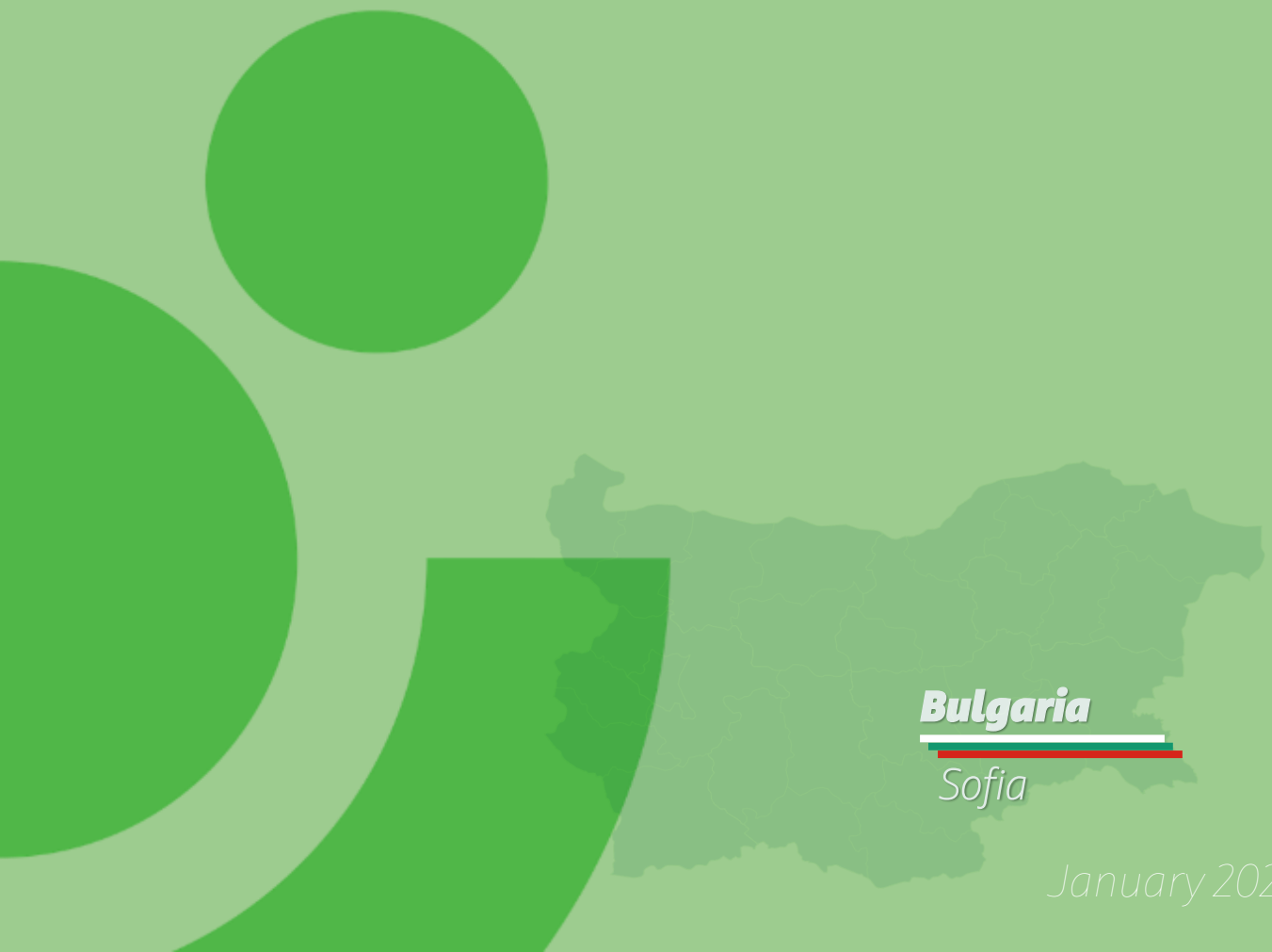


Macroeconomic bulletin

Winter 2025 - 2026



Bulgaria

Sofia

January 2026



Sovereign credit rating

Bulgaria

MOODY's
Baa1 stable

S&P Global
Ratings
BBB+ stable

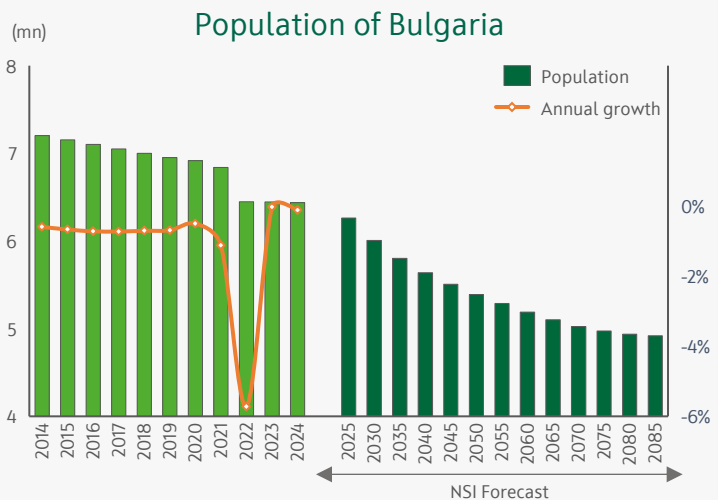
FitchRatings
BBB+ stable

- ❖ The normality that existed in the developed world for a decade after the global financial crisis has already been uprooted. The actions of world leaders are reshaping the new world order. The key word for this year will most likely be “**geopolitics**”. The international environment is filled with uncertainty as the financial world ends 2025 successfully. However, market expectations are for energy prices to remain stable, which implies low inflation, close to 2%. Central banks will continue to reduce key interest rates, albeit in smoother steps and over a longer horizon than previously anticipated. Risks in the operating environment are increasing, with military tensions remaining a major obstacle to both forecasts and international trade.
- ❖ **Bulgaria** has demonstrated sustainable economic growth in the face of an ever-worsening international environment in recent periods. Recent political events in the country have left the process of adopting the euro without regular governance in key state institutions. However, inflation is not expected to exceed the projected levels of 3% - 4% in 2026. The tight labour market will continue to function with record low unemployment rate and limited labour supply across most economic sectors. We maintain a neutral position on the previous macroeconomic forecast for state finances, given the domestic political uncertainty.
- ❖ The Bulgarian banking sector showed high technical and expert preparation, and the transition to **the euro** proceeded without serious shocks or systemic disruptions.

Demographics

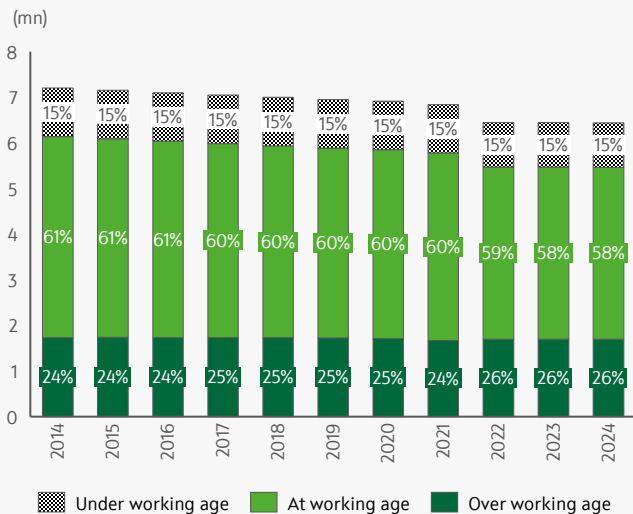
Population aging and the role of immigration in Bulgaria

In 2024, Bulgaria's population continues to shrink at an accelerated pace, with the negative demographic dynamics being partially mitigated only by the increasing import of labour force. The age structure of the population clearly reflects the aging process, with a high share of elderly people and a severely limited inflow of young generations due to the low birth rate. After the COVID-19 pandemic, net external migration remains positive,

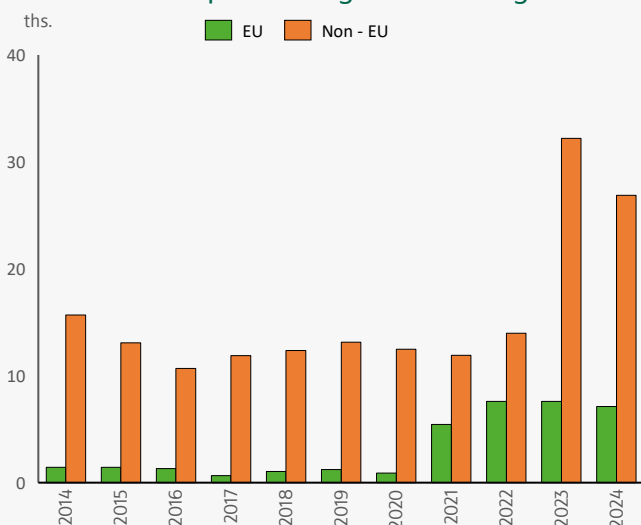


with an increased inflow of immigrants, mainly foreign citizens, reported in recent years. The majority of them are from countries outside the European Union and amount to nearly 30 thousand people per year. Returning Bulgarian citizens are mainly of retirement and pre-retirement age, which limits the effect on the labour market. The import of labour force supports business, but in the long term it also poses social challenges.

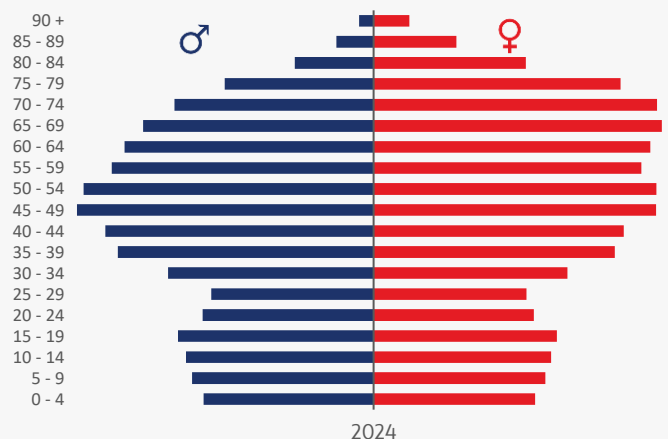
Population by working age status



Citizenship of immigrants in Bulgaria



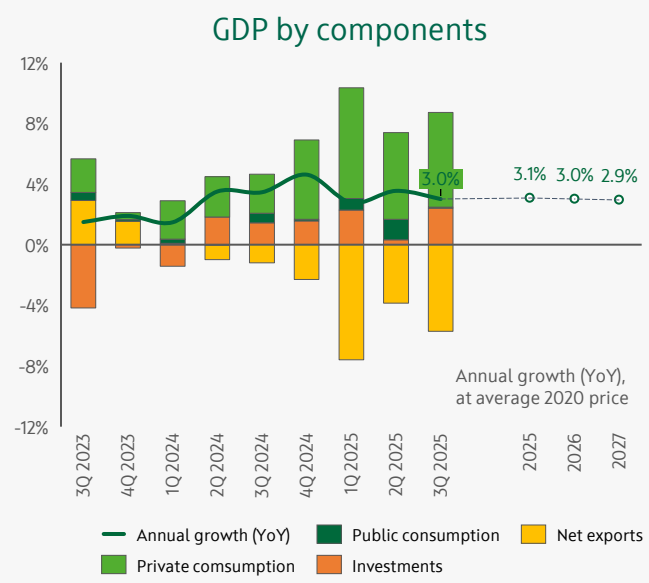
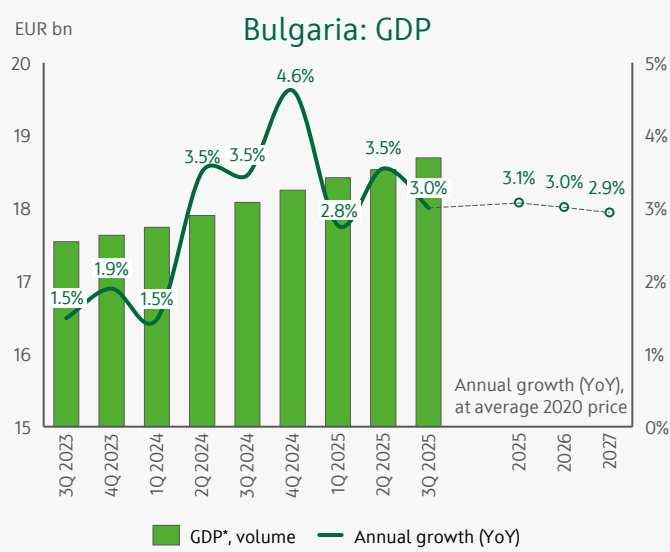
Population pyramid: The process of ageing continues




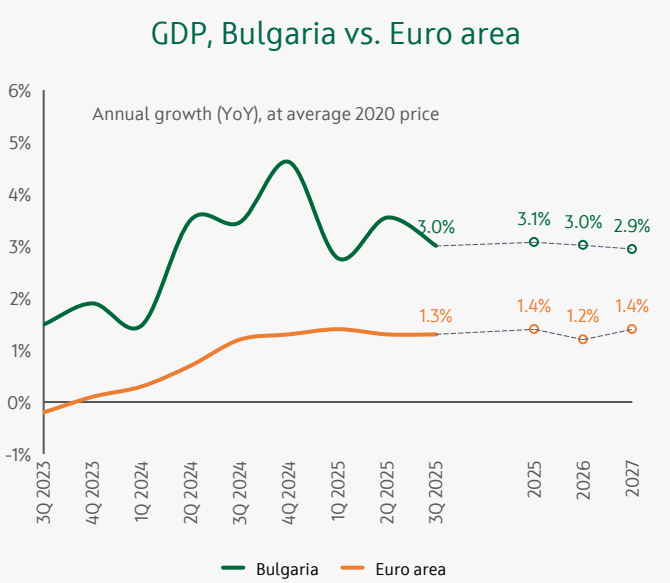
Gross Domestic Product (GDP)

Domestic demand as the main driver of economic growth

 Bulgaria's **economy** continues to show enviable economic growth given the international environment. **GDP** growth significantly exceeds the average levels for Europe and the euro area. Even for the more rapidly developing region of Central and Eastern Europe, this growth remains relatively high. The factors for growth are mainly domestic, with the labour market and affordable credit supporting private consumption. In the medium term, however, we expect the drivers of **the economy** to change.



 In the first three quarters of 2025, **household consumption** contributed significantly to the country's economic growth. It is mainly driven by the growing wealth of households, as well as by the record low rate of unemployment. **Investments** in the public and private sectors also



have a positive contribution, with the government sector playing a significant role. In the medium term, defense industrial expansion in Bulgaria and Europe will support investment activity. The only component with a negative contribution to real GDP growth in Bulgaria remains **net exports**. **Exports** report negative annual dynamics, mainly due to one-off events in some of the largest exporting companies and weaker external demand. While the growth in **imports** is dictated by strong domestic demand.

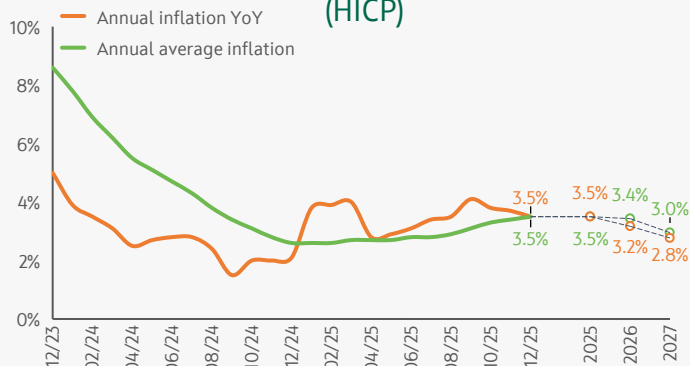
*Seasonally and calendar adjusted data



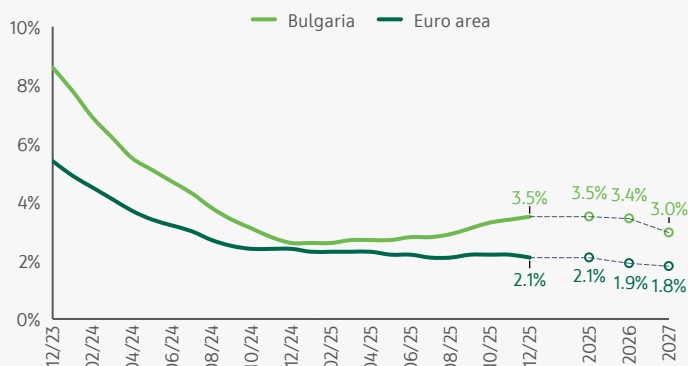
Inflation

Slight decline in the inflation rate in 2026 despite geopolitics

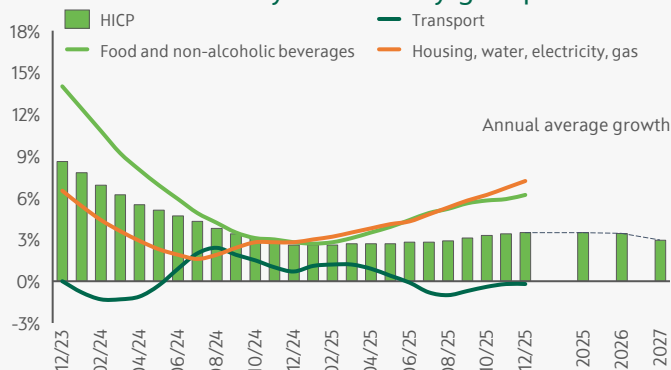
Harmonized Indices of Consumer Prices (HICP)



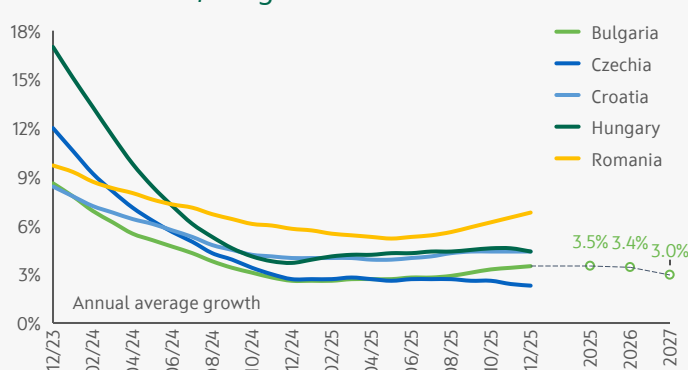
HICP, Bulgaria vs. Euro area



HICP by commodity groups*

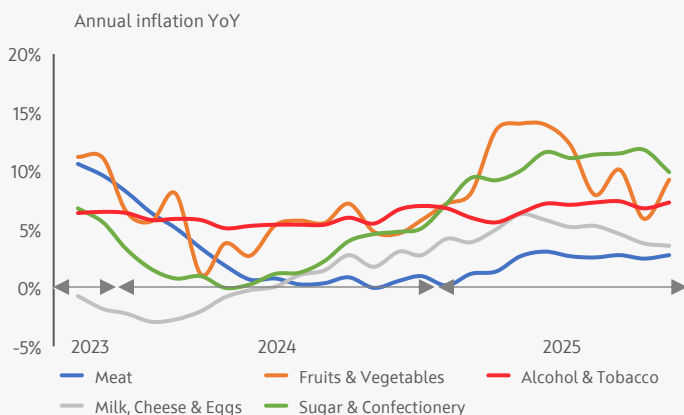


HICP, Bulgaria vs. CEE countries



The Bulgarian economy closed the past year with **inflation** at a level of 5% (Consumer Price Indices, annual change). **Inflationary pressures** intensified already at the beginning of 2025 due to higher administratively determined prices, while in the remaining months the main factors turned out to be increased domestic demand and rising labour costs. Other factors remained relatively stable during the year, with energy prices remaining at the same levels. The heightened military tensions since the beginning of this year have not yet had a negative impact on **international prices**, but

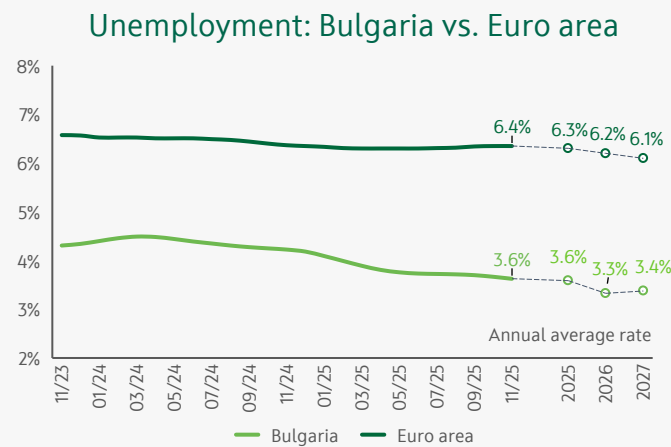
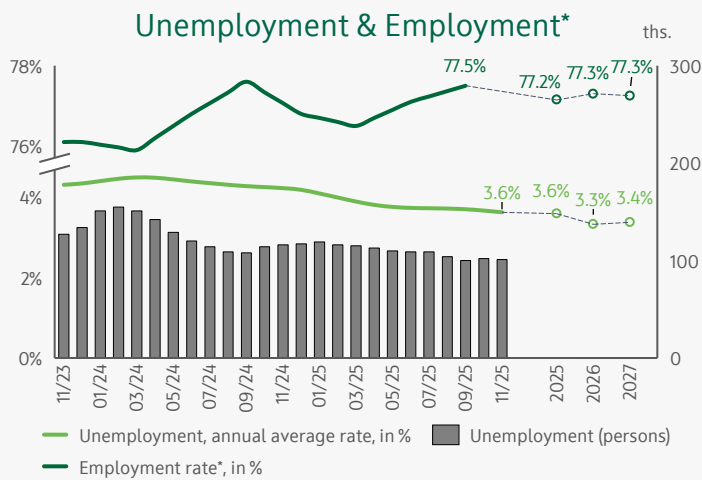
Basic basket inflation



stability is shaky. We expect oil (Brent) and natural gas (TTF) **prices** to remain close to current levels in the coming years, but the geopolitical environment is undermining the fragile balance. We expect rate of **inflation** to decline to 3.8% in 2026, mainly on the back of cooling down nominal/real wage growth and other price-correcting government measures.

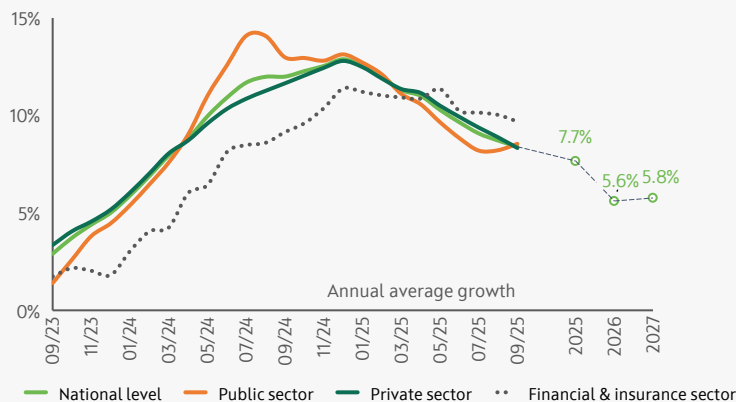
*Three consumer groups with the largest weights in the HICP general basket are presented

Continued labour market strength in 2026, but with decreasing wage growth

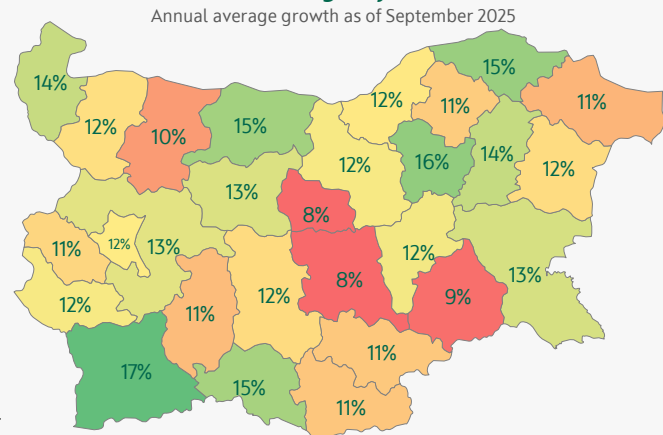


For the second consecutive year, the number of **unemployed people** in Bulgaria remains below 150 thousand people, which corresponds to an unemployment rate of just under 4%. The demographic problem, together with the presence of **structural unemployment**, determines **employment** and wage growth. There are still vulnerable settlements and groups of people where **unemployment** is higher. The dynamics of nominal wages in the economy reduces the number of discouraged people, which increases **the employment rate**.

Real wage by sectors



Nominal wage by location

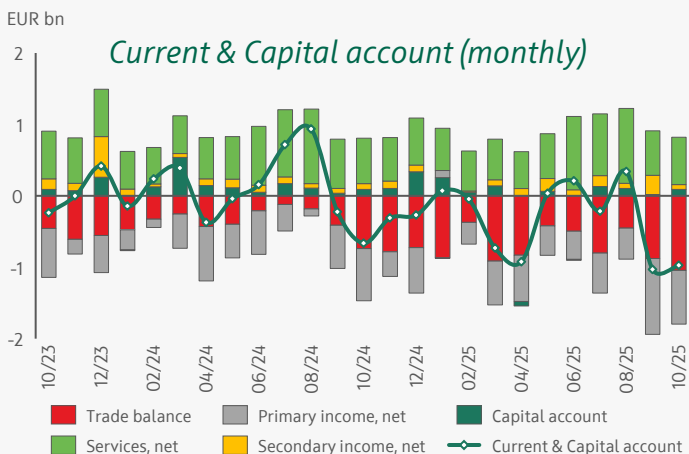
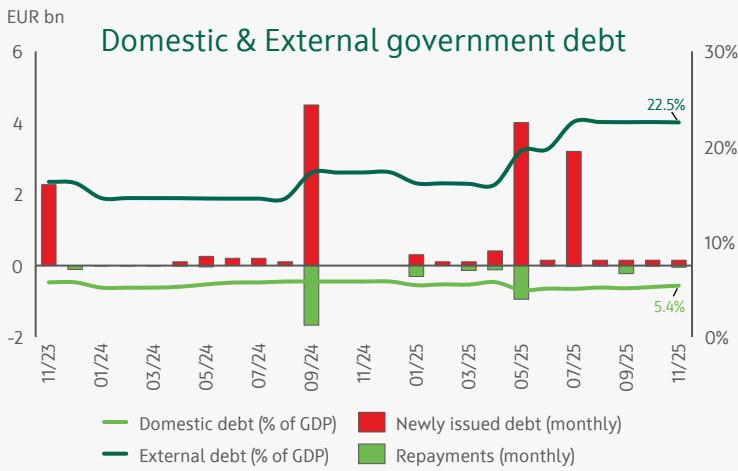
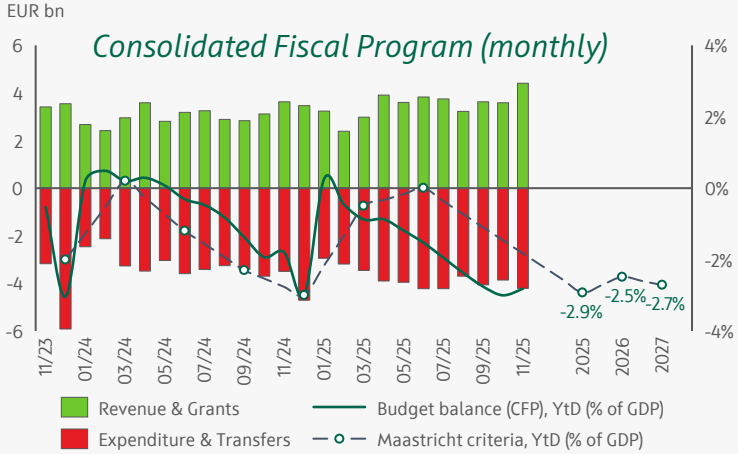


Maintaining high economic activity in the country contributes to the low unemployment rate, but the available labour force "buffers" are limited. **Unemployment** in rural areas remains above 6%, reaching over 10% for the population with primary or lower education. **Wages** continue to record double-digit growth, and we expect the growth rates to decrease and reach 10% this year. In real terms, the dynamics are more substantial: taking into account inflation, in 2026 the increase will be between 5% and 6%. Expectations for the dynamics of public sector **remuneration** will largely determine the overall dynamics in the economy.



State finance

Political uncertainty and fiscal pause in the conditions of completed European integration



Being a member of the euro area and part of the Schengen area, Bulgaria has officially closed the integration process. A time has come in which the Bulgarian economy has real opportunities to accelerate its economic and financial integration with the core of Europe and to benefit more effectively from the common market for goods, services and capital.

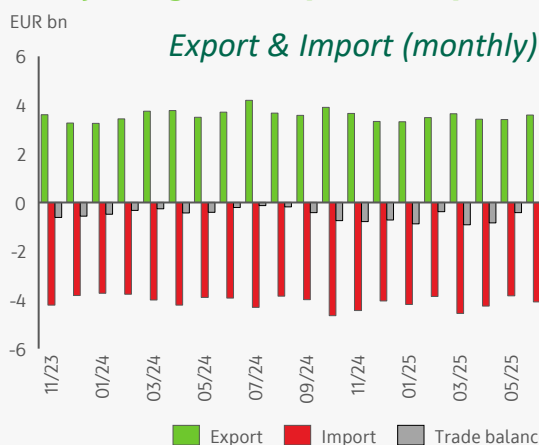
At the end of 2025, the political environment in Bulgaria deteriorated after **the regular government** resigned under growing social tensions. As a result, the country started the calendar year with **an extended budget**, which postponed key fiscal decisions. Changes in tax and social security policy, as well as planned increases in public sector wages, were postponed until the adoption of the next **state budget**. In this context, **the outgoing government** adopted a 5% nominal wage increase, corresponding to the reported inflation in 2025.

In these conditions, we maintain a neutral position compared to our previous macroeconomic forecast. **The budget deficit** as of November 2025 improves to -2.8% (of projected GDP), while **the government debt** reaches 27.9% (of projected GDP).

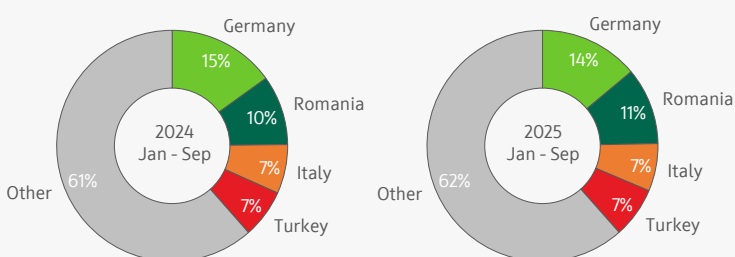
Trade & Investments

The Burgas refinery and repairs in the industry weigh on exports, imports grow

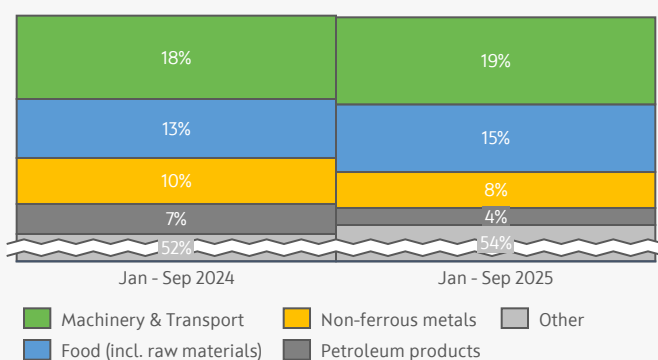
The uncertainty surrounding the Burgas refinery, together with the planned repairs in Bulgaria's largest exporter, largely determined the decline in total **exports** in 2025. Turkey is permanently settling among the main trading partners of Bulgarian business.



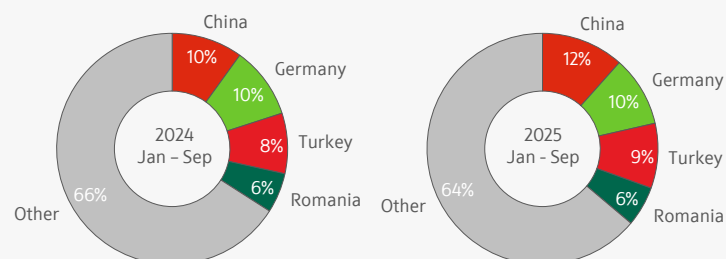
Export, main trade partners



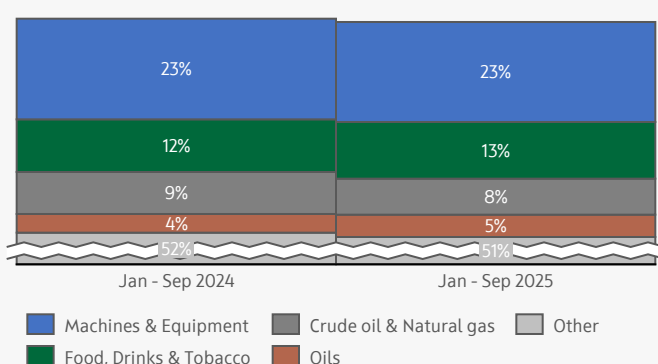
Export by category



Import, main trade partners

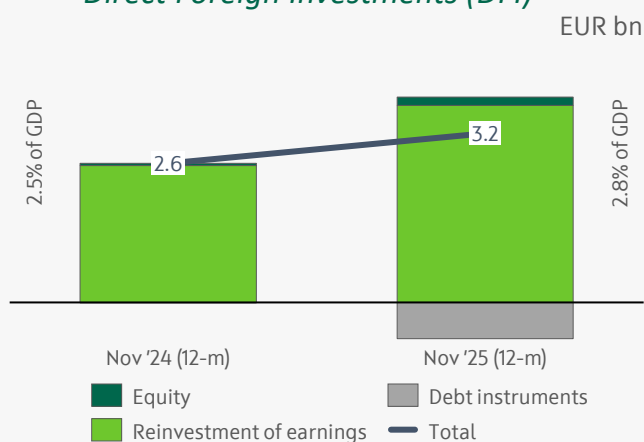


Import by category



Unlike **exports**, **imports** continue to report peak volumes. Among the products with the highest growth are consumer goods (food, beverages and tobacco). **Imports** are mainly influenced by the increased interest of households in imported goods from China and Turkey. They report a significant growth in trade with Bulgaria, with China remaining the largest importer for the country, replacing Germany.

Direct Foreign Investments (DFI)



Banking system

Smooth transition to the euro and stability of the Bulgarian banking sector in 2026

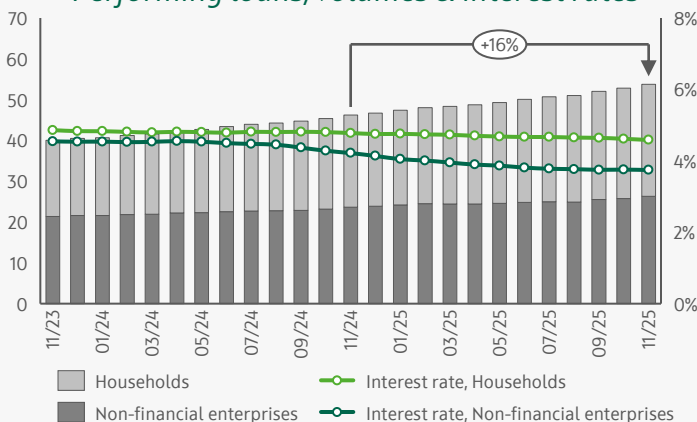
Expectations for 2026 are for more of the same - most **central banks** will continue to reduce their key **interest rates**, albeit at longer intervals. **The ECB key interest rate** (2%) is expected to remain unchanged this year due to the achieved price stability in the euro area.

The process of adopting the euro is proceeding according to plan, without significant shocks. Lev banknotes and coins in circulation are being replaced by euros, and customers' credit and deposit products were converted at the beginning of the new year.

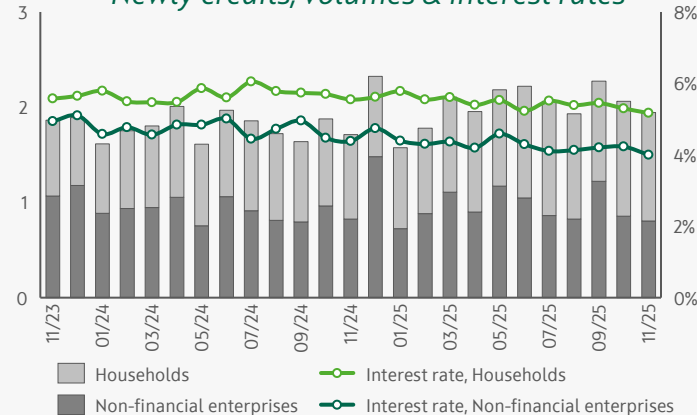
We observe increased activity in cash withdrawals and in the deposit base, but there is no significant outflow from the banking sector. Interest rates on loans remain at similar levels compared to the previous quarter, and we expect this stability to be maintained in housing lending after the adoption of the euro in Bulgaria. We expect credit activity to slow down in the coming years due to lower growth rates in both housing prices and wages.

In addition, the expected seasonality at the beginning of the year and expected decreasing private consumption will contribute to cooling in the sector.

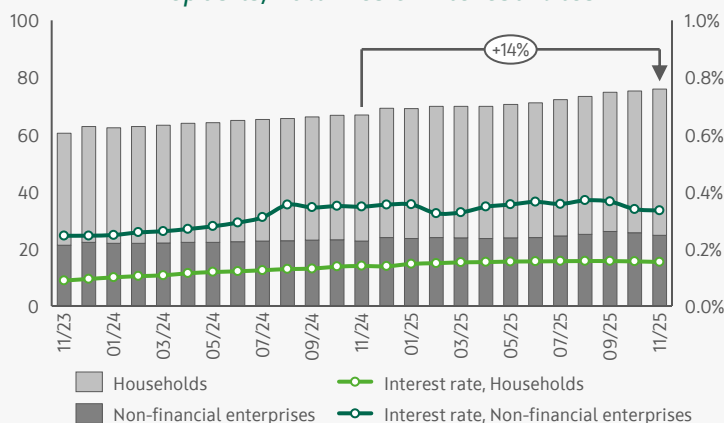
EUR bn *Performing loans, volumes & interest rates*



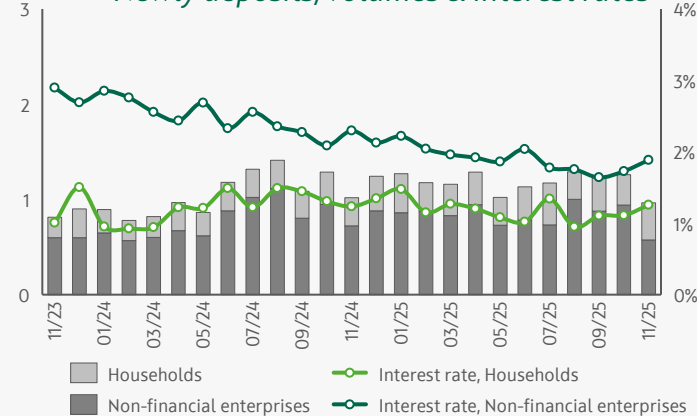
EUR bn *Newly credits, volumes & interest rates*



EUR bn *Deposits, volumes & interest rates*



EUR bn *Newly deposits, volumes & interest rates*



Actuals & Forecasts

Annual rate of change

2023 2024

Actuals

2025

2026

2027

Forecast

Gross Domestic Product (revised)

Real GDP Growth	1.7%	3.4%	3.1%	3.0%	2.9%
Private Consumption	1.1%	4.8%	8.3%	4.2%	3.6%
Public Consumption	0.7%	3.0%	7.2%	5.3%	4.9%
Investments	-12.8%	5.3%	7.4%	10.3%	8.2%
Exports	0.0%	1.8%	-4.2%	1.0%	2.1%
Imports	-5.5%	3.9%	3.6%	5.4%	5.2%

Inflation & Housing prices

Consumer Price Indices (CPI)	4.7%	2.2%	5.0%	3.8%	3.4%
Consumer Price Indices (CPI) (12-m avg)	9.5%	2.4%	4.6%	4.4%	3.6%
Harmonized Index (HICP)	5.0%	2.1%	3.5%	3.2%	2.8%
Harmonized Index (HICP) (12-m avg)	8.6%	2.6%	3.5%	3.4%	3.0%
Basic basket* (CPI)	7.5%	2.4%	6.7%	5.1%	4.6%
Housing prices (HPI, national level)	10.1%	18.3%	15.0%	9.7%	8.1%
Housing prices (HPI, Sofia)	9.7%	20.5%	15.2%	12.7%	8.9%
Housing prices (HPI, Plovdiv)	7.3%	18.6%	13.9%	11.9%	10.7%
Housing prices (HPI, Varna)	15.7%	22.0%	17.1%	9.9%	9.7%

Labour market

Unemployment rate (EoP)	4.4%	3.9%	3.5%	3.5%	3.6%
Employment rate (20 - 64 years of age)	76.2%	76.8%	77.2%	77.3%	77.3%
Monthly wage (12-m avg)	1 018	1 174	1 317	1 449	1 585
Nominal wage growth (12-m avg)	14.5%	15.3%	12.3%	10.0%	9.3%
Real wage growth (12-m avg)	5.0%	12.9%	7.7%	5.6%	5.8%

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%	16.8%	12.8%	11.2%
Household loans**	17.1%	21.4%	21.7%	18.0%	13.6%
Company loans**	10.4%	10.1%	12.9%	8.2%	9.0%
Total deposits	9.6%	9.8%	16.2%	5.5%	8.6%
Household deposits	11.0%	11.8%	19.8%	5.1%	10.0%
Company deposits	7.0%	7.3%	10.6%	7.4%	7.0%

*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



Forecasts



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