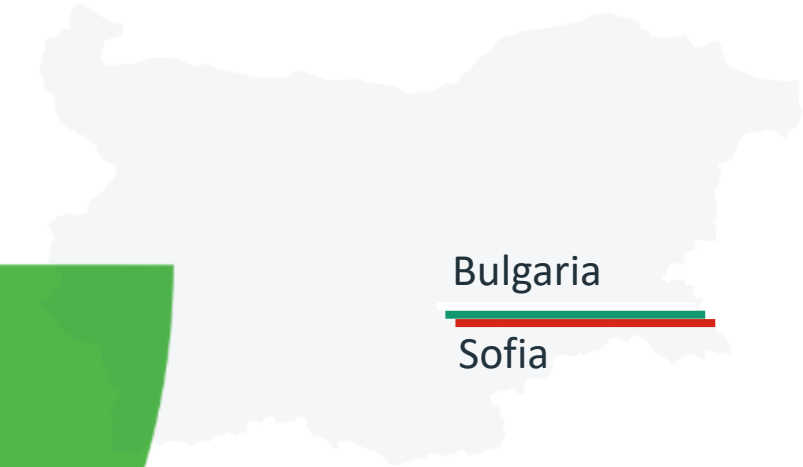
# Macroeconomic bulletin

*Autumn 2026*



Bulgaria

Sofia

*Petar Atanasov, Chief Economist*

November 2026



Sovereign credit rating

# Bulgaria

MOODY'S
Baa1 stable

S&P Global
Ratings
BBB+ stable

FitchRatings
BBB+ positive

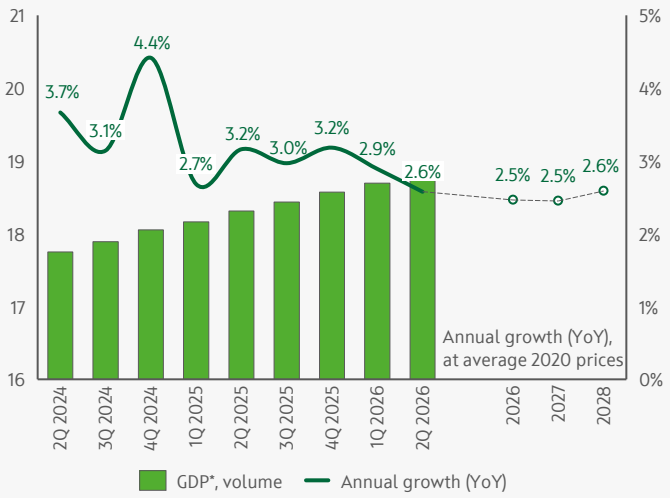
- The external environment remains marked by instability. After a fragile ceasefire, hostilities in the Middle East have flared up again, with the blockade of the Strait of Hormuz and the disruption of Bab el-Mandeb by the Houthis weighing on global trade and keeping oil at around $100 per barrel. Optimistic expectations assume a de-escalation in the first quarter of next year. Against this backdrop, the Eurosystem projects euro area economic growth slowing to 0.9% in 2026 and inflation peaking at 4.0%, before returning to the target of around 2% in 2028. This is why the ECB raised its key interest rate to 2.50% in September, then shifted to a wait-and-see approach in October.
- The Bulgarian economy continues to grow strongly, by 2.6%, driven by consumption, with record-low unemployment of around 3% and annual inflation accelerating to 6.0% (CPI). At the same time, industry continues to contract, and the almost exclusive reliance on consumption raises questions about the sustainability of the growth model. External demand remains weak, although exports are showing the first signs of recovery. The housing market is moving towards balance, with fewer transactions but higher prices, while lending activity remains strong, led by households. The high deficit and the deteriorating current account led S&P to lower the outlook on Bulgaria's credit rating. After years of political instability, the new government has an outright majority and a mandate for reforms – a key condition for the economy to withstand the uncertain external macroeconomic environment.

# Gross Domestic Product (GDP)

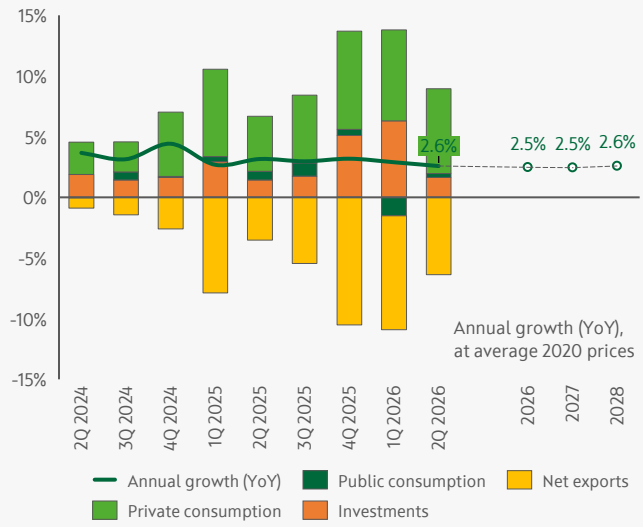
## Strong growth driven by consumption, despite industrial contraction

The Bulgarian economy continues to show strong momentum, with GDP growth reaching 2.7% in the first half of 2026, twice the euro area average. However, a breakdown of GDP components shows that household consumption remains the main driver of economic expansion, supported by the still-strong labour market. Bulgaria recorded the highest annual growth in household consumption in the EU (10.3%), outperforming Hungary (ranked second at 5.1%) by a wide margin. Meanwhile, industrial activity continues to contract amid a deteriorating international environment and high energy prices.

Bulgaria: GDP

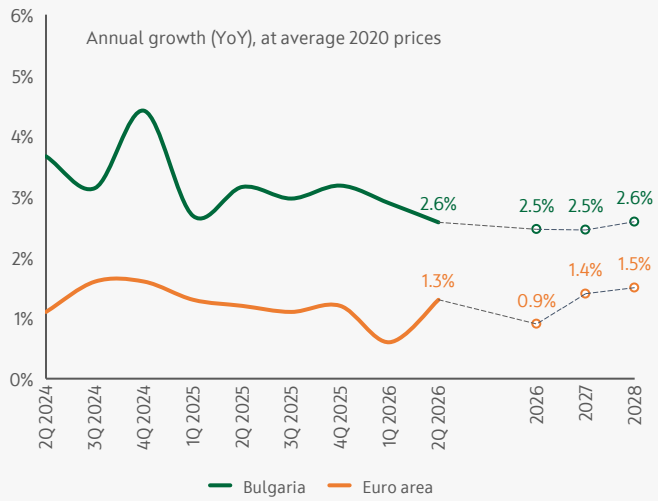



GDP by components




Industry continues to face headwinds, having contracted by 0.4% since the beginning of the year. We expect economic growth to remain below potential over the coming years, primarily due to the challenging external environment. The pressure stems from two main sources. The first is high energy prices, which continue to increase production costs and remain highly dependent on the evolution of ongoing military conflicts. The second is the slow recovery of our main trading partners, particularly in the automotive sector, on which Bulgarian component manufacturers depend. We expect real exports to contract by 2.9% in 2026, before recovering by 1.3% in 2027. Nevertheless, imports are expected to continue growing at a faster pace, meaning that net trade will remain a drag on economic growth.

GDP, Bulgaria vs. Euro area

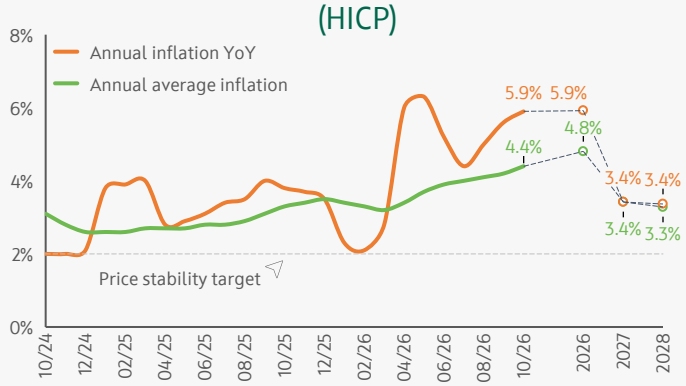



*Seasonally and calendar adjusted data

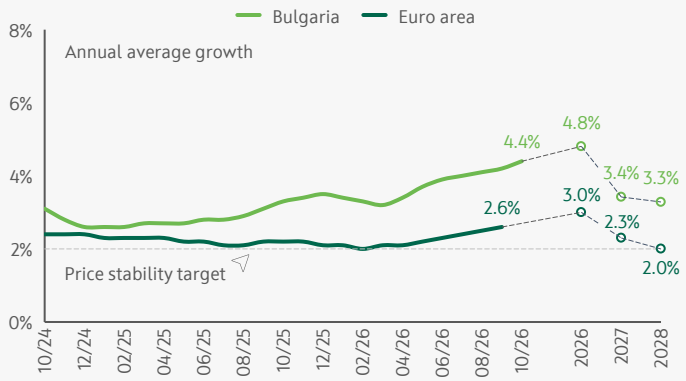
# Inflation

## The two straits (Hormuz & Bab el-Mandeb) and rising incomes: the drivers of high inflation

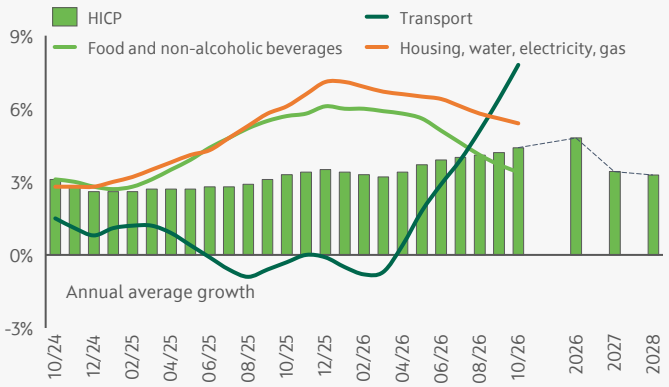
### Harmonized Indices of Consumer Prices (HICP)



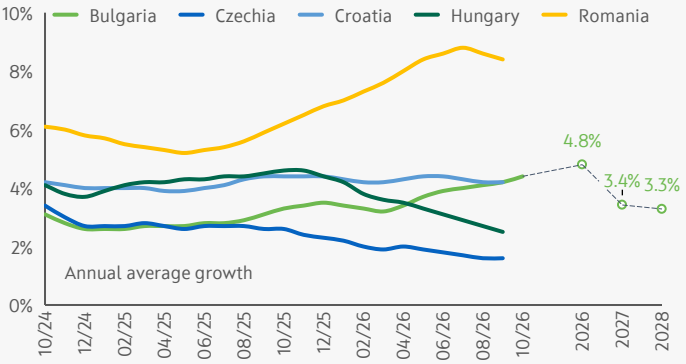

### HICP, Bulgaria vs. Euro area




### HICP by commodity groups*

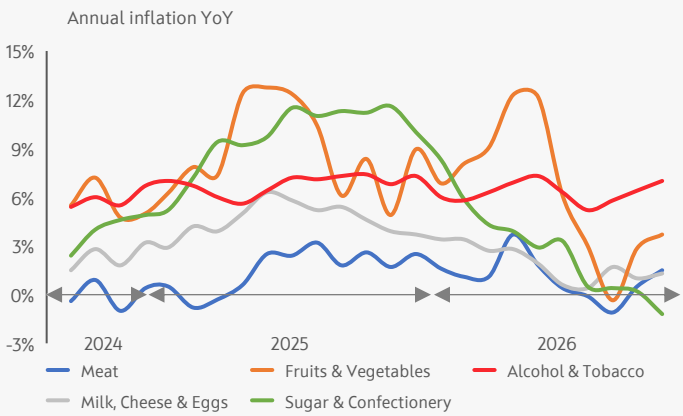



### HICP, Bulgaria vs. CEE countries




**Inflationary pressures** are intensifying, although the medium-term outlook points to some moderation in price growth. Domestically, there are already signs of improvement, but the international environment remains uncertain due to the ongoing blockade of the Strait of Hormuz and the announced restrictions on shipping through the Bab el-Mandeb Strait. Against this backdrop, annual inflation in Bulgaria reached 6.0% in October (CPI). Transport and Services will continue to be the main contributors to price increases, while fuel prices remain directly linked to oil prices, which have hovered around $115 per barrel in recent weeks. The start of the heating season is adding further pressure, supporting an increase in natural gas prices. For 2027, we expect energy commodity prices to decline by around 15% on average, assuming that shipping through the Strait of Hormuz will gradually return to normal as early as the first quarter.

### Basic basket inflation




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

# Residential Real Estate Market

## Fewer sales but higher prices, with the market expected to balance out

**2.4%**
*average interest rate*
***Bulgaria***

**-14 bps** compared to Sep 2025
vs. **3.6%** Euro area average

**8.2**
*gross annual salary*
*to buy flat in **Sofia, 70 m²***

**-0.1** compared to June 2025

**86%**
**Home ownership**
*% of population, Bulgaria*

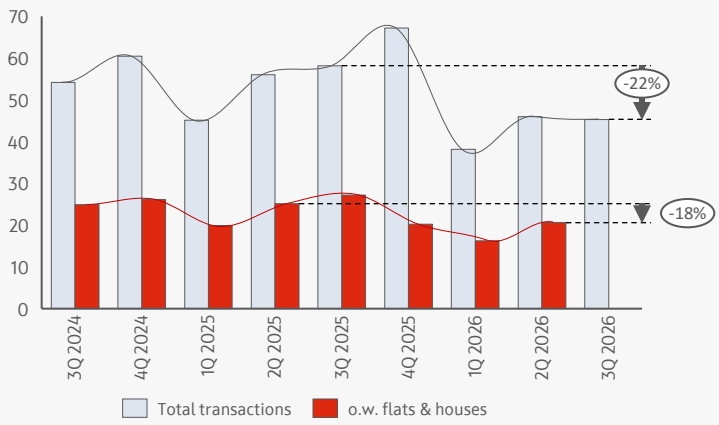
**+0.1 pp** compared to 2024
vs. **65%** Euro area average

**€2 640**
**€/m², Sofia**
*Bid & Sale price (average)*

**+€240** compared to June 2025
**+10.1%** compared to June 2025

Since the start of the year, Bulgaria's housing market has shown mixed trends, and we expect this year to move into a steady balance. The higher supply of newly built homes should meet the fairly stable demand from households. They, in turn, will keep looking for homes, driven mainly by the wish to improve their quality of life – the result of rising incomes and easy access to bank loans. The number of deals has fallen for a third quarter in a row, but this is largely because the buyers who were active around the euro changeover have now stepped back. The market will keep being driven by families looking for a home to live in – as the year-on-year rise in loan-financed deals shows. Taking the domestic factors into account (more supply, steady demand and affordable lending), our forecast is for prices to rise by 12.7% this year (11.1% in Sofia) and for a balanced market with moderate growth over the medium term.

*Number of sales, national level*




*Heat map: House price growth by city*
*(year-on-year change, national level & major cities)*

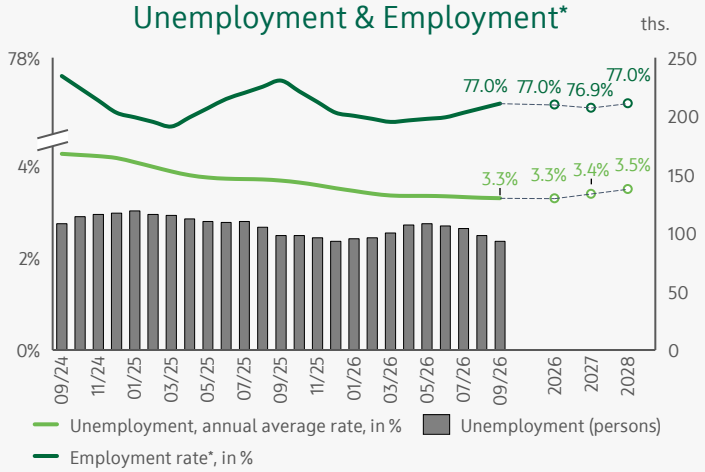
| | 1Q 2025 | 2Q 2025 | 3Q 2025 | 4Q 2025 | 1Q 2026 | 2Q 2026 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| **Bulgaria** | 15.1% | 15.5% | 15.4% | 12.6% | 14.8% | 15.5% | 12.7% | 8.0% | 7.6% |
| Sofia | 14.1% | 16.3% | 16.2% | 12.7% | 16.0% | 13.2% | 11.1% | 7.8% | 7.5% |
| Plovdiv | 17.9% | 15.7% | 13.5% | 8.6% | 8.8% | 11.3% | 9.1% | 9.8% | 9.2% |
| Varna | 18.4% | 19.0% | 18.9% | 15.1% | 13.2% | 14.3% | 13.9% | 10.1% | 8.4% |

Decline -10% -5% 0% +5% +10% +15% +20% Strong growth

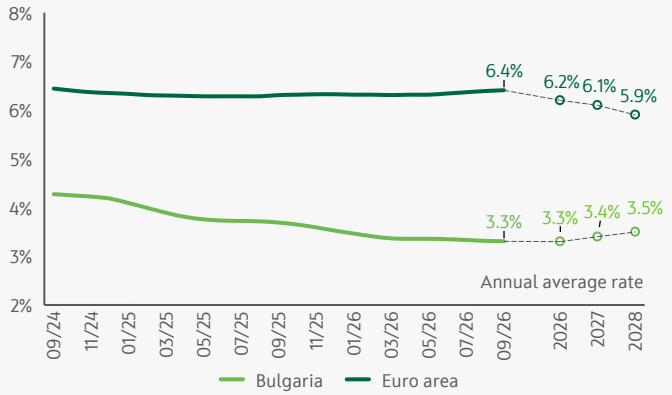
# Labour market

## Expected economic slowdown likely to cool the labour market

### Unemployment & Employment*

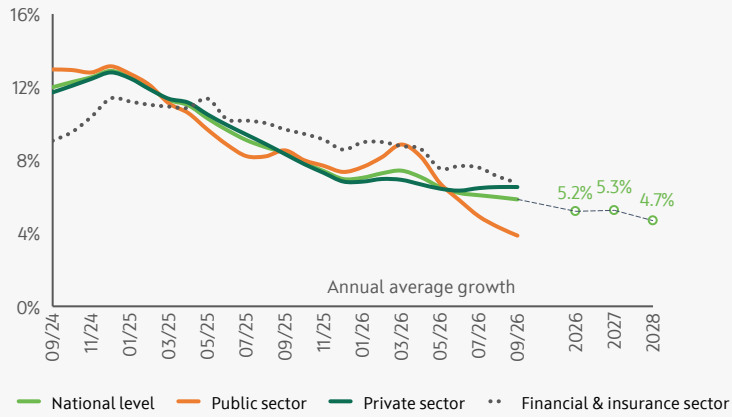



### Unemployment: Bulgaria vs. Euro area



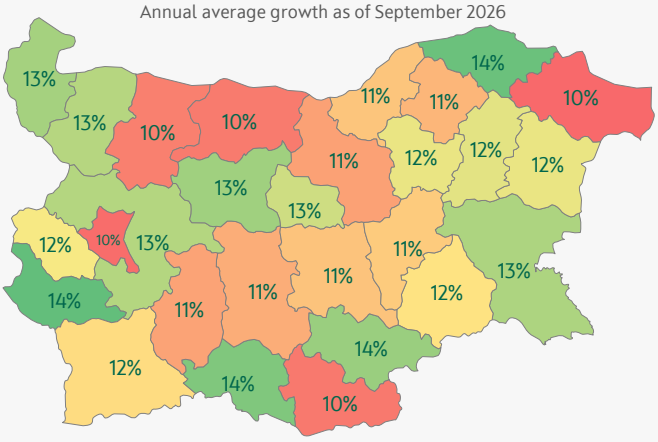

The expected economic slowdown is likely to bring some cooling in the labour market. Nevertheless, our forecast indicates that unemployment in Bulgaria will remain below 4% over the medium term, significantly below the euro area average of around 6%. More moderate labour demand should ease upward pressure on wages. Following the double-digit growth rates recorded in recent years, we expect wage growth to gradually moderate to single-digit levels.

### *Real wage growth by sector*




### *Nominal wage growth by region*

Annual average growth as of September 2026

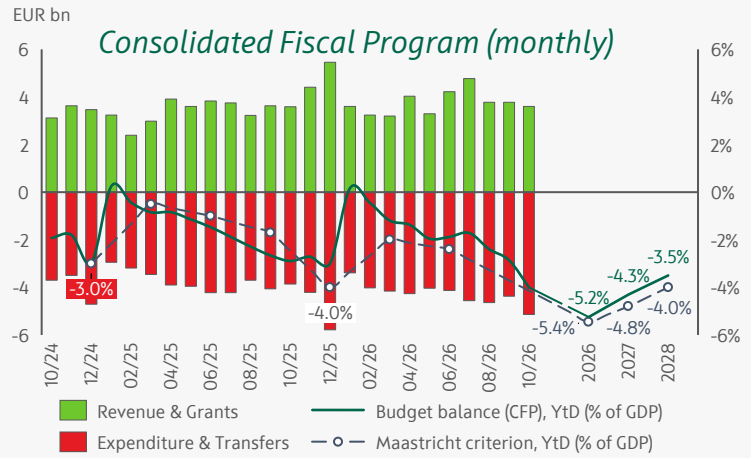


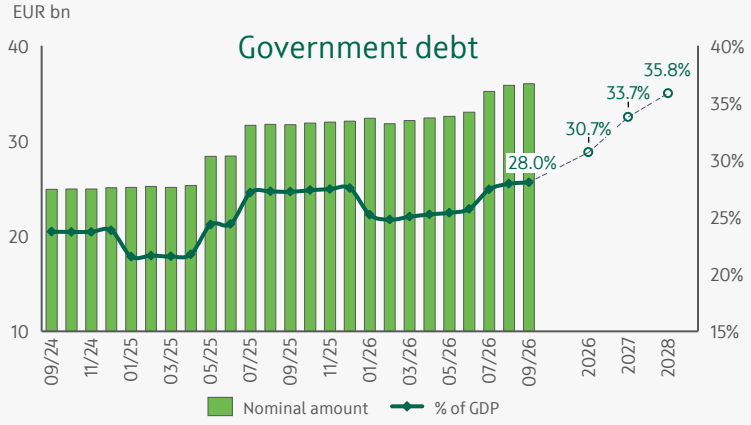

Public sector wage growth in 2027 is expected to remain below 5%, which would help contain wage pressures and gradually feed through to the private sector. In recent years, the public sector has been one of the drivers of wage growth, with pay increases influencing remuneration policies in the private sector as well. This transmission effect is reinforced by unfavourable demographic trends and the limited pool of available workers, for whom the two sectors compete. As a result, more moderate wage increases in the public sector could contribute to a gradual slowdown in overall wage growth.

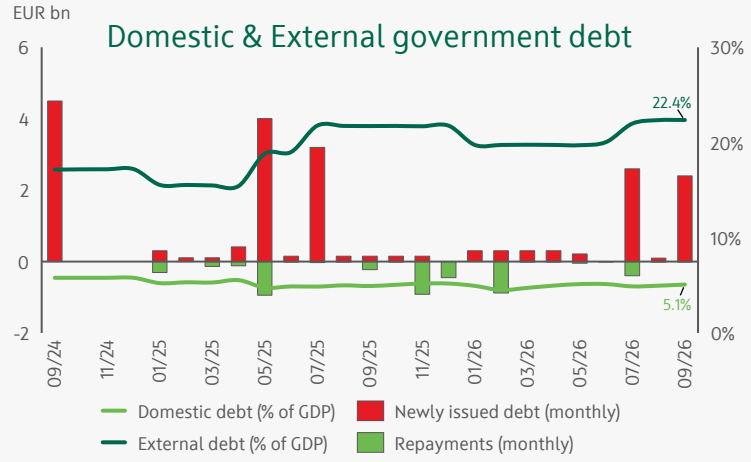
**Employment rate is for the age range of 20 – 64 years of age*

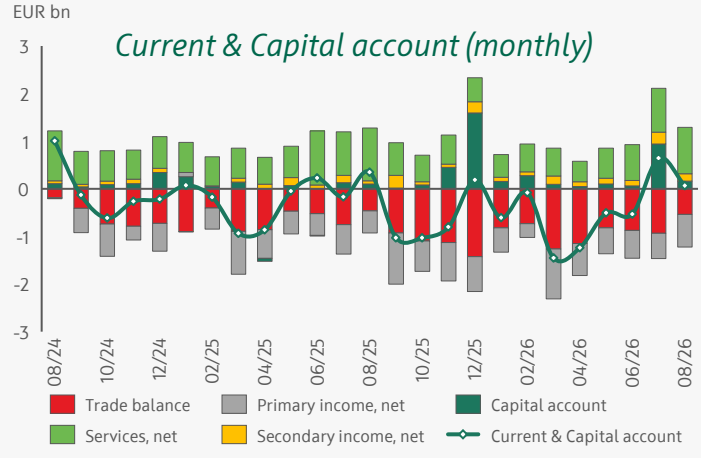
# State finance

## Exit from the FATF grey list, but outlook cut by S&P due to fiscal considerations




The outlook revision to stable by S&P on Bulgaria's credit rating reflects a higher-than-expected budget deficit and a deteriorating current account. A positive signal, however, is the FATF's decision in October 2026 to remove Bulgaria from the list of jurisdictions under increased monitoring (the so-called "grey list") for money laundering. This should help restore international confidence, facilitate cross-border financial transactions and further encourage foreign investment.

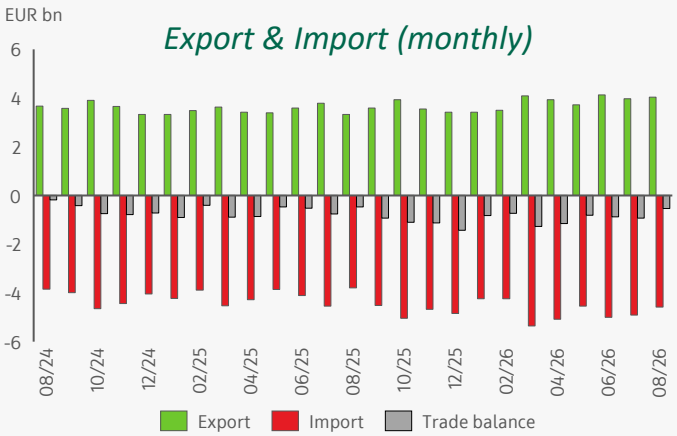
The fiscal position, however, remains relatively under pressure due to the high-budget deficit and rising government debt-servicing costs amid higher interest rates. The 2027 income policy envisages a 5% increase in public sector wages, a 7.5% rise in social benefits and an 8% increase in pensions. This will provide additional support for household disposable income but also add to public expenditure. The main medium-term challenge will be to achieve fiscal consolidation over the coming years without curbing investment or the necessary spending on the modernisation of defence and public infrastructure.

# Trade & Investments

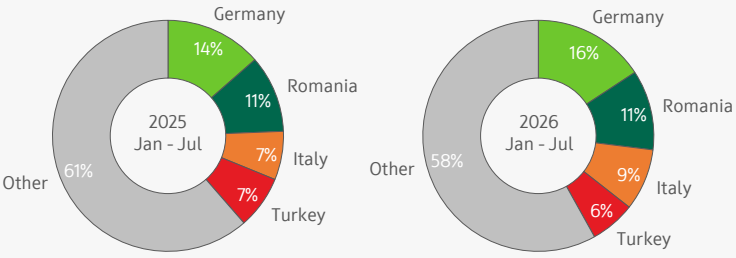
## Non-ferrous metals and fuels drive exports higher

Between January and August, exports increased by 10% year-on-year, while imports rose by 14%, widening the trade deficit and reflecting strong domestic demand. Export growth remains concentrated, with non-ferrous metals contributing a 62% increase following the recovery of production at the country's leading exporter.

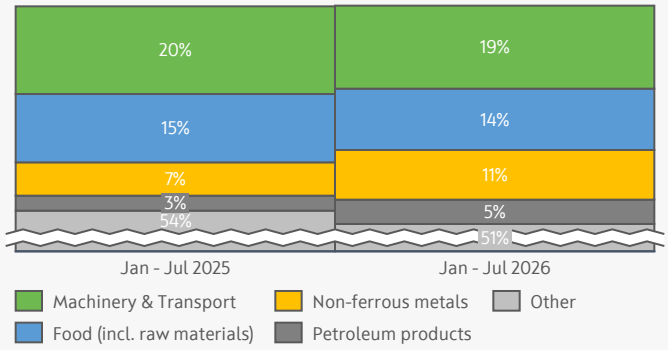
### *Export & Import (monthly)*



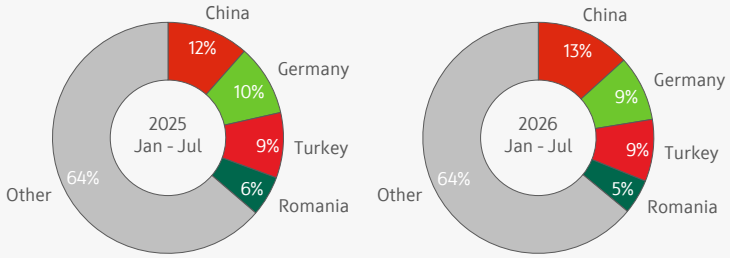

### Export, main trade partners



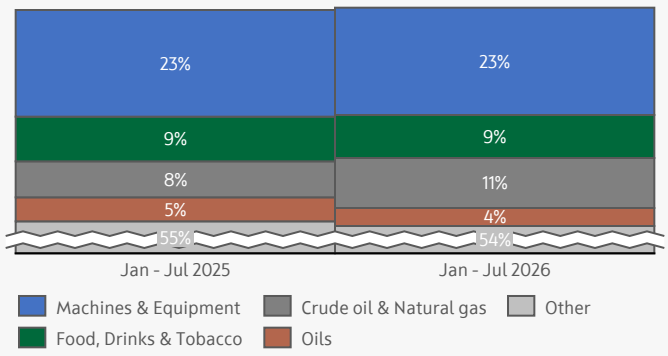

### Export by category




### Import, main trade partners

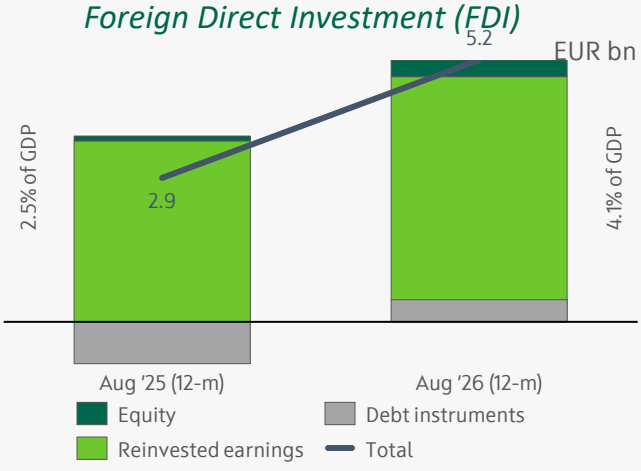



### Import by category




Meanwhile, petroleum product exports surged by 78%, reflecting changes in crude oil supply sources and the easing of sanctions-related restrictions following the granting of a derogation. Exports to Germany increased by 26%, while exports to the EU rose by 12%. At the same time, net FDI inflows increased by almost 82% year-on-year, with the increase driven mainly by debt instruments.

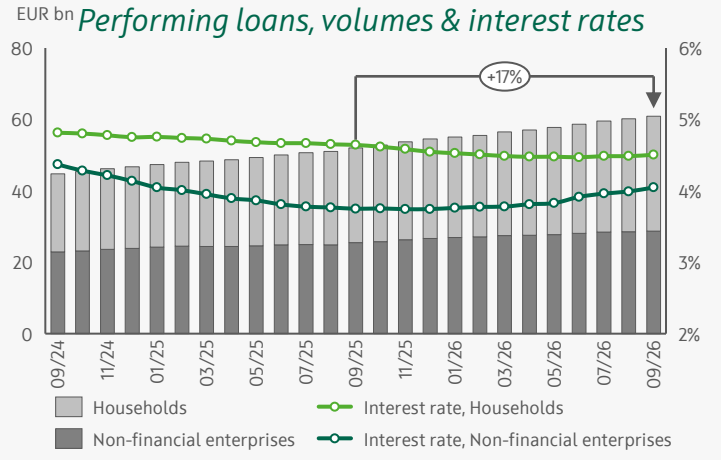
### *Foreign Direct Investment (FDI)*

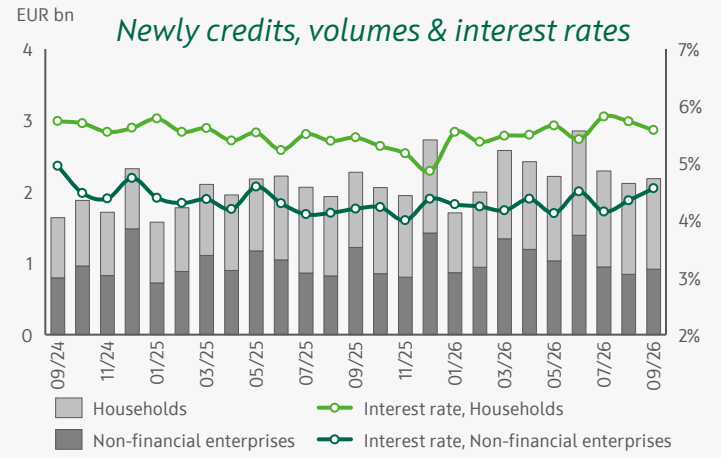


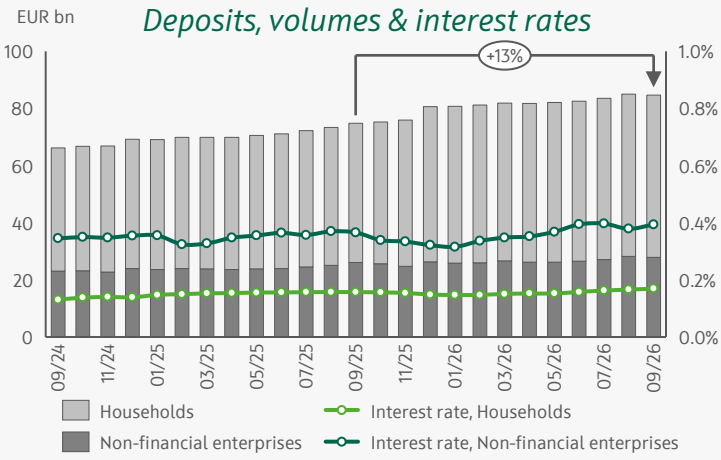
# Banking system

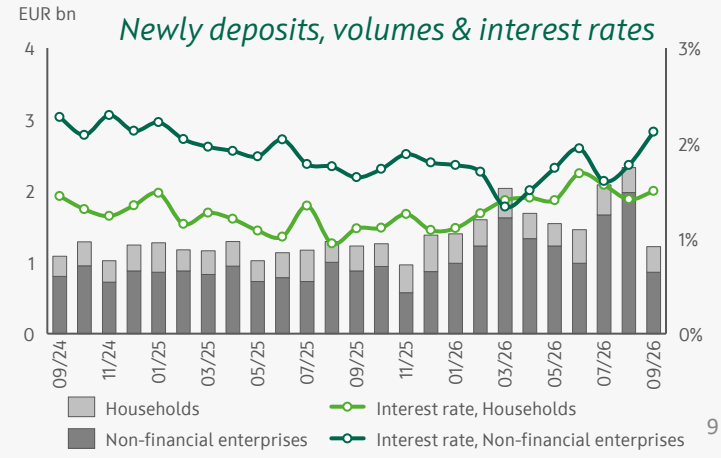
## Strong household lending; deposit growth back to historical norms

- Against the backdrop of the energy shock, euro area inflation accelerated further to 4.0% in October. After two 25 bps hikes – in June and September, to 2.50% – the European Central Bank kept interest rates unchanged in October. Market expectations have shifted towards another 25 bps hike in December, to 2.75%.
- Lending activity has remained strong throughout this year, with households still in the lead. This dynamic reflects both practically unchanged interest rates on household loans and the accelerated digitalisation of the lending process. Corporate lending, for its part, is growing by 12.6% year on year, with an average interest rate of around 4% – about 30 bps above the level at the end of last year.
- The deposit base recorded strong growth at the end of last year, driven by the currency changeover. After the end of the dual circulation period (lev-euro), growth in household deposits slowed. In recent months, their monthly increase has been lower than in the same months a year earlier.
- Despite lending outpacing deposits, liquidity in the banking sector remains high, with the loan-to-deposit ratio still below 80%.



# Key Macroeconomic Data

dskbank otp group

| Actuals & Forecasts | 2024 | 2025 | 2026 | | 2027 | | 2028 | |
|---|---|---|---|---|---|---|---|---|
| *Annual rate of change* | *Actuals* | | *Forecast* | | | | | |
| | | | | revisions vs. Apr 2026 forecast, ***in pp*** | | | | |
| ***Gross Domestic Product*** | | | | | | | | |
| Real GDP Growth | 3.3% | 3.0% | 2.5% | -0.1 | 2.5% | -0.3 | 2.6% | -0.4 |
| Private Consumption | 4.8% | 7.4% | 6.9% | 3.4 | 3.9% | 0.1 | 3.6% | 0.2 |
| Public Consumption | 3.0% | 6.3% | 3.9% | -0.2 | 3.2% | -1.1 | 3.0% | -0.7 |
| Investments | 5.3% | 11.0% | 8.6% | 7.1 | 5.8% | 2.0 | 4.1% | 0.1 |
| Exports | 1.7% | -1.9% | -2.9% | -6.5 | 1.3% | -1.7 | 2.3% | -1.8 |
| Imports | 4.0% | 6.9% | 5.4% | 0.8 | 4.6% | -0.2 | 4.3% | -1.2 |
| ***Inflation & Housing prices*** | | | | | | | | |
| Consumer Price Indices *(CPI)* | 2.2% | 5.0% | 6.1% | 0.3 | 3.5% | -0.8 | 3.7% | 1.2 |
| Consumer Price Indices *(CPI) (12-m avg)* | 2.4% | 4.6% | 5.3% | 0.2 | 3.4% | -1.5 | 3.5% | 0.5 |
| Harmonized Index *(HICP)* | 2.1% | 3.5% | 5.9% | 0.1 | 3.4% | -0.3 | 3.4% | 1.0 |
| Harmonized Index *(HICP) (12-m avg)* | 2.6% | 3.5% | 4.8% | 0.2 | 3.4% | -1.1 | 3.3% | 0.7 |
| Basic basket* *(CPI)* | 3.4% | 6.9% | 3.5% | -2.7 | 4.5% | -1.5 | 3.6% | 1.2 |
| Housing prices *(HPI, **national level**)* | 16.5% | 14.6% | 12.7% | 4.2 | 8.0% | 1.2 | 7.6% | -0.8 |
| Housing prices *(HPI, **Sofia**)* | 18.1% | 14.8% | 11.1% | 1.4 | 7.8% | 1.7 | 7.5% | -0.5 |
| Housing prices *(HPI, **Plovdiv**)* | 10.9% | 13.8% | 9.1% | -0.5 | 9.8% | 1.8 | 9.2% | -0.1 |
| Housing prices *(HPI, **Varna**)* | 19.8% | 17.8% | 13.9% | 5.6 | 10.1% | 2.2 | 8.4% | -0.2 |
| ***Labour market*** | | | | | | | | |
| Unemployment rate *(EoP)* | 3.9% | 3.1% | 3.3% | -0.3 | 3.4% | -0.2 | 3.5% | 0.1 |
| Employment rate *(20 - 64 years of age)* | 76.8% | 77.0% | 77.0% | -0.1 | 76.9% | 0.4 | 77.0% | 0.4 |
| Monthly wage *(12-m avg)* | 1 189 | 1 309 | 1 447 | 2 EUR | 1 573 | -9 | 1 702 | -15 |
| Nominal wage growth *(12-m avg)* | 13.9% | 10.1% | 10.5% | 0.1 | 8.7% | -0.7 | 8.2% | -0.3 |
| Real wage growth *(12-m avg)* | 11.5% | 5.6% | 5.2% | 0.1 | 5.3% | 0.7 | 4.7% | -0.8 |
| ***State Finance*** | | | | | | | | |
| Government debt *(to-GDP)* | 23.7% | 29.7% | 30.7% | 2.0 | 33.7% | 2.5 | 35.8% | 3.1 |
| Government balance *(CFP) (to-GDP)* | -3.0% | -3.0% | -5.2% | -2.2 | -4.3% | -1.6 | -3.5% | -1.0 |
| Government balance *(Maastricht) (to-GDP)* | -3.0% | -4.0% | -5.4% | -2.5 | -4.8% | -1.8 | -4.0% | -1.1 |
| ***Banking sector*** | | | | | | | | |
| Total loans** | 14.9% | 16.8% | 15.9% | 4.1 | 12.7% | 2.2 | 10.6% | 0.4 |
| Household loans** | 21.4% | 21.7% | 20.0% | 4.9 | 15.0% | 2.7 | 11.7% | -0.3 |
| Company loans** | 10.1% | 12.9% | 12.3% | 3.4 | 10.7% | 1.8 | 9.5% | 1.1 |
| Total deposits | 9.8% | 16.2% | 7.3% | 0.6 | 8.5% | 1.4 | 9.7% | 1.2 |
| Household deposits | 11.8% | 19.8% | 6.7% | -1.3 | 10.2% | 1.5 | 10.2% | 0.2 |
| Company deposits | 7.3% | 10.6% | 6.2% | -0.8 | 6.7% | 0.1 | 10.0% | 4.0 |

**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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