

# Macroeconomic bulletin

*Spring 2025*



***Bulgaria***

*Sofia*

*April 2025*



Sovereign credit rating

# Bulgaria

**MOODY's**  
Baa1 stable


**S&P Global**  
Ratings  
BBB positive

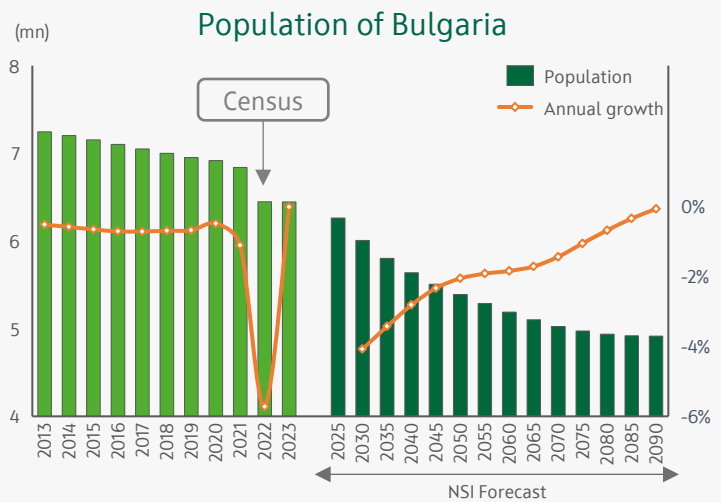
**FitchRatings**  
BBB positive

- ❖ In rare cases, an event can significantly impact expectations for global **economic growth** and **international trade** as a whole. The tariffs policy led by the **USA** and the reactions from other countries is such an event that changes the status quo. The increase in tariffs, the postponement of already introduced ones for a certain period, negotiations between countries, and other concessions shape an unpredictable international environment. In this context, expectations for the European economy are undermined by uncertainty, but at the same time, EU has alternative drivers of economic growth to focus on, such as increased domestic demand, the military industry, green energy, and artificial intelligence.
- ❖ **The Bulgarian economy** demonstrates sustainable growth despite the uncertainty. The new tariffs are not expected to have a significant negative effect overall, and if there is any impact, it will be felt by various businesses with a slight delay. The expected effects to be observed will be mostly indirect, as Bulgaria does not have significant trade with the USA – only about 2-3% of all Bulgarian exports are directed to the US economy. The negative effects are related to our main trade partners, such as Germany and Italy, which are among the “victims” of the high US tariffs. The automotive and machinery industry are the sectors expected to be among the most impacted, as US tariffs are mainly directed at the industrial sector. However, the positive aspect of this turbulent situation is the various opportunities that arise for EU exchange of good and services and, in particular, for Bulgaria to expand its geographical outlook.

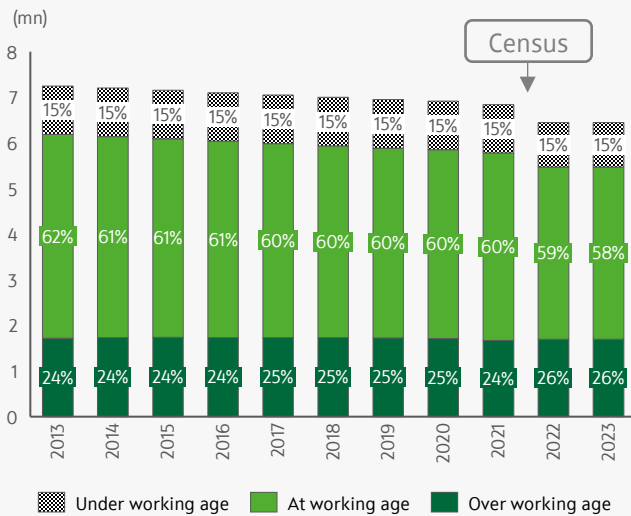
# Demographics

## The population of Bulgaria: declining, but with increasing immigration

 The 2024 population data for Bulgaria has not yet been published, but despite of this, Bulgaria is increasingly attracting interest from foreign citizens who settle here. The data for 2023 shows that immigration entirely compensates for the otherwise declining population of the country. Nearly 60 000 people have settled, with the main reason being "job".

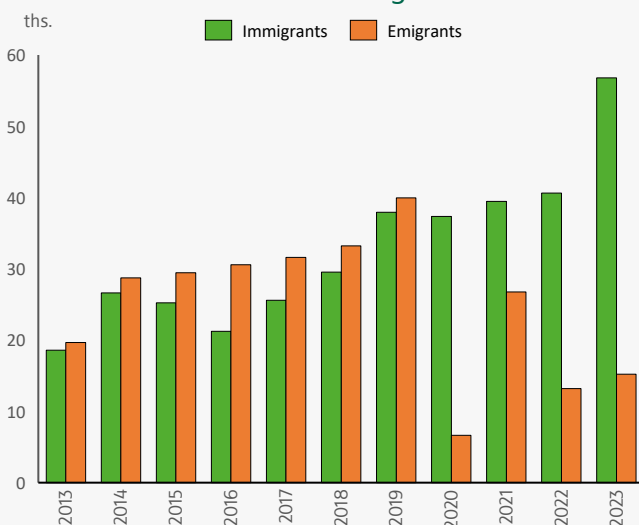


### Population by working age status

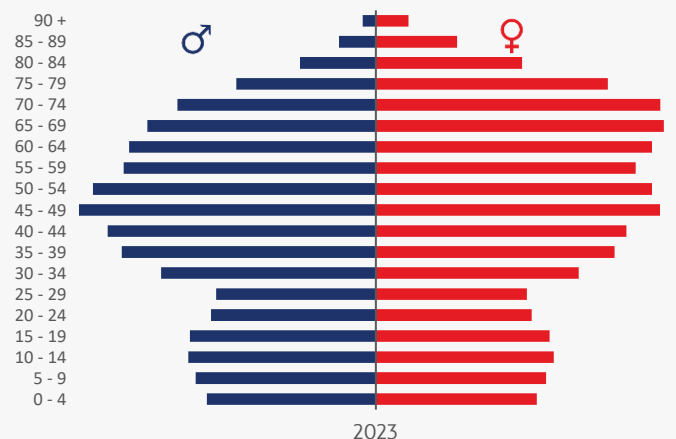


Traditionally, the flow is from Turkey, but after the war in Ukraine began, the list has expanded to include Russia and Ukraine. Over the past decade, Syria (and the Middle East in general) has also formed as a traditional source of immigrants. Until the onset of the COVID-19 pandemic, foreigners from the European Union wishing to stay in the country medium-term or long-term were approximately 2 000 people per year. This changed drastically after the pandemic, increasing to 7 000 people average per year.

### International migration



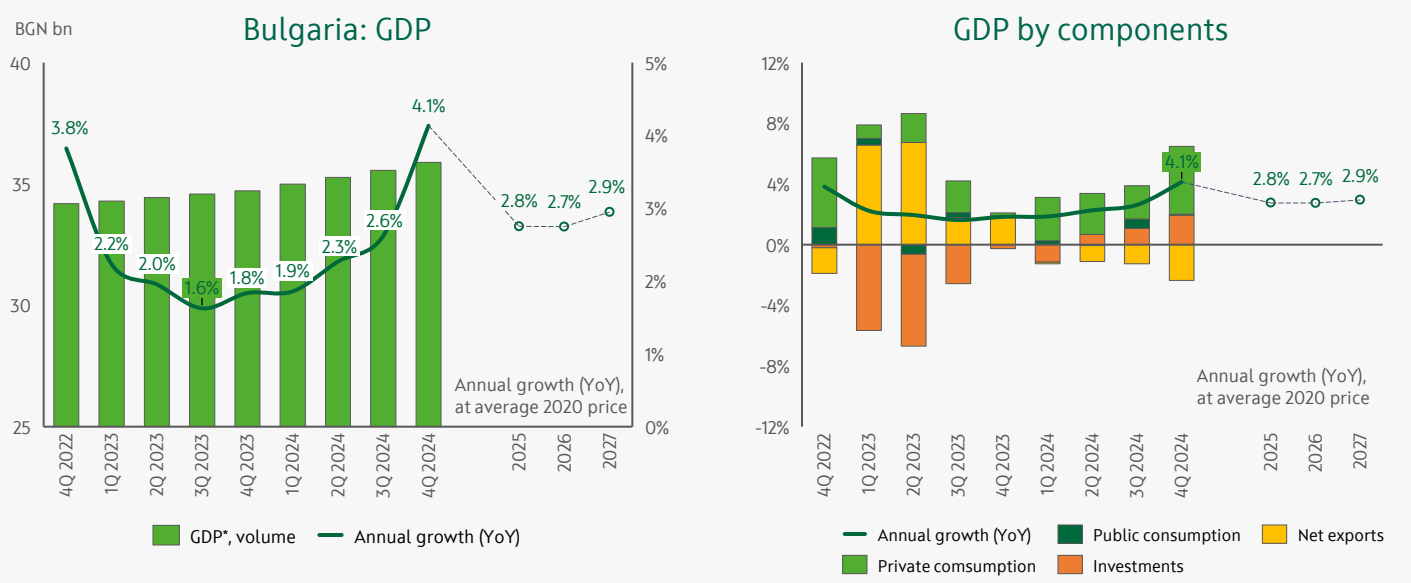
### Population pyramid: The process of ageing continues



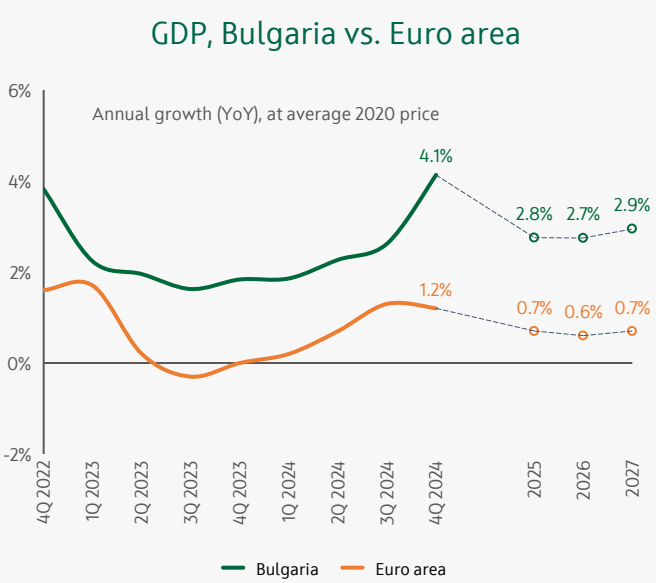
# Gross Domestic Product (GDP)

## The economy – somewhere between accumulated momentum and the new world order

- Last year, the **Bulgarian economy** demonstrates strong economic growth, one of the highest among EU member states. As a result, convergence with European average levels continues, despite conditions allowing for faster “closing of the gap”.
- Nevertheless, external risks to **the economy** are intensifying without a clear and predictable direction. **Industry**, as one of the main drivers, is beginning to face difficulties not only from the lack of qualified personnel but also from deteriorating international trade conditions.



The decline in inflation and the rise in incomes have largely determined the strong performance of **private consumption**, which we expect to continue to support economic growth in the medium term. The contribution of **public consumption** to **GDP growth** remains neutral,



but a positive trend is expected primarily due to increased defence and security spending. Domestic political upheavals prevent the long-term potential of **investment activity** in the country from upholding. **Investments** remains at low levels, with only the increase in **inventories** recording more significant annual growth mainly due to international uncertainty. The current macroeconomic forecast includes a more serious revision of Bulgaria’s **exports** and **imports** in line with current conditions.

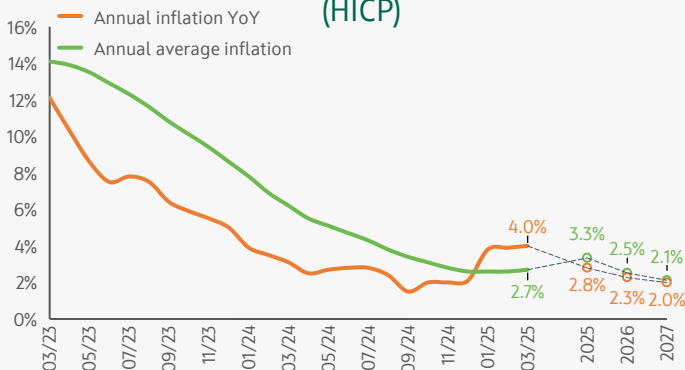
\*Seasonally and calendar adjusted data



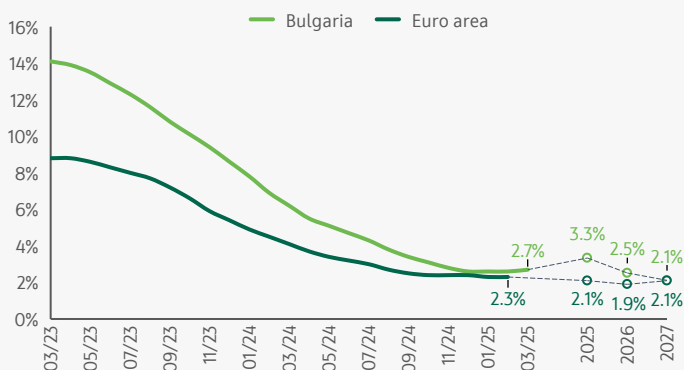
# Inflation

## Utility services and bread have derailed average inflation for the moment

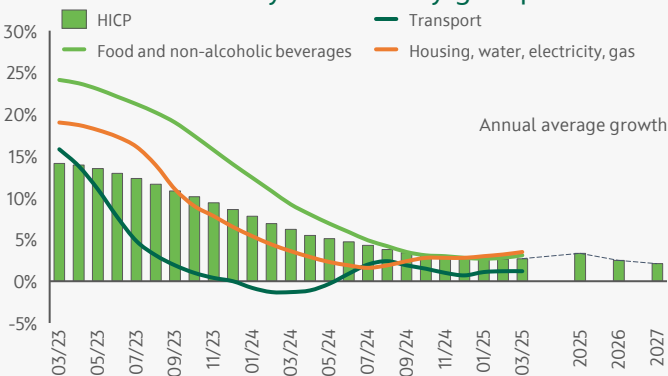
### Harmonized Indices of Consumer Prices (HICP)



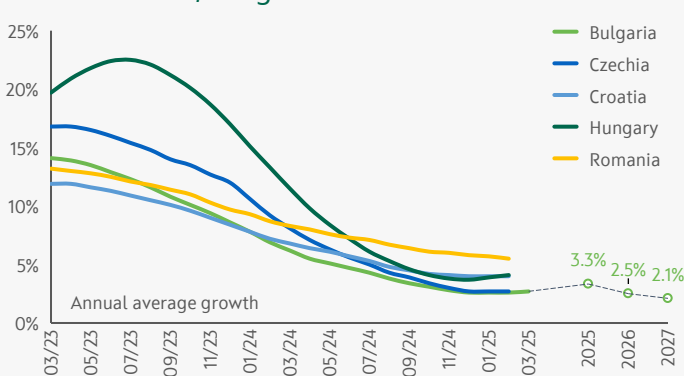
### HICP, Bulgaria vs. Euro area



### HICP by commodity groups\*

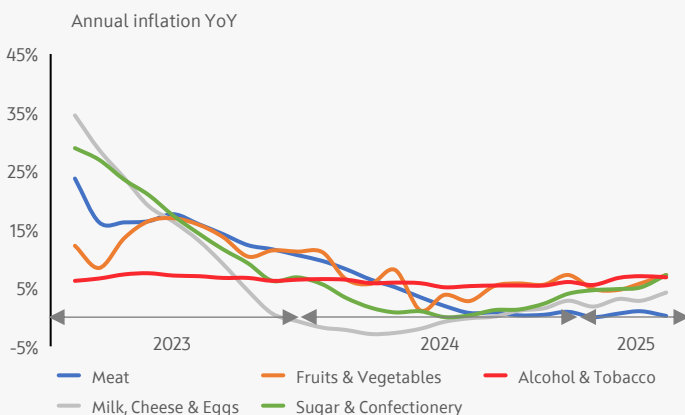


### HICP, Bulgaria vs. CEE countries



Despite relatively low levels of **inflation** in Bulgaria, price pressures are intensifying as certain negative risks materialize. The deteriorating international environment, combined with local negative events, leads to an increase of **inflation**, reaching 4.0% by the end of March. Additionally, the increase in electricity, water, excise rates, and bread & cereals contributed to the rise in **inflation** at the beginning of the year. Climate changes also play a role, as significant temperature fluctuations destroy agricultural harvests. The impact will be realized later in the year but will inevitably affect the average price of the consumer basket, which typically includes fruits and vegetables.

### Basic basket inflation

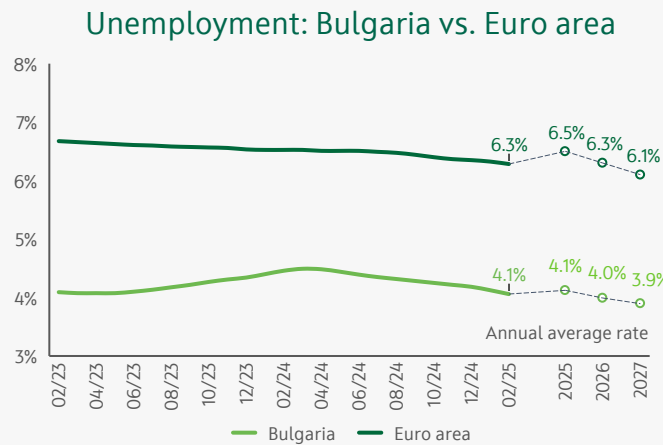
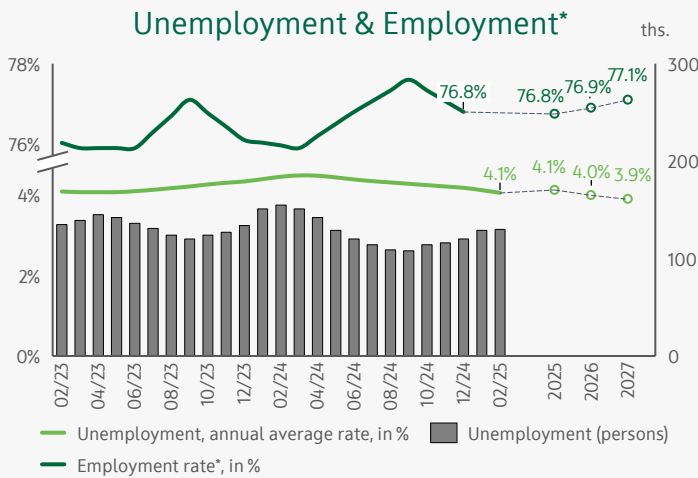


We revised upwards our **inflation** forecasts for the country for the next three years due to several significant factors: higher prices of administrative regulated goods, more pressure on food prices, and speculative behavior of traders following the adoption of the euro in Bulgaria.

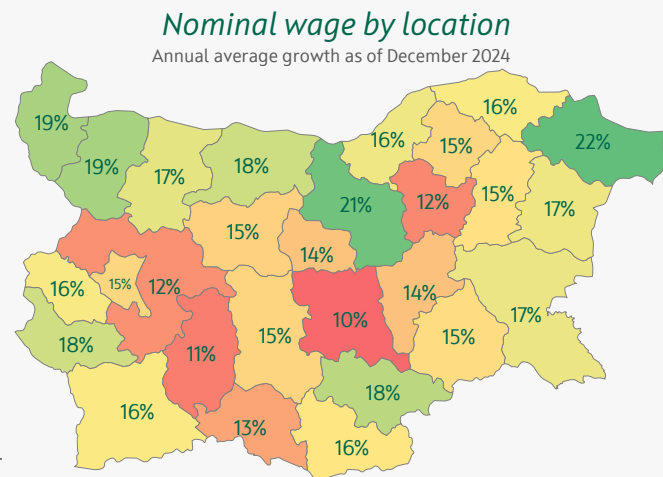
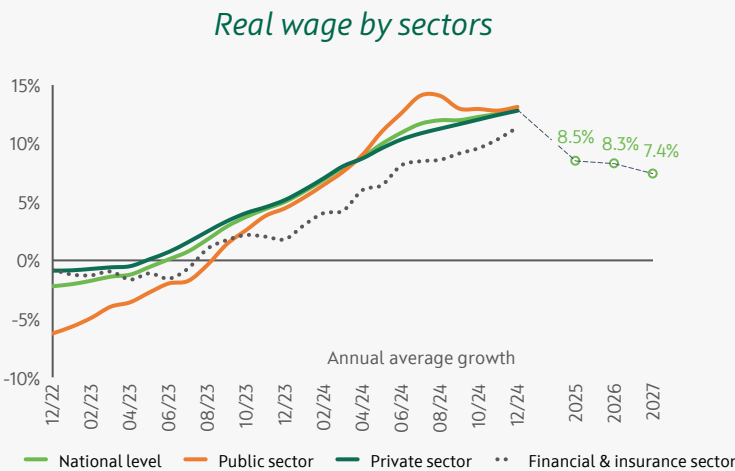
\*Three consumer groups with the largest weights in the HICP general basket are presented

# Labour market

Opportunities in the face of labour shortages – improving qualifications, digitalization of the public sector and implementation of AI in the work process



Low unemployment, high employment, and remarkable wage growth – this is how the labour market in 2024 can be briefly described. At the beginning of the year, the business environment showed mixed signals regarding wages. The "Defence" and "Security" sectors have already seen the expected wage indexation set in the state budget, while other public sectors will have their wages indexed later in the current year.



Despite these increases in the public sector, we expect the annual growth of nominal and real wages to cool down over the next few years. A major driver for this will be lower inflation compared to previous periods, which prompted the private sectors to index wages to compensate for rising consumer prices.

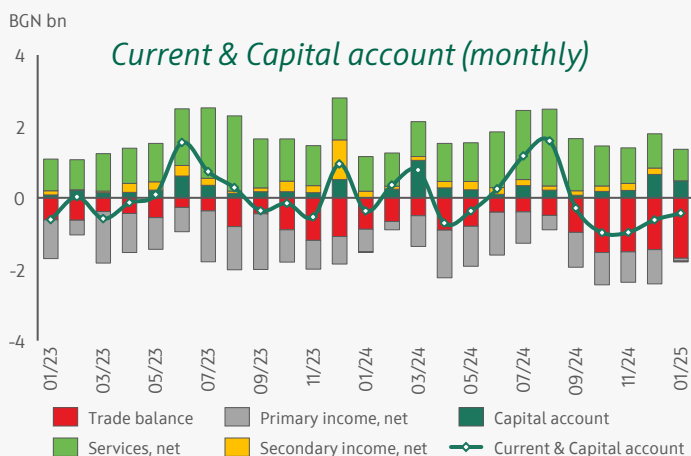
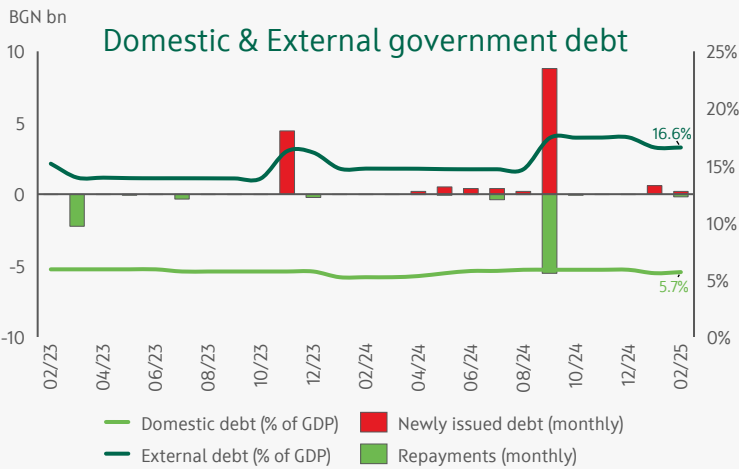
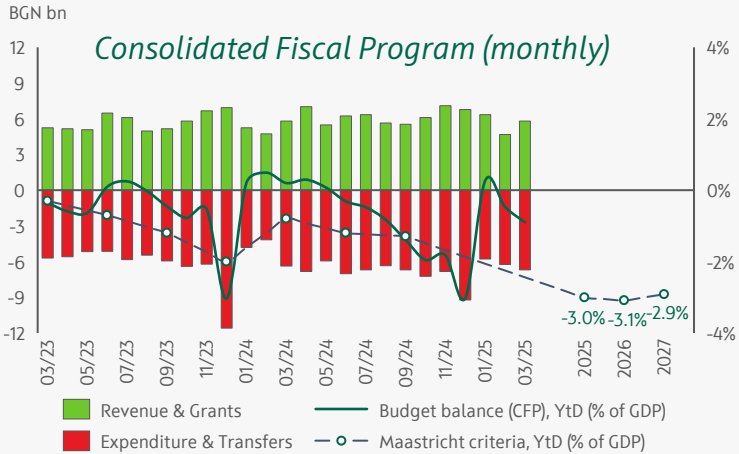
Given the negative demographic trends in Bulgaria, the labour force is steadily decreasing. We see the opportunities for partial compensation through increased qualifications, the digitalization of public administration, and the implementation of AI in work processes.

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



# State finance

## The revenue side of state budget is below the expected levels



Summer of 2025 – a turning point for the government and the euro. It seems that the final assessment for Bulgaria will be positive regarding its readiness to join the euro area at the beginning of next year. The private sector appears ready, the public sector shows similar indications, and the June assessment is approaching. Concerns over derailing the state budget, which has already been adopted and does not allow for a deficit exceeding 3% of GDP, are emerging. The assumptions embedded in the budget are likely not to materialize on both sides of the income statement: the revenue side seems increasingly difficult to gather in the amount voted in the budget, while on the other side, the expenditure side may be seriously cut, mainly in terms of capital expenditures (again). The government is trying to save at least half of the amount set in the Recovery and Resilience Facility, but for this, quick legislative changes must be made.

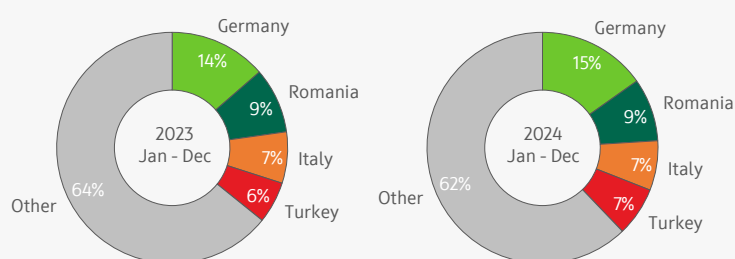
Since the beginning of the year, the government has shown increased activity in the domestic market for debt raising, amounting to BGN 1.5 bn as of mid-April.

# Trade & Investments

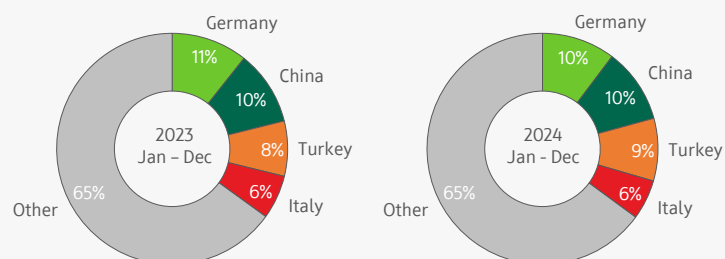
## Unprecedented US tariffs policy puts the international trade at a crossroads

Bulgarian exports showed a decline last year, meanwhile imports continued to improve. Despite this, the trade balance remained positive, as it has been for the past 10 years (GDP). The average annual value of the balance is BGN 6 bn over the last decade, and it remains neutral to Bulgaria's economic growth in the long term.

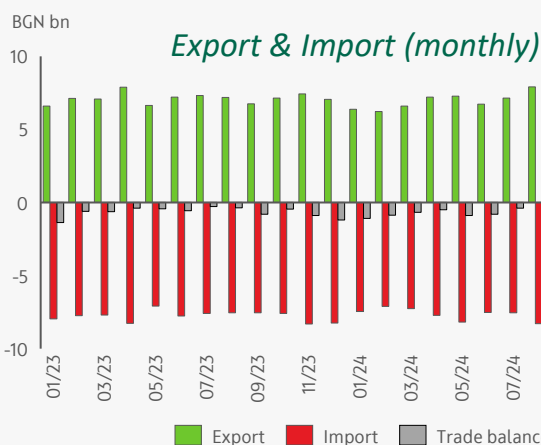
### Export, main trade partners



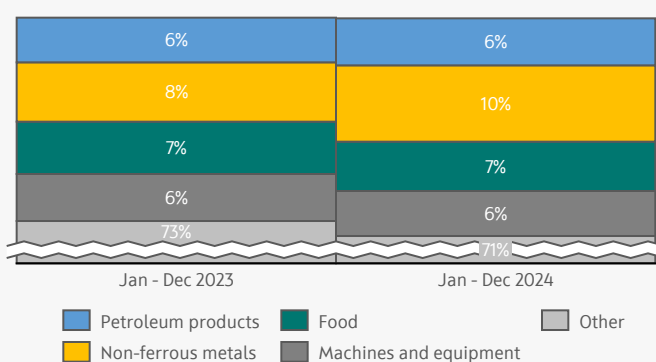
### Import, main trade partners



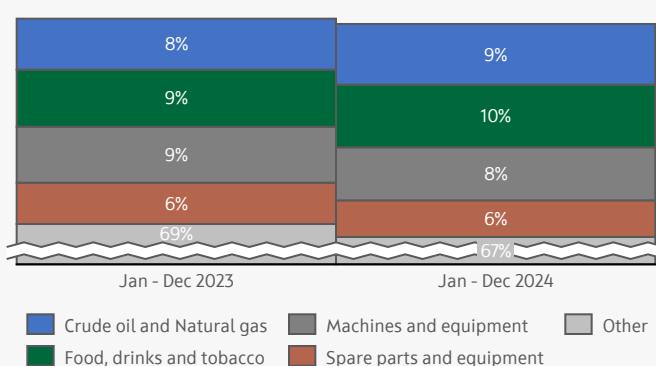
Military and trade wars on a global scale are reshuffling the global order, resulting in adverse effects on international trade. In contrast, investment activity in the Central and Eastern Europe (CEE) is developing within a somewhat favourable micro-environment, demonstrating sustainable economic growth. Bulgaria, however, is still far from fully leveraging its potential in the region.



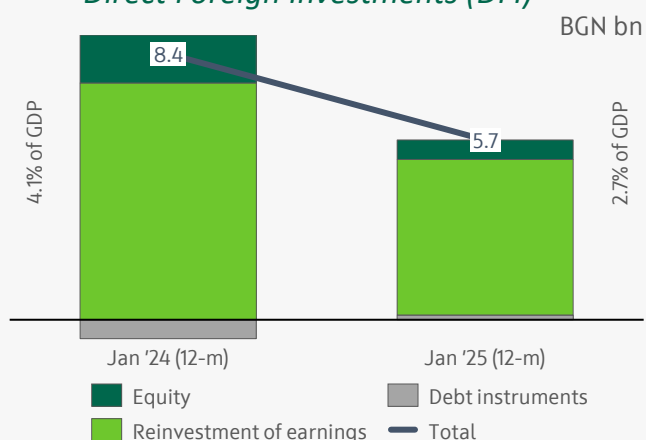
### Export by category



### Import by category



### Direct Foreign Investments (DFI)





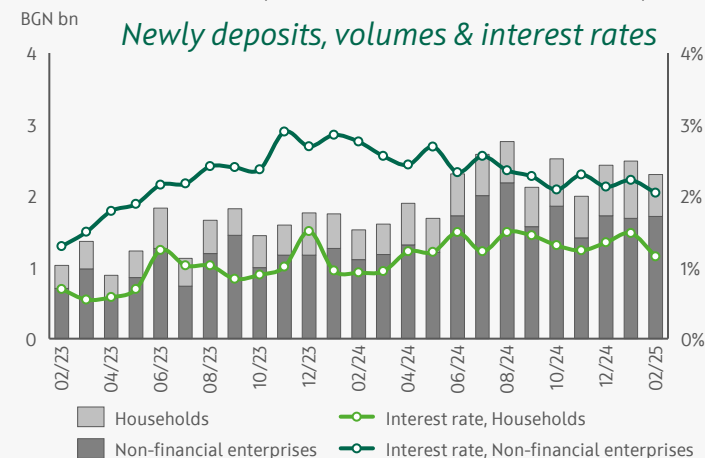
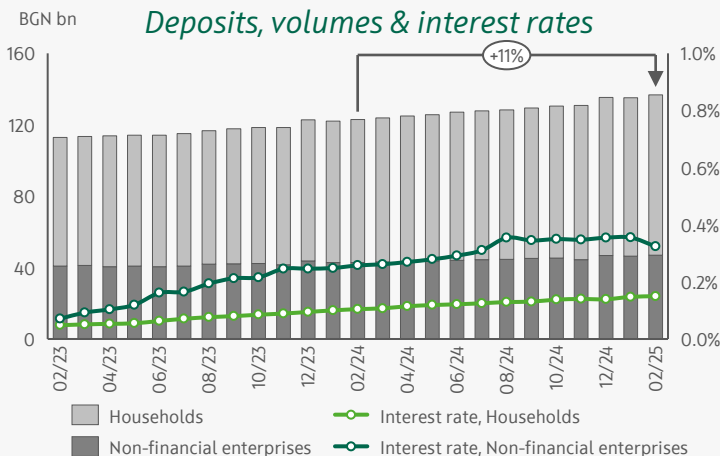
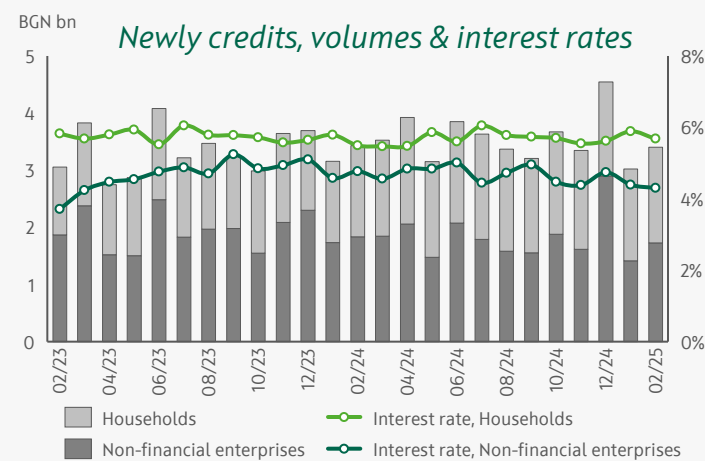
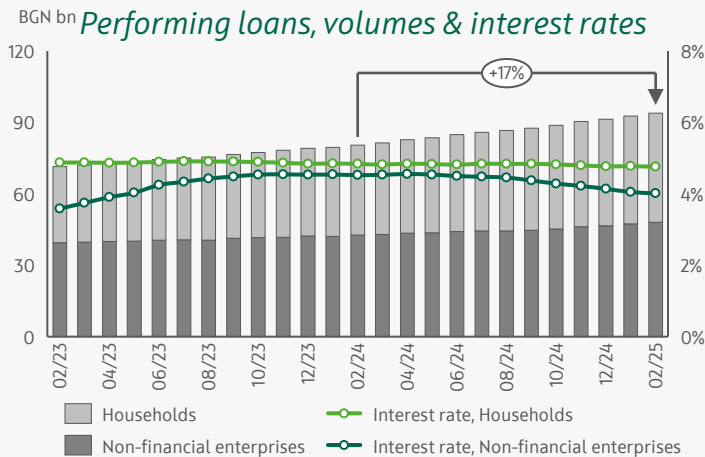
# Banking system

## Strong credit activity, further supported by expansionary monetary policy

Financial markets are currently in a turbulent state, with expectations for the year continuously changing. The historically high volatility, coupled with impending economic disruptions among major economies, is leading **central banks** to further reduce interest rate to support struggling businesses.

In Bulgaria, credit activity remains high and continues to be buoyed by a strong labour market. Depending on the credit segment, interest rates show different trends. Interest rates on housing loans have been extremely low for several years, consumer lending interest rates have slightly increased, while corporate lending rates have decreased. Each dynamic has its own specifics, but overall, lending in Bulgaria benefits from favourable macroeconomic conditions.

The Bulgarian banking sector remains well-capitalized, characterized by high liquidity, and enjoys positive customer sentiment. The sector will receive additional liquidity support following the adoption of the euro in Bulgaria, with the added benefit of decreasing the minimum reserve requirements from 12% (for Bulgaria) to 1% (for Euro area).



## Actuals & Forecasts

Annual rate of change

2023	2024	2025	2026	2027
Actuals		Forecast		

### Gross Domestic Product (revised)

Real GDP Growth	1.9%	2.8%	2.8%	2.7%	2.9%
Private Consumption	1.4%	4.5%	4.0%	3.7%	3.5%
Public Consumption	0.7%	2.8%	2.6%	2.8%	2.8%
Investments	-12.8%	4.1%	3.0%	3.6%	4.3%
Exports	0.0%	-0.8%	3.9%	2.0%	3.6%
Imports	-5.5%	1.3%	5.6%	3.4%	4.7%

### Inflation & Housing prices

Consumer Price Indices (CPI)	4.7%	2.2%	2.9%	2.5%	2.2%
Consumer Price Indices (CPI) (12-m avg)	9.5%	2.4%	3.4%	2.7%	2.3%
Harmonized Index (HICP)	5.0%	2.1%	2.8%	2.3%	2.0%
Harmonized Index (HICP) (12-m avg)	8.6%	2.6%	3.3%	2.5%	2.1%
Basic basket* (CPI)	7.5%	2.4%	4.5%	4.5%	4.0%
Housing prices (HPI, national level)	10.1%	18.3%	7.9%	7.7%	6.1%
Housing prices (HPI, Sofia)	9.7%	20.5%	12.2%	13.9%	9.0%
Housing prices (HPI, Plovdiv)	7.3%	18.6%	9.5%	7.3%	6.8%
Housing prices (HPI, Varna)	15.7%	22.0%	12.1%	10.3%	8.4%

### Labour market

Unemployment rate (EoP)	4.4%	4.0%	4.0%	3.8%	3.8%
Employment rate (20 - 64 years of age)	76.2%	76.8%	76.8%	76.9%	77.1%
Monthly wage (12-m avg)	1 991	2 296	2 570	2 851	3 129
Nominal wage growth (12-m avg)	14.5%	15.3%	12.0%	11.0%	9.7%
Real wage growth (12-m avg)	5.0%	12.9%	8.5%	8.3%	7.4%

### State Finance

Government debt (to-GDP)	21.9%	23.4%	24.2%	24.8%	25.0%
Government balance (CFP) (to-GDP)	-3.0%	-3.0%	-3.0%	-3.1%	-2.9%
Government balance (Maastricht) (to-GDP)	-2.0%	-3.0%	-3.0%	-3.1%	-2.9%

### Banking sector

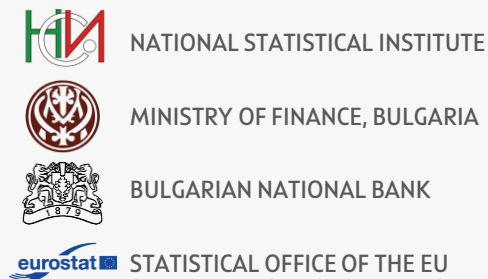
Total loans**	13.1%	14.9%	9.2%	9.5%	8.2%
Household loans**	17.1%	21.4%	10.1%	10.1%	7.5%
Company loans**	10.4%	10.1%	8.4%	9.0%	8.7%
Total deposits	9.6%	10.1%	10.1%	7.6%	8.3%
Household deposits	11.0%	11.8%	11.0%	7.4%	8.3%
Company deposits	7.0%	7.3%	8.5%	8.0%	8.1%

\*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



## Forecasts



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