)	(3.2)
Change in net debt/GDP	0.3	4.7	2.2	0.4	3.1	4.1	6.3	3.1	3.1	3.2
Primary balance/GDP	2.7	(3.3)	(3.4)	(2.5)	(1.5)	(2.5)	(2.4)	(2.4)	(2.3)	(2.4)
Revenue/GDP	38.6	37.5	37.5	38.3	36.8	36.7	38.0	38.0	38.0	38.0
Expenditures/GDP	36.4	41.3	41.5	41.2	38.8	39.8	41.0	41.1	41.1	41.2
Interest/revenues	1.4	1.4	1.3	1.0	1.3	1.5	1.6	2.0	2.0	2.1
Debt/GDP	20.1	24.4	23.8	22.5	22.9	24.1	29.2	30.9	32.5	34.2
Debt/revenues	52.0	65.2	63.5	58.7	62.2	65.6	76.8	81.3	85.6	90.0
Net debt/GDP	10.4	15.1	15.2	13.1	15.0	17.8	23.1	24.9	26.6	28.4
Liquid assets/GDP	9.7	9.4	8.6	9.4	7.9	6.3	6.1	6.0	5.9	5.8
Monetary indicators (%)										
CPI growth	2.5	1.2	2.9	13.0	8.6	2.6	3.3	3.0	2.8	2.5
GDP deflator growth	5.2	4.3	7.0	15.9	8.0	6.5	3.4	3.0	2.9	2.5
Exchange rate, year-end (BGN/\$)	1.7	1.6	1.7	1.8	1.8	1.9	1.8	1.7	1.7	1.6
Banks' claims on resident non-gov't sector growth	7.8	4.1	8.3	12.1	11.3	15.0	9.0	9.0	9.0	9.0
Banks' claims on resident non-gov't sector/GDP	49.7	51.2	48.1	44.7	45.2	47.5	48.9	50.4	51.9	53.6
Foreign currency share of claims by banks on residents	35.7	34.3	31.7	28.5	25.7	22.5	25	25	25	25
Foreign currency share of residents' bank deposits	34.6	36.1	34.1	33.9	31.8	31.4	30	30	30.00	30
Real effective exchange rate growth	0.5	2.9	1.3	4.9	5.3	(0.2)	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 up to 2025. External ratios from 2026 are based on our estimates of Bulgaria's IIP post eurozone accession.

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

Bulgaria--Selected indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
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. BGN--Bulgarian lev. 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.										

Bulgaria--Rating component scores

Key rating factors	Score	Explanation
Institutional assessment	4	Reduced predictability of 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 as per Selected Indicators in Table 1. Bulgaria will be a member of the European Economic and Monetary Union, with a currency that is actively traded.
Fiscal assessment: flexibility and performance	3	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 expenditures (% of general government revenues) as per Selected Indicators in Table 1.
Monetary assessment	3	In the context of our monetary assessment, we consider the euro to be a reserve currency. The ECB has an established track record in monetary authority independence with clear objectives and a wide array of policy instruments, including nonconventional tools. Bulgaria will be a member of the Economic and Monetary Union. Wage and inflation trends will likely exceed those of larger eurozone members, as well as European Central Bank targets.
Indicative rating	bbb+	As per Table 1 of "Sovereign Rating Methodology".
Notches of supplemental adjustments and flexibility	0	
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

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- [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

- [Sovereign Ratings List](#), June 12, 2025
- [Sovereign Ratings History](#), June 12, 2025
- [Sovereign Ratings Score Snapshot](#), July 2, 2025
- [Sovereign Risk Indicators](#), July 7, 2025
- [Bulgaria 'BBB/A-2' Ratings Affirmed; Outlook Remains Positive](#), May 23, 2025
- [Bulgaria](#), Nov. 25, 2024
- [Bulletin: Bulgaria's Eurozone Entry's Still Likely Despite Government Collapse](#), April 3, 2024

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"). 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 Rating Component Scores 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").

Ratings List

Ratings list

Upgraded

	To	From
Bulgaria		
Sovereign Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2

Upgraded

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Ratings list

	To	From
Bulgaria		
Transfer & Convertibility Assessment		
Local Currency	AAA	A
Senior Unsecured	BBB+	BBB

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 criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourcelid/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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