

# Macroeconomic bulletin

*Summer 2025*



*August 2025*



Sovereign credit rating

# Bulgaria

MOODY's  
Baa1 stable

S&P Global  
Ratings  
BBB+ stable

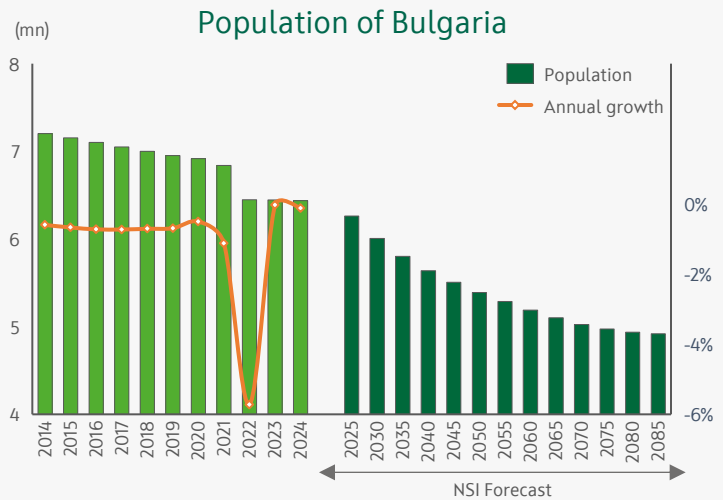
FitchRatings  
BBB+ stable

- ❖ In recent months, a new world order is taking place, where **geopolitical tensions** and **trade wars** are becoming part of the new "normal". The wars in Ukraine and the Middle East have had minimal impact on financial markets, including on oil – one of the most important factors influencing global consumer prices. The price of **Brent crude oil** has been returning to levels seen before the start of the war in Ukraine. The European Commission has announced a new financial framework for the next decade, aiming to redistribute monetary resources amounting to €2 trillion – a sum equivalent to 18 times Bulgaria's GDP.
- ❖ Economic incentives in **the Bulgarian economy** are currently limiting growth rates to around 3%. Among the main obstacles are a serious labour shortage, weak investment activity, a lack of structural reforms, the demographic crisis, and other systemic factors. As a catching-up economy, **Bulgaria** should be achieving a much higher economic growth rate than the EU average. Achieving this goal will require active investments and strengthened international trade, which depend on a predictable business environment, political stability, and an easy regulatory framework. In this context, **the "ReArm Europe" plan** and **the new EU multiannual financial framework for the period of 2025-2034** represent a strategic opportunity for **Bulgaria** to accelerate its sustainable economic progress in the long term. At the same time, private consumption continues to be the main driver of the growth, supported by rising household income – including wages, pensions, and social transfers.

# Demographics

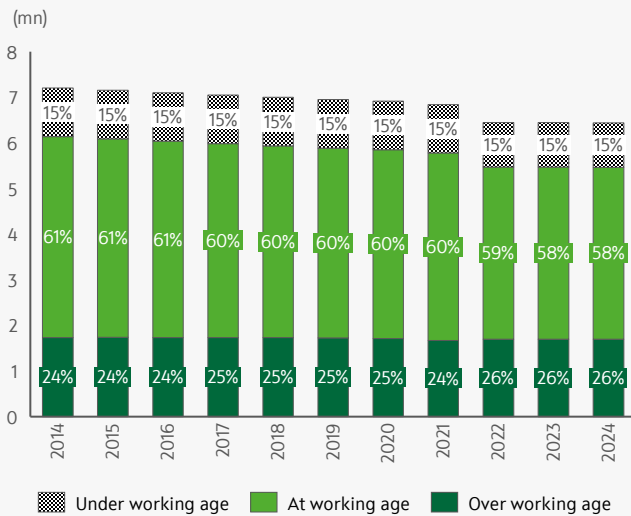
## An aging nation: challenges and emerging realities

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.

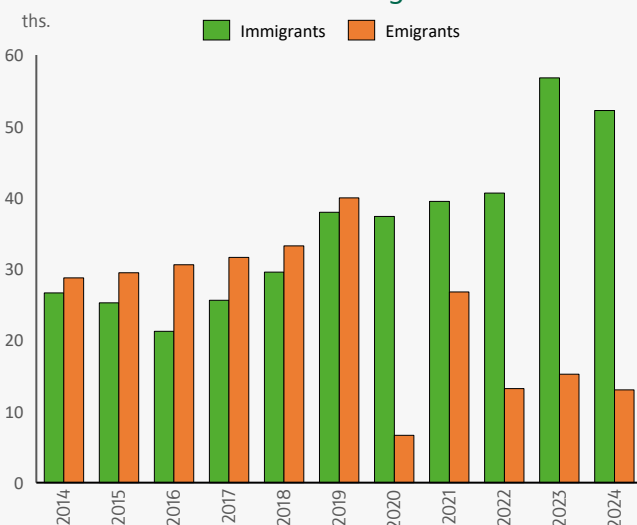


Following the COVID-19 pandemic, the trend of positive net migration has been maintained, with more people settling in Bulgaria than leaving. The largest group of Bulgarians who have returned to Bulgaria over the past year are of retirement age (or close to it), which does not significantly contribute 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).

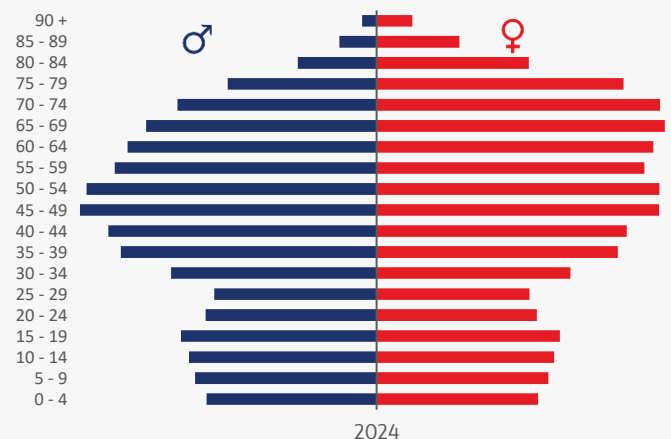
### Population by working age status



### International migration




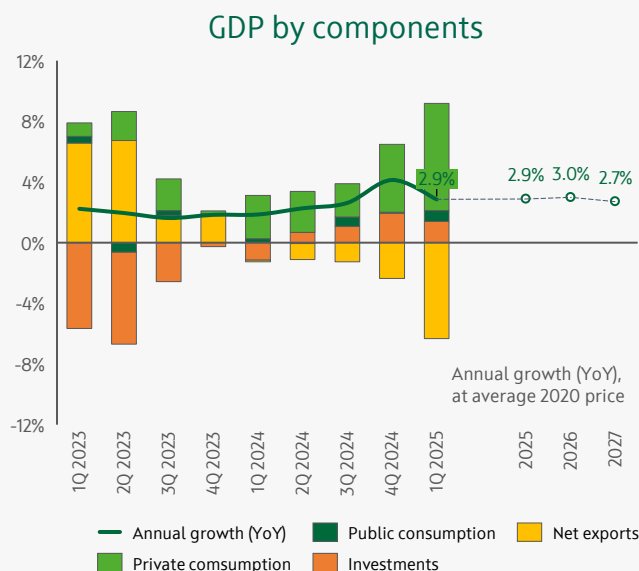
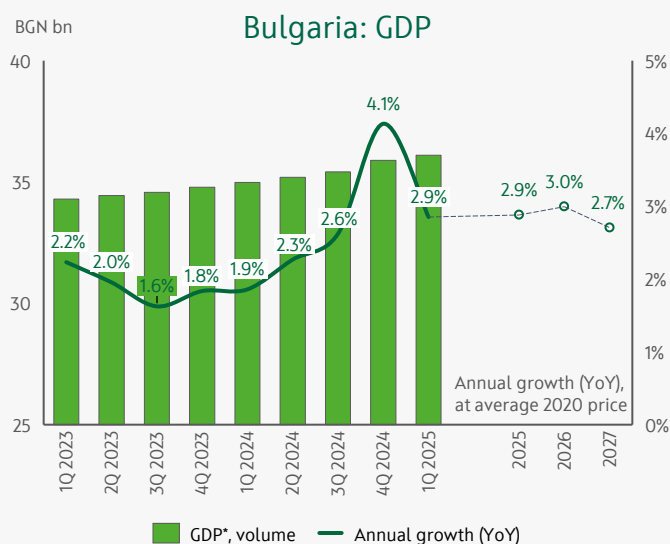
### Population pyramid: The process of ageing continues




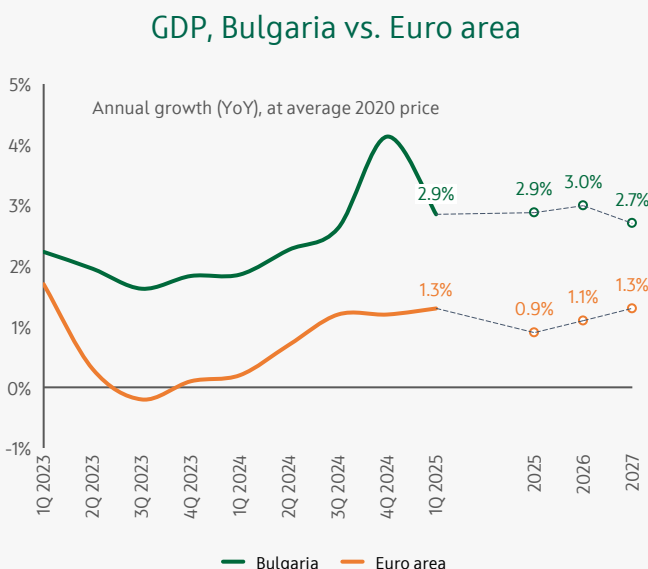
# Gross Domestic Product (GDP)

## Euro rush: domestic demand drives growth amid global uncertainty

 Euro rush: less than half a year left for the final preparation for the adoption of the euro. Business and the administration are signaling readiness for the sublime moment. GDP continues to show strong performance in the first quarter of 2025, despite international uncertainty and weakened economic activity in the country's main trading partners. Observations of the business environment from April to June confirm the positive sentiment in the economy, with domestic demand remaining the main driver of GDP growth.



 **Private consumption** continues to be a key driver of economic growth, recording the highest annual growth rate among all EU countries in the first quarter of 2025. The main impulses contributing to this growth remain unchanged: a competitive labour market and positive



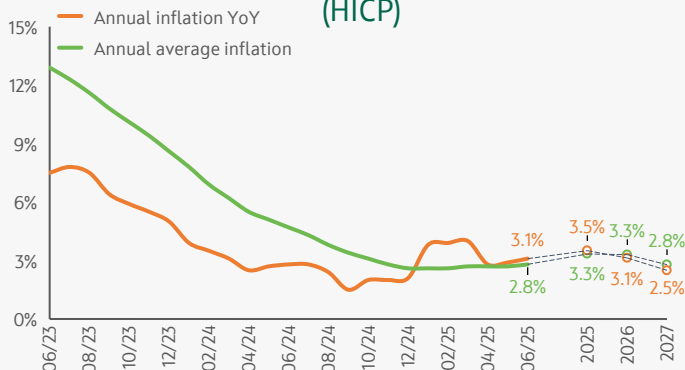
economic expectations. As expected, **public consumption** also has a positive impact on growth, with the increase in defence and security spending playing a leading role. **Investment activity** remains highly volatile and difficult to predict due to key influences, including an unstable international environment and domestic political unrest. Due to several factors - mainly overestimated external demand for Bulgarian goods and services - **net exports** will continue to have a negative impact in the coming years.



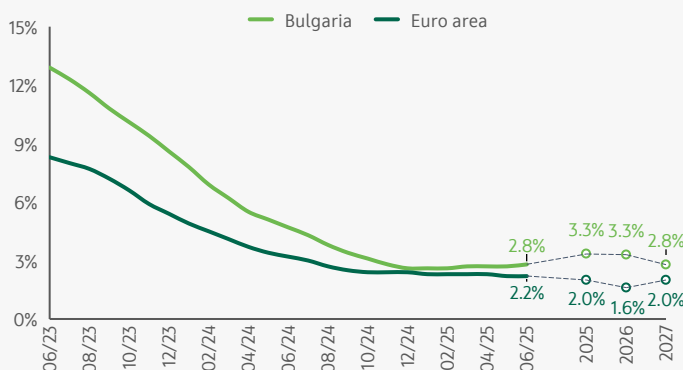
# Inflation

## Energy prices and domestic demand shape the inflation landscape

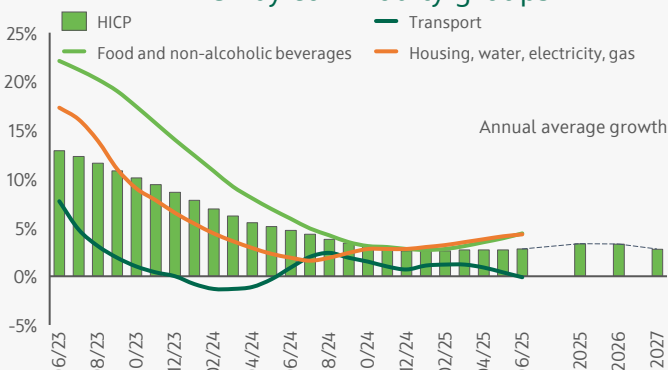
### Harmonized Indices of Consumer Prices (HICP)



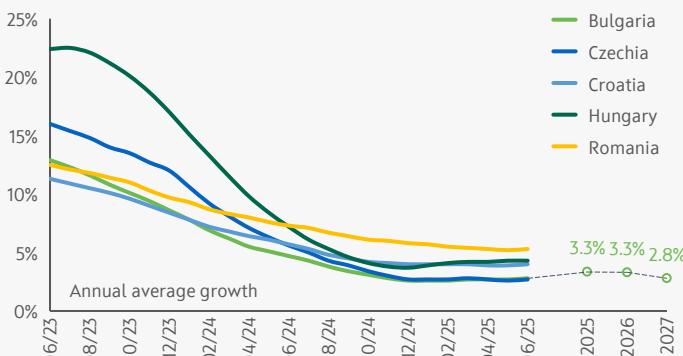
### HICP, Bulgaria vs. Euro area



### HICP by commodity groups\*

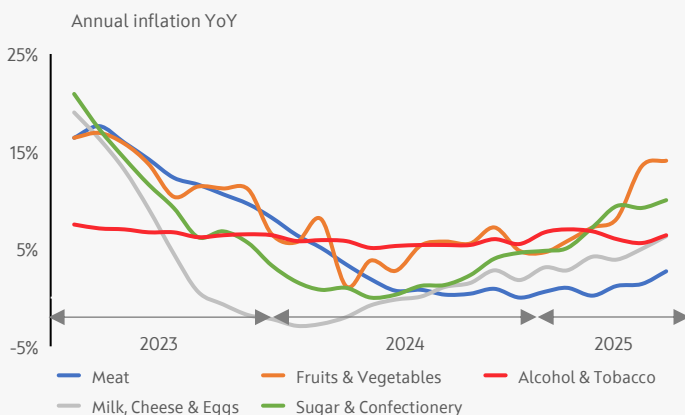


### HICP, Bulgaria vs. CEE countries



Increased domestic demand, combined with significant temperature fluctuations at the beginning of the season, has led to accelerated **inflationary pressure**. Annual **inflation** by mid-year reaches 3.1%, and our expectations are that it will remain around 3% in the medium term. Despite the deteriorated international economic environment, we forecast relatively stable prices for major energy resources – a key factor for **inflation** dynamics globally and in Bulgaria. Additional pressure on domestic price levels is exerted by planned increases in excise goods and utilities. The commitment made by the three institutions (National Revenue Agency, Commission on Protection

### Basic basket inflation

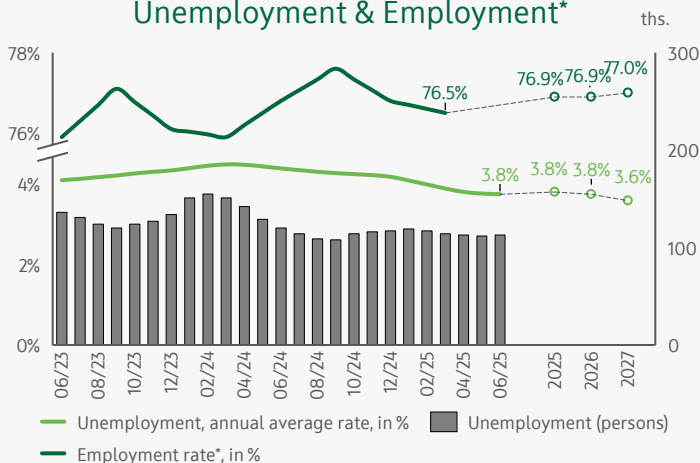


of Competition, and Commission for Consumer Protection) to curb speculative trader behavior before and after the introduction of the euro is an important step towards protecting consumers and stabilizing **the price environment**. The expected impact of the euro adoption on **inflation** in 2026 should not exceed one percentage point.

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



## Unemployment & Employment\*



The chart displays the annual average rate of inflation for two regions: Bulgaria (light green line) and the Euro area (dark green line). The x-axis represents time from June 2023 to 2027, with labels every four months. The y-axis represents the inflation rate in percentage, ranging from 3% to 8%.

For the Euro area, the inflation rate starts at approximately 6.6% in June 2023, remains relatively stable until June 2025, and then shows a slight downward trend, ending at 6.0% in 2027. For Bulgaria, the rate starts at approximately 4.1% in June 2023, peaks at 4.5% in early 2024, and then generally declines, ending at 3.6% in 2027.

Period	Bulgaria (%)	Euro area (%)
06/23	4.1%	6.6%
08/23	4.2%	6.6%
10/23	4.3%	6.6%
12/23	4.4%	6.5%
02/24	4.5%	6.5%
04/24	4.5%	6.5%
06/24	4.4%	6.5%
08/24	4.3%	6.5%
10/24	4.2%	6.4%
12/24	4.1%	6.3%
02/25	3.9%	6.3%
04/25	3.8%	6.3%
06/25	3.8%	6.3%
2025	3.8%	6.3%
2026	3.7%	6.3%
2027	3.6%	6.0%

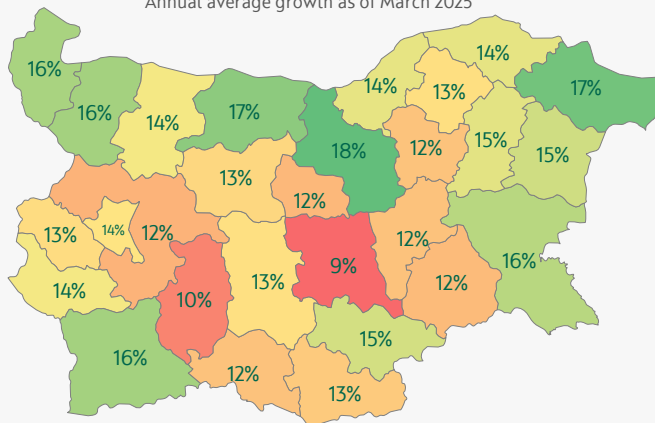
At the height of the summer season, tourism has become a clear indicator of the state of the **labour market**. The country is facing an acute labour shortage, which is partially offset by the import of seasonal workers. Over the past few years, the number of such workers has grown significantly, despite the existing administrative difficulties and procedures. The main countries of origin for these seasonal workers include Uzbekistan, Turkey, Kyrgyzstan, Nepal, and India.


Annual average growth


Year	National level	Public sector	Private sector	Financial & insurance sector
03/23	-1.5%	-4.0%	-1.0%	-1.0%
05/23	-0.5%	-3.5%	-0.5%	-0.5%
07/23	0.5%	-2.0%	0.0%	-0.5%
09/23	2.5%	0.0%	1.5%	1.0%
11/23	4.0%	4.0%	3.5%	2.5%
01/24	5.5%	6.0%	5.0%	4.0%
03/24	7.5%	8.5%	7.0%	6.0%
05/24	10.5%	12.5%	10.0%	8.5%
07/24	12.0%	14.0%	11.5%	9.5%
09/24	11.5%	13.5%	11.0%	9.0%
11/24	12.5%	13.0%	12.0%	10.0%
01/25	12.0%	12.5%	11.5%	10.5%
03/25	11.5%	12.0%	11.0%	10.0%
2025	8.1%	10.0%	10.0%	8.1%
2026	7.2%	9.0%	9.0%	7.2%
2027	6.7%	8.0%	8.0%	6.7%

Legend: National level (green line), Public sector (orange line), Private sector (dark green line), Financial & insurance sector (black line with dots).

Annual average growth as of March 2025



 **The labour shortage** in the Bulgarian economy is estimated to be on a scale comparable to the population of the city of Burgas. This is also one of the key reasons why **wages** continue to grow at a double-digit annual rate. As of the end of March 2025, **nominal wages** had increased by 11% year-on-year, although expectations point to a slight slowdown in the second half of the year.

 In the medium-term, **unemployment** and **employment** levels are expected to remain near historic records. This trend is driven not only by economic activity but also by the deepening demographic crisis, which continues to shrink the available labour supply.

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

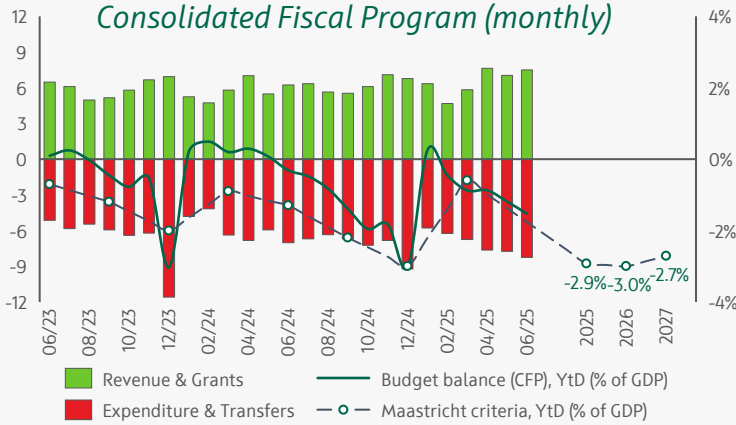


# State finance

## Bulgaria gains trust: more favourable financing of government debt

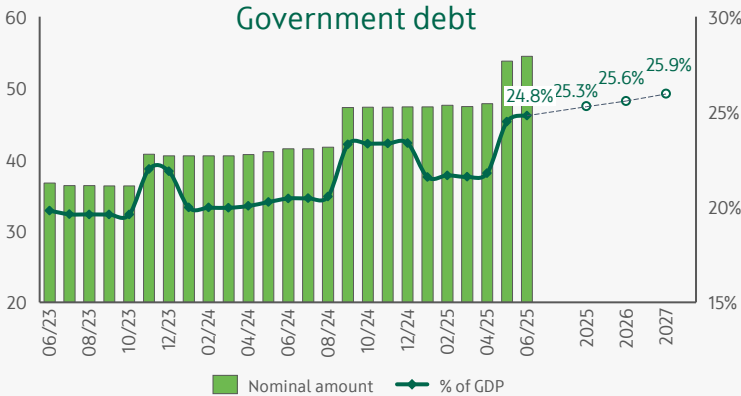
BGN bn

### Consolidated Fiscal Program (monthly)



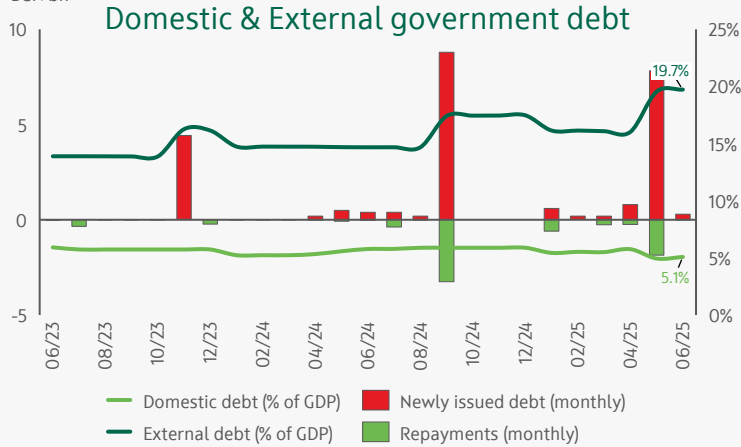
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### Government debt



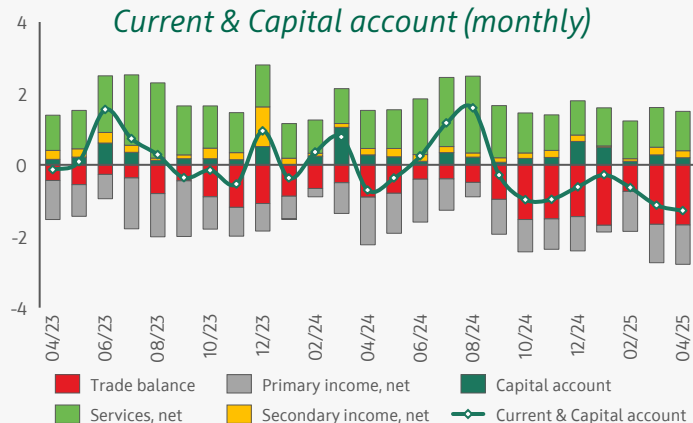
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### Domestic & External government debt



BGN bn

### Current & Capital account (monthly)



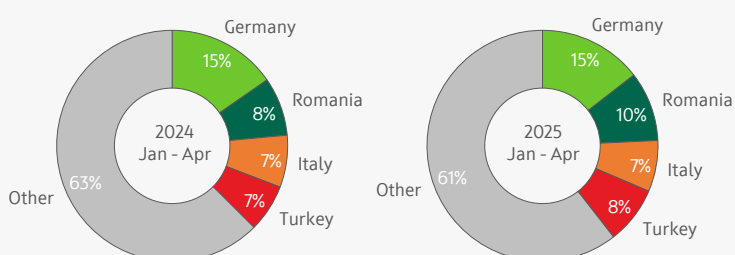
Only a few months remain until Bulgaria officially adopts the euro. All major procedural obstacles have been overcome, business are demonstrating readiness, and **the government** is actively working to curb speculative pricing practices. As of the end of May, **the state budget** remains within acceptable parameters, despite some deviation from planned levels. There is still a realistic chance that **the deficit** will be kept below 3% of GDP. Revenue collection is lagging behind projections, but this is partially offset by lower-than-expected capital expenditures. The new geopolitical reality is forcing European governments to significantly increase defence spending. Against backdrop of growing instability in Europe and Middle East, a decision at the EU level has allowed member states – incl. Bulgaria – to exclude certain defense expenditures from deficit calculations. In this context, the positive news surrounding the euro and recent **credit rating** upgrades created a favourable environment for external financing. The government successfully placed €3.2 bn in international debt on the capital markets, attracting exceptionally strong investor interest – with the issue oversubscribed > 4 times.

# Trade & Investments

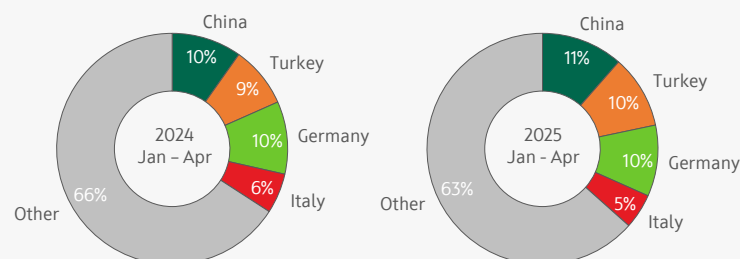
CEE drives growth, Romania and Turkey unlock new opportunities for Bulgarian business

Despite an annual decline in Bulgaria's exports, investment goods have recorded a growth of 3.6%. The overall **export** dynamics are primarily driven by a sharp drop in petroleum products (-65%) and non-ferrous metals (-26%; the latter due to scheduled maintenance of production facilities at Bulgaria's largest exporter).

## Export, main trade partners

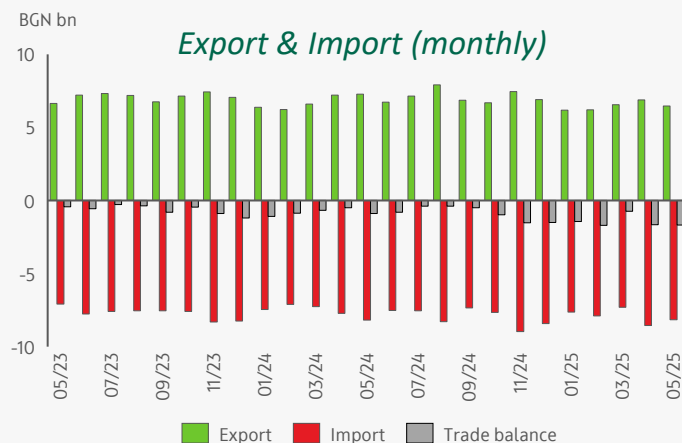


## Import, main trade partners

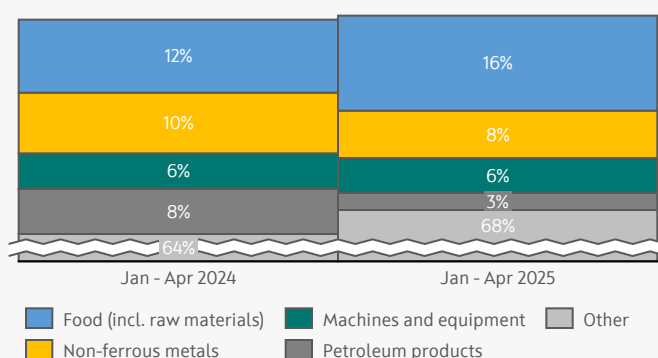


Military and trade conflicts around the world continue to undermine trust between the most influential global economies. Despite this, Bulgarian **trade** benefits from a favourable microenvironment, supported by the momentum in the CEE region. Trade relations with Turkey and Romania are opening new horizons and opportunities for Bulgarian business, which have so far relied primarily on Western trade partners.

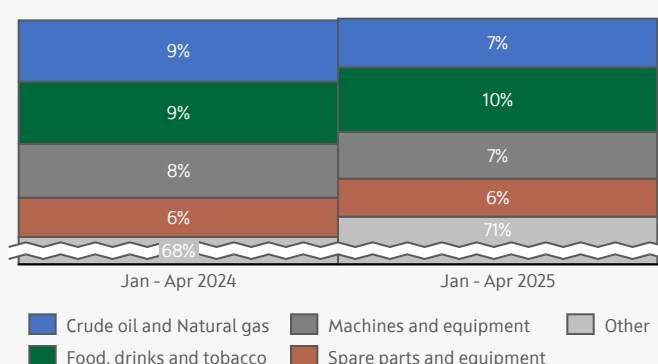
## Export & Import (monthly)



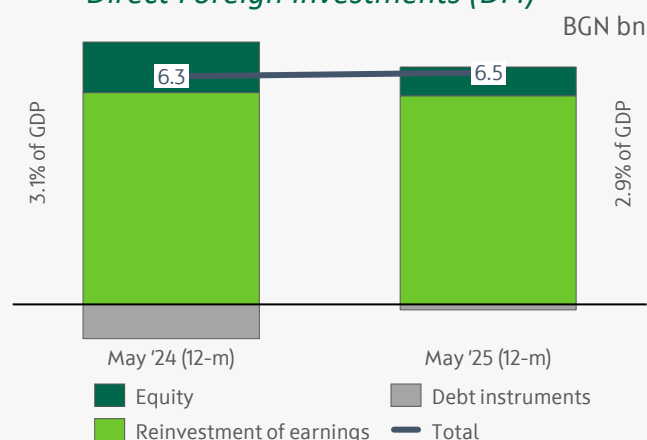
## Export by category



## Import by category




## Direct Foreign Investments (DFI)



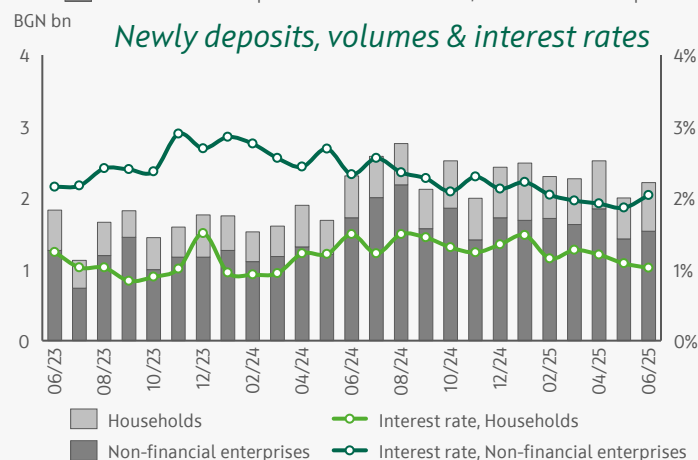
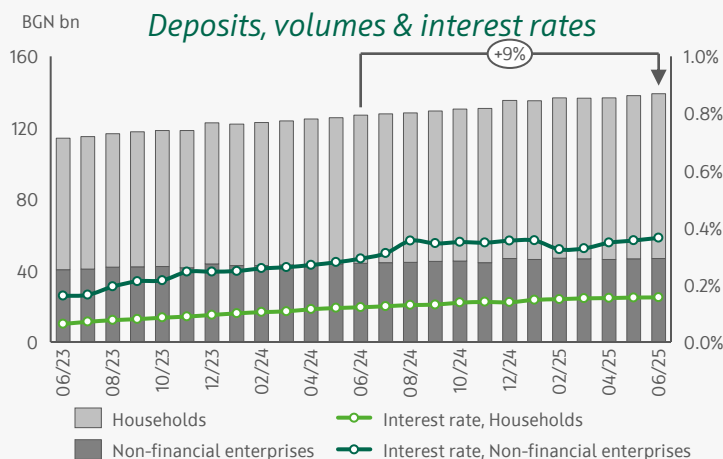
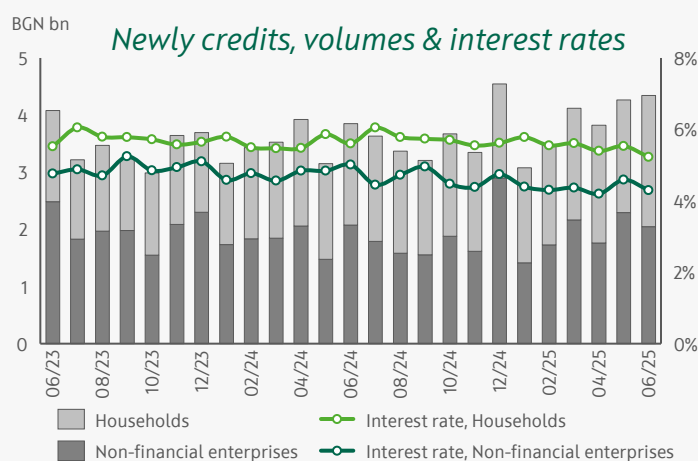
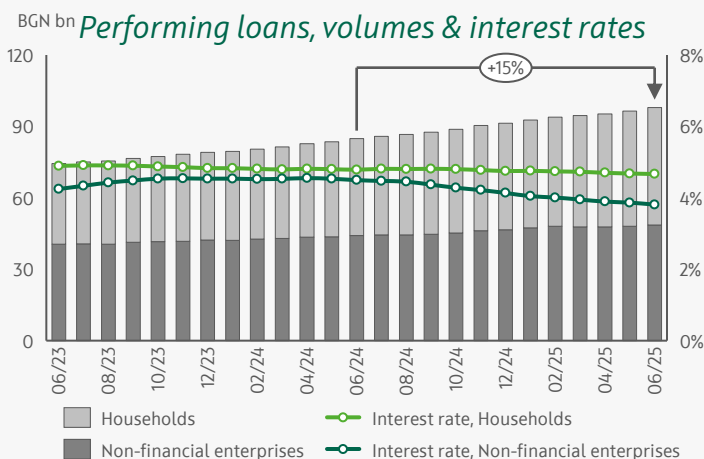


# Banking system

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

 Monetary policy of central banks continues to be oriented towards lowering **interest rates**. Expectations for the ECB are for a reduction in key **interest rates** by 1.5 percentage points, while forecasts for the FED remain more conservative. The effects of U.S. trade policy are causing some concerns, prompting the FED to act more cautiously and avoid rushing into expansionary measures.

 **Credit activity** in Bulgaria continues to show stable annual growth. **Lending** to households is increasing by nearly 20% year-on-year, while non-financial enterprises are experiencing a more moderate growth of around 10%. **Interest rates** on housing loans remain at historically low levels, which supports the dynamics of the market. This trend is further reinforced by the strong labour market and high activity in the real estate market. **Interest rates** are expected to remain around their current levels during the period surrounding the adoption of the euro. A key factor for this will be the increased liquidity in the sector, as well as the anticipated interest in mortgage lending in the context of currency integration.



## Actuals & Forecasts

Annual rate of change

2023 2024 2025 2026 2027

Actuals

Forecast

### Gross Domestic Product (revised)

Real GDP Growth	1.9%	2.8%	2.9%	3.0%	2.7%
Private Consumption	1.4%	4.5%	4.4%	3.8%	3.3%
Public Consumption	0.7%	2.8%	3.5%	3.3%	2.9%
Investments	-12.8%	4.1%	4.7%	4.2%	5.6%
Exports	0.0%	-0.8%	0.9%	3.1%	3.2%
Imports	-5.5%	1.3%	3.4%	4.6%	5.0%

### Inflation & Housing prices

Consumer Price Indices (CPI)	4.7%	2.2%	3.6%	3.4%	2.7%
Consumer Price Indices (CPI) (12-m avg)	9.5%	2.4%	3.7%	3.5%	3.0%
Harmonized Index (HICP)	5.0%	2.1%	3.5%	3.1%	2.5%
Harmonized Index (HICP) (12-m avg)	8.6%	2.6%	3.3%	3.3%	2.8%
Basic basket* (CPI)	7.5%	2.4%	5.8%	5.1%	4.2%
Housing prices (HPI, national level)	10.1%	18.3%	12.6%	7.3%	5.6%
Housing prices (HPI, Sofia)	9.7%	20.5%	14.5%	13.3%	8.1%
Housing prices (HPI, Plovdiv)	7.3%	18.6%	12.5%	7.2%	6.8%
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%	3.9%	3.6%
Employment rate (20 - 64 years of age)	76.2%	76.8%	76.9%	76.9%	77.0%
Monthly wage (12-m avg)	1 991	2 296	2 568	2 841	3 118
Nominal wage growth (12-m avg)	14.5%	15.3%	11.9%	10.7%	9.7%
Real wage growth (12-m avg)	5.0%	12.9%	8.1%	7.2%	6.7%

### State Finance

Government debt (to-GDP)	21.9%	23.4%	25.3%	25.6%	25.9%
Government balance (CFP) (to-GDP)	-3.0%	-3.0%	-3.2%	-2.8%	-3.0%
Government balance (Maastricht) (to-GDP)	-2.0%	-3.0%	-2.9%	-3.0%	-2.7%

### Banking sector

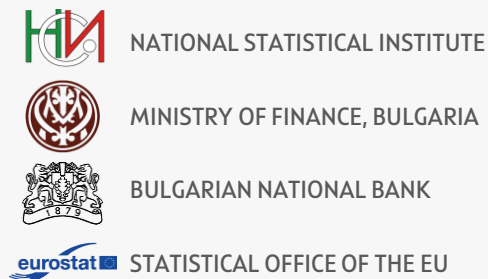
Total loans**	13.1%	14.9%	13.0%	9.2%	8.4%
Household loans**	17.1%	21.4%	17.9%	11.3%	9.5%
Company loans**	10.4%	10.1%	9.1%	7.3%	7.4%
Total deposits	9.6%	10.1%	14.3%	7.5%	7.9%
Household deposits	11.0%	11.8%	16.3%	7.1%	9.3%
Company deposits	7.0%	7.3%	10.8%	8.3%	5.3%

\*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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