Macroeconomic bulletin

Spring 2026

May 2026

Sovereign credit rating

Bulgaria

Moody's
Baa1 stable

S&P Global Ratings
BBB+ positive

Fitch Ratings
BBB+ stable

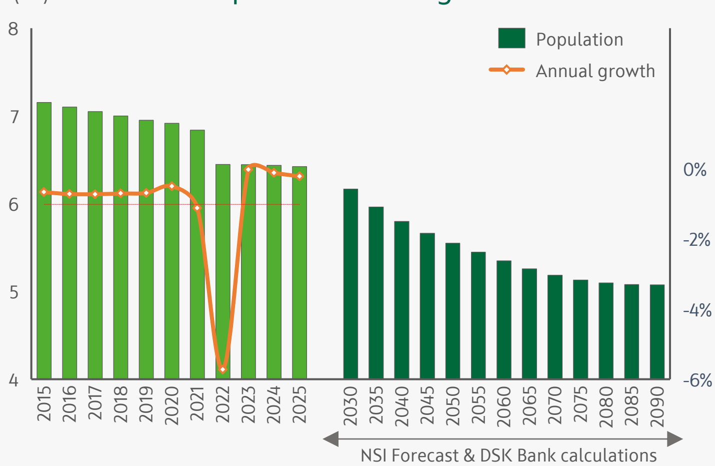
- Another geopolitical crisis aimed at reshaping the global positions of the world's superpowers. The unprecedented tensions in the Middle East have pushed energy prices to levels that are fuelling high inflation and directing the attention of financial market participants toward the key interest rates of central banks around the world. Rising inflation is putting pressure on central bankers and their decisions to cool the economy through higher interest rates, which, in turn, could further undermine the already fragile recovery of the industrial sector. Energy independence remains crucial for the resilience of economies worldwide, as it limits exposure to external price and geopolitical shocks. In an environment of global uncertainty, secure energy supplies remain an important factor for macroeconomic stability.
- Bulgaria, despite having an operating refinery and long-term contracts for the supply of Azerbaijani natural gas, is also facing higher energy prices. Since the beginning of the US military air strikes on Iran, the prices of petrol, diesel, and liquefied petroleum gas (LPG) in Bulgaria have risen sharply (+21%, +37%, +41%). Annual inflation has already reached 6.8% (Consumer Price Indices), while our expectations are for it to decline to 5.8% by the end of the year. Despite the unfavourable external environment, the labour market remains relatively resilient, recording one of the lowest unemployment rates in the entire EU. Taking into account all global and domestic trends, we are slightly revising downward our forecast for all markets in the economy.

Demographics

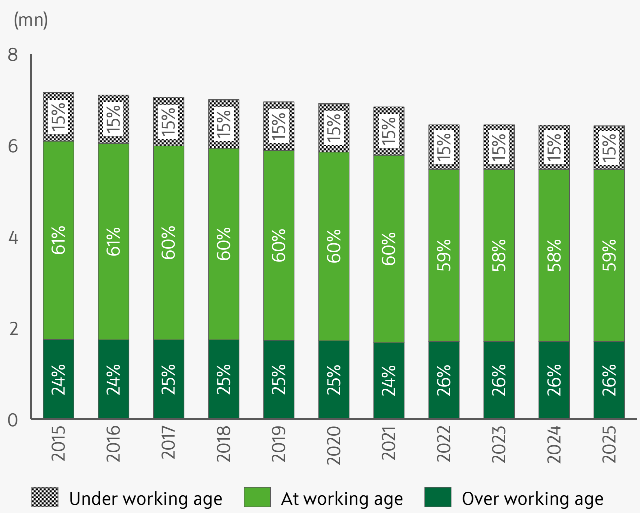
The birth-to-death ratio is 1-to-2, and the population is decreasing by -0.2%

In 2025, Bulgaria's population declined by -0.2% (ca. 14 000 people), with the most serious decline observed among people aged 30–34 – the generation born around the 1996-1997 political and financial crisis. Mortality reaches 100 thousand people, or 1.5% of the population, while the birth rate is only 50 thousand people, which is half as much. Over the past 15 years, the birth rate has decreased by -34%. The ratio between births and deaths has fallen to one birth for every two deaths. Despite negative demographic trends, the four largest cities (Sofia, Plovdiv, Varna, Burgas) are recording population growth, mainly due to internal migration. Positive trends are also observed in Nesebar, Blagoevgrad and Kardzhali. At the same time, both emigration & immigration are decreasing, while a significant part of the Bulgarians who have returned to or left the country are of retirement age.

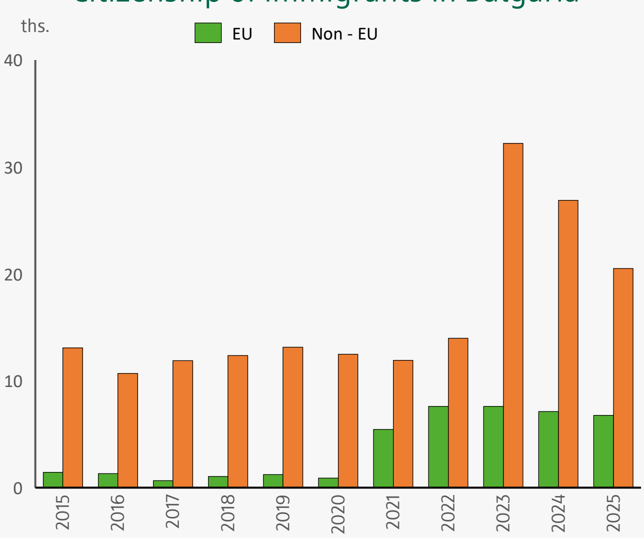
Population of Bulgaria



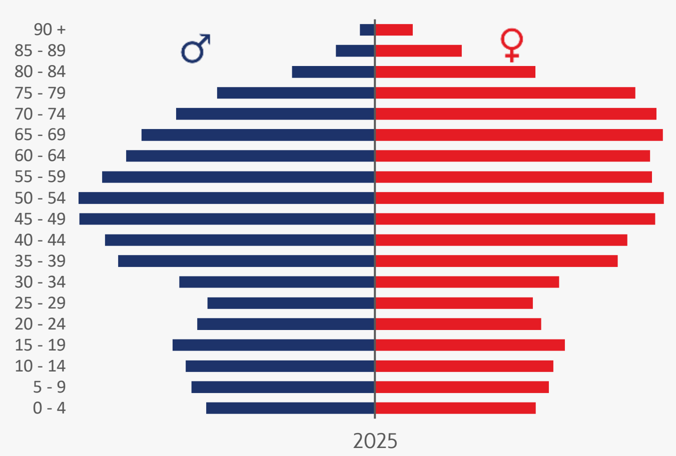
Population by working age status



Citizenship of immigrants in Bulgaria



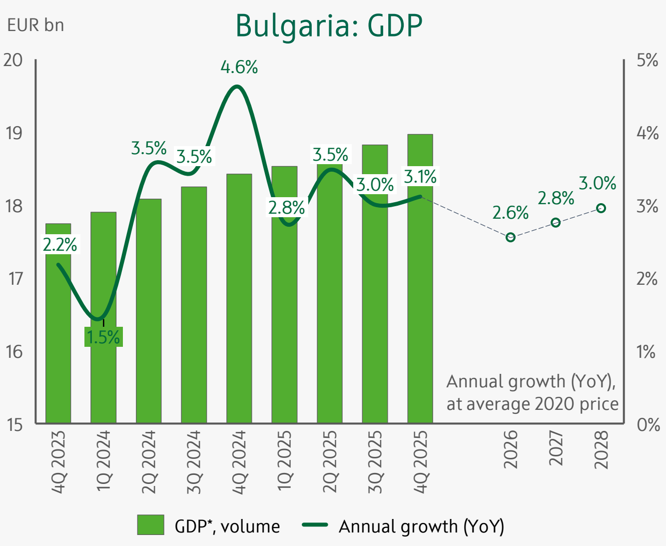
Population pyramid: The process of ageing continues

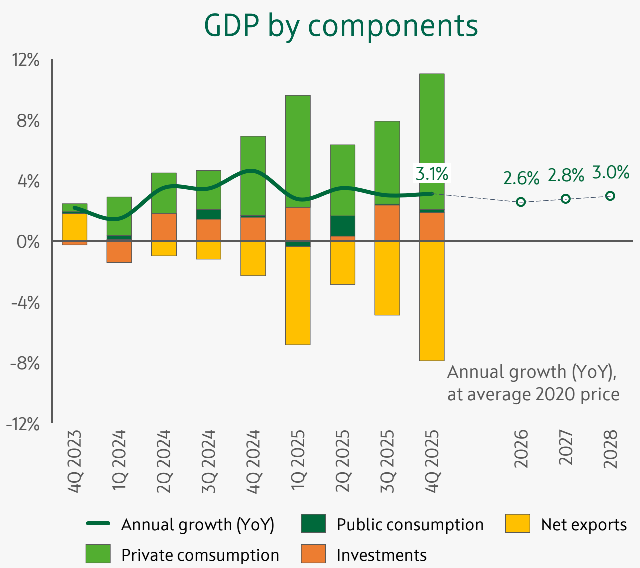


Gross Domestic Product (GDP)

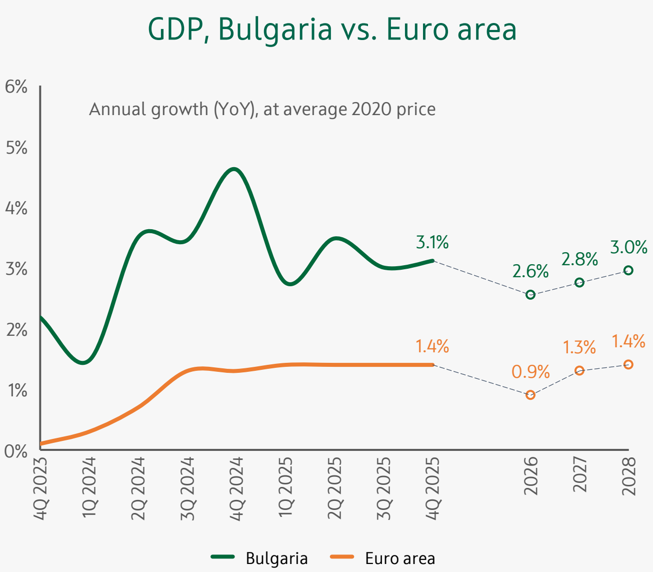
The Bulgarian economy remains resilient amid external uncertainty with a potential negative effect and a time lag

- Despite resilient growth in the face of external shocks, the momentum of the Bulgarian economy remains under pressure. The familiar economic factors determining growth are starting to dominate again. The shaky international economic activity will exert negative pressure on Bulgarian exports, despite the positive dynamics in the first two months of the year. We expect the factors determining private consumption to cool household demand, namely lower growth in wages and social payments (including pensions). The remaining factors will continue to support consumption: low lending interest rates and high employment.





- Given the period from the beginning to the middle of the year, during which the political atmosphere is tense, expectations for investment in the country have been revised downwards. In addition, delayed payments under the Recovery & Resilience Facility should also be taken into account, as well as the obstacles to absorption of the last tranches. Net exports are expected to continue to exert pressure on economic growth, but to a lesser extent, mainly due to the smooth recovery of exports. Despite the unfavorable international environment, large industrial companies outline that 2026 will be more favorable for them, which for GDP means an increase in total exports and partial compensation for the continued growth in imports of goods and services into the country.

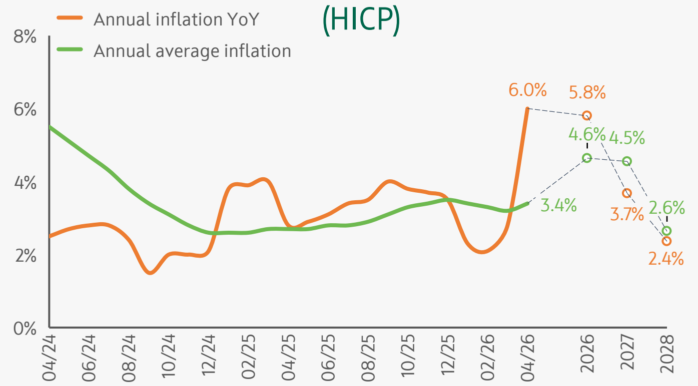


*Seasonally and calendar adjusted data

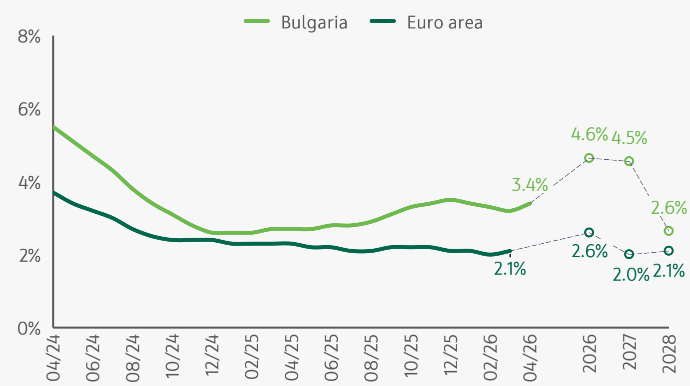
Inflation

$110/barrel oil triggers new inflationary pressures globally and in Bulgaria

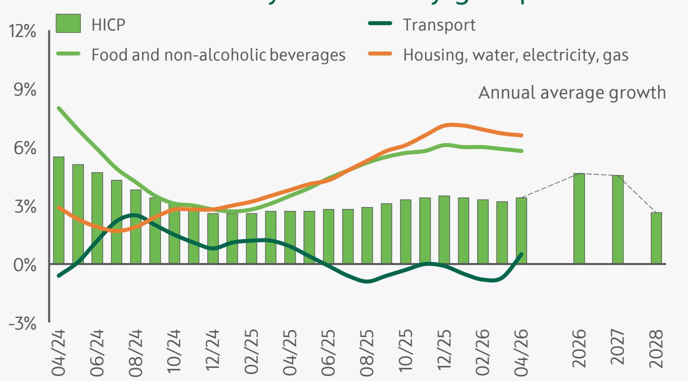
Harmonized Indices of Consumer Prices (HICP)



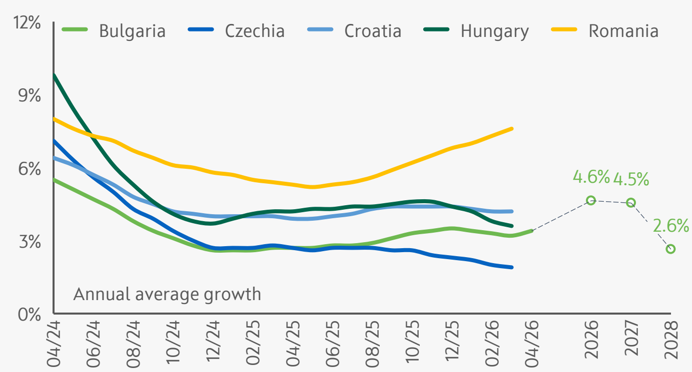
HICP, Bulgaria vs. Euro area



HICP by commodity groups*

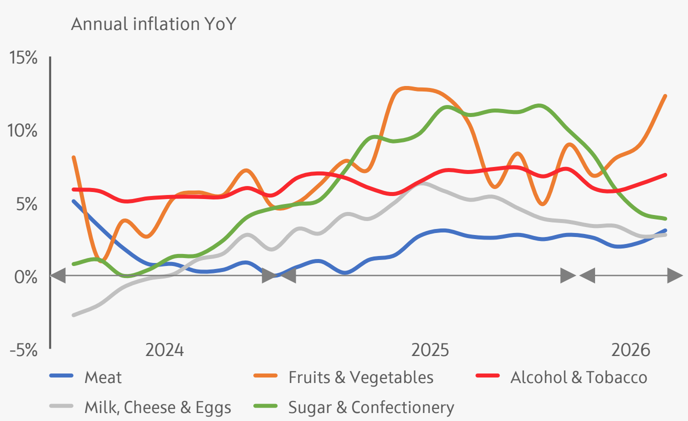


HICP, Bulgaria vs. CEE countries



The main consequence of the war in Iran is potentially opening a new inflation front, which depends to a significant extent on the duration of hostilities in the Middle East and the blockade of the Strait of Hormuz. The direct effect is already being felt in Bulgaria, with final prices of gasoline and diesel being +30% higher on average, while the indirect effects on the broader economy have yet to fully materialize. Inflationary perceptions of households and businesses may limit aggregate consumption and pose a risk of self-sustaining inertial inflation based on psychological attitudes. In March, annual inflation trended upwards again, in line with all other countries in the region and the EU. We have revised upwards our inflation expectations for the next few years, and by the end of 2026 we expect it to reach 5.8%, and the annual average to be between 4.6% and 5.1% (local and harmonized indices).

Basic basket inflation

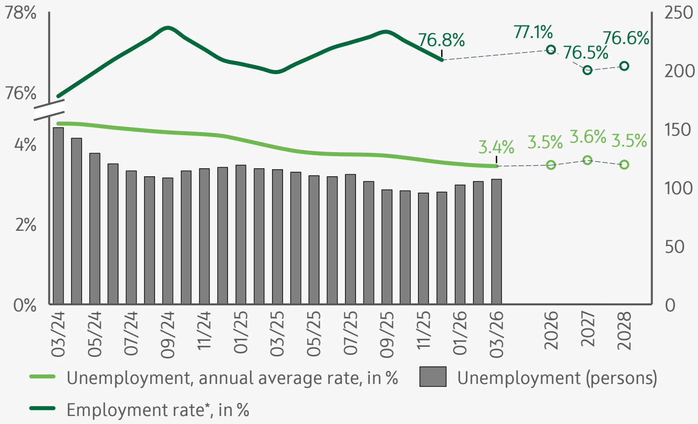


*Three consumer groups with the largest weights in the HICP general basket are presented

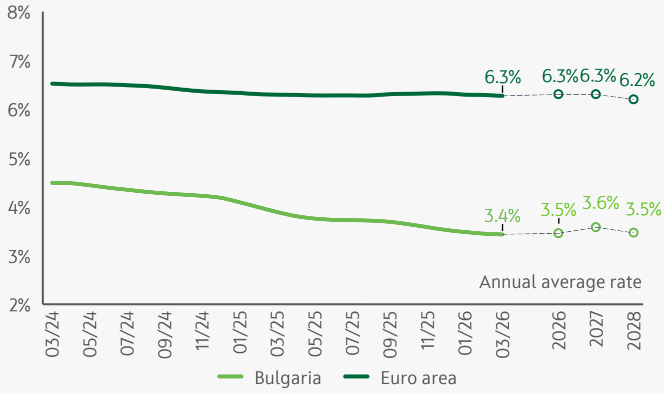
Labour market

2nd lowest unemployment rate in the EU, while wages continues to record double-digit growth

Unemployment & Employment*

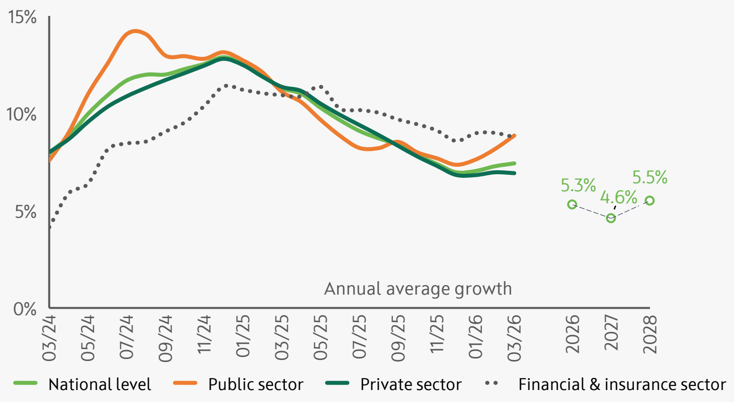


Unemployment: Bulgaria vs. Euro area



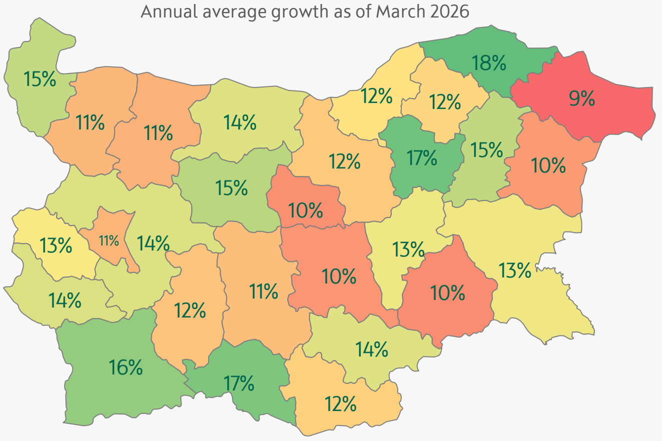
- **The labor market** continues to be at its peak, as confirmed by the **unemployment** rate in Bulgaria, which, together with Poland and the Czech Republic, is the lowest in the entire EU. Typically for the season, **unemployment** outside the summer season is slightly increasing, but the average annual level is at a historically low level. **Unemployed persons** remain at 150 thousand people, which limits the workforce and restricts some economic sectors and industries from expanding their activities.

Real wage by sectors



Nominal wage by location

Annual average growth as of March 2026

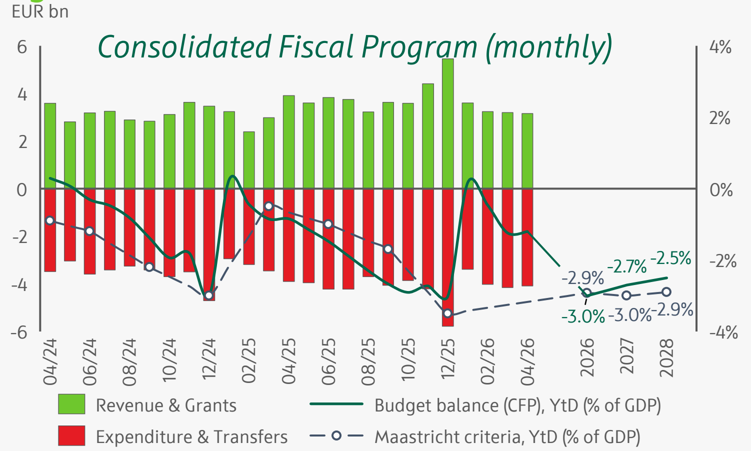


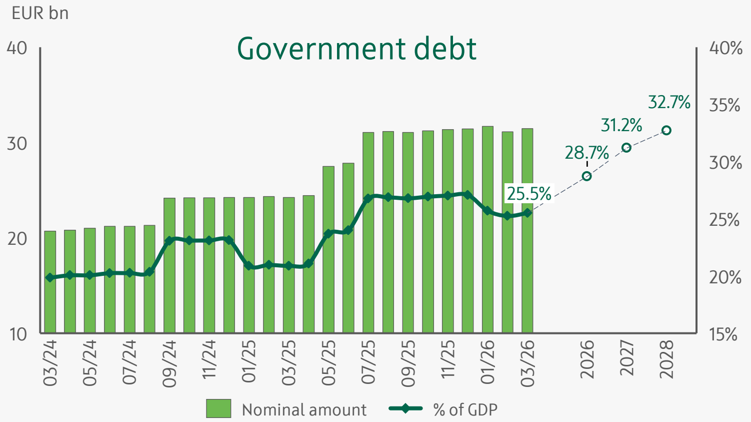
- The lack of a regular state budget for 2026, together with the increase in public sector **wages** by 5%, should lead to a cooling of **wage** growth in the entire economy. Public sector **employees** represent about 1/3 of **the workforce**, which determines the importance of the sector for the economy and the impact of wages on the private sector. Our forecast for wages at the national level is maintained, in light of the latest data published as of March 2026. We expect annual **wage** growth to moderate to 10% in nominal terms, while in real terms the increase will be in the range of 4.5%-5.0%, given higher inflation.

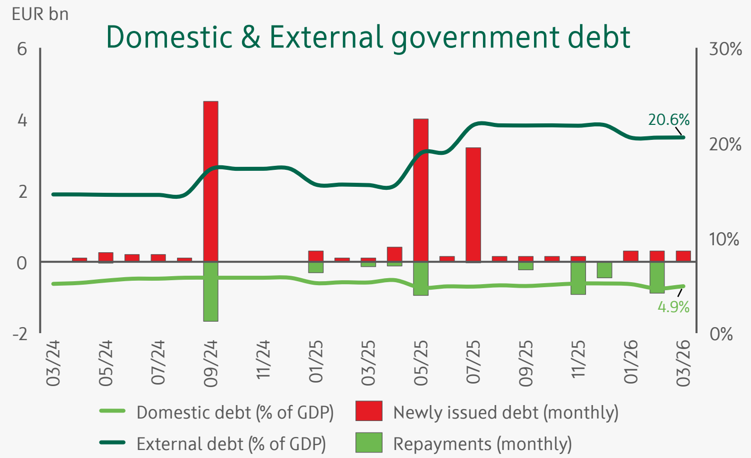
**Employment rate is for the age range of 20 - 64 years of age*

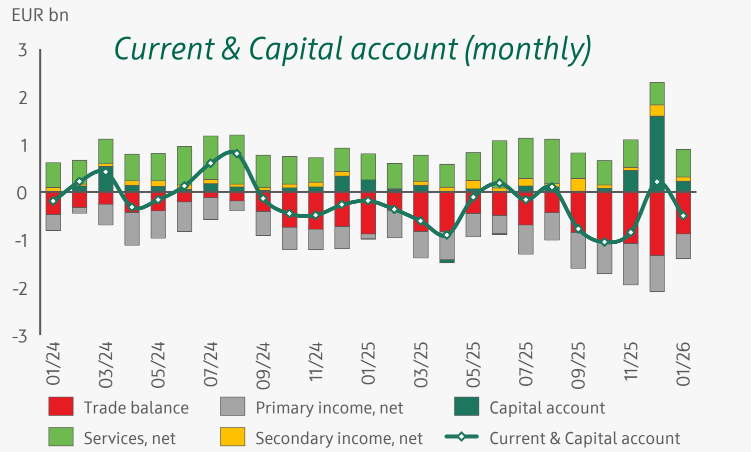
State finance

Stabilizing domestic political landscape with scope for medium-term strategic governance









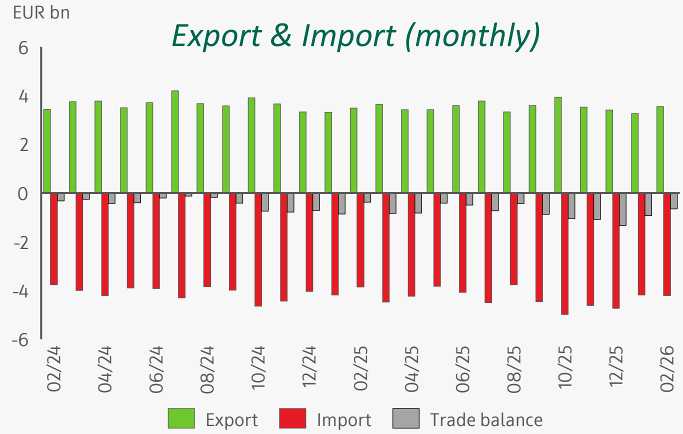
Political instability in the country has led to a budget deficit not seen in the past 8 years. This reflects a combination of economic and social policies implemented by both regular and caretaker governments, although the structural deficit appears to be the dominant factor weighing on public finances. A regular state budget is expected to come into force in the summer, leaving public finances effectively on autopilot until mid-year. The newly elected government appears well positioned to form a stable government with a medium-term strategic horizon. Outstanding Recovery and Resilience Facility (RRF) payments and active participation in the SAFE programme should remain a priority, given the tight implementation deadlines for legislative initiatives. Since the beginning of the year, the government has placed over EUR 1.5 bn in domestic government securities, while heightened international uncertainty has pushed up funding costs. The average yield on Bulgarian government bonds has increased by at least 40 basis points since the start of the air strikes between the US and Israel and the subsequent retaliatory attacks by the Islamic Republic of Iran.

Trade & Investments

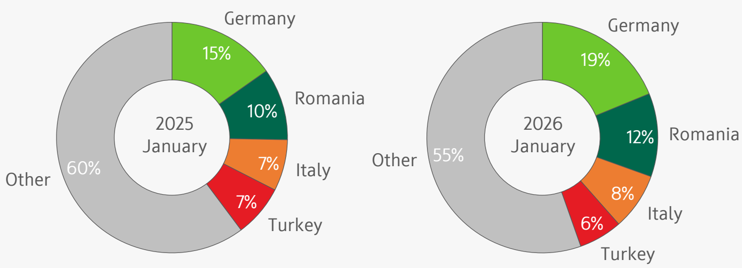
Exports started the year on a volatile note, while imports continue to demonstrate solid growth

At the beginning of the year, export data show mixed signals, with petroleum products recording a significant year-on-year decline. Exports of goods and services to the EU increased by 2.3% on a yearly basis, with Germany, Romania and Italy remaining the main trading partners.

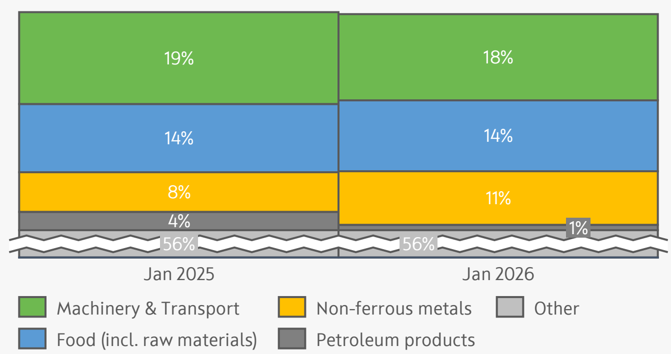
Export & Import (monthly)



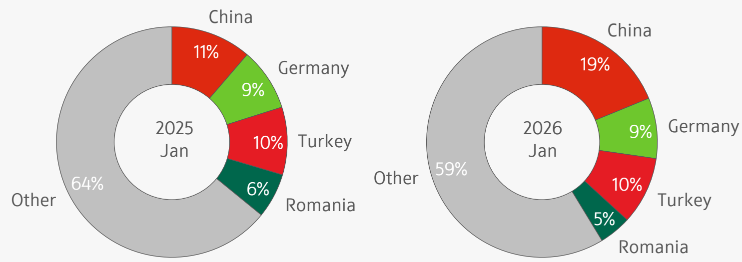
Export, main trade partners



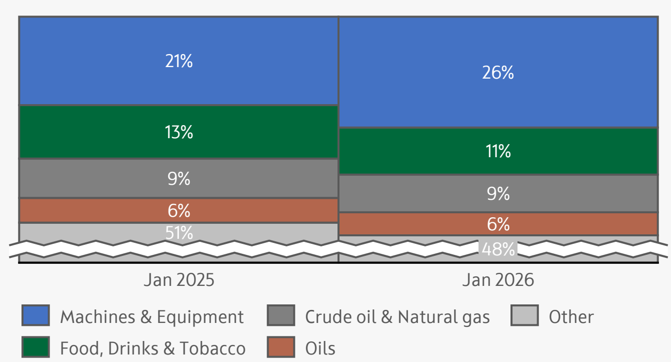
Export by category



Import, main trade partners

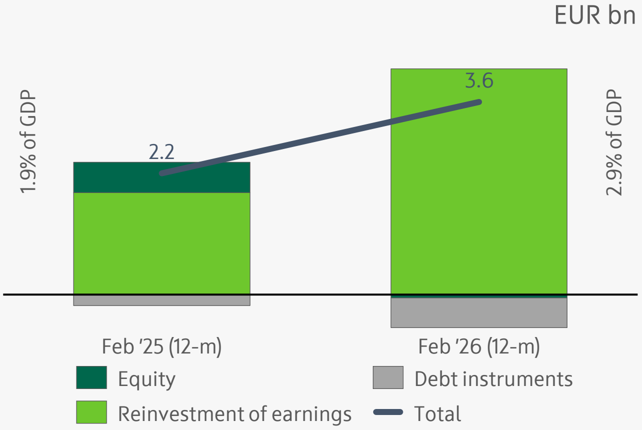


Import by category



Income policy has led to a significant increase in imports of consumer goods and services from third countries. Data for January this year confirm this trend, with China – the largest importer in Bulgaria – recording twice the import volume (EUR 820 million) compared to Bulgaria's other main trading partner, Germany (EUR 370 million). Turkey reported EUR 420 million in imported goods and services.

Direct Foreign Investments (DFI)

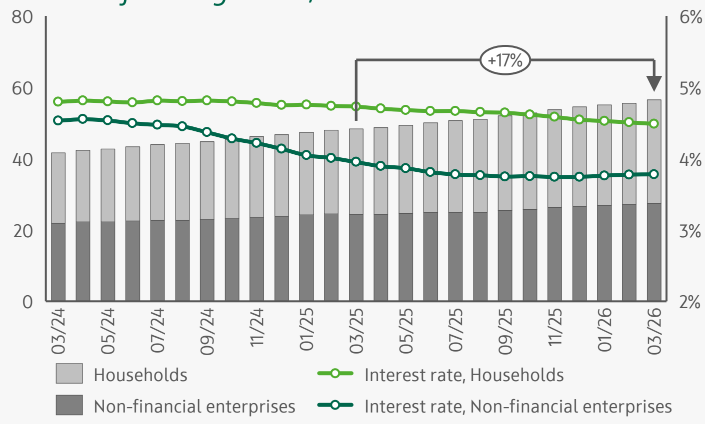


Banking system

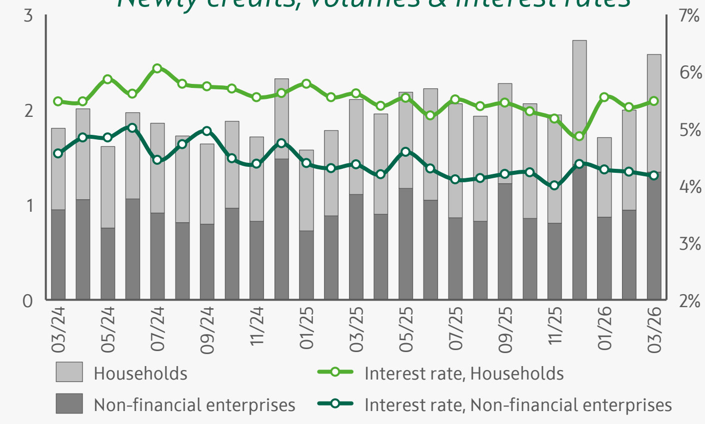
The financial sector is performing well amid sustained credit activity

- Rising global inflation is once again drawing attention to the behaviour of central banks and the monetary policy they pursue. The European Central Bank's key interest rate, currently at 2.0%, is expected to increase to 2.5% by the end of this year, according to market expectations. From the perspective of lending in Bulgaria, corporate lending will directly face the new reality, while we expect interest rates on consumer and mortgage loans to remain broadly unchanged by the end of the year. As a result of strong domestic demand and stable interest rates, newly disbursed consumer and mortgage loans in the first three months of this year increased by 10% and 18% year-on-year, respectively.
- Commercial banks in Bulgaria started the year with strong quarterly performance, with total profit increasing by 7.7% compared to the same quarter of the previous year. This is mainly due to increased lending activity, despite a gradual compression of the net interest margin. Our baseline scenario for the banking sector in 2026 assumes results similar to those in 2025, with the key driver of lending activity remaining domestic household demand.

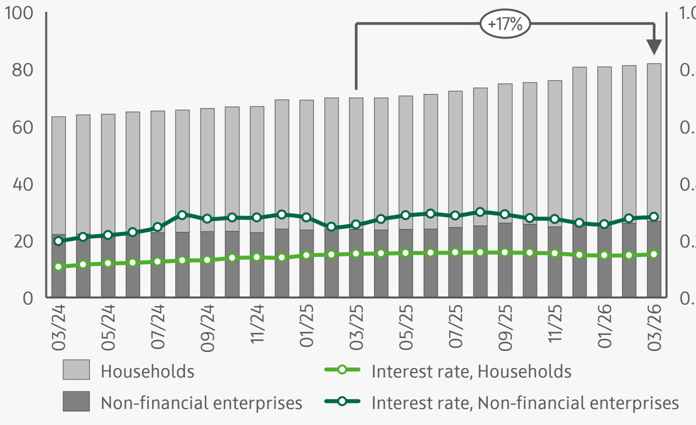
Performing loans, volumes & interest rates



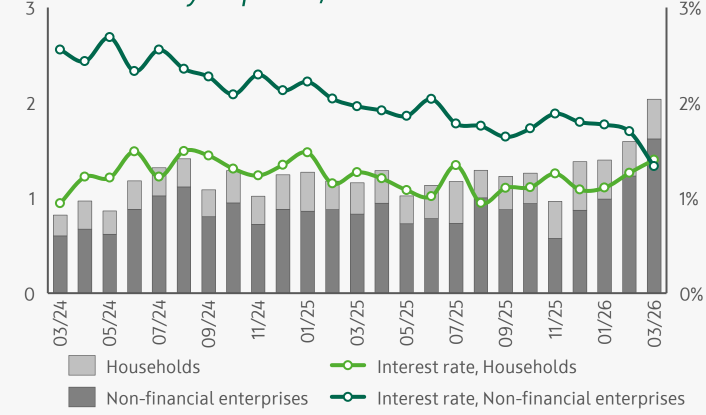
Newly credits, volumes & interest rates



Deposits, volumes & interest rates



Newly deposits, volumes & interest rates



Key Macroeconomic Data

dskbank otp group

Actuals & Forecasts

Annual rate of change	2024	2025	2026		2027		2028	
	Actuals		*Forecast*					
				*revisions vs. Jan 2026 forecast, **in pp***				
Gross Domestic Product								
Real GDP Growth	3.4%	3.1%	2.6%	-0.4	2.8%	-0.1	3.0%	0.2
Private Consumption	4.8%	8.2%	3.5%	-0.7	3.8%	0.2	3.8%	0.3
Public Consumption	3.0%	3.2%	4.1%	-1.2	4.3%	-0.6	3.7%	1.2
Investments	5.3%	7.8%	1.5%	-8.8	3.8%	-4.4	4.0%	0.5
Exports	1.8%	-2.1%	3.6%	2.6	3.0%	0.9	4.1%	0.1
Imports	3.9%	5.9%	4.6%	1.0	4.8%	-0.4	5.5%	0.5
Inflation & Housing prices								
Consumer Price Indices *(CPI)*	2.2%	5.0%	5.8%	2.0	4.3%	0.9	2.5%	0.3
Consumer Price Indices *(CPI) (12-m avg)*	2.4%	4.6%	5.1%	0.7	4.9%	0.5	3.0%	-0.6
Harmonized Index *(HICP)*	2.1%	3.5%	5.8%	2.6	3.7%	0.9	2.4%	0.3
Harmonized Index *(HICP) (12-m avg)*	2.6%	3.5%	4.6%	1.2	4.5%	1.5	2.6%	0.2
Basic basket* *(CPI)*	2.4%	6.7%	6.2%	1.1	6.0%	1.4	2.4%	-0.9
Housing prices *(HPI, **national level**)*	18.3%	13.2%	8.5%	-1.2	6.8%	-1.3	8.4%	1.4
Housing prices *(HPI, **Sofia**)*	20.5%	12.7%	9.7%	-3.0	6.1%	-2.8	8.0%	0.3
Housing prices *(HPI, **Plovdiv**)*	18.6%	8.6%	9.6%	-2.3	8.0%	-2.7	9.3%	-0.4
Housing prices *(HPI, **Varna**)*	22.0%	15.1%	8.3%	-1.6	7.9%	-1.8	8.6%	0.2
Labour market								
Unemployment rate *(EoP)*	3.9%	3.2%	3.6%	0.1	3.6%	0.0	3.4%	-0.1
Employment rate *(20 - 64 years of age)*	76.8%	77.0%	77.1%	-0.2	76.5%	-0.8	76.6%	0.3
Monthly wage *(12-m avg)*	1 189	1 309	1 445	-4 EUR	1 582	-3	1 717	-10
Nominal wage growth *(12-m avg)*	13.9%	10.1%	10.4%	-0.1	9.5%	-0.1	8.5%	-0.5
Real wage growth *(12-m avg)*	11.5%	5.6%	5.3%	-0.3	4.6%	-1.2	5.5%	-0.8
State Finance								
Government debt *(to-GDP)*	23.8%	27.1%	28.7%	-2.5	31.2%	-1.7	32.7%	-0.8
Government balance *(CFP) (to-GDP)*	-3.0%	-3.0%	-3.0%	0.0	-2.7%	-0.3	-2.5%	-0.5
Government balance *(Maastricht) (to-GDP)*	-2.0%	-3.5%	-2.9%	0.4	-3.0%	0.3	-2.9%	-0.1
Banking sector								
Total loans**	14.9%	16.8%	11.8%	-1.0	10.5%	-0.7	10.2%	0.5
Household loans**	21.4%	21.7%	15.1%	-2.9	12.3%	-1.3	12.0%	1.0
Company loans**	10.1%	12.9%	8.9%	0.7	8.9%	-0.1	8.4%	0.2
Total deposits	9.8%	16.2%	6.7%	1.2	7.1%	-1.5	8.5%	0.5
Household deposits	11.8%	19.8%	8.0%	2.9	8.7%	-1.3	10.0%	0.7
Company deposits	7.3%	10.6%	7.0%	-0.4	6.6%	-0.4	6.0%	0.2

*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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