Macroeconomic bulletin

Autumn 2025

Bulgaria
Sofia

November 2025

Moody's
Baa1 stable

S&P Global Ratings
BBB+ stable

Fitch Ratings
BBB+ stable

Sovereign credit rating

Bulgaria

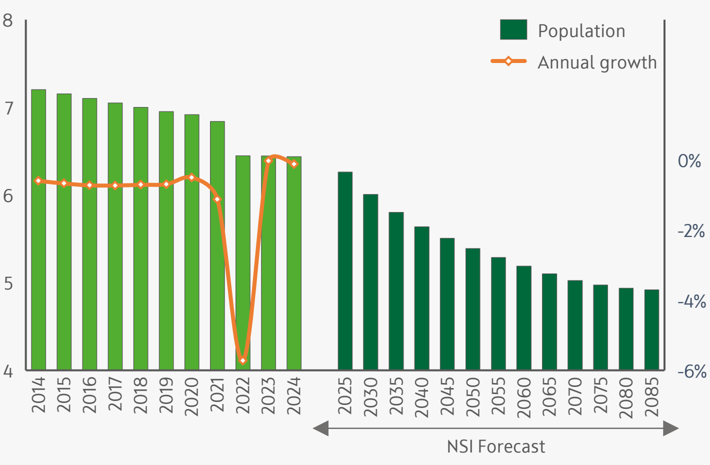
- The effects of the trade war lead to a temporary slowdown but do not trigger a global recession. Starting from the middle of next year, the impact of U.S. tariff policy will be offset by increased defense and security spending in Europe, particularly in Germany and its associated trade partners. No inflationary or deflationary shocks are expected, so the ECB's monetary policy will maintain the key interest rate at the current level of 2%, which is considered neutral following the 2019 pandemic. Industrially oriented Central and Eastern European (CEE) countries are expected to accelerate their growth primarily through exports, supported by Europe's recovery and the expansion of the military sector.
- In Bulgaria, economic growth during the first half of the year exceeded expectations, even after the revision by the National Statistical Institute, supported by resilient household consumption. For the same period, the annual growth of private consumption was the highest among EU member states, driven by low lending rates, rising disposable income, and positive sentiment regarding the adoption of the euro. We expect real GDP growth to remain around 3% in the medium term, close to the country's long-term potential. The labour market remains tight, as economic expansion and the demographic crisis continue to exert pressure. Among the possible solutions to address this challenge are automation, digitalization, and temporarily filling shortages through the "import" of labour force.

Demographics

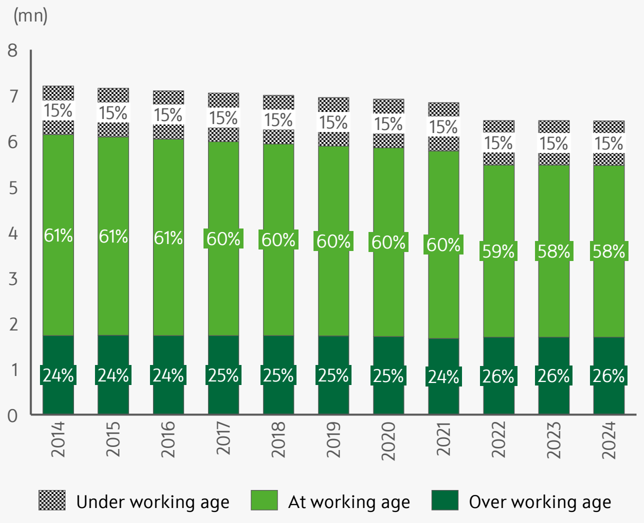
An aging nation: challenges and emerging realities

The population of Bulgaria in 2024 continues to decline at a consistently high rate, with only the import of labour somewhat masking the deepening demographic crisis. The demographic pyramid of Bulgaria clearly illustrates an aging population structure, with a predominant share of elderly people and a significantly narrowed base, reflecting persistently low birth rates and a shrinking young generation. Following the COVID-19 pandemic, the trend of positive net migration has been maintained, with more people settling in Bulgaria than leaving. The largest group of Bulgarians who have returned to Bulgaria over the past year are of retirement age (or close to it), which does not significantly contribute to the Bulgarian labour market. Conversely, the import of labour supports Bulgarian business, but in the long term, this process will have social implications. Most of the destinations are distant and with fundamentally different lifestyles and cultures (India, Nepal).

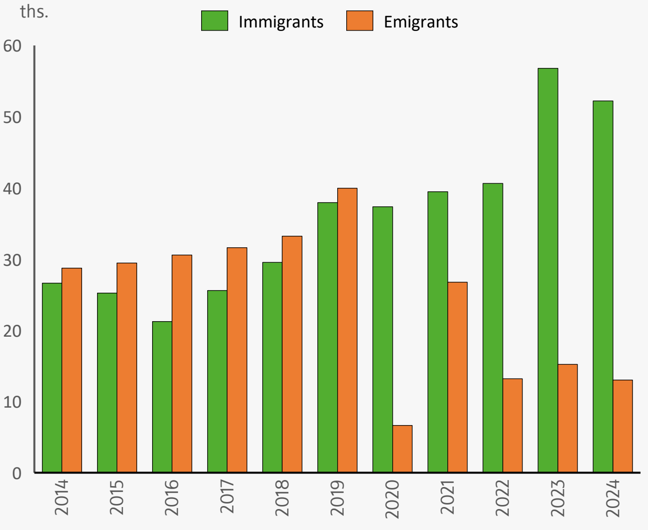
Population of Bulgaria



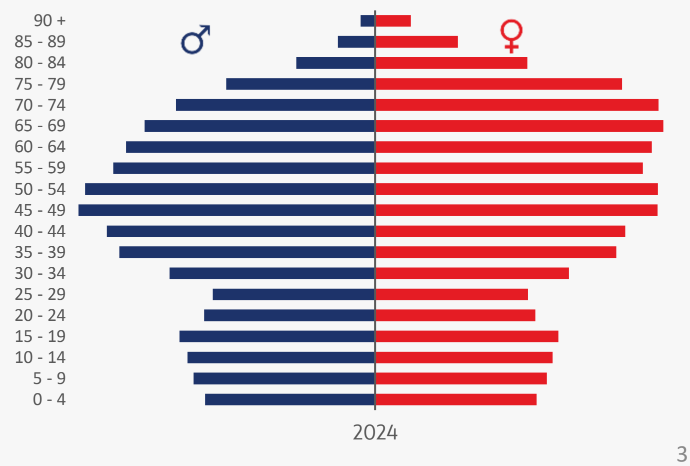
Population by working age status



International migration



Population pyramid:
The process of ageing continues

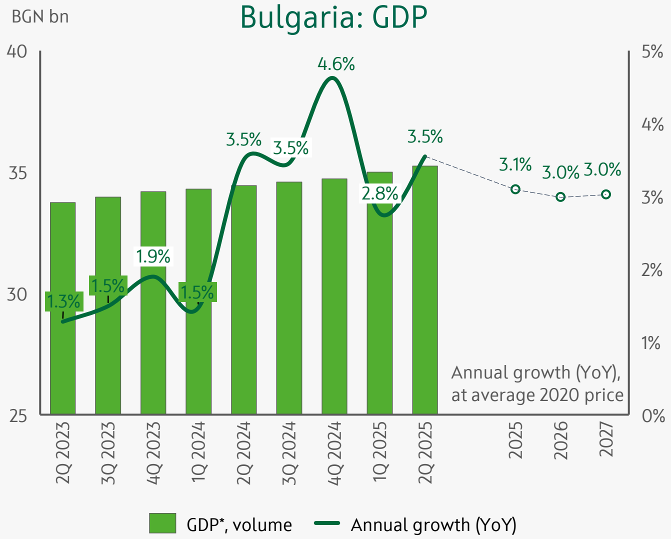


Gross Domestic Product (GDP)

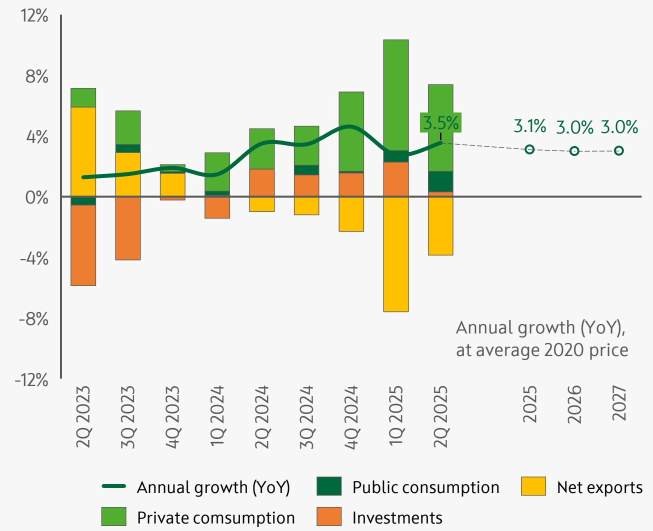
Household consumption in Bulgaria records the highest annual growth in the EU and the region

- After the revised GDP data, the trend of strong performance of the Bulgarian economy is confirmed. GDP growth significantly exceeds the European average, supporting the process of economic convergence. Forecasts indicate that in 2025 Bulgaria's real GDP growth will be among the highest in the European Union. Despite positive economic sentiments, in the medium and long term, sustaining high growth solely through consumption and services is not deemed to be sustainable.

Bulgaria: GDP

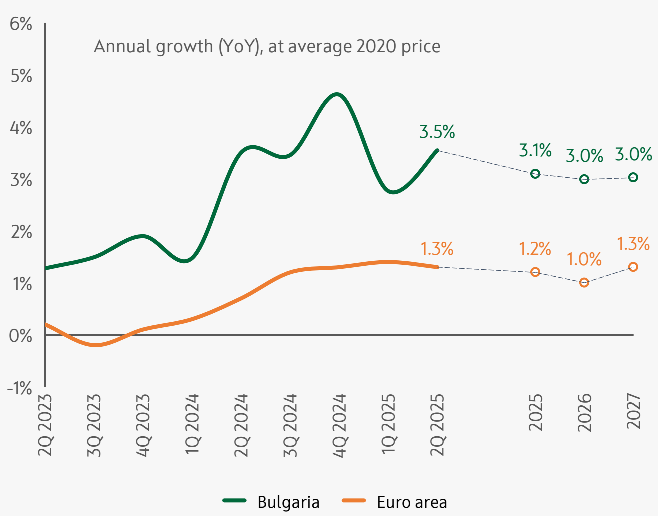


GDP by components



- For sustainable economic growth, long-term structural reforms and an increased investment activity in industry and manufacturing are necessary, as these essential economic sectors have faced certain challenges in the past few quarters. Household consumption during the first half of the year recorded the highest growth rate among the countries in the EU and the region. The main drivers of this development remain virtually unchanged – a strong labour market, low lending rates, and rising disposable income. Our expectations regarding exports is that they begin a gradual recovery, while imports on the other hand will continue to grow at a faster pace than exports. As a result of that, the contribution of net exports to real GDP growth is expected to remain on the negative side.

GDP, Bulgaria vs. Euro area

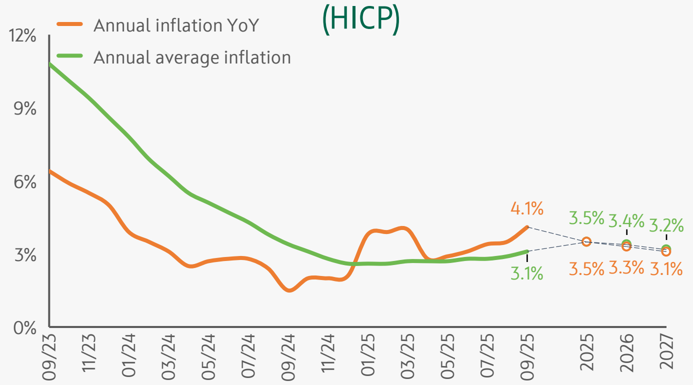


**Seasonally and calendar adjusted data*

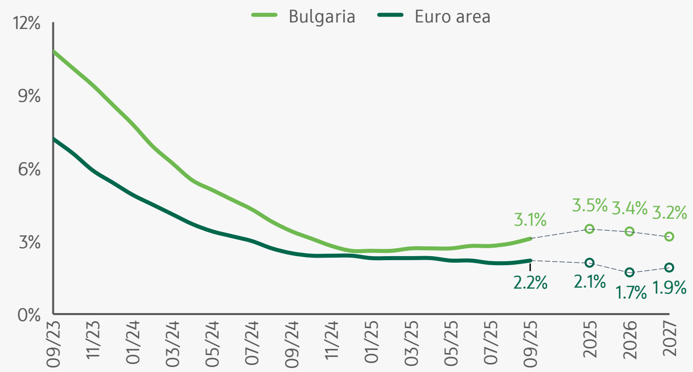
Inflation

Average inflation at 5% - a combination of imported and local inflation

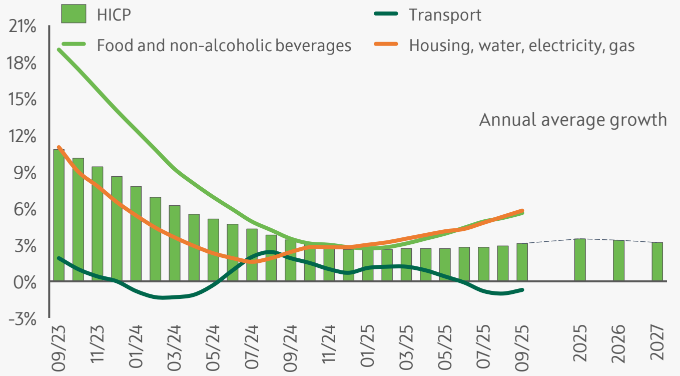
Harmonized Indices of Consumer Prices (HICP)



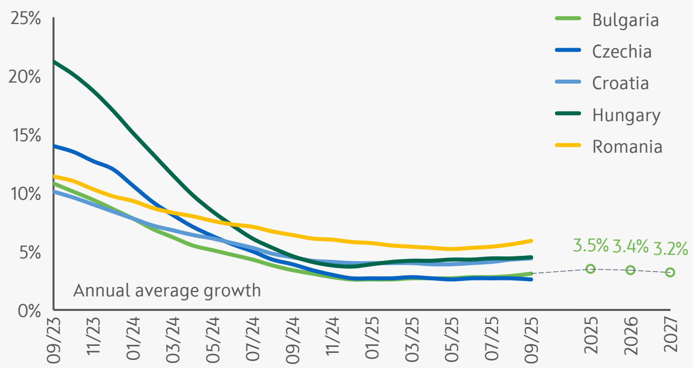
HICP, Bulgaria vs. Euro area



HICP by commodity groups*

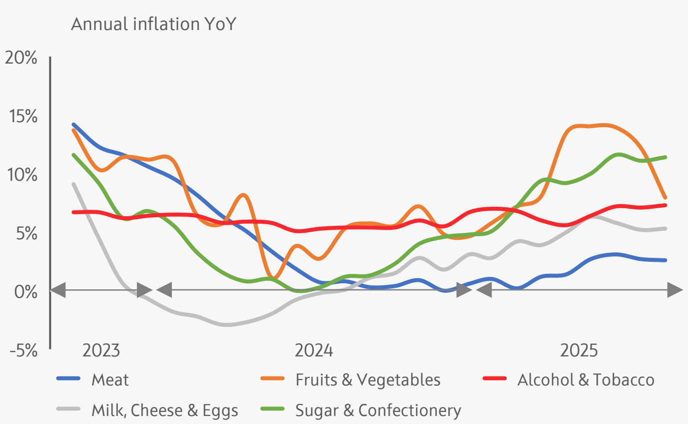


HICP, Bulgaria vs. CEE countries



Stronger fiscal stimuli, administratively set prices, and the anticipated effect of the upcoming euro adoption have led to increased inflationary pressure, which reached 5.6% (CPI, year-on-year) by the end of September. Despite the decline in energy resource prices, inflation remains above the desired stable levels. The price of crude oil recorded a decrease of about -8% year-on-year, while electricity prices in Bulgaria fell by nearly -14% over the same period (for non-household customers). Based on an analysis of external conditions and domestic economic factors, our inflation forecast for the period of 2025-2028 has been revised upward. We expect an average annual inflation rate of around 4%, above the recommended level of 2%. As a catching-up economy compared to the EU and euro area averages, Bulgaria is likely to continue reporting higher growth accompanied by some pro-inflationary pressure. Fiscal policy will also remain a key factor that can either amplify or limit inflationary dynamics.

Basic basket inflation

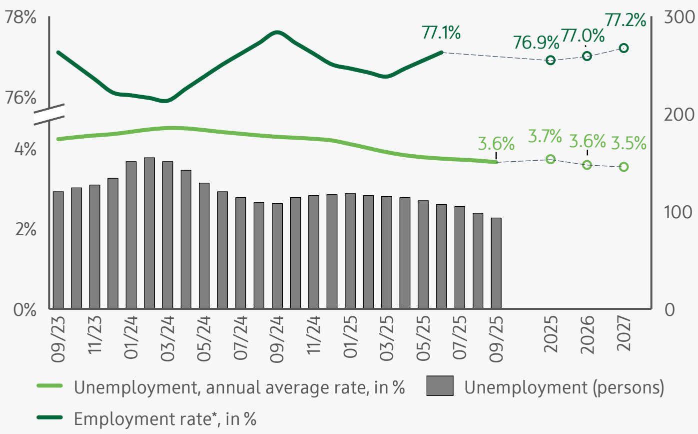


*Three consumer groups with the largest weights in the HICP general basket are presented

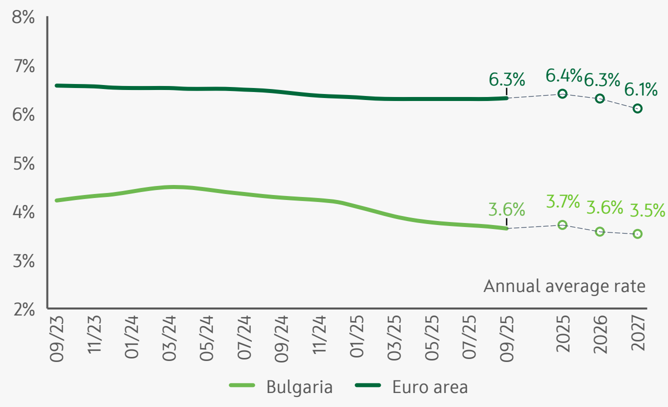
Labour market

Double-digit nominal wage growth fuelled by record-low unemployment rate

Unemployment & Employment*

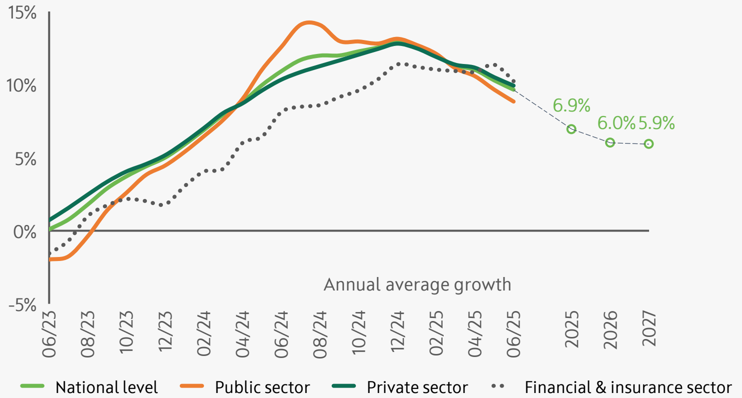


Unemployment: Bulgaria vs. Euro area



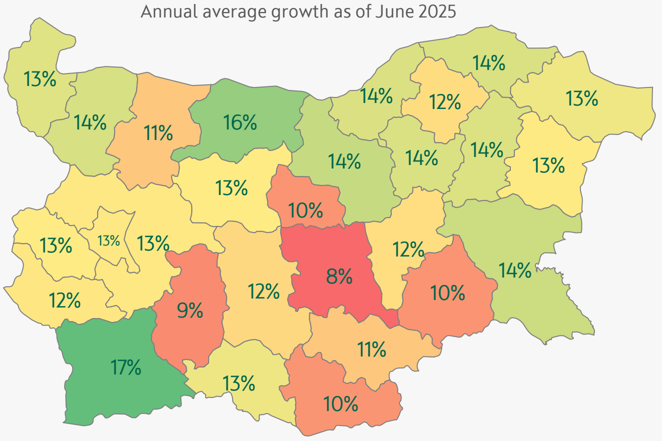
The labour market in Bulgaria is tight, with businesses continuing to face difficulties in hiring qualified personnel. It appears that unemployment has reached its natural level, meaning that everyone who is of working age and willing to work is employed. In fact, there are still "buffers" that can be used to fill the labour shortage in the country before reaching this natural level. Unemployment in major cities has dropped to 2%, but outside the large urban areas, there are still vulnerable communities.

Real wage by sectors



Nominal wage by location

Annual average growth as of June 2025

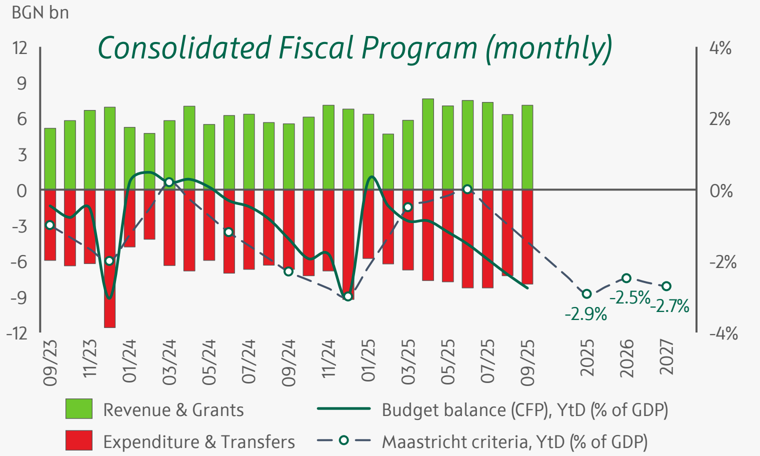


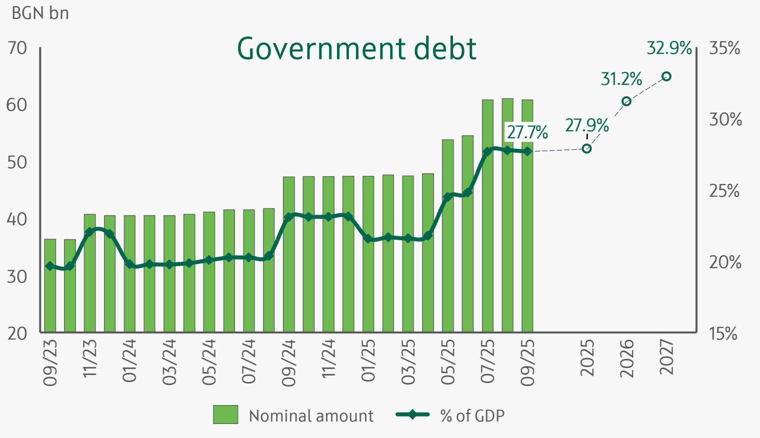
Unemployment in rural areas remains above 6%, while among the population with primary or lower education it exceeds 10%. With a targeted and consistent social policy, unemployment in these groups can be significantly reduced, accompanied by an improvement in quality of life. Wage growth continues to record double-digit annual increases, but expectations are that the pace will fall below 10%. The dynamics of wages in the public sector will gradually lose influence on the overall trend. In the new government budget cycle, the same existing fiscal "self-sustaining" levers have been maintained.

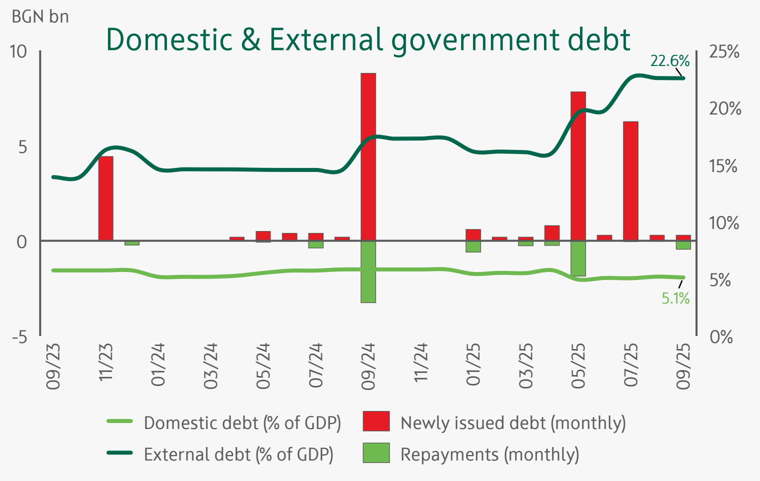
Employment rate is for the age range of 20 - 64 years of age

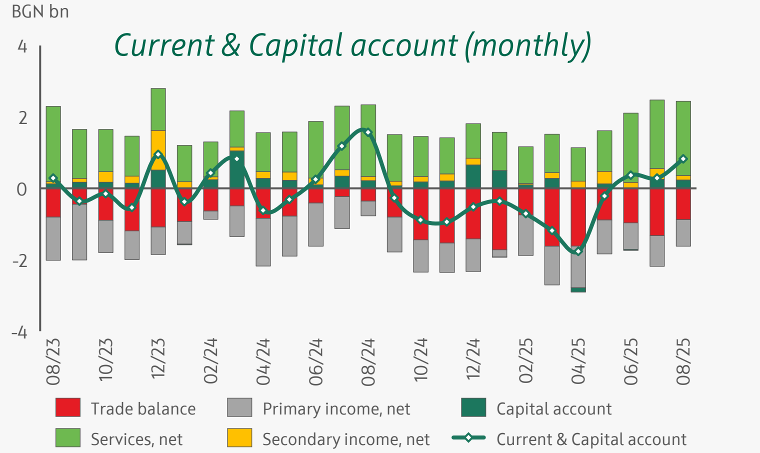
State finance

The deficit nearly doubled in Q3 (-1.5% in Q2 to -2.8% in Q3), but remains within the 3% threshold









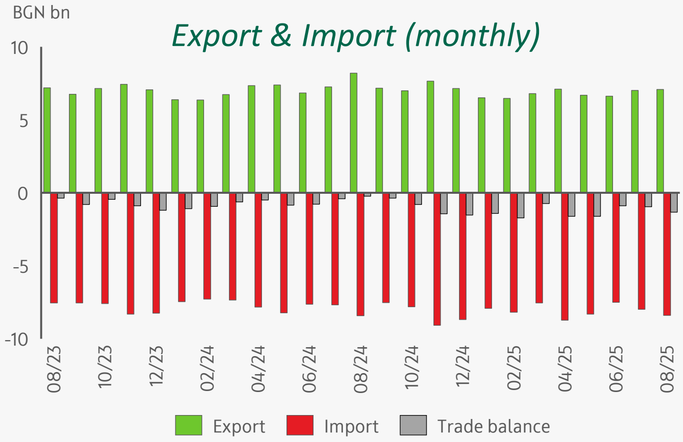
- Only a small number of weeks remain until an anticipated historic moment for Bulgaria and its citizens – the adoption of the euro as the national currency and the country's accession as the 21st member of the euro area.
- Against this positive backdrop, however, clouds are gathering over the public finances, which can only be dispersed through decisive and long-term structural country-wide reforms. Everything suggests that it will be very difficult to have the budget deficit fit within the -3% of GDP threshold for this year, even if part of the military expenditures are excluded. So far revenue performance appears to be challenging, with compensation observed through a reduction in the capital expenditures.
- Additionally, further fiscal measures are currently being implemented to limit the growing deficit, which stood at an alarming level of -2.8% of projected GDP by the end of September.
- However, it should be noted that the last few months of the calendar year traditionally are known for higher spending, mainly related to administrative personnel costs.

Trade & Investments

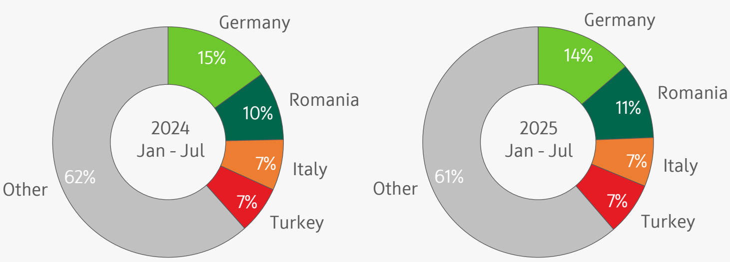
Bulgarian exports under pressure, investments at a standstill

The heightened international situation is weakening European exports to the U.S. This leads to a partial deterioration of Bulgarian business directly linked to the production process in Germany. Against this backdrop, Bulgarian exports to Germany are declining, while exports to Romania and Turkey are increasing.

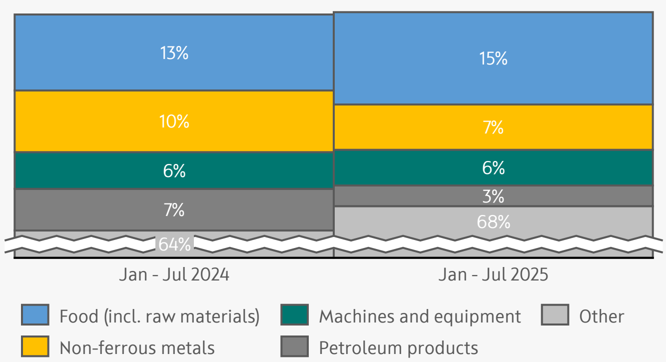
Export & Import (monthly)



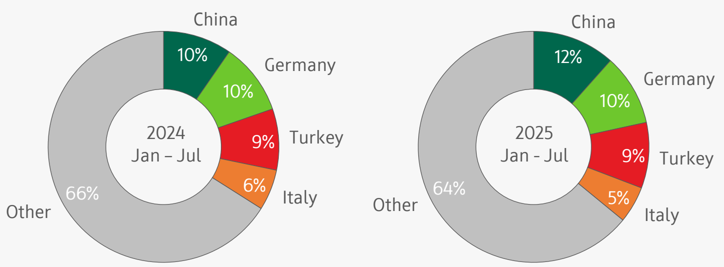
Export, main trade partners



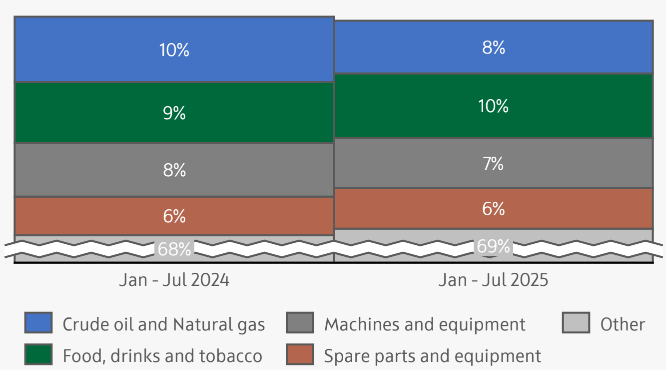
Export by category



Import, main trade partners

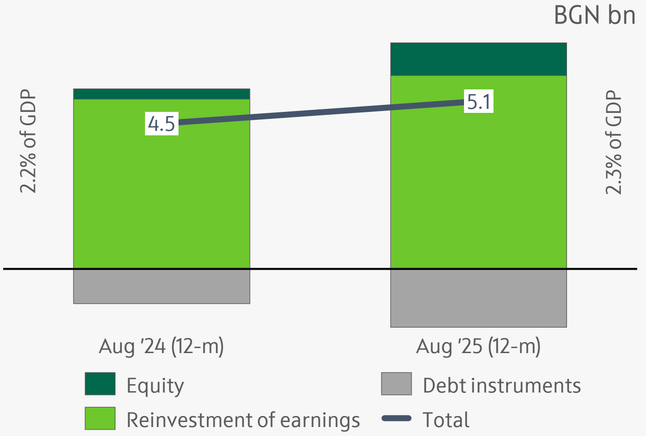


Import by category



Despite the slight increase in foreign direct investment (FDI) in Bulgaria, it still remains at a low level, accounting for only 2% of GDP. The country's accession to the euro area and the improved credit rating (BBB+ according to S&P Global Ratings and Fitch Ratings) are expected to have a positive boost in the external investors' confidence in the Bulgarian economy.

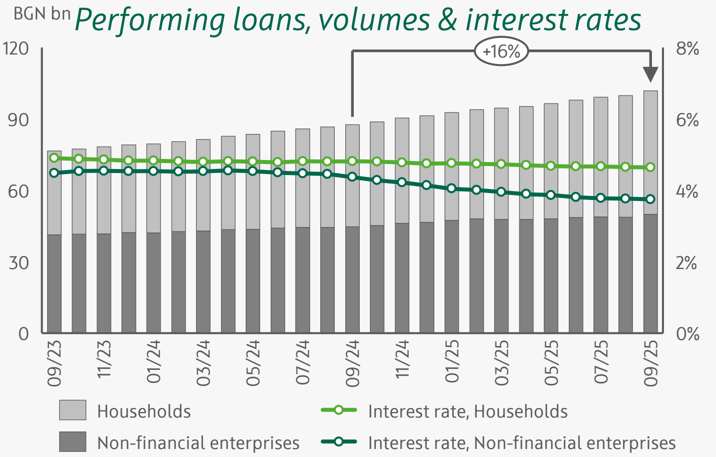
Direct Foreign Investments (DFI)

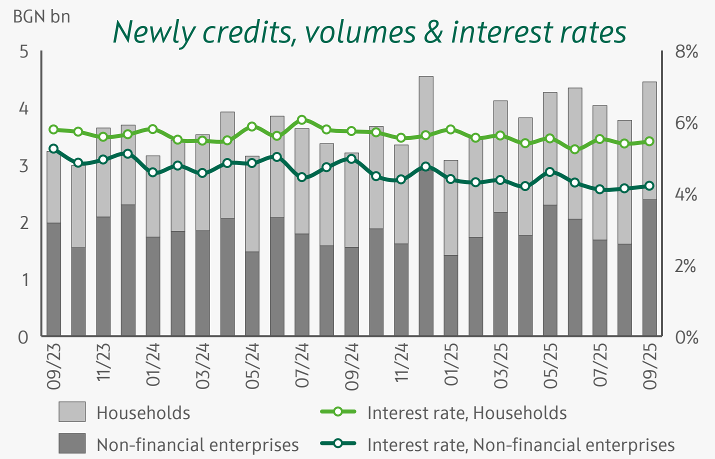


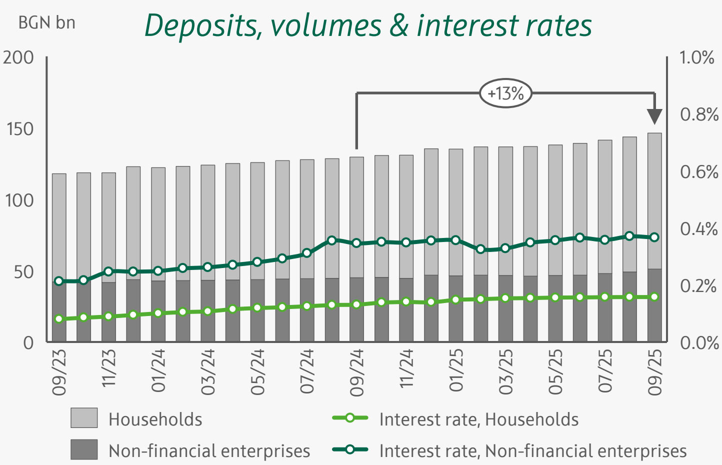
Banking system

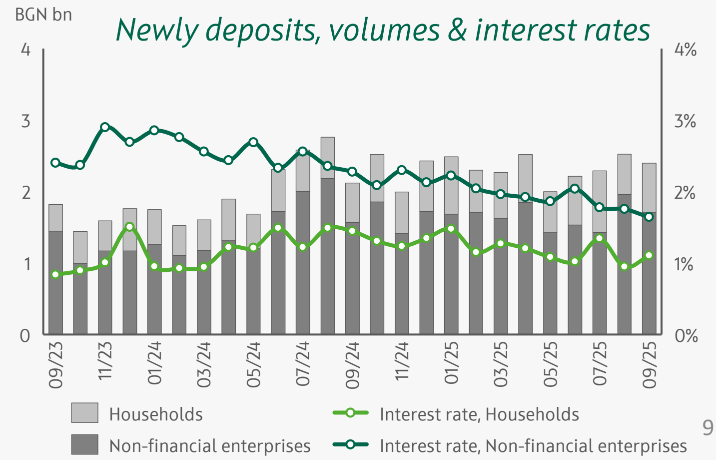
The ECB's post-pandemic reality in EU: 2% interest rate vs. 2% inflation

The financial world faces challenging macroeconomic conditions, yet the sector is performing well. European interest rates outline the new reality after the 2019 pandemic. The ECB's key interest rate has reached 2%, and the medium-term forecast does not anticipate any significant changes in either direction. Credit activity in Bulgaria remains relatively high and is expected to persist until the end of the current year. Due to the sector's technical transformation and the psychological attitudes of the population, a moderate cooling of credit dynamics across all segments is expected to happen at the beginning of 2026. Against this backdrop, the money in circulation and the deposit base in the banking sector is expected to show fairly substantial dynamics, with some main indicators already reflecting increased activity. All bank branch networks are already prepared for higher activity at the end of this year and the beginning of the next, driven by the adoption of the euro. In addition to that, through wide-spread marketing campaigns, the banking sector is also determined to take active part in facilitating the smooth replacement of the two currencies and giving clients extensive information about the new conditions.









Key Macroeconomic Data

dskbank otp group

Actuals & Forecasts	**2023**	**2024**	**2025**	**2026**	**2027**
Annual rate of change	*Actuals*		*Forecast*		
Gross Domestic Product *(revised)*					
Real GDP Growth	1.7%	3.4%	3.1%	3.0%	3.0%
Private Consumption	1.1%	4.8%	6.3%	4.5%	4.2%
Public Consumption	0.7%	3.0%	7.6%	5.0%	3.8%
Investments	-12.8%	5.3%	7.2%	10.6%	6.6%
Exports	0.0%	1.8%	-2.3%	0.8%	2.4%
Imports	-5.5%	3.9%	3.4%	5.6%	5.4%
Inflation & Housing prices					
Consumer Price Indices *(CPI)*	4.7%	2.2%	4.4%	4.2%	3.4%
Consumer Price Indices *(CPI) (12-m avg)*	9.5%	2.4%	4.6%	4.3%	3.8%
Harmonized Index *(HICP)*	5.0%	2.1%	3.5%	3.3%	3.1%
Harmonized Index *(HICP) (12-m avg)*	8.6%	2.6%	3.5%	3.4%	3.2%
Basic basket* *(CPI)*	7.5%	2.4%	6.1%	5.4%	4.5%
Housing prices *(HPI, **national level**)*	10.1%	18.3%	12.6%	9.7%	7.8%
Housing prices *(HPI, **Sofia**)*	9.7%	20.5%	14.5%	13.3%	8.1%
Housing prices *(HPI, **Plovdiv**)*	7.3%	18.6%	12.5%	10.9%	9.4%
Housing prices *(HPI, **Varna**)*	15.7%	22.0%	16.3%	10.2%	8.4%
Labour market					
Unemployment rate *(EoP)*	4.4%	3.9%	3.9%	3.7%	3.6%
Employment rate *(20 - 64 years of age)*	76.2%	76.8%	76.9%	77.0%	77.2%
Monthly wage *(12-m avg)*	1 991	2 296	2 558	2 821	3 096
Nominal wage growth *(12-m avg)*	14.5%	15.3%	11.5%	10.3%	9.7%
Real wage growth *(12-m avg)*	5.0%	12.9%	6.9%	6.0%	6.0%
State Finance					
Government debt *(to-GDP)*	22.9%	23.8%	27.9%	31.2%	32.9%
Government balance *(CFP) (to-GDP)*	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Government balance *(Maastricht) (to-GDP)*	-2.0%	-3.0%	-2.9%	-2.5%	-2.7%
Banking sector					
Total loans**	13.1%	14.9%	13.7%	12.5%	10.7%
Household loans**	17.1%	21.4%	20.3%	16.6%	11.9%
Company loans**	10.4%	10.1%	8.4%	8.8%	9.5%
Total deposits	9.5%	10.1%	16.8%	5.0%	8.8%
Household deposits	11.0%	11.8%	21.9%	3.5%	9.4%
Company deposits	7.0%	7.3%	7.9%	7.8%	7.7%

**Basic basket includes commodity groups, such as Meat, Milk, Cheese, Eggs, Fruits, Vegetables, Sugar, Spirits, Tobacco.*

***Performing stock, based on Monetary and Interest Rate Statistics (Bulgarian National Bank)*

Sources

Actual data

NATIONAL STATISTICAL INSTITUTE

MINISTRY OF FINANCE, BULGARIA

BULGARIAN NATIONAL BANK

STATISTICAL OFFICE OF THE EU

Forecasts

DSK BANK, RESEARCH TEAM

NATIONAL STATISTICAL INSTITUTE
(DEMOGRAPHIC FORECAST ONLY)

EUROPEAN CENTRAL BANK
(EURO AREA FORECAST ONLY)

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